

GOVERNMENT
Storage

1011

AP 6/1
Ag 8/963
PT. 1

DEPARTMENT OF AGRICULTURE APPROPRIATIONS FOR 1963

Y4
.Ap 6/1
Ag 8/963/PT. 1

HEARINGS BEFORE A SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES EIGHTY-SEVENTH CONGRESS SECOND SESSION

SUBCOMMITTEE ON DEPARTMENT OF AGRICULTURE AND RELATED
AGENCIES APPROPRIATIONS

JAMIE L. WHITTEN, Mississippi, *Chairman*

WILLIAM H. NATCHER, Kentucky
ALFRED E. SANTANGELO, New York
JOHN M. SLACK, Jr., West Virginia

H. CARL ANDERSEN, Minnesota
WALT HORAN, Washington
ROBERT H. MICHEL, Illinois

Ross P. Pope, *Staff Assistant to the Subcommittee*

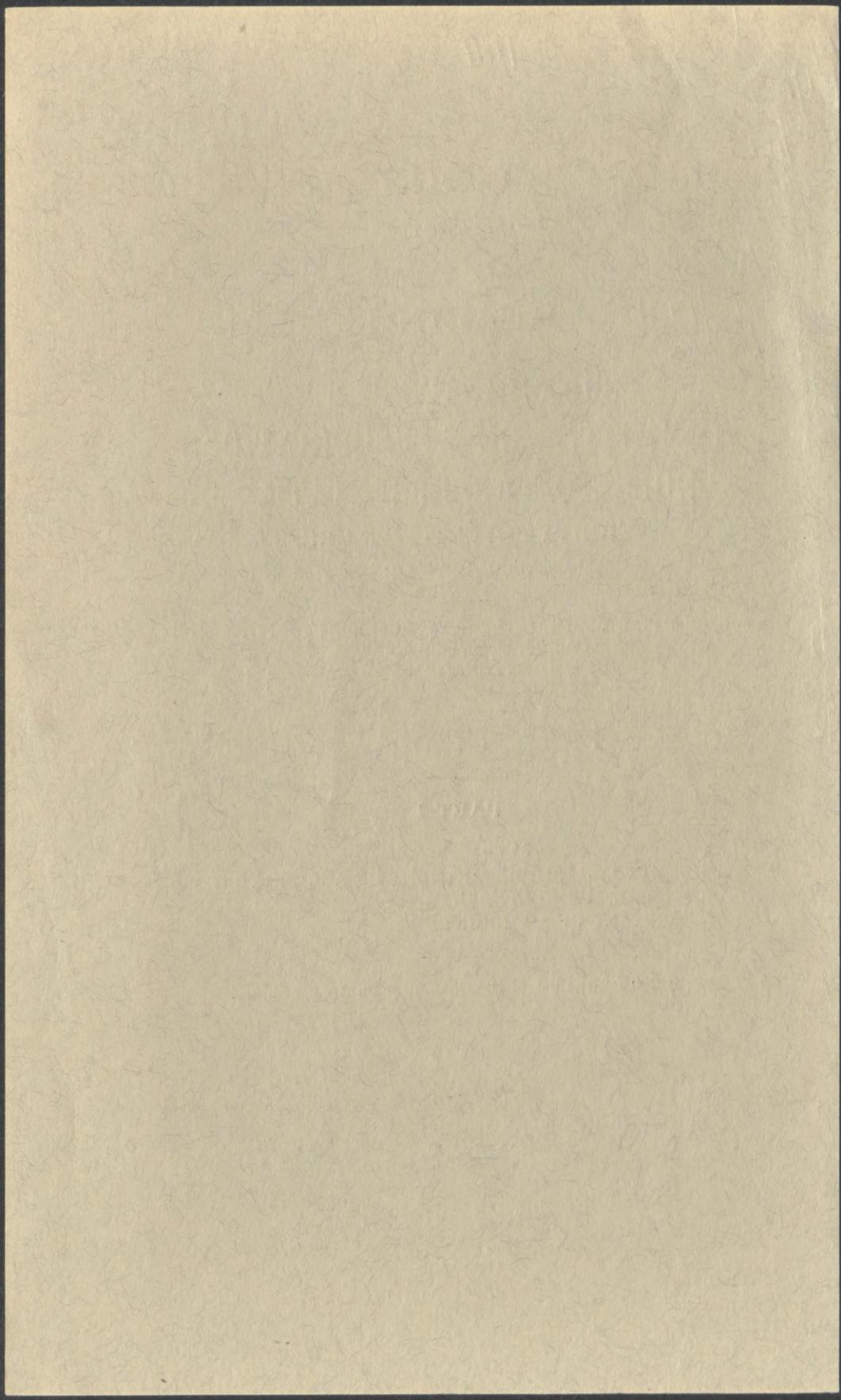
PART 1 (Pages 1-360)

BUDGET FOR THE DEPARTMENT OF AGRICULTURE
GENERAL AGRICULTURAL OUTLOOK
SECRETARY OF AGRICULTURE

Printed for the use of the Committee on Appropriations



KSU LIBRARIES
A11900 450017



DEPARTMENT OF AGRICULTURE APPROPRIATIONS FOR 1963

HEARINGS BEFORE A SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES EIGHTY-SEVENTH CONGRESS SECOND SESSION

SUBCOMMITTEE ON DEPARTMENT OF AGRICULTURE AND RELATED
AGENCIES APPROPRIATIONS

JAMIE L. WHITTEN, Mississippi, *Chairman*

WILLIAM H. NATCHER, Kentucky
ALFRED E. SANTANGELO, New York
JOHN M. SLACK, Jr., West Virginia

H. CARL ANDERSEN, Minnesota
WALT HORAN, Washington
ROBERT H. MICHEL, Illinois

Ross P. POPE, *Staff Assistant to the Subcommittee*

PART 1 (Pages 1-360)

BUDGET FOR THE DEPARTMENT OF AGRICULTURE
GENERAL AGRICULTURAL OUTLOOK
SECRETARY OF AGRICULTURE

Printed for the use of the Committee on Appropriations



DEPARTMENT OF AGRICULTURE
APPROPRIATIONS FOR 1953

COMMITTEE ON APPROPRIATIONS

CLARENCE CANNON, Missouri, *Chairman*

GEORGE H. MAHON, Texas
HARRY R. SHEPPARD, California
ALBERT THOMAS, Texas
MICHAEL J. KIRWAN, Ohio
JAMIE L. WHITTEN, Mississippi
GEORGE W. ANDREWS, Alabama
JOHN J. ROONEY, New York
J. VAUGHAN GARY, Virginia
JOHN E. FOGARTY, Rhode Island
ROBERT L. F. SIKES, Florida
OTTO E. PASSMAN, Louisiana
SIDNEY R. YATES, Illinois
FRED MARSHALL, Minnesota
JOE L. EVINS, Tennessee
JOHN F. SHELLEY, California
EDWARD P. BOLAND, Massachusetts
DON MAGNUSON, Washington
WILLIAM H. NATCHER, Kentucky
DANIEL J. FLOOD, Pennsylvania
WINFIELD K. DENTON, Indiana
TOM STEED, Oklahoma
HUGH Q. ALEXANDER, North Carolina
ALFRED E. SANTANGELO, New York
JOSEPH M. MONTROYA, New Mexico
GEORGE E. SHIPLEY, Illinois
JOHN M. SLACK, Jr., West Virginia
DALE ALFORD, Arkansas
JOHN LESINSKI, Michigan
JOHN J. FLYNT, Georgia

JOHN TABER, New York
BEN F. JENSEN, Iowa
H. CARL ANDERSEN, Minnesota
WALT HORAN, Washington
IVOR D. FENTON, Pennsylvania
GERALD R. FORD, Jr., Michigan
HAROLD C. OSTERTAG, New York
FRANK T. BOW, Ohio
CHARLES RAPER JONAS, North Carolina
MELVIN R. LAIRD, Wisconsin
ELFORD A. CEDERBERG, Michigan
GLENARD P. LIPSCOMB, California
JOHN J. RHODES, Arizona
JOHN R. PILLION, New York
PHIL WEAVER, Nebraska
WILLIAM E. MINSHALL, Ohio
ROBERT H. MICHEL, Illinois
SILVIO O. CONTE, Massachusetts
WILLIAM H. MILLIKEN, Jr., Pennsylvania
EARL WILSON, Indiana

KENNETH SPRANKELE, *Clerk and Staff Director*

DEPARTMENT OF AGRICULTURE APPROPRIATIONS FOR 1963

WEDNESDAY, FEBRUARY 7, 1962.

SECRETARY OF AGRICULTURE

WITNESSES

HON. ORVILLE L. FREEMAN, SECRETARY OF AGRICULTURE
JOSEPH M. ROBERTSON, ADMINISTRATIVE ASSISTANT SECRETARY
JOHN A. BAKER, DIRECTOR, AGRICULTURAL CREDIT, DEPARTMENT OF AGRICULTURE
ROBERT P. BEACH, DEPUTY ADMINISTRATOR, MANAGEMENT, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE
JOHN A. SCHNITTKER, STAFF ECONOMIST, AGRICULTURAL ECONOMICS, DEPARTMENT OF AGRICULTURE
CHARLES L. GRANT, DIRECTOR OF FINANCE AND BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

Mr. WHITTEN. The committee will come to order.

Gentlemen of the committee, we are pleased to have with us today the Secretary of Agriculture, Hon. Orville L. Freeman, together with Mr. Robertson, Mr. Grant, and others of his staff, in connection with the budget for the 1963 fiscal year.

Mr. Secretary, we are glad to have you with us, sir.

Mr. FREEMAN. Thank you, Mr. Chairman.

INTRODUCTORY REMARKS

Mr. WHITTEN. Last year we realized that, since you had been in only a matter of a few weeks, it was probably to everyone's interests not to try to press for fixed views at that stage. We felt it better to wait until you had a year's experience to see how these things would work out.

I have been highly pleased in the course of the past year that you have been making it a point to get over to the American people that agriculture's place is basic and for the overall good we must have a sound agricultural economy. I have been very glad to see many of the statements that you have made, which have helped to bring a better understanding to the 90 percent of nonfarmers that there is an interdependence of the various groups, each upon the other.

With regard to the farm bill that was proposed last year, as you are well aware, it was my opinion that much of it was a grant of authority, rather than a farm bill in itself. That I could not buy. We can't help but have our views here as you do.

I happen to serve on the Defense Appropriations Subcommittee. I have been engaged in hearings on that for some days now. I am spending each morning there and each afternoon here on Agriculture.

We brought together some figures there which to me are rather significant. Well over half of our Federal budget each year goes for

national defense, international affairs, and space research and technology. About 63 percent of the entire budget of \$92.5 billion for fiscal year 1963 is proposed for these three purposes. That includes \$52.7 billion for national defense, \$3 billion for international affairs, and \$2.4 billion for the space program.

The records show that in 1963 the number of military personnel actually engaged in the service will total 2.7 million. While they give us wonderful protection, it is protection and defense and for that reason they have no time to do those things that produce goods. The 1963 budget also provides a million people in military reserves, to be in a state of readiness. It is practically impossible to estimate how many millions of Americans are engaged in supplying our Defense Establishment.

Be that as it may, 63 percent of our total Federal expenditure is going into defense and directly related programs. They are highly essential to the protection of the country, but it means that the remaining 37 percent of the total Federal budget is all that is left for all of the other activities including funds for Agriculture.

I have never been in any way hesitant to defend the agriculture appropriation budget. I have felt occasionally that we have been wasteful in handling some programs. Personally I thought the soil bank was a mistake, in the way it was set up and handled, and I have seen other wasteful procedures. But, I do not believe in the history of the world there has been another nation that could support a Military Establishment that takes 63 percent of the Government's income year after year and could still maintain the highest standard of living that any nation has ever had. Our Nation is doing that because of Agriculture.

I mention that because of the impression I have from the other committee. The total budget here for agriculture is, you might say, peanuts, as compared with the billions of dollars that are spent for defense. Now, because they spend billions there doesn't mean we should waste funds here. Because they do, might be the reason we should hold things as tight as we can here but we must get the job done.

But the point I am getting to is this, Mr. Secretary, if anybody will think through this, the only reason in the world that 63 percent of our total national governmental income can go for these other purposes and that 3 million people can be directly in it and probably 12 or 15 million engaged in supplying this 3 million is because 10 percent of the American people are able to provide the food for the rest of our 183 million people. And you and I and everybody around this table should give thanks.

If for \$3, \$4, or \$5 billion we can support \$60 billion for defense, and can supply that much manpower and still have a high standard of living, I think there is no reason for us to be ashamed of a dollar that is in this bill.

This is no lecture to you, because I have been pleased at the statements that you have made in connection with getting this idea over to the other 90 percent of the population that are not farmers. I mean no reflection on your predecessor, but I had occasion to speak to a national audience at Biloxi, Miss., last November after the election, and I made a statement then and I make it now.

I said that I did not know who would be Secretary of Agriculture, but that if he could get over to the 90 percent of nonfarmers how very

lucky they were to have this plentiful supply of food for the low cost it would be a great improvement. And at that time I did not know you—nor did I know who would be Secretary.

I do think that is one of the great problems that we face. I am sure you have heard this statement before. I used it in a speech I made to the National Agricultural Chemical Association in California last year.

I said something like this: "It takes so few of us to provide food, clothing, and shelter for the rest of us that the rest of us can provide the best national defense and the highest standard of living for all of us that any nation has ever seen."

Now, in that short statement lies the secret of our success. But also in that statement is the real basis for many of the problems of agriculture today. There are only 10 percent of our people engaged in it. In politics; they are just not powerful any more.

I want to commend you again for your efforts to get this side of the picture over to the Nation's consumers.

As I said, I did not happen to agree with the farm bill last year. I also said yesterday—and I think perhaps I have had a chance to tell you—that whoever wrote a farm bill, I doubt that many other persons who worked with agriculture would agree with it. I am of that opinion and I think many others feel the same way.

It is a highly complex subject. I also have said that I thought that the Republican administration, when it came in, having found fault with the farm program, which any outside party always will, erroneously, felt that reduced price supports would automatically reduce production.

Our committee, or a majority of it, took issue with that from the start. We pointed out that, in our opinion it would increase production. I think the records show that increased production did result. It doesn't necessarily follow, however, as some of the folks now in your Department believe, that increasing price supports will not increase production nor have any effect on it.

I think this year's experience has pointed out that some type of controls must be coupled with price supports to make them work.

Past years, I think, support the soundness of our view.

For those commodities where we have been historically dependent on foreign markets to use a big part of our production, any program must provide for the continuation of such a program. A normal export supply must be made available at world prices.

Any time that we have failed to do that and have tried to shrink up the production of that commodity, which historically had to have foreign markets, so as to improve price, we found the extra production merely went overseas, frequently financed by U.S. interests, and took our normal markets.

We have also learned, and it has been supported by this committee, that many of the activities attributed to agriculture, such as inspection of incoming aircraft, inspection of meats and vegetables, the Food for Peace program, and the thousand and one things that are done by the Department of Agriculture, have direct benefits to all the people of the Nation. The cost of those programs should more properly be identified somewhere else.

Now, Mr. Secretary, we shall want to talk to you before you leave about your new proposals and about your experience in the last year. Doubtless we will find fault with some of your proposals, because that

is the way this thing works. But, in asking questions about them, it gives you the opportunity to present the best arguments you have in support of them.

As you know, we don't write legislation in this committee. That is the responsibility of the legislative committee and properly so. This committee does have a deep interest, however, because we have the responsibility for providing funds for all of these programs year after year. Also when the new laws, if any, are adopted, it will be this committee that will have to initiate appropriations to cover the costs of carrying out these programs.

With that background, and with this your first appearance before us where you can speak of your experience, I thought you might include your reaction to many of these things. I trust that you will cover them in your statement to the committee.

You might proceed in your own way, Mr. Secretary.

STATEMENT OF THE SECRETARY

Secretary FREEMAN. Mr. Chairman, and members of the committee, first may I express to the chairman and to all of you my appreciation at the opportunity to be here, and your graciousness to me in extending this invitation and according me personally a friendly greeting here.

I would like the record to show that this committee has extraordinary importance and is well informed and has a very keen understanding of everything in agriculture.

As the chairman has aptly said, this committee carries before the whole House the appropriations, and expenditures, and as such is certainly as much of a target as those involved in the process of general legislation.

I doubly appreciate your position because of having had the experience of being a Governor where we not only had to recommend an expenditure program to the legislature, but also the revenue to pay for it.

I am acutely conscious of the position you gentlemen are in, from very real experience. And you do carry a very sharp and clear and well-defined responsibility. Your record here makes it clear it is a responsibility that you have met very well indeed.

I would hope that the comments of the chairman, in connection with agriculture's importance and how fundamental it is to the well-being and strength of our Nation, might be broadcast and repeated from one end of the country to the other. And I appreciate his very generous comments that the Secretary of Agriculture has attempted to do a little bit of that.

I was impressed the other day when Dr. Harrar, who I think is a Ph. D. with the Rockefeller Foundation, was sent by the President down to Argentina on some problems in regard to foot-and-mouth disease and who is also working with Dr. Wiesner, the President's Assistant on Science, came to my office and said he had known nothing about agriculture, but after going through the research work in agriculture, he had come to the conclusion that the strength of this Nation really rested in agriculture. The magnificent record of effective production was one that had astounded him and he was tremendously impressed with it, and most anxious that it should be maintained.

In this instance, he had been reviewing some of the research that goes on in the Department, as a part of an advisory group, at the instance of the President. So I am very grateful for these comments, and I think they were most kind.

With that introduction, Mr. Chairman, I should like to proceed with my prepared statement, interpolating comments from time to time, particularly on those matters to which you directed attention in your opening remarks. Also, with your permission, and because I will refer to it as I go along, I suggest we include in the record, at the conclusion of my statement, the booklet "Food and Agriculture—A Program for the 1960's," a copy of which has been made available to every member of the committee.

Mr. WHITTEN. The booklet referred to will be included in the record at the appropriate place.

(The text of the booklet referred to may be found beginning on p. 35.)

Secretary FREEMAN. It is a privilege to meet with you again to review the developments in agriculture during the past year, and budget proposals for 1963. I am grateful for your arranging the schedule so that I might meet with you today.

You recognize the important and dynamic nature of American agriculture—and have a sympathetic understanding of the complex and difficult problems it faces today.

The spectacular performance of American agriculture has contributed much to the phenomenal growth of our overall economy. As a superbly efficient source of industrial raw materials, as well as essential food supplies, our farmers and ranchers have made unique and invaluable contributions to the high standard of living enjoyed by most of our citizens today—a standard of living never before achieved in the history of the world.

Ironically, the benefits flowing from our success in agriculture have not accrued in fair proportion to the farmers who, by their energy, skill, and efficiency have made it possible. Agriculture has for some time been faced with a crisis of abundance. Although there has been a large decrease in number of farms, and an even larger decrease in number of people on farms, the increase in agricultural productivity has resulted in the production of commodities in excess of the needs of the increasing population of the United States.

As long as this abundance is regarded as a burden rather than an opportunity, the prospects for realistic, fair, and workable farm policies will be dim indeed. One of the major efforts being made by this administration is a sustained and vigorous attempt to bring before the people of the United States the positive side of the agricultural success story.

During 1962 we will be celebrating the centennial of the founding of the Department of Agriculture and the system of land-grant colleges and universities. The institutions that developed out of the law signed by President Lincoln on May 15, 1862, have shared in a unique partnership with the American farmer during this 100 years. Their cooperative efforts have been largely responsible for bringing about the technological revolution in agriculture. We are actively planning to take full advantage of the centennial year to communicate the story of that success to the American people and to the rest of the world.

The members of this subcommittee, I know, follow closely the developments that occur in agriculture. We do our best to keep you informed of significant events in agriculture. But I would like to review briefly some of the major developments that have occurred during the year, some highlights of the general agricultural situation, the agricultural program that has been proposed for the 1960's, and the budget for 1963, then to answer questions you may have so that I can have the advantage of your thinking in the year before us.

MAJOR DEVELOPMENTS DURING THE PAST YEAR

RURAL AREAS DEVELOPMENT

Although commodity programs are important to the economic health of agriculture, it is not by this means alone that we will solve the underlying causes of the rural poverty that exists in the United States. While some of the dimensions of rural poverty can be measured in terms of farm prices and income, not all of the causes of rural poverty are economic, nor do all rural residents live or work on farms.

There are about 54 million people living in rural America. Over one-half of the poverty that exists in the United States is in this group that constitutes nearly one-third of our total population. There are about 4.1 million rural families with a total money income of less than \$2,500 a year compared to 3.9 million urban families with such incomes. To achieve a lasting solution to the basic causes of rural poverty of this magnitude obviously requires a broad attack along many fronts—focused on obtaining institutional and resource adjustments at the community level.

During the past year we have mobilized the resources of the Department in an expanded and intensified effort to stimulate the development and renewal of rural areas and rural communities. The research, educational, credit, and resource development agencies of the Department are giving top priority to a coordinated program of assistance to rural areas.

Valuable supplementary tools were made available to the Department under the Area Redevelopment Act passed last year. While this act provides additional financing, technical assistance, and retraining authorities for use in rural areas of greatest need, there are many other rural areas requiring help that cannot qualify for assistance under the Area Redevelopment Act.

The economic development of rural areas depends upon the initiative and energies of local people working closely with State and local government authorities. There is plenty of evidence that the interest and willingness is there. In nearly every State, local and State rural areas development committees have been, or are being, formed to take the leadership and initiative in developing tailor-made programs for area economic development. USDA employees are not members of these committees, but have been organized as technical panels and stand ready to provide expert help and advice when called upon.

This was in response to the action of Congress, in passing the Agricultural Act of 1961, that directed the Secretary to prepare and to recommend to the Congress specific proposals to meet specific problems.

The chairman indicated a moment ago that he did not support the Agricultural Act of 1961, as recommended by the Secretary. And I

believe the Congress joined—I know the Congress joined with him in not supporting it and I believe the reason generally was that the procedures involved therein were not acceptable. And so what the Congress did is spell out the requirement that the Secretary submit specific programs, rather than ask for general enabling authority.

We have earnestly tried to meet that mandate, and I think I could safely say at no time in the history of the Department have so many people been involved in trying to develop a program. Literally thousands of people have gone through the Department in the last 6 months. We had had advisory committees on almost every commodity area.

We have had hundreds of meetings with producers, with people in the agriculture business community, with dirt farmers, with economists, with farm leaders from every area and every type of recommendation has been reviewed. And we sought to bring together into one cohesive whole—to the best of our ability and after great consultation and thousands of hours of work and debate and review—in one place, a farm program for more than just a year, that is more than just a patchwork, but is rather the projection of a program for the decade of the 1960s. It is more than legislation, it also represents administrative actions, and it seeks to bring together in one place the rationale for both.

This is set down in this booklet "Food and Agriculture—A Program for the 1960's." I wouldn't for a moment suggest to this committee that this document could not be improved upon. I am sure it can. I would only say that enormous effort has gone into its preparation and we have sought earnestly to face up to the nature of agriculture, and to come forth with programs and recommendations to meet these challenges and opportunities and problems.

In connection with the comments I have just made about rural areas, if you would be kind enough to turn to page 13 in this booklet. From page 13 through the section on rural renewal on pages 16 and 17, we see the outline of the problem to which I just referred. Recently in speaking and trying to bring this to life, particularly in urban areas, I have talked in terms of a rural renewal authority.

(The matter referred to appears on pp. 36 to 39.)

Now all of us visualize in the heart of every big city in the United States, a great big sign that says "Urban Renewal Authority." You have it in New York, I have seen it in Pittsburgh, Philadelphia, Chicago, Minneapolis, you name it—Memphis, anywhere we wish to go.

This calls to everyone's mind in this country the tearing down of slums, the rehabilitating of an area, the use of land for commercial and public, private and public purposes, and the creating of something productive and useful out of what was really slums and decay.

It would appear to me, as we witness this picture of rural America, that if we can have an urban renewal authority—which amounts to a local subdivision of government, under the local government, the council and the mayor, which have no taxing powers, but the power to acquire property and dispose of it, and if in the process of this, a program has been worked out where Federal matching funds are used for this purpose, for urban areas—we certainly ought to have a program for rural renewal as well.

I am in a sense painting word pictures here, because we are working on this now. We believe it could be done under the legislation we have requested, but I would like to see in every one of these 800

counties, under the county commissioners, the locally elected people, a rural renewal authority which could move in these areas to do some of the things that have been done in the urban areas; that is, to acquire land, to bring together resources, to regroup them, to develop programs for their efficient and economic use, to bring industry to these areas, to develop recreational resources in these areas and to seek, rather than, in a sense, to drive people out of rural America, to keep people in rural America and to use the resources and modify resources in effect. I think there are real positive values, social, economic, and political, in rural America, and the process of, in a sense, driving people with limited skills into cities with heavy unemployment, in the main part, doesn't make very much sense.

So one part of this program is directed very strongly toward rural renewal across America.

DOMESTIC FOOD DISTRIBUTION ACTIVITIES

In spite of the proved ability of American agriculture to produce an abundance of nutritionally adequate food at reasonable prices, many Americans are still not enjoying proper diets. A nationwide food survey in 1955 revealed that 13 percent of American families had poor diets measured by reasonable standards. The Department expanded its efforts during the past year to make effective use of our agricultural abundance to provide more adequate diets for needy Americans.

The pilot food stamp program has been operating successfully in eight economically depressed areas—Fayette County, Pa.; McDowell County, W. Va.; Floyd County, Ky.; the city of Detroit; parts of Itasca and St. Louis Counties, Minn.; Franklin County, Ill.; Silver Bow County, Mont.; and San Miguel County, N. Mex.—since the middle of 1961.

About 140,000 needy persons were participating by the end of 1961. On the average, they are paying \$63 for every \$100 worth of coupons received. As you know, these coupons may be used to buy any U.S.-produced food. Items excluded are coffee, tea, cocoa, tobacco products, alcoholic beverages, and imported foods. Food purchases of families participating in this program have increased by one-third—primarily for animal products, fruits, and vegetables—resulting in a significant improvement in the quality of their diets.

The national school lunch program has also been expanded. On a typical day in 1961 about 13.5 million children enjoyed an inexpensive and nutritious meal under this program. Per pupil consumption of fluid milk is 75 percent higher in participating schools, while the consumption of fruits and vegetables is about double.

However, since this is financed primarily by State and local sources, there are schools in depressed areas that are unable to participate. Under authority provided by the Congress, the program is now being extended to some of these schools on an experimental basis. As a result nearly 23,000 children in about 276 needy schools will be receiving for the first time complete, nutritious lunches at school.

Under the expanded special milk program about 1.2 billion pints of milk will be consumed by youngsters in over 85,000 schools and institutions. This is over 2 percent of all fluid milk consumed by the nonfarm population, and is in addition to the 1.1 billion pints of milk used in the school lunch program.

In response to President Kennedy's first Executive order, issued on January 21, 1961, the Department stepped up its assistance to needy families under the direct food distribution program. In fiscal year 1961, 6.4 million persons received food. The retail value of food distributed is now about \$6 per person, each month. Additional foods have been added to the program—particularly proteins such as canned meats and peanut butter.

If I might ask your indulgence again to look in the booklet, starting on page 30, you will note that figure 9 shows the increased value of commodities in the direct distribution program, and figure 10 reflects the number of persons participating in that program.

(These charts are on pp. 54 and 56.)

FOREIGN FOOD ASSISTANCE

Secretary FREEMAN. One of the activities carried out by the Department that is frequently overlooked involves the large amount of funds expended on behalf of foreign aid programs. Budget expenditures in fiscal year 1962 for special foreign export programs, charged to the Department of Agriculture budget, are estimated to be over \$2.1 billion.

The foreign food assistance program is designed to make maximum use of our agricultural abundance for economic development abroad, to meet the most urgent needs of hungry people, and to develop markets for U.S. agricultural exports. It thus has multiple objectives of mutual benefit to the United States and the receiving countries.

During 1961, agreements signed with foreign countries to sell our farm products for foreign currencies reached \$3.5 billion.

A new school lunch program was established in Peru last year, and is already beginning to demonstrate significant results. The program in Peru has not only resulted in noticeable nutritional improvements—it has also induced a 40-percent increase in school attendance.

Three nations—El Salvador, Venezuela, Portugal—have signed agreements, and this is the first, to purchase food for long-term loans with repayment in U.S. dollars, and we are expecting that this program will expand sharply in the years ahead.

This again is treated in some detail on page 32 of the booklet and you will note the foreign food aid programs outlined there. (See p. 55.)

Might I add that I personally went on a trip for 5 weeks in which, incidentally, I made four public appearances a day, 7 days a week, for 5 weeks, and had quite a workout but a most educational experience, to observe some of these things personally and get something more than just an academic exposure to these programs.

I will touch on that later, except may I say here that I believe these programs are serving an extremely important purpose in helping the countries in question and in setting a very positive image of our country and of its agricultural productivity. I was quite amused and pleased when the Ambassador from Iran told me a couple of weeks ago that after I had spoken in Iran that for many months, and still on occasion, the Soviet propaganda radio was in a tirade against the Secretary of Agriculture, because I needled them about what a miserable failure Soviet agriculture is. I was especially interested that the part of the President's state of the Union message that was most systematically blocked and jammed on our Voice of America

by the Soviets were those sections where he referred to the Secretary of Agriculture.

I am of the opinion that all of the Communist groups are extremely vulnerable and I have been urging a more effective use of our agricultural record in this business of propaganda warfare. I was privileged to spend some time and brief the Attorney General, who is quite conscious of this, and I am sure, having things to say about it in Japan, and will have in Indonesia, these days.

But by the same token, to generalize, I also came to the conclusion that we cannot, if we are going to do a good job, expand very significantly the amount in the years immediately ahead.

We have tried to project, country by country, and commodity by commodity, what can be effectively used and based upon this I would say to this committee that anyone who thinks that donations and other shipments abroad should be substantially increased, assuming this committee would be prepared to support unlimited expenditures for that purpose, in my best judgment they could not effectively use all we can produce.

The problems of transport, of storage, of handling, of different food habits, of countries who have different commercial relationships and the pure politics of governments that don't want us feeding their people in a relief program are such that this program has very rational limits.

DOMESTIC FOOD ASSISTANCE PROGRAMS

Mr. WHITTEN. Mr. Secretary, for us to use our surplus foods and go into foreign countries and feed the people is not nearly as disturbing as to see us get to the point in this country where, due to an economic situation or a combination of circumstances, we are having to feed more and more of our own people through food assistance programs.

I grew up in a small town where I know everybody, and I have been in public office much of my life. I have seen some people that have had help through public gifts and grants and other things. But the ones that got off of that as quickly as possible were the ones that really stood for something.

I have seen lots and lots of people who just completely lost any incentive to work because of being cared for. I have seen so many thousands of people who would work 3 days, if that would maintain a certain standard, or work 6 if it took 6, or work 1 day if 1 would do.

I am most disturbed by efforts to solve agricultural problems by making all this available to our folks here at home. Certainly some should be done in the name of charity. But I am so very fearful that we may get people to leaning on this. It is most frightening to me, to see us lean on that kind of thing, as an outlet for agricultural production. We may destroy more character than we help solve the farm problem.

Mr. Secretary, if you go into the towns and villages of the Nation, and see the commodities that are shipped in and distributed, if you accept the good intention, that is fine, and if you acknowledge as I do that in many cases there is need, that is fine.

But then when you match against that the great number who probably could work if they wished to, and then this is offered as a solution to a farm problem, it makes me highly doubtful as to whether we might, regardless of the high and worthy objective, not be doing more damage than we are doing good.

I raise that question, and you might answer it as you like.

Secretary FREEMAN. Well, I think the observation in the question is very appropriate and timely.

As the chairman knows, this program is administered by local governmental bodies, and the need is certified by them and not by the Federal Government.

We have had very difficult problems of administering it, on occasion, because of local situations. We are now in the process of reviewing this whole procedure and seeking to improve and sharpen the regulations under which we have overall supervision, to prevent the abuses to which you refer.

Mr. WHITTEN. I appreciate your interest in it.

I, for many reasons, believe in State and community rights and responsibilities. One of the great risks I find in centralizing so many things in Washington is that it seems to come free and there is no cost attributed to it. In its very nature this lends itself to waste.

Who, working for the county board of supervisors, or local government is going to be too forward in turning down an application, when he has had a shipment of food come in? The person might not need it so very bad, but he could perhaps use it, or he could give it to his neighbors. We are dealing with human beings, and human nature is such that something which is free is usually handled rather wastefully.

But the main thing that disturbs me is that, however good that is, is it any solution to the farm problem and does it destroy character?

Secretary FREEMAN. Mr. Chairman, as you have observed, you are dealing with two problems. One is the problem of relief and whether we ought to have it. Relief is administered by local people, and the needs are set and determined by them.

In addition, so long as we have had significant surpluses, we have had also, in effect, a disposal problem, and we have sought to marry the two.

Ideally we want a situation where as a matter of policy the Congress would decide each on its own merits. They overlap as it now stands, and a program of direct feeding serves a dual purpose, meeting needs, hopefully well administered, but by all means it could be better and we are seeking to improve it, and, by the same token, moving commodities into use rather than into storage.

I hope that with this program over the next years ahead we would accomplish the commodity balance, so that we could review each of these questions and determine them on a policy basis without the overlap which confuses the issue.

But I would want to emphasize strongly to this committee that I am most conscious of this and we are doing everything within our power to carefully review the administration of the program and to prevent the kinds of things that the Chairman has described.

As a matter of fact, the experience to date with the food stamp program has indicated you can do a better job getting down to the real needs, because in this program people use some of their own money, which provides an additional check. I think this has been very useful in setting some administrative standards and also in meeting real needs and in doing a better job of screening. We will surely seek to administer it better in the days ahead.

FEED GRAINS

For 9 consecutive years feed grain carryovers rose steadily, along with the costs of owning and carrying corn and grain sorghum inventories.

Again, would you turn to page 38, figure 11, and you will note what has taken place in connection with feed grains by way of acquisition and what is projected in the program submitted to the Congress, to bring this into balance.

(This figure appears on p. 60.)

These carrying charges reached an annual rate of \$500 million in fiscal year 1961. Under the programs in effect during that period, producers were guaranteed price supports—but no effective means of adjusting output was available.

The 9-year trend was reversed as a result of the emergency feed grain program for 1961. The 1961 crop of corn and grain sorghum was some 700 million bushels smaller than it would have been without the program. Despite better than average growing weather and record yields per acre, the feed grain carryovers will drop for the first time in a decade. As a direct result of the reduction in carryover stocks, Government expenditures will be about \$600 million less over the next 9 years through avoidance of costs of storage, transportation, handling, and interest charges on grain which will now move into the market instead of Government storage.

WHEAT

The 1962 wheat program is expected to arrest the growth of wheat stocks and to improve farm income, but for 1 year only. Again, page 40, figure 12, charts the wheat acquisition picture and the projected program to bring these stocks into balance.

The 10-percent reduction in acreage allotments approved by producers for 1962 is large enough only to avoid additional buildup and carryovers.

The voluntary acreage diversion features may bring about a substantial decline in carryovers, but we will not be able to estimate the effect with much accuracy until late spring.

DAIRY PRODUCTS

For the past several years there has been some decline in the per capita consumption of milk and manufactured dairy products. In 1961 this trend began to accelerate and by the end of the year it was evident that overall consumption of milk was about 3 billion pounds or 2.5 percent less than the previous year.

At the same time, the dairy farmer has been sharing in the general increase in efficiency and productivity that characterizes all segments of our agriculture. While the number of dairy farms producing milk has declined, the average dairy herd has increased and the milk production per cow has gone up.

Until last year, the increase in population generally consumed the increase in milk. But in 1961—although the increase in milk production was not as great as the population increase—per capita consumption declined so sharply that it resulted in the 3 billion pounds drop. As a result, today's dairy market is caught in a tightening squeeze

between rising production and declining consumption. In other words, for the first time the population growth in this country which took place did not absorb—put it this way, the population growth that took place, despite the fact it was greater than the increase of production in dairy products, nonetheless there was a sharp drop in dairy consumption.

To consider the problems and opportunities resulting from our abundance of milk and dairy products, I convened a National Conference on Milk and Nutrition which met in Washington, D.C., on January 23. President Kennedy indicated his interest and concern in the problem by meeting with the group. We hope to find ways to achieve more adequate nutritional levels through increased consumption of milk and dairy products, but the outlook in the immediate future for improving the income situation for dairy farmers is not bright.

In the current supply situation, it will be necessary under the present law to reduce dairy price supports to 75 percent of parity for the marketing year beginning April 1. It would be a proper question, why, then, did the Secretary increase dairy supports back last April? And I would say to this committee it was done based upon the best projection of the supply situation that we could make, in light of demand and supply, as we could forecast them from historic evidence.

Mr. WHITTEN. Mr. Secretary, I might interrupt at this point. I think it is necessary for me to ask these questions while you are discussing the subject matter.

I have had a number of visits from dairy groups in connection with the proposal and, as you know, various areas of the United States handle their milk problems differently. Some are under milk marketing orders, some are not; some of them have a local quota system that they have used all along.

The questions raised, as late as this morning, concerned the situation where a local community has its own quota system. Does your proposal in your new bill provide quotas for class 1 milk and quotas for manufacturing milk? Would it be possible for local communities to handle this on their own score? Would there be a national quota of milk which would be allocated out to the States and from the States to the communities?

They are fearful that, however good your intentions may be, it would create great hardship for the community which has held itself in check, where it is predominantly handled by one big organization. The one that talked to me was one of the larger cooperatives.

Of course, I understand, and by now I am sure that you understand, the difference between a Presidential proposal, a bill being passed through a committee, through the House, through the Senate, and through conference. What is proposed now might end up as an entirely different bill when finally adopted.

Secretary FREEMAN. This proposed program would not affect any milk markets so far as fluid milk is concerned that we know of in the United States.

Mr. WHITTEN. In many areas you have the agreements by a cooperative that limits itself to quotas of class A milk, which goes in the regular channels for human consumption. Any above that is available only for manufacturing milk, which is a different level.

Now, does what you just said apply to both kinds? Or do you make distinctions between the two, insofar as what you contemplate under the act?

Secretary FREEMAN. It applies automatically, and the answer I gave previously means just this: Every milk market order that we know of has at least a 20 percent surplus production. There are swings up and down and to provide adequate supply. This is necessary and, as you point out, the amount above that goes into class 2 or class B, goes into manufacture. It is estimated that about a 5 percent cutback would bring our dairy picture into balance.

This would mean, then, that in any market we know of, if there were a 5 percent cutback in allotment, that 5 percent of the milk that now goes into manufacturing would be affected, but the blend price, by means of a higher price level, would be increased, and no market will be disrupted. The normal market channels and procedures would function exactly as they do under the present setup.

It would merely be the same as an allotment on, let us say, cotton, where you would say there is x amount here, this is the quota, based historically, with appropriate adjustments, and you would be cut back on your farm, Mr. Chairman, 5 percent.

If, in a given period, you produced in excess of your allotment, you, of course, have to use that milk and it would go into the same marketing channels. A marketing fee would be involved, and the handler, in that area, or the pool if they had a pool, would remit that marketing fee. It would be added to whatever was available for our own purchase program, which we now follow on a national basis, and it wouldn't affect the operation of the local milk marketing or producing situation at all, except to the extent it would involve a certain cutback on the manufacturing level and, as such, would strengthen prices and relieve our national budget.

I don't think the dairy folks yet quite understand the proposed program. We are meeting with them in a whole series of meetings, even though this was the product of long review and advice with dairy leaders.

Mr. SANTANGELO. Mr. Secretary, you seem to imply by your statement that by reducing the parity price you might be able to increase the consumption of milk. You also seem to overlook the fact that there is a growing fear in the American people of the effect of fallout, the radioactive effect of the megaton bombs, and its effect upon the nature of the milk served. Have you considered that this fear of strontium 90 in the milk supply is the cause of the declining consumption of milk, rather than increasing prices or a relatively high increase in production as opposed to the relative increase of population?

Secretary FREEMAN. Yes, we most certainly have. No one knows exactly what has caused this sharp and sudden drop, although per capita consumption of dairy products generally has been falling gradually over quite some years.

There are three things that I think are causing, primarily, the situation: It is my personal judgment that the concern with weight is No. 1, that people just are staying away from milk and dairy products because they think it makes them fat.

The second is the cholesterol matter, which has been widely publicized; and the third is the concern over strontium 90.

None of these three are valid, and that is why we called a dairy conference. The President made it explicitly clear that there is presently no hazard from strontium 90 in milk, and the levels were very low. This is now being widely publicized by dairy groups.

The cholesterol matter is more debatable. There are some doctors who feel the fat content is a serious problem for people with possible heart involvements. The National Science Foundation feels this case has not been made and when you balance off the nutritional importance of milk, with its calcium, its proteins, and its minerals, we would be making a serious national mistake to begin to go away from drinking milk as an important part of our diet, simply on the present scientific evidence. This ought to be a personal matter with every person who goes to his doctor.

Mr. SANTANGELO. May I say for the record: Would you give me a statement as to what the amount of strontium 90 is in the milk supply and what the level is and the effect on the milk supply.

Secretary FREEMAN. Yes. I will send it to you.

They say we ought to take the present methods of screening strontium 90 out of milk and every dairy in the Northeast ought to install this process, which would be enormously expensive, on the grounds this might happen some day.

So they say it doesn't matter what it is, it might happen, so they ought to do this. And their concern is not milk, it is atomic testing, and they are getting to that through the pressure on milk.

Mr. WHITTEN. Go ahead, Mr. Secretary.

Secretary FREEMAN. I believe the record will show I stated earlier that in the establishment of the 83-percent support price rate a year ago we reviewed the supply and demand situation as accurately as we could, but did not, of course, foresee the precipitous drop in consumption.

As the law now reads, as this committee is clearly aware, in getting dairy price supports, there is only one factor you can take into consideration, and that is supply.

The discretion rests in the Secretary in other commodities. There are five or six criteria. In light of this, I will have to drop support prices on dairy to 75 percent, beginning April 1. But in order to prevent the disruption of dairy markets that would occur if this happened, the President has recommended that the Congress enact a joint resolution to permit continuation of the present support rate through December, so we could make an adjustment that would not penalize the individual producers who are not responsible for the situation.

SELF-HELP STABILIZATION EFFORTS

Marketing orders and agreements are one means for providing producers a choice between order and chaos in farm marketings. Federal orders have been used for over 20 years in marketing fluid milk and for certain fruits and vegetables in small producing areas. Legislation enacted by the Congress last year provided a legal framework under which additional producers can set up a program to stabilize markets. A number of commodity groups have been actively exploring the opportunities for self-help under the provisions of this legislation.

The only group who at this time has indicated rather clearly an interest in a marketing order is the turkey people. Hearings have been held and we are now reviewing a record of a rehearing.

MANAGEMENT IMPROVEMENT EFFORTS

With all of the emerging developments and problems that we confronted during the year, we did not neglect to give considerable thought and attention to improving the management and administration of the Department's programs. I might say I had in the back of my mind, as we began to launch these efforts, the appearance before this committee and the chairman's admonition that we should spend wisely and administer efficiently.

In December we set up a new Office of Management Appraisal and Systems Development. This small staff will provide intensive leadership to agencies in the Department in the conduct of management studies and in coordinating the use of automatic data processing equipment. It will also supervise the development of the new program for a centralized payroll, personnel, budget, and accounting system. I have great confidence that significant savings will eventually result from this program, which we refer to as MODE—Management of Objectives with Dollars through Employees. Every effort will be made, of course, to minimize the effects on employees of the adjustments that will occur when the system is in full operation.

The new Office also serves as the focal point for a number of special task force groups that have been set up to review and improve selected management and operating procedures.

May I refer to your attention two summaries.

One is "Statement on efforts to achieve economies and improve administration of the U.S. Department of Agriculture." I won't read that introduction, but I would like to call your attention to it.

Perhaps it could be included in the record, Mr. Chairman.

Mr. WHITTEN. We will be glad to have it included in the record. (The statement follows:)

STATEMENT ON EFFORTS TO ACHIEVE ECONOMIES AND IMPROVE ADMINISTRATION OF THE U.S. DEPARTMENT OF AGRICULTURE

Since I took over as Secretary of Agriculture, I have been deeply concerned over the high cost of carrying out our authorized programs. These programs affect every segment of the American economy—they are essential to the well-being of the farmer, the consumer, and agriculture-related industries.

All our programs cost money and require people to carry them out. I feel that the amounts requested in the budget are the minimum amounts needed to carry out these programs effectively. We cannot cut back on the amount of work to be done, but we can and are making every effort to do the work at the minimum cost and with the minimum number of employees.

The President in his state of the Union address last year said: "I here pledge myself and my colleagues in the Cabinet to a continuous encouragement of initiative, responsibility, and energy in serving the public interest."

On several occasions since that time, the President has emphasized the need for effecting economies in Government operations. We, of course, wholeheartedly support the President's views. In the Department of Agriculture we have initiated a comprehensive program to improve the way in which we conduct the public's business—our ultimate goal is to effectively carry out all our programs at the lowest possible cost to the taxpayer and with the lowest possible number of employees.

Our people at all levels in the Department have enthusiastically and energetically supported our efforts. This self-improvement program has built up tremendous impetus—we will keep it going.

I am proud of our success to date. We have done much. We will do a lot more. Let me cite some of the accomplishments of the past year:

ESTABLISHMENT OF OMASD

The Office of Management Appraisal and Systems Development (OMASD) was established on December 8, 1961. The Office is under the general direction and supervision of the Administrative Assistant Secretary. The establishment of this Office is a direct result of our concern over the rising costs of administrative and operating activities in carrying out agriculture programs. The need for a critical analysis of our management and program activities and for aggressive action toward more efficient and economical operations was emphasized in the memorandum establishing the Office:

"The effective and economical administration of the programs of the Department of Agriculture is a matter of concern to the public, the Congress, and must be of concern to each official and employee in this Department. It is the responsibility of each staff office, within its area of assigned responsibility, to provide leadership, direction, and assistance to agencies in achieving the most efficient administration of the Department's resources—manpower, money, materials.

"Staff offices and agencies alike should critically analyze and review all management and program policies and practices on a continuing basis to achieve optimum operating effectiveness and economies. By working together, the staff offices and the agencies can carry out our agricultural programs in the manner which the farmer, the public, and the Congress expect."

Attached to this statement is a detailed statement of the functions of the Office. These functions are briefly summarized as follows:

"The Office of Management Appraisal and Systems Development will provide general direction, leadership, and coordination in the Department for management appraisals, systems design, automatic data processing, operations research, and related management techniques. This Office will be responsible for initiating appraisals of operating procedures, directing task force studies of systems having departmentwide implications, and providing technical guidance and assistance to agency officials in planning and developing management policies, programs, and systems to achieve maximum effectiveness and economies. The work of this Office will be conducted in cooperation with, and with the assistance of, the operating agencies of the Department.

OFFICE OF MANAGEMENT APPRAISAL AND SYSTEMS DEVELOPMENT

"1. *Departmental policy and programs.*—Advises the Office of the Secretary of Agriculture in developing and planning departmental policy and programs.

"2. *Management appraisal and systems development policy and programs.*—Develops and recommends policies and provides leadership in implementing departmentwide programs to provide the most effective management through the use of operations research, systems design, automatic data processing, management appraisal, and related techniques.

"3. *Operations research.*—Provides leadership and coordination in operation research activities for the Department and approves projects proposed by agencies. Directs the development of mathematical models and the application of mathematical techniques to administrative, program, and scientific activities of the Department.

"4. *Systems engineering.*—Provides leadership and coordination in designing, installing, and revising departmental and agency operating systems, including the integration of systems across agency lines. Recommends changes in overall administrative and operating policies to benefit from scientific management techniques. Represents the Secretary in negotiations on proposed systems changes.

"5. *Automatic data processing.*—Represents the Department and provides leadership in efforts to advance the development of automatic data processing systems. Represents the Department in contacts with other Government agencies equipment manufacturers, and other interested parties on computer languages, exchange of techniques and other actions directed at applying ADP equipment to business and scientific problems. Directs feasibility studies and the application of automatic data processing techniques to the administrative, program, and scientific activities of the Department. Obtains proposals from manufacturers to supply equipment and furnishes technical advice in its evaluation. Establishes policies on costs, such as recovery of investment, one-time charges, and interagency rates. Is responsible for the most efficient use of data processing installa-

tions including the cooperative use by agencies of personnel and equipment. Establishes departmental policies on the requirements for purchase or rental and for compatibility of equipment. Provides advanced training in the techniques of systems design and operation.

"6. *Effectiveness indexes*.—Provides leadership and technical guidance to agencies in developing indexes of effectiveness of administrative and program operations. Develops and maintains a departmental evaluation of administrative and program effectiveness.

"7. *Management appraisals*.—Formulates programs for effective and timely identification and analysis of problems relating to management effectiveness in the Department. Coordinates and provides direction to surveys of management and methods in problem areas. Directs studies of management operations to determine adequacy of existing systems and the possibilities for improvement through more advanced techniques. Directs negotiations designed (1) to promote the fullest integration and use of acceptable management principles, practices, and facilities; and (2) to advance greater economy and efficiency in use of Department resources.

"8. *Direction of centralized management services*.—Directs the development and operation of the Department office that provides certain centralized services utilizing ADP equipment in payroll, personnel recordkeeping, and related budget and accounting operations for the entire Department.

"9. *Staff assistance*.—Advises agency heads and management officials in formulating major plans and policies concerning management and operating systems; planning, analysis, and improvement in automation studies; management appraisal; equipment utilization; operations research; and associated activities.

"10. *Liaison*.—Represents the Department in its relationships with other agencies in the executive and legislative branches and with private groups on policy and program considerations relating to the departmentwide responsibilities of the Office."

DEVELOPMENT OF MODE

MODE stands for the management of objectives with dollars through employees. The concept behind MODE is that the objectives of the Department of Agriculture can be realized more effectively through the use of an automatic data processing system. MODE was developed in response to a desire to have a more effective control over money and manpower spent in the Department. Key barometers are budget, payroll, and personnel.

Personnel functions are now performed in 130 offices. Payroll operations are conducted in 87 offices. Reports from these offices must be compiled to furnish data on the Department's activities. MODE will permit us to payroll and report from one office. Initially, the cost of servicing the Department's employees will be reduced. Secondly, the key data for analysis of the Department's objectives and accomplishments will be available within the data processing system. Reporting from one central office will eliminate 17,000 reports.

The total MODE system will be in operation 3 years after the initial development begins. However, the installation will be phased in and benefits will be realized earlier. At the end of 1 year of development the initial phase will be installed. This phase will represent the payroll, personnel, and related budget and accounting functions. Payroll will include the issuance of salary checks, withholding and reporting on authorized deductions. The personnel functions will process records of employee transfers, promotions, and retirement standing. As a byproduct of these operations, MODE will provide accounting and budget information on a current basis.

The data used in the above applications will provide much of the information needed for the final phase of MODE. This phase is the application of mathematical techniques to the analysis of data. The results will provide management with more effective tools for (1) the accomplishment of the Department's objectives and (2) the development of the employees of the Department.

Current costs of the common services to be absorbed by MODE are \$3.3 million annually. Development and conversion to data processing equipment will cost approximately \$1 million to be spent over 2 years. Under the data processing system the operating costs are estimated to be \$1.8 million, a net savings of \$1.5 million annually. Development and conversion costs of the entire system will be fully recovered in the second year of operation.

Development of the initial phase of MODE is underway. During January of 1963, the system will become operational for a pilot group of approximately 5,000 employees. The records of the remaining employees will be converted within a 6-month period.

Development of the mathematical techniques to be applied will begin within the next 2 months. It is anticipated that these mathematical techniques will become operational approximately 2 years after development begins.

CENTRALIZATION OF GRAIN LOAN ACCOUNTING

The Kansas City Commodity Office, for the past 3 years, has performed accounting and reporting functions related to grain price-support loans and purchase agreements for the 29-State area served by ASCS commodity offices in Dallas, Kansas City, Minneapolis, and Portland. This work is performed on a large-scale computer. The remainder of the States are served by a computer in the Evanston Commodity Office.

Under this system the commodity offices have served as intermediaries in the flow of loan documents and reports between the county offices and the data processing center.

A data processing center has recently been established in Kansas City, Mo. This office will handle all of the accounting and reporting for the grain price-support loan and purchase agreement activity. This will permit us to do this work in the most timely manner and at the least possible cost. Furthermore, centralization will tend to stabilize employment since the loan accounting operation has a high seasonal fluctuation in any one area.

COORDINATION OF ECONOMIC RESEARCH AND STATISTICAL REPORTING

The economic research and statistical analysis and reporting work has been organized into two services under a Director of Agricultural Economics. This change will facilitate and coordinate the economic research and statistical reporting work of the Department to a much higher degree than existed heretofore. In connection with this consolidation, an interesting management innovation is underway. The administrative support functions such as budget, personnel, and related common services activities have been combined into a single management operations staff servicing both services.

This new approach is working out very well. It is estimated that annual costs under this plan of operation will amount to approximately \$200,000 less than comparable services would have cost had each agency had its traditional, individual management staff. This project will be watched very closely with a view to determining its applicability elsewhere in the Department.

PERSONNEL ADMINISTRATION

This survey was based upon the fundamental premise that employees working within the framework of positive, constructive, clearly understood personnel policies are productive employees. Under our civil service system we are almost always assured that they have the abilities to produce. It is how we go about creating an atmosphere and a personnel policy framework for utilizing these abilities that is important. These are things we can do something about—but perhaps don't give enough thought to.

Last summer, we decided to find out directly from employees—at all levels—how they feel about the Department's personnel policies, and the way in which their services are utilized. We developed a questionnaire aimed at this objective. It was distributed to a 10-percent sample of employees—every 10th employee from an alphabetical list within the agencies. This list included employees in the Washington, D.C., area and in the field service. Employees were instructed to complete the questionnaires and return them anonymously.

Our sample of employees was statistically valid. The total number of employees sampled, by grade groups, was related to the grade structure throughout the Department with an almost identical percentage. Eighty-three hundred questionnaires were distributed and 82.5 percent of them were returned.

Items most important to USDA employees are closely related to effective utilization of manpower resources. Out of a total of 41 items of potential importance to employees in a work situation, the two items of greatest importance, as reflected by their ranking, were (1) doing work the employee considers worthwhile; and (2) the use of their skills and abilities. We feel that the results of this questionnaire demonstrate convincingly that employees have a strong personal interest in effective manpower utilization. They are, in effect, the key to effective manpower utilization.

The next step in our study was to ask managers at all levels what they thought of personnel policies and the personnel system. We received several hundred very fine suggestions as a result of this request.

We then held what we called a personnel policy review meeting and organized work groups to consider the reactions of employees and managers. Management officials, personnel people, employee group leaders, operating supervisors comprised the membership of the work groups. Each work group considered recommendations in a particular subject matter area such as "careers," "pay," "training," "employee-management relations," etc.

The result was a series of formal recommendations from each work group. These were debated for a full day in open forum attended by all work group participants. After debate, the entire group agreed to 136 recommendations for changes. These were considered by Assistant Secretary Robertson and the staff of the Office of Personnel. We promptly acted upon these recommendations, approving—in principle—132 of the 136. Only four were rejected outright. This was all done within 1 workweek.

After the meeting we proceeded with the business of trying to implement the recommendations. We are still working hard at this effort. We believe, as the impact of these changes is felt by employees and managers, increased productivity will result.

PROJECTS TO INCREASE EFFECTIVENESS AND ACHIEVE ECONOMIES

Under the direction of the Administrative Assistant Secretary, a departmentwide management study program was initiated. It is directed toward the identification and development of specific plans to increase effectiveness and accomplish economies in Department operations. Every organization in the Department is actively participating in the program.

To date, 445 projects have been submitted for consideration. After preliminary review, these projects were divided into nine major categories:

1. Improvement of services.
2. Program direction change.
3. Systems development.
4. Work programing.
5. Personnel administration and manpower utilization.
6. Organization and delegations.
7. Communications and information.
8. Financial management.
9. Other management improvements.

The projects submitted varied in significance and their estimated benefits varied by type and period. It is apparent that the cost reduction potential on an annual basis for the projects can be significant.

In compiling all the present and potential projects within the Department and placing this compilation under central direction, all developments will receive the widest possible utilization. The Office of Management Appraisal and Systems Development will function as a project control center. Through coordination of effort, the Department will conserve manpower by eliminating duplicate studies and will focus effort on projects with the greatest potential.

Another advantage of the central control will be the dissemination of information. The staff office will be concerned with appraising all results with a view toward wider application. Reports of progress or status will be distributed to stimulate ideas.

Each of these projects is being carefully evaluated. Upon completion of this review, priorities will be established; specific responsibility will be assigned for departmentwide projects and those pertaining to more than one organization; and completion dates will be set. The Department intends to move forward on these projects with intensive effort specifically directed to those projects which offer significant reductions in current costs and more effective use of manpower.

Secretary FREEMAN. I would like to say that one of the most important steps taken to improve management is the creation of the Office of Management Appraisal and Systems Development.

Now the development of MODE, which I referred to a moment ago, has resulted in a decision to centralize our payrolling, personnel, recordkeeping, and related budget and accounting work in a management data service center in New Orleans, La.

This decision was made after comprehensive study made by our people indicated the feasibility of using a Department-owned computer already located in that city. The system will:

(1) Reduce our administrative costs by a million and a half dollars per year.

(2) Centralize into one office the payroll work now done in 87 different offices and some of the personnel work presently performed in 130 different offices. These offices are spread throughout the country.

(3) Reduce labor requirements by approximately 240 employees.

(4) Eliminate more than 17,000 individual reports now required each year.

(5) Provide adequate data for the first time in the Department's history, looking toward really effective manpower utilization.

(6) Give Department officials new management tools for program evaluation.

In connection with the last, let me add that one of the real frustrations of being the chief executive officer of an operation this big is to really know what is going on. We are trying to develop some real management tools and we need them very desperately.

If we can work out a system where all personnel records and qualifications are set down, in one place, easily obtainable, including history, background, training, and an evaluation, and if we can analyze the kind of jobs we have and what those jobs call for and can set that down as well, we could develop a management system where, when you are looking for people, you could get, without having to spend months and reviewing thousands of detailed personnel files, the kinds of people for the kinds of jobs that need to be done.

And further, by having all of the budget data and the personnel data in the same place, you can then evaluate the effectiveness of a program, in relation to the personnel and cost of that program, and begin to get a daily flow of information, to check what you are doing.

Finally, if you can develop standards of measurement, and can set them down as well in usable form, for computer use, you can get a flow of information that will give you some criteria for judgments.

So we are doing some real pioneering here. I started this when I was Governor of Minnesota, and did a good deal of this, and I want to compliment Mr. Robertson and the folks working with him. We are doing some exploring here, but I feel desperately the need for adequate management tools.

I want you to know too, as we begin to develop next year's budget, we are not going on the assumption that because an operation got this much money, that we start from there and see how much more they need. We are now going to the heart of every operation in the Department, in the beginning of the budget procedure, and looking at where it starts, what it does, and whether we need it or not, and taking a good hard look at the total needs rather than just the increase proposed.

Mr. WHITTEN. Mr. Secretary, we complimented Mr. Robertson earlier on his cooperation and his handling of this matter. As I have said earlier, we have been very fortunate in having good people in his position.

We have said the same thing about the budget officer, Mr. Grant. He succeeds others who have been good.

Secretary FREEMAN. We expect to save a million dollars a year by centralizing our grain loan accounting, and we already have in Dr. Cochrane's shops to which you referred, set up a single management operation staff, and are looking toward more centralized services, instead of duplicating services.

We have sought to make more effective use of our people, and we have constantly stressed economies in better administration. Some 445 self-improvement projects have been submitted by Department agencies for consideration and are now being reviewed.

You do not have at hand, but I would like to put this in the record as well, I am rather proud of the fact that the Agriculture Stabilization and Conservation Service has 738 less employees on December 31 of 1961 than on December 31 of 1960, despite the addition of major new programs in 1961, namely the feed grain and wheat acreage diversion program and it was 913 less than the peak of 8,088 reached in November 1959.

Rather than take your time in further discussion of this I would like to insert in the record some examples of the fact we have been able to do more work with fewer people by constant attention to management objectives, and economies, without limiting services. I am rather proud of this, because I feel strongly, especially in a program which does spend many billions of dollars, that we need to be conscious of the fact that pennies make dollars and thousands make millions and if you forget about the pennies, the millions slip away.

(The examples referred to are as follows:)

IMPROVEMENTS IN EFFICIENCY AND REDUCTION IN USE OF MANPOWER IN THE AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The Agricultural Stabilization and Conservation Service which operates the major price-support and production adjustment programs of the Department of Agriculture has made a continuous effort over a period of years to improve its efficiency. Following are some of the results:

(1) Total full-time employment of ASCS, excluding non-Federal county employees, was 738 less on December 31, 1961, than on December 31, 1960, despite the addition of major new programs in 1961 (the feed grain and wheat acreage diversion programs). It was 913 less than the peak of 8,088 reached in November 1959.

(2) Total employment in the ASCS county offices, including all committee members, office and part-time personnel in the fiscal year 1961 (25,848 man-years) was less than in 1957, 1958, or 1959, even though the 1961 feed grain program was initiated in March 1961. The estimate for 1962 (31,030) is less than the total for 1958, when soil bank work was at its peak, despite the fact that the county offices continue to administer the conservation reserve program and, in addition, have to operate the 1961 and 1962 feed grain programs and the 1962 wheat program.

Over the period from 1950 through 1961, the county offices have been able to improve the efficiency in handling the programs that were operative at both the beginning and end of the period sufficiently to handle 81 percent of the workload added by new programs during the period.

(3) The ASCS commodity offices which manage, store, transport, and dispose of CCC inventories of price-support commodities, have, through use of work measurement, production standards, and other improved management techniques, including advanced equipment, steadily increased their efficiency over several years. Production records show that if these offices were still operating at the production efficiency they accomplished in 1952, they would have required 9,554 man-years of employment in the fiscal year 1961 to do the work they actually performed with 3,868. The 1963 budget estimates project 1962 employment at 4,095 man-years, whereas 10,401 would be required at 1952 rates, and 1963 fiscal year employment at 4,038 man-years, whereas 10,257 would be required at 1952 production rates. Full-time employment on December 31, 1961, in these offices was lower than as of December 31 since 1954, and 695 less than a year earlier.

(4) ASCS State offices employed 1,767 full-time employees on December 31, 1961—lower than any previous month end since March 1955 with the exception of October 1961. It was 56 lower than a year earlier despite the addition of the 1961 and 1962 feed grain programs and the 1962 wheat program to their workload.

OVERALL MANPOWER UTILIZATION STATEMENT, FOREST SERVICE

During a 4-year period (1958-62) when Forest Service appropriations for national forest protection and management; research; and insect and disease control approximately doubled (\$74.7 to \$145.6 million), the man-year increase was only about 50 percent (10,600 to 16,100).

(There were higher unit wage and salary costs and some other factors that account for some of this difference. However, a major portion is due to a greater use of machinery, including ADP and airplanes; increased use of contracting, i.e., buildings and certain programs such as blister rust control; provision of more adequate equipment and facilities for scientists to make better use of manpower, i.e., electron microscopes; efficiencies inherent in increasing the average size of projects; and other management improvement increases.)

A specific example follows: The discovery and development of antibiotic fungicides (derived from a strain of streptomycin) for controlling white pine blister rust in the northern Rocky Mountain region has been a dramatic and major breakthrough in the long fight against this destructive disease of white pines. Previous to this discovery the only known method of control was by eradicating ribes plants (currants and gooseberries), the alternate hosts of the disease. This was largely a man and mattock job. Now, by applying antibiotics to the basal stem of infected trees by hand sprayers or to the foliage by airplanes, all blister rust in them is killed.

Antibiotic control has reduced costs by one-half, manpower requirements by two-thirds, increased the effectiveness of control by one-third, and makes it possible to bring additional thousands of acres into productivity—areas that previously had to be withheld from the control program because of exceptionally high rust hazards or because values at stake did not warrant control costs by the ribes eradication method.

In fiscal year 1962 over 12 million prime young western white pines on 65,000 acres were given antibiotic treatment. Manpower required was 19,300 effective 8-hour workdays. Former ribes eradication methods would have required about three times that amount of manpower. Improvements in application techniques will result in greater manpower and control cost reductions in fiscal year 1963—from one-third to one-half over fiscal year 1962, largely through greater use of the airplane. The airplane and modern antibiotic drugs are replacing the man with the hoe.

AGRICULTURAL MARKETING SERVICE

POULTRY INSPECTION

Index of productivity per man-year of employment:

- 1960 equals 100.
- 1961 equals 108.7.
- 1962 (estimate) equals 115.2.
- 1963 (forecast) equals 116.2.

The average annual Federal employment required to handle the volume of mandatory poultry inspection is less than would have been required at the 1960 level of productivity, as reflected below:

Average annual employment

Fiscal year	Computed at 1960 productivity level	Actual or estimated level	Difference
1960.....	1,534	1,534	0
1961.....	1,812	1,667	-145
1962 estimate.....	2,044	1,774	-270
1963 estimate.....	2,118	1,822	-296

Increased efficiency due to such factors as improved coordination between tours of duty of inspectors and plant operating schedules, training, and encouraging plant management to adopt operating procedures that improve inspection efficiency.

AGRICULTURAL RESEARCH SERVICE

GRASSHOPPER CONTROL PROGRAM

The development of more effective insecticides and improved methods of applying them from aircraft instead of spreading them from ground equipment has reduced peak employment by a ratio of 5 to 1. Approximately 80 average annual positions are required for this program this year. Without the improved methods that have been developed, about 400 average annual employment would be required to the same job.

GENERAL AGRICULTURAL OUTLOOK

Secretary FREEMAN. Dr. Cochrane will discuss with you in some detail the current and prospective levels of farm prices and income. One fact stands out as a clear signal that we need not despair at finding means of improving the agricultural economy—net farm income in 1962 increased about \$325 per farm and was \$1 billion higher in total than in the preceding year.

We are expecting that the gain in net income achieved in 1961 will be maintained in 1962. But it goes without saying that we cannot afford to be content merely to hold gains that have already been made. The dynamic factors at work in agriculture will not permit us merely to "hold the line" with the means that are presently at our disposal.

The overall American economy is moving again. Present indications are that it will continue to expand. Agriculture does not now enjoy a fair share of the rewards available from the outstanding contribution it is making to the overall performance of our economy. Unless we can forge new and more effective tools to correct this inequality, the disparity will become greater.

What are some of the measures of this disparity?

The hourly return to all labor on farms averaged 85 cents an hour in 1960 compared to an eventual minimum wage standard of \$1.25 an hour and an industrial wage average of \$2.26.

Prices received by farmers have dropped about 17 percent in 10 years—while prices paid by farmers have increased 5 percent, and the parity ratio has dropped some 20 percent.

The average per capita income of farm people in 1959 was only \$965 compared with an average per capita income of \$2,216 for non-farm people.

And this has happened during a period when the efficiency and productivity of our farms has provided American consumers with more and better food at a lower real cost than at any other time in our history.

Might I add to this the following, I think rather descriptive figure, that if the cost of food had gone up as much as the cost of other things, the American consumer today would be spending \$1.17 for every dollar he is spending for food.

As we contemplate the experience of the past, and evaluate the circumstances of the present, it is evident that we must face honestly and realistically the tremendous changes that the technological revolution has brought about in agriculture. We must come to grips

with a wide range of interrelated issues, and adopt policies that are based upon a clear recognition of the need for overall adjustments in agriculture.

FOOD AND AGRICULTURE PROGRAM FOR THE 1960'S

About a week ago President Kennedy outlined a commonsense food and agriculture program for the 1960's in his message on agriculture. It is a comprehensive farm proposal which places agriculture in the broad context of its relationship to the national economy.

It recognizes that the Nation entered the 1960's with over \$9 billion worth of farm commodities purchased and stored at public expense and under price-support loan; almost \$7 billion of this was in wheat and feed grains alone. Yet we had begun the 1950's with about \$3.5 billion of farm commodities on hand and under loan. The farm programs of the intervening years have failed to cope with the technological revolution which has characterized farming in the 1950's.

The President's program is designed to maintain and improve farm income, provide the consumer with food and fiber at reasonable cost, and reduce surpluses and the Government cost of support programs. It is practical and workable because it is based squarely on the inescapable technological, economic, and social facts that confront American agriculture and the Nation.

In a very real sense, it is a program which is proposed by the logic of economic and social conditions which we must live with today in agriculture.

It recognizes that the technological revolution in agriculture is real and nonreversible—that agriculture's ability to produce more than the market can take and that can effectively be put to use will continue into the future for as far as we can see ahead.

It recognizes that the public cannot reasonably be expected to tolerate indefinitely large and unpredictable budget expenditures to acquire and store stocks of commodities that we do not now need and cannot now use efficiently and effectively.

It recognizes that millions of individual farmers, acting independently, are not able to make the necessary and desirable adjustments to excess supply or reduced demand, as some manufacturing industries can.

It recognizes that farm income has been at unsatisfactory levels, and that the economic well-being of the Nation depends upon the ability of agriculture to make effective use of its productive capacity in an economic climate that provides reasonable and adequate income to producers.

It recognizes that if acceptable solutions are not soon achieved, and farmers are left to the mercy of economic forces, there will be a searing farm depression that will reverberate disastrously throughout the entire economy.

May I say the essence of this program has been to try and talk commonsense and face the facts to which we have referred. I would suggest to you that the basic cause for the deep frustration today in the country at large is because this has not been done. The facts that I have set down now are elaborated in a bit more detail on page 3, in the booklet that earlier has been made available.

(See p. 30.)

And I think it is essential that we do talk facts, and face up realistically to the nature of this problem, rather than keep slipping and sliding around it, as I fear we have done in the past.

The food and agriculture program is based upon four interdependent and equally important parts: Abundance of food and fiber; balanced commodity production; conservation and use of land and water resources; development of human resources and renewal of rural communities.

The program for abundance is aimed at taking full advantage of our unique and invaluable ability to produce food and fiber in unprecedented quantities, and to expand consumption at home and abroad.

I think we pretty well discussed this already in terms of recent developments.

The President has proposed the expansion of the pilot food stamp program, and continuation of the school lunch, special milk, and direct distribution programs. He also proposed additional legal authority for foreign food aid to permit shipments of additional types of surplus commodities not in CCC inventory under title II of Public Law 480, to broaden title IV to include market development, and to add a new title V for multinational food assistance programs through agreements with international organizations.

The program for achieving balance in production is designed to make possible the adjustment of output of commodities now in serious oversupply to the amount that can be used under the expanded levels of consumption.

What we have done is to project what we will be able to utilize effectively with the population increase and the anticipated economic growth. Taking all of these things into consideration, we arrived at the conclusion that we would not be able to effectively use all we can produce.

The proposals seek to apply to these commodities the time-tested systems of allotments and quotas that now are working to keep cotton, tobacco, and rice in balance. The President recommended new feed grain and wheat programs to replace the present emergency programs which expire after the 1962 crop year; and he also recommended new programs for dairying and revisions in the cotton program.

The program for conservation is designed to assure that our soil and water resources are used to effectively serve people and not set aside to lay idle. The legislation calls for a comprehensive survey of land uses, and provides for pilot projects and demonstrations to initiate a program for creating recreational resources on lands now used to produce agricultural commodities which cannot be put to effective use.

With over three-fourths of the land in private ownership—mostly farmland—the farmer holds a vast reservoir of recreational resources for urban and city families. Recreation needs will continue to grow substantially in the years ahead, and the farmer can become the major supplier for both private and public consumers. The program for the 1960's would authorize long-term cost-sharing agreements under the agricultural conservation program, and it would provide greater flexibility in the use of existing programs to meet recreation development needs.

Let me expand on that a moment, if I may, and suggest it might be worth this committee's time to review, when time permits, the recreation report submitted to the President, by happenstance, actually, on the same day the farm message went to the Congress.

This is a report of the recreation potential and need in this country. In essence, and I would like to put, if I may, at this point, pages 5, 6, 7, and the first paragraph of page 8, from an address I made, quoting it, into this record.

Mr. WHITTEN. We would be glad to have it in the record. I think that too should be marked as an exhibit and appear at some other place.

(The exhibit may be found on p. 72).

Secretary FREEMAN. Let me summarize, to point out that this report, which was very carefully made, shows we will have 230 million people by 1976, 350 million by the year 2000, consumer income will climb from \$354 billion in 1960, to \$1,437 billion by the year 2000. The estimate is that by 1976 the workweek will be 36 hours and by the year 2000, 32 hours, that the number of automobiles will climb to 100 million by 1976 and will increase another 80 percent by the year 2000.

What I am really saying is that there is a very great need for land and farmland, to produce something besides farm crops. It ought to really challenge us.

There is a tremendous need for recreational outlets and we can and I hope we will develop programs which will utilize resources for this purpose and do it with private landowners and not only with public land.

Yesterday, when I spoke to the Soil Conservation Association national meeting in Philadelphia, a farmer, close to Philadelphia, came up to me afterwards and said that the highest producing land he has in a very productive Pennsylvania farm is a 3-acre farm pond that netted him \$2,000 per acre last year. He used it every night in the summer. People came out and they had steak fries and this and that. He has very modest facilities. They used that pond to swim in and water ski on. He had modest charges. He maintained and took care of it and it was a tremendous source of income.

I would suggest that every Public Law 566 watershed—and this committee has supported conservation and the chairman has noted his militant espousal of it—ought to when it is planned, consider the recreation possibilities, and when it is planned, it ought to have this in mind.

I can envisage combinations of farms, related to a reservoir, developing recreation, be it hunting, riding, hiking, picnicking, camping, that they could use in this resource, with people coming and paying modestly for such facilities. I can imagine such an association of farmers working out an agreement with a geographical subdivision, within a city, and they in turn helping to develop the resources, and having access to them.

I think the possibilities here of using land constructively, of strengthening farm income, and of providing an important source of recreation, are very, very extensive.

The program for development emphasizes a program of rural renewal, of bringing resources to people in rural areas so they can

begin achieving a satisfactory rate of economic progress. This involves a continued emphasis on the Department's expanded rural areas development program and the closely related rural activities of the Area Redevelopment Administration.

The President recommended legislation to authorize the Farmers Home Administration to finance sewage systems and other rural community facilities, and suggested the need for loans for education and training for rural youth and adults to improve their opportunities to qualify for nonagricultural occupations.

In brief, the program for the 1960's is a broad attack on basic farm problems. It is realistic and attainable—not utopian. It will improve farm income and reduce Government expenditures. It provides machinery for effective action in achieving a steady improvement in the agricultural economy.

THE 1963 BUDGET

Mr. Grant will review with you the overall budget for the Department of Agriculture. I know that during the next several weeks you will be going into the 1963 budget estimates in detail with each of the agencies of the Department.

Consequently, at this point I will only comment briefly on some general considerations involved in the development of this budget.

The 1963 budget is, of course, the first complete budget that this administration has had an opportunity to present. As the President stated in his budget message, it has been prepared with two major objectives in mind:

First, to carry forward efficiently the activities * * * which by national consensus have been assigned to the Federal Government to execute.

Second, to achieve a financial plan * * * which will contribute to economic growth, high employment, and price stability in our national economy.

Within the overall balanced budget presented by the President, the budget for the Department of Agriculture is designed to meet these objectives.

As part of our effort to make effective use of our agricultural abundance to improve the diets of needy families at home and abroad, the budget provides for continuing the food distribution programs at the expanded level reached during the last year.

In addition to continuing the expanded school-lunch and special milk programs, we are proposing to expand the pilot food stamp program by adding additional areas. We are also requesting appropriations of over \$1.7 billion for continuing special foreign food assistance programs under Public Law 480.

As part of our continuing effort to develop our land and water resources, we are requesting increased appropriations for the Soil Conservation Service activities, including an increase of over \$5 million for the watershed protection program to finance the increased number of projects that will be under construction or undergoing detailed planning in 1963.

Although the appropriations for the Forest Service are not in the bill before your committee, I believe you would be interested to know that we are also requesting increased appropriations of over \$14 million for the Forest Service—primarily to continue the development program for the national forests.

The loan programs of the Rural Electrification Administration and the Farmers Home Administration will be continued at the higher levels reached during this last year. The major change proposed is an increase of \$100 million in the loan authorization for rural electrification generation and transmission loans.

The need for electric power in rural areas continues to increase, and we must assure that rural electric cooperatives have adequate supplies of power at reasonable prices to meet their needs.

As the President indicated in his budget message, the adequacy of the funds requested will depend to some extent on the willingness of other power suppliers to meet the power needs of rural electric cooperatives at a reasonable cost.

Finally, while the additional amount requested is not large, I want to comment on one other request that is in this budget—for increased funds to strengthen the general administration of the Department.

During the course of the past year, I have become well aware of the size and complexity of the job that confronts the Department in the years immediately ahead. I have also become well aware of the size and complexity of the Department of Agriculture as an institution.

My experience has convinced me that one of the most valuable assets that we have is the skill and devotion to duty of the trained and experienced staff in the Department of Agriculture.

If they had not demonstrated in the past the outstanding ability that they have to tackle difficult and complex problems with energy, enthusiasm, and skill—I would be considerably less confident than I am in our chances for success in the future.

Although improved organizational and procedural arrangements cannot be a substitute for able and willing personnel, there is much that can and should be done to provide for more efficient and effective management and direction of the Department's activities.

We have made some progress in this area during the past year—to some extent at the expense of temporarily diverting personnel time and energy from other equally important tasks.

We need to be in a stronger position to give sustained direction and leadership to efforts to improve the management and direction of the Department.

Accordingly, the budget requests an increase of \$602,000 under general administration for additional staff assistance in the Office of the Secretary, including provision for consumer representation; to strengthen the staff in several departmental staff offices; and to operate the newly established Office of Rural Areas Development.

I know from my previous experience in State government that it is not very easy to obtain increased funds for activities of this nature—and I can assure you that my personal conviction is that it should not be easy. But I have considered this matter most carefully, and I am persuaded that the money we spend on these activities will be repaid many times over in terms of more effective, efficient, and economical operation of the Department.

May I add here that what we would propose to do would be to set up not only the Office of Management Appraisal and Systems Development, but also to strengthen our budget department, and to have some tools to work with, which I think would pay for themselves, both in services and in savings in the year ahead.

I would venture the estimate that you would not find a business of the magnitude of this one, not having more resources for management purposes, and I am acutely aware of the management responsibilities.

Mr. Chairman, I appreciate this opportunity to appear before you and the members of this subcommittee. My staff and I welcome your questions and will do anything within our power to assist you in your consideration of this appropriation bill or any other matters that interest you.

(Following is the text of the booklet "Food and Agriculture—A Program for the 1960's," requested to be inserted earlier in these hearings:)

"FOOD AND AGRICULTURE—A PROGRAM FOR THE 1960's"

STATEMENT BY ORVILLE L. FREEMAN, SECRETARY OF AGRICULTURE

For farmers in America, 1961 was the best year in nearly a decade. Yet American agriculture presents a puzzling contradiction—an outstanding success in terms of efficient production and in contribution to economic growth, but a serious problem in terms of farm income and budgetary costs. This riddle must be solved.

Our agricultural productivity depends primarily on the skill and ingenuity of individual family farmers. But Government measures have also played an important role in the history of American agriculture. For many years, Government actions in agriculture were largely of a "technical assistance," or educational nature, to enable farmers to produce more and better products at less cost. In recent years, however, the Government has taken measures to help farmers balance production with demand in an effort to achieve good and stable prices and incomes.

Since the 1920's, agriculture has periodically produced some commodities far in excess of what the market could take at fair prices. To prevent violent price fluctuations and very low incomes, Government programs were devised for certain commodities. Some of these have worked well; others have not. Our task now is to build on the experience of the past to meet the problems of the future.

The programs of the 1930's helped stabilize the farm situation during a period of serious dislocation, while the Nation worked its way to better times. Programs of the 1940's were effective in meeting wartime needs and in stabilizing postwar supplies. An uneven situation developed in the 1950's, however, with some programs working very well, and others failing to cope with our productive capacity. Programs for tobacco, rice, peanuts, and cotton have generally been effective. But programs in the major grain crops have resulted in surpluses and serious carryover problems. These commodity problems are in reality the symptom of a general capacity for overproduction in agriculture. Reductions in the production of one crop have resulted in the excess production of a second crop, as excess productive resources have shifted from one crop to another.

A fresh start has been made in 1961—toward better lives for rural people and toward better farm programs. We approach the challenge of further improvement with optimism and gratitude. Having not only enough food and fiber—but too much at a given time or place—is less a problem than an opportunity. It is in that spirit that we present "Food and Agriculture—A Program for the 1960's."

Let us consider four major problem areas—all interrelated:

(1) The problem of underconsumption. Incomes—and diets—are generally good in America. Yet even here we have some inadequate diets in the midst of plenty. And in many parts of the world, tomorrow's hunger is as certain as tomorrow's sunrise.

(2) The problem of overproduction. We have the capacity to produce far more than can be utilized at home and abroad. This excess capacity to produce is greater in some commodities than in others, but the problem is common to all of agriculture.

(3) The problem of conservation and resource use. On the one hand, more land is being used to produce food and fiber than is needed. On the other hand, there is a growing demand for recreation, wildlife, and simply open space in and around the cities of our increasingly urban Nation. This may well be the critical decade in determining how wisely our land will be used for generations to come.

(4) The problem of opportunities for farm and rural people. Problems of people on land that does not employ them fully and does not enable them to earn a decent living are closely related to the problems of land use. Opportunities for these people—both in farming and in other work in their communities—can be improved.

It is essential that we act forthrightly to meet these problems; this is not the time for halfhearted measures. Let us survey the problems. Let us consider the alternatives. Let us apply the lessons of 40 years of experience in farm programs to fill in the gaps and to provide a truly comprehensive farm program.

This report summarizes the basic elements of a proposed farm policy that is new in the sense that it is a more comprehensive effort to cope with a general and chronic problem, and is old in the sense that it builds on program methods and tools that have proved their worth in the past. We do not seek novel approaches for their own sake; we seek useful outlets for the productive energy of a vital part of our population, ways to stimulate the development of our resources, and programs that extend the successful supply management techniques of tobacco and cotton to other commodities chronically in trouble. We seek programs that work—that provide jobs for people, uses for land, and that have the capacity to balance production with needs while protecting and supporting a prosperous family farming structure at the same time.

There is an urgent need for continued readjustments in agriculture—not merely for actions to shore up prices and incomes from one year to the next. We need to strike simultaneously at inadequate nutritional levels, at underemployment and low incomes in our farm population, at the inadequate size of many farms, and at the misuse of agricultural resources.

In considering needed adjustments in agriculture, we have four distinct but related goals that warrant our most serious consideration. These are abundance—to expand food consumption, both domestic and foreign; balance—to adjust the production of commodities now in serious oversupply; conservation—to achieve better land use; and development—to upgrade economic opportunity for rural people.

This is a humane program. It is practical and workable. Most of all, it is a program that faces facts squarely, and which proposes action based on facts—not on unrealistic hopes.

Fact: The technological revolution in agriculture is real and nonreversible. The development laboratories—both private and public—are discovering and creating new techniques and farmers are adopting them. Output is expanding at an unprecedented pace.

Fact: Agriculture can produce more than the market can take and will continue to do so—as far ahead as we can see. The demand for food can expand significantly only with population growth. And our production potential is growing much more rapidly than population.

Fact: Agriculture—made up as it is of many individual units—is not able by itself to make desired adjustments to excess supply or reduced demand. Generally lower farm prices do not assure lower total farm output, unless the price declines are extreme and sustained. Farmers are linked to the land by a long heritage, not simply by dollars and cents. They often increase their output despite lower prices in a lonely effort to stay in business.

Fact: Large budget expenditures cannot be made indefinitely to acquire stocks of commodities that we do not need. By the beginning of 1961—when new emergency measures were passed to reduce inventories—the Commodity Credit Corporation had over \$9 billion in loans and inventories.

Fact: Farmer income has been at unsatisfactory levels relative to incomes of nonfarm people. Some 2 million farm families on inadequate sized units have been particularly disadvantaged. But many full-time, commercial farmers have also had low incomes.

Fact: The economies of small-town and rural America are dependent upon a prosperous agriculture—an agriculture composed of many thousand efficient family farm units. If rural people are to have equal opportunity with nonfarm people, rural educational and economic opportunities need to be as good on the land as they are in town.

Fact: If agriculture were to be returned to a free market situation, farmers would experience a searing farm depression. In such an event farm prices and incomes would fall to disaster levels and stay there a long time. This is documented in each of four independent studies of the effect of a return to “no program.”¹

¹ Studies by Iowa State University and Cornell University economists, and studies done for the Committee on Agriculture and Forestry of the U.S. Senate and the Joint Economic Committee of Congress.

It is in the public interest to increase farm incomes to levels comparable with other segments of society. It is also in the public interest to reduce the Government cost of supporting farm incomes. This can be done only by reducing the costs of acquiring, storing, and handling billions of dollars' worth of unneeded commodities.

These two important goals—improving income and reducing costs—can be achieved together only if farm output can be reduced below needs for several years and then be allowed to increase over the long run at a rate equal to the rate of growth in demand.

It is in the above conceptual setting that we propose a broad new program—a program that moves on four fronts—each equally important and all highly interrelated.

Abundance—one side of the quadrangle—emphasizes food and its uses, both in the affluent society that is America, and in a world which is a long way from satisfying the food needs of its people. It is aimed at expanding domestic and international uses for food and fiber. It is intended to utilize food as an instrument of development and good will—to strengthen friendly economies and to develop export markets.

Another side of the quadrangle is balance in the management of abundance—to maintain farm income through the establishment of a reasonable balance between supplies and needs. The overall goal—a food and agriculture program which will strengthen both America and the family farm system—can be reached by commonsense and cooperation in managing the abundance which our family farms produce.

A third part is directed at conservation and the efficient use of land resources. Its goal is to provide adequate food for all, to conserve soil and water, to expand opportunities for recreation, and to insure that land resources are used and improved—not simply set aside and forgotten.

Finally, the food and agriculture program for the 1960's is aimed at development—the creation of new opportunities and new incentives for those who gain a living from the land and who depend upon it indirectly, and the improvements in education and training which will enable them to use such opportunities. Enlarged opportunities for our rural people are, in fact, closely allied to the development and utilization of our land resources.

The food and agriculture program for the 1960's would provide maximum flexibility in the operation of individual farm enterprises, and maximum freedom in the choice of occupation by rural people. It would also encourage the gains in farming efficiency and the shifts among enterprises which must not only be allowed but facilitated.

There is a long history of having commodity programs approved democratically by a two-thirds majority in a producer referendum. Producers of cotton, tobacco, rice, peanuts, and wheat have done this for many years. And they have, in nearly all cases, chosen to control the production and marketing of their crops. This democratic procedure can be extended to other farm commodities.

The food and agriculture program for the 1960's is a general approach to basic farm problems. It provides the machinery for steady improvement in farm incomes, and in the prospects for rural people generally.

I commend it to the attention of all Americans interested in the national welfare.

PART I. CONSERVATION AND LAND USE PROGRAMS

Our greatest natural resource is the land, the hundreds of millions of acres—three-fourths of them privately owned—on which we find our fields and our forests, our pastures, and our parks. Our program for the sixties seeks to encourage the use of the land in ways that best meet the needs of all of our people today, and that will conserve the wealth that lies in this irreplaceable resource to meet the needs of tomorrow.

As we survey today's needs, in terms of the great land resources with which this Nation is endowed, we find a great unmet need for land around our burgeoning cities, to which city dwellers can go for outdoor recreation and to enjoy the beauties of nature, for lakes and ponds and streams for fishing, for wildlife habitat, for open spaces and wilderness areas that will be required in increasing amounts as our population increases.

On the other hand, we now have more land than we need being cultivated to produce such crops as wheat and feed grains, and our studies show that we have millions of acres under cultivation now that will not be needed to produce agricultural products we can use, even two decades ahead. It is a real challenge, and

a dramatic opportunity, to develop programs to encourage the adjustment of the use of such acres for purposes for which they are most needed—to encourage the farmers who own much of this land to change from crops that are not needed and to develop the production of services and facilities for which there is a real need. In this whole field of land use, study and research combined with imagination and initiative can result in programs that, at one and the same time, promote better farm income and help to meet the needs of our growing population for hunting and fishing and outdoor recreation.

Our potential for agricultural production is likely to outrun prospective demand for farm products over the next 10 or 20 years, even with augmented food-aid programs at home and abroad. By 1980 we will need an estimated 51 million acres less cropland than the 458 million acres we had in 1959 (table 1). If exports are not expanded, this reduction in cropland needed would be somewhat larger.

The opportunity to shift unneeded cropland to recreation, to wilderness areas, and open green space—all important in meeting the outdoor needs of an urban people rich in the traditions of a rural history—is especially dramatic.

The Nation's private lands hold a major potential for wildlife conservation and production for hunting and fishing and for many other forms of recreation. Already, more than 85 percent of our hunting land is privately owned, and most of our game is produced on farms and ranches. The tremendous opportunity for community recreational development in and around the small lakes and ponds being developed in watershed projects under Public Law 566 is just becoming apparent.

TABLE 1.—*Needed shifts in major land uses, 1959-80*

[In millions of acres]

Land use	1959	Reductions	Additions	Net change	1980 projections
Cropland.....	458	68	17	-51	407
Grassland, pasture and range.....	633	30	49	+19	652
Forest land ¹	746	32	27	-5	741
Recreational.....	62	0	23	+23	85
Farmsteads and farm roads.....	10	0	0	0	10
Special purpose uses.....	85	0	25	+25	110
Miscellaneous other land ²	277	11	0	-11	266
Total.....	2,271	141	141	0	2,271

¹ Commercial and noncommercial forest land exclusive of 27,000,000 acres of forest land limited primarily to recreation or wildlife use in 1959 and 34,000,000 acres in 1980. Combined forest land acreage is 773,000,000 acres in 1959 and 775,000,000 acres in 1980 or a net overall gain of 2,000,000 acres.

² Urban, roads, military reservations, water supply reservoirs, etc.

The Federal Government has long cooperated with State governments and private individuals in resource development, particularly in providing financial assistance to stimulate planning at State and local levels. River basin development as well as planning for parks, campgrounds, and recreation sites, have followed this pattern.

The Department of Agriculture has a major responsibility for cooperative programs with the States and their local subdivisions, and with owners and operators, to conserve, develop, and manage soil, water, grass, forest, and wildlife habitat of private lands. In addition, it administers a multiple-purpose resource management program on 186 million acres of national forests and national grasslands.

The need now is to redouble our efforts, to review our present practices, and to act on our opportunities. The needed shifts in land uses by 1980 as estimated by the Department's Land and Water Policy Committee are shown in table 1. Whether or not these can be achieved depends on the time we start, and on the progress we make.

Three broad types of pilot land-use adjustment programs are proposed: each requiring some amendments to present legislation in addition to expanded use of present authority.

One would encourage land and water use adjustments for recreational and wildlife purposes. One would encourage a shift of cropland to permanent or long-term grass cover; another would promote tree planting on cropland.

Developing recreation and wildlife

Programs of the Department—watershed programs, ACP, forestry, acreage diversion, and others have contributed substantially to recreation and wildlife development in the past.

The proposed programs would provide for cost sharing with local agencies to acquire and develop recreational facilities around reservoirs, and for easements, cost sharing, and loans to local organizations for development of selected flood plains, water courses, and other areas for wildlife, game, and recreation uses. And it would authorize loans and technical assistance to groups and individuals in the development of hunting, fishing, and other recreational facilities.

This would generate employment and income in rural areas. It would also support the established and well-regarded watershed program of the Department of Agriculture, providing a nucleus of open spaces for public uses. Watershed projects provide an ideal base for this kind of activity.

Watershed projects are developed by local organizations. The Secretary is authorized to provide technical, financial, and credit assistance in varying amounts for different purposes. The Soil Conservation Service administers the program and provides technical and financial assistance. The Forest Service has responsibilities for fire protection and woodland improvement. The Farmers Home Administration administers the loan provision of the act. The agricultural conservation program provides a related conservation practice cost-sharing program.

Most watershed projects are jointly sponsored by a soil conservation district and one or more other organizations such as watershed districts, drainage districts, counties, or municipalities.

So far, most of them have been planned primarily for flood prevention. Some projects, however, have included drainage, irrigation, fish and wildlife development, or municipal water supply. Projects range in size from less than 10,000 to 250,000 acres. The average project contains 60,000 acres and has seven or eight floodwater-detention dams. Most dams are built with a small water pool which is expected to be filled with sediment over a period of 50 years. These pools are being widely used for recreation where the landowners who own them permit it. Not more than about 50 reservoirs out of some 1,900 built to date are publicly owned and available for recreation.

Under the law, local organizations must provide all land, easements, and rights-of-way. Most reservoirs are built on land where the easements have been donated by the landowners to the local organization. Landowners then have the right to control the use of the land around the reservoir and to use the water in the sediment pool so long as they do not interfere with the functioning of the structure for flood prevention. Conservation practices must be carried out on at least 50 percent of the land above any structure before it can be built.

Construction costs for flood prevention are paid for by the Federal Government. Costs for drainage, irrigation, and fish and wildlife are shared with the local organization (generally about 50-50). There is no Federal contribution to municipal water supply except under the loan provision of the act. There is no assistance for public recreation.

The new program would continue all of the present features but, in addition, would authorize the Department to assist local sponsors to develop public recreation and fish and wildlife facilities in the projects. The purpose would be twofold: (1) to effect needed land use adjustments by converting some land, preferably cropland, to recreational uses, and (2) to meet a strongly developing need for more public recreational facilities.

At least one reservoir would be selected in each of several pilot projects with a good potential for public recreational development, to become a lake for swimming, boating, and fishing. Other areas of natural beauty, or land needed for hunting upland game and waterfowl might be selected for development. Improvement of streams and natural lakes in the project area for fishing, and the development of campsites could also be undertaken. Legislation to include recreation as a purpose in the Watershed Act, and to permit the Government to share the cost of land easements and right-of-way for recreational purposes would be needed.

The recreation development might be undertaken by the original project sponsors or by getting municipalities, counties, or State park, and fish and wildlife agencies to become additional sponsors.

Other programs of the Department could provide material assistance. Throughout the watershed, the agricultural conservation program could stimulate the production of game and wildlife by encouraging practices for development of wildlife areas on a long-term basis. This would require new authority for long-term, cost-sharing agreements. The Forest Service could give technical coopera-

tion. If private financing were not available, the local cooperator might borrow funds to construct boathouses, docks and sanitary facilities from the Farmers Home Administration under an amended water facility loan program.

Stimulated by the public development, nearby private landowners might want to develop motels or riding stables. The Office of Rural Areas Development could channel loan applicants to the Small Business Administration under an existing program. Some of these private operations, such as game farms or shooting ranges, would contribute to the success of a farming enterprise. The Farmers Home Administration could make loans for such purposes under a broadened FHA loan authority.

Recognizing that recreation land becomes scarcer as cities grow, the Department might also secure long-term options to buy additional land around the recreational facility to be exercised as use increased. This option might be combined with easements so that in the interim, limited use could be made of the land for such activity as nature trails and horseback riding. The Department might also, directly or through the local cooperators, acquire scenic easements on other lands in order to protect the recreational site and to enhance its value by keeping it in trees or other suitable use. These actions would require new legislation to buy land or rights to land. (Present land acquisition authority under title IV of the Bankhead-Jones Farm Tenant Act is limited to submarginal agricultural land).

Conversion of cropland to grass

Shifting cropland to grass will return many acres to the use for which they are best suited.

In the first year or two, this effort would be directed to areas outside the scope of the feed grain and wheat programs, and particularly to lands on which conservation reserve contracts expire.

The program would feature 5- to 10-year agreements with landowners, with incentive payments based on land quality. For the poorest cropland, cost-sharing programs would be made to establish grass cover, and easements would be sought to eliminate allotments and crop history. On more productive lands, cost-sharing and rental payments would be offered to keep land in grass. On both classes of land, cooperators might be permitted to graze the land.

It is especially important that a program of this kind be established to prevent a large-scale return to cultivation of lands on which grassland cover was established under the conservation reserve program. This need is most critical in the Great Plains where grass is difficult to establish, and where wind erosion is a hazard.

Conversion of cropland to trees

The demand for forest products will increase in the years ahead, but it can be met with only a very small increase in acreage. Any major increase in forest lands would be useful particularly for recreation, for wildlife, for general use by a growing population and to provide a reserve.

Under the program, owners would agree to plant trees on land taken out of crops and to protect and maintain the tree cover on such lands for perhaps 15 years. The Government would share the cost of planting and would make annual payments to owners, at least during early years of the contract.

For poor cropland, the program would be about the same as the grassland program. On better lands, rental payments would be based on the value of the land for the production of crops customarily grown. The owner could be permitted to harvest forest products during the period of the contract provided such harvesting was carried out according to approved practices.

These general programs to encourage a shift of cropland to grass and trees would be initiated on a pilot basis and would be later made available throughout the country. They would complement the commodity programs described in part V, programs which would divert some 35 to 40 million acres out of feed grains and wheat each year. Longrun land use programs on a continuing basis would assist farmers to turn those unneeded crop acreages to other productive uses.

If 40 or 50 million acres could be transferred from crops to other uses in a land use adjustment program in the 1960's, the job of reducing feed grain and wheat acreages would be eased. Such a shift would reduce total farm output by about 3 to 4 percent.

Needed legislation

The following legislation would be required to make a start in the proposed pilot programs:

(1) Amendment of the Soil Conservation and Domestic Allotment Act to expand the agricultural conservation program to include payments and cost-

sharing arrangements under long-term contracts to provide for changes in cropping systems and land uses for development of soil, water, forest, wildlife and recreation resources.

(2) Amendment of the Bankhead-Jones Farm Tenant Act to provide for recreational development and wildlife protection under that act.

(3) Amendment of the Watershed Protection and Flood Prevention Act to provide for cost-sharing assistance for recreational development, for Federal assistance in acquiring land rights and basic facilities needed for public use of reservoirs and other areas for fishing, hunting or other recreational purposes.

(4) Modification of the above act to provide for loans for recreational facilities.

(5) Expansion in the authority for FHA loans to farmers for recreational enterprises.

PART II. ECONOMIC DEVELOPMENT FOR RURAL PEOPLE

The program for better use of our land must go hand in hand with a program to provide better opportunities for the people who live on the land—better economic opportunities and opportunities for improvements in their communities and institutions. Already there is far too much poverty in rural America. Programs of agriculture must move in the direction of eliminating this poverty.

Such programs are directed toward a better life for the 54 million people that live in rural areas. They include measures to encourage the formation of economically viable family-sized farms, and the diversion of some of the land to the growing of trees, recreation, conservation and wildlife preservation. They include the renewal of rural communities by helping to create new industrial and commercial enterprises and better community facilities. They include vocational and other educational opportunities that are basic to the development of a strong and prosperous rural America.

Rural poverty

What is the situation? Nearly one-third of our people live in rural areas, but over one-half of our poverty is found there. There are 4.1 million rural families with a total money income of less than \$2,500 compared with 3.9 million such families in urban areas. The concentration of poverty among farm families is even worse than among nonfarm rural families. Almost half of our farm families had total money incomes from all sources of less than \$2,500 in 1959, and nearly two-thirds of the individuals living alone on farms had incomes of less than \$1,000 a year. (Table 2.)

The process of change in American agriculture has left idle land and unused buildings on thousands of small tracts in low-income areas. These resources must be directed to new uses.

About 60 percent of the Nation's farms produce only about 13 percent of the agricultural output. New economic opportunities must be found for these people.

The Department of Agriculture in cooperation with other agencies, is engaged in a determined effort to generate expanding economic opportunity in rural areas. All agencies of the Department have reviewed their services and are giving top priority to this effort. We are determined to remove the blight of rural poverty from our land within this generation. However, additional tools are needed for the job.

Rural industrialization and commercial enterprises

Overall, probably the most promising potential source of new economic opportunities in many rural areas is to be found in providing commercial enterprises, and various services connected with outdoor recreation and tourism.

TABLE 2.—*Money incomes of families in 1960, United States*¹

Total money income	Urban	Rural non-farm	Rural farm
	Percent 100.0	Percent 100.0	Percent 100.0
Total.....			
Under \$1,000.....	2.5	5.5	17.7
\$1,000 to \$1,999.....	5.7	7.9	18.1
\$2,000 to \$4,999.....	26.3	28.4	38.6
\$5,000 and up.....	65.4	58.0	25.7
Median income.....	\$5,911	\$5,620	\$2,875

¹ From U.S. Department of Commerce. Bureau of the Census, Current Population Reports, Jan. 17, 1962.

Location of research facilities in an area often expands possibilities for commercial development.

Each additional factory, commercial enterprise, and public installation that locates in an area and builds a payroll provides the purchasing power base and need for additional commercial enterprises and trade and service activity and professional services, whose payrolls add still additional jobs and purchasing power in the area.

During the past year, the Rural Electrification Administration made important contributions to expanding industrial and commercial enterprises in rural America. In 1961, the agency's 1,000 borrowers connected an additional 148,000 rural consumers, including an estimated 12,000 new business firms, processing plants, and industries—new opportunities for many rural people. More than 186,000 telephone subscribers were connected. REA loans under section 5 of the REA Act have financed, through electric borrowers only, the purchase and installation of electrical machinery and equipment for industrial, commercial, and agricultural purposes. These loans are made to borrowers who cannot obtain capital from any other public or private source.

For example, a \$280,000 loan went to a Minnesota electric co-op which in turn lent \$250,000 to the operator of a millwork plant to finance electrical equipment. This plant employs 160 persons, and expects to expand. Besides this during the winter it uses the services of many farmers to cut trees and bring them to the plant.

Direct and important contributions to rural industrialization efforts are made by other agencies of the Department. The Forest Service has stepped up its activities in rural areas to provide more job opportunities. In Minnesota for example the Forest Service increased its activity in the Minnesota National Forests by almost 15,000 man-days of employment. In Mississippi Forest Service help resulted in a new charcoal briquetting plant, providing a market outlet for a number of kilns.

Watershed development

The construction of a Soil Conservation Service watershed protection project has often set off a chain reaction of events that builds outdoor recreational facilities and industrial and commercial enterprise in the area. Not only does the rural area benefit from the added purchasing power and more attractive surroundings and conservation values provided city people also benefit from the additional recreation sites and opportunity for vacation or weekend enjoyment. With a ready rural power supply a ready water supply and improved rural roads and highways conditions are now favorable for the first time in history to build and operate industrial plants in rural areas.

Community facilities

In many rural areas, the difficulty of financing adequate safe and sanitary housing and modern community facilities such as water and sewage systems, recreational installations, and transportation, has deterred general community improvement and more rapid industrialization. Of the 27 projects which Agriculture recommended to the Area Redevelopment Administration by January 4 this year, nearly half were related to water, or sewage disposal projects. An exploratory survey is underway to determine how current programs can be improved or new programs started to speed local development of community facilities.

The Department of Agriculture in cooperation with the Area Redevelopment Administration and the Community Facilities Administration should be able to make available a complete package of loans, grants, and technical assistance, including engineering and technical advice, to rural public bodies for the purpose of establishing such community facilities as—

Water systems to industrial users, including sewerage and sewage treatment plants.

Public utilities.

All types of recreational facilities, including swimming pools, golf courses, tennis courts, athletic grounds, ski lifts, picnic grounds, tourist trailer parks, and playgrounds.

Community centers, including auditoriums for the production and showing of plays.

Rural clinics.

Industrial parks to include water and sewerage, utilities, roads, and other necessary supporting facilities.

Many parts of this package are already authorized, but new legislation is needed and is now proposed to enable the Farmers Home Administration to finance sewage systems and other rural community facilities.

Rural renewal

In some rural areas the general level of economic activity and family income is so low, and the lack of community facilities so acute, that a complete rural renewal operation is the only sensible solution.

Approximately 800 counties of the United States are in serious "low income rural areas" or in economically lagging rural areas. Some 31 million persons live in those areas outside metropolitan centers. These include farm and rural nonfarm families as well as some persons living in small towns. Median net money incomes of these families are very low, usually one-third or less of the median family income for the Nation. These areas contain a high proportion of part-time and part-retirement low-producing farms.

In these 800 counties there are 25,000 or more rural and smalltown communities which have been in a period of relative economic deterioration and heavy outmigration for 2 decades or more. Community and private facilities have run down and in many instances have been abandoned. Outmigration has left thousands of "unused" or little used acreages with the result some broad areas have almost "gone out of business"—farm and nonfarm. Continued deterioration and outmigration threatens large regions with virtual abandonment, drains them of productive workers, and makes more difficult any attempt at development of the resources of such areas. Not only individual families that have farm resources are caught up in this problem, but also included are hundreds of villages and small towns, including county seats. As economic deterioration continues, businesses and private and public services in these towns have closed and income and job opportunities have continued to shrink.

For these areas, in addition to the nationwide rural area development program, a new program is proposed to provide loans and technical assistance to local public rural renewal corporations. This program would aid in developing new uses for land and water, create industrial parks, assist small farmers in farm consolidation and enlargement, and develop needed public facilities including outdoor recreation. New legislation will be required for this program to permit loans to approved public agencies to acquire and develop and dispose of land for the specified purposes and to permit loans to individual farmers to establish recreational facilities here and other income-producing enterprises.

With this additional authorization, the Federal Government will be able to provide a comprehensive set of aids to backstop local groups in a full-scale effort to reinvigorate these areas. The local groups will develop plans for area renewal and development, will receive loans and grants, contract for services, purchase, lease and resell land, remove buildings, and help families establish themselves in economic enterprises in project areas. The Federal Government will encourage and assist State and local bodies in rural areas in planning and carrying out the projects.

These rural renewal projects, in short, would constitute especially concentrated efforts in areas of greatest need to use all the tools at our command to create new opportunities, both on and off the farm. Such a rural renewal program could reverse the trend of economic deterioration in many of these communities and put them back on the road to economic growth and improved opportunities for their people.

Education and vocational training

Equal opportunity for the children of rural America is a high national priority, an essential element of the promise of America—equal opportunity for all. They deserve the same opportunities for health, education and advancement that are afforded by our society anywhere. Over 10 million rural youths will reach working age in the next 10 years, and most of them will seek desirable economic opportunities.

Educational facilities in rural America have been substantially strengthened in recent years in most areas. However, there are still woeful gaps in the opportunities of rural young people, for educational and vocational training. Particularly, there is a lack of vocational training facilities for nonfarm jobs. The prevalence of so much poverty on American farms, the lack of resources for earning direct incomes from farming, and the difficulty of the transition to nonfarm employment urgently require new measures to help provide the needed education and training for rural people who have no other means to obtain it.

We believe, therefore, that Congress should consider making special provisions for improving the educational opportunities and vocational training of rural youth. We should not and cannot delay in strengthening the educational opportunities and vocational training in rural areas; only highly skilled and well trained young men and women are able to compete successfully in this technological

age. There is no other single step that could be taken that would do more to improve the prospects of rural young people.

Strong family farms

The backbone of our rural economy is and, of course, will continue to be agriculture. While we strive to do our utmost in creating new nonfarm job opportunities, we must at the same time improve the opportunities in agriculture itself.

The basic structure of American agriculture is built on the family farm with its dependence on the operator family for a substantial part of its labor, capital, and management. The family farm system has given this Nation the strongest and most productive and most efficient agriculture in the world. More than that, it is a bulwark of the social and cultural values that are most essential to our national life. Our first objective with respect to farm opportunities then, is to create economic conditions in agriculture which will make it possible for an efficient farm family with an adequate farm to earn a living comparable to other economic groups.

But there are also many cases where part-time farming can be made to fit happily into an economic pattern for retired people, or people with other sources of income, who can still live on the land and contribute to the well-being of rural communities. These, too, are a vital part of our family farm system.

The basic foundation of a prosperous rural area is the opportunity for families on full-time and part-time family farms to have adequate incomes for their work, saving, and management.

The rural development programs in our total agricultural program for the 1960's will be designed to achieve the maximum total economic opportunities in rural areas by encouraging industrial and commercial development, strengthening full-time and part-time family farm operations, maintaining the optimum farm population in rural areas, protecting and conserving natural resources, improving educational opportunities, and assisting in providing recreational and community facilities.

This is a program with many parts, as it should be in a free country where people should be free to shape their own destinies. Nevertheless, it is a practical program which can achieve much to strengthen our American way of life.

PART III. AGRICULTURE'S CONSUMPTION-PRODUCTION BALANCE

American farmers have proved that they can produce abundant supplies of food and fiber at reasonable prices to meet the high levels of consumer demand growing out of a prosperous and expanding economy, and to contribute to a positive foreign policy designed to combat hunger, further international development, and help lay the foundations of world peace.

Needed, however, is an economic climate—a set of institutions and operating programs—in which a flexible, efficient agriculture can produce this abundance and earn a fair return. The efficient family farmer should be able to earn an income comparable to incomes earned by similar resources and for similar effort in nonfarm employment.

To formulate programs to bring about this economic climate we must clearly recognize the potential for agricultural production to outrace consumption. A realistic approach requires an evaluation of agricultural programs of the past that have maintained a balance between production and consumption for some commodities, while they have failed with regard to others. It further requires an examination of both domestic and foreign food markets of today and tomorrow, with a consideration of the best possible projections into the future, together with projections of the potential productivity of American farms.

The nature of the problem

Agriculture entered the sixties facing an old and tough problem—a productive capacity which would continue to outrun its market outlets. The domestic market for farm products is capable of only slow expansion. Even when coupled with big gains in foreign shipments, it has failed to equal the spectacular production increases of the last 10 years.

Largely because of its own unbridled productivity, agriculture has failed to share equally with most nonfarm sectors in the rewards of success. Prices received by farmers in 1959 and 1960 averaged 6 percent below a decade earlier. The prices paid by farmers—following the trend of nonfarm prices—rose 17 percent over the same period. As a result, the parity ratio—the “terms of trade” between agriculture and the nonfarm sector—has held close to 80 in recent years, some 20 percent below the 1949-50 average.

Why the lag in the demand for farm products?

Food and clothing are necessities of life which command a high priority. But once the food priority is met, increases in the domestic demand for food depend primarily on population growth. Total food consumption per person is influenced very little by changes in retail food prices or by higher incomes in a high-income economy such as the United States.

Proof of this is easy to find. In terms of farm products, there was virtually no change in the amount of food consumed per capita during the 1950's (fig. 1). Yet the average consumer's buying power rose nearly a fifth in that time. Today, an increase of 10 percent in per capita income will add only about 1 percent to per capita food consumption in terms of farm products.

While food consumption per person has been fairly stable, we actually used almost a fifth less nonfood farm products—mostly fibers, fats and oils, and tobacco—in 1959-60 than in 1949-50. Putting all farm products together, food and nonfood, per capita use in 1959-60 averaged about 4 percent less than a decade earlier.

While actual food consumption has been stable, consumer expenditures for food at retail have closely paralleled changes in consumer income. During the 1950's, a 10-percent increase in consumer buying power per person was accompanied by an increase of about 5 percent in per capita expenditures for domestic food items. But most of that gain represented the increased costs of marketing, and demands for more marketing and processing services (fig. 2).

There is more than meets the eye, however, in the overall stability of consumer demand for food. Important changes have taken place in the consumption of individual foods—many of them due to changes in consumer incomes and relative prices.

In the 2 years 1959-60, consumers ate on the average of about 20 pounds more beef and 11 pounds more poultry than a decade earlier. They ate a little less pork, fewer eggs, and less of the high-fat-content dairy products. The shift to meats and high-protein foods was more than offset, in pounds, by reductions in per capita consumption of fresh vegetables, cereals, and in general the high-calorie-type foods.

Among the fruits and vegetables, the decided trend away from fresh use has been largely offset by increased consumption of canned, frozen, and convenience-type foods. Potato consumption per person has stabilized in recent years, after earlier declines, reflecting increased use in processed forms such as chips and frozen french fries.

There are many influences besides income on consumer preferences. Relative price is also an important factor, with poultry presenting a classic example. Increased consumption of poultry is traceable in large measure to the decline in poultry prices relative to other meats. Lower prices are due in part to technological improvements—but they are also the source of acute distress in the industry.

The rise in consumption of margarine relative to butter is a similar case. But the drift downward in per capita use of dairy products has been partly due to concern about the amount and types of fat in the diet. Tastes change, too. The habit of only coffee and toast or cereal for breakfast among city dwellers has been an important factor in declining egg consumption.

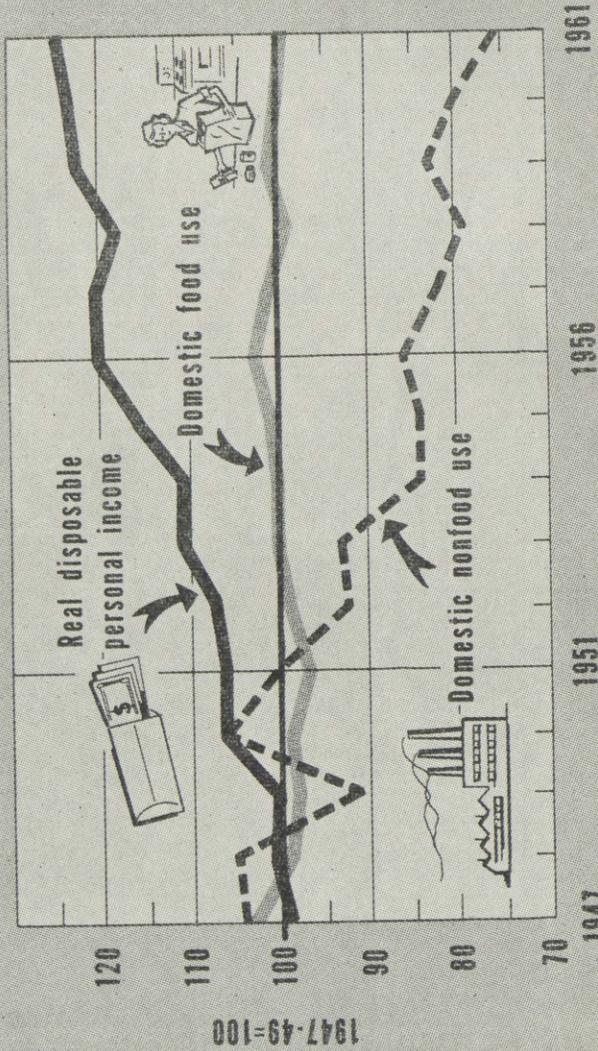
All in all, total pounds of food consumed per person declined about 3 percent over the decade of the 1950's from the 1949-50 average; calorie intake declined about 2 percent.

The domestic food market

Increases in the domestic market for farm products will continue to depend primarily on population growth. Rising consumer income, changes in relative prices, and taste changes will continue to modify the diet and may result in some further decline in the per capita use of all farm products.

Rising incomes are expected to result in a further increase in per capita consumption of beef and possibly poultry. There may be a further slight decline in pork consumption per person. Some modest price strength in these products as a result of reduced grain production and higher grain prices will limit somewhat the expansion of livestock product consumption. Gains for meat animals are likely to be largely offset by a continued downtrend in per capita consumption of eggs and dairy products, however. Per capita consumption of crops as a whole may decline slightly.

Fig. 1
Index of per capita consumer income
and consumption of farm products

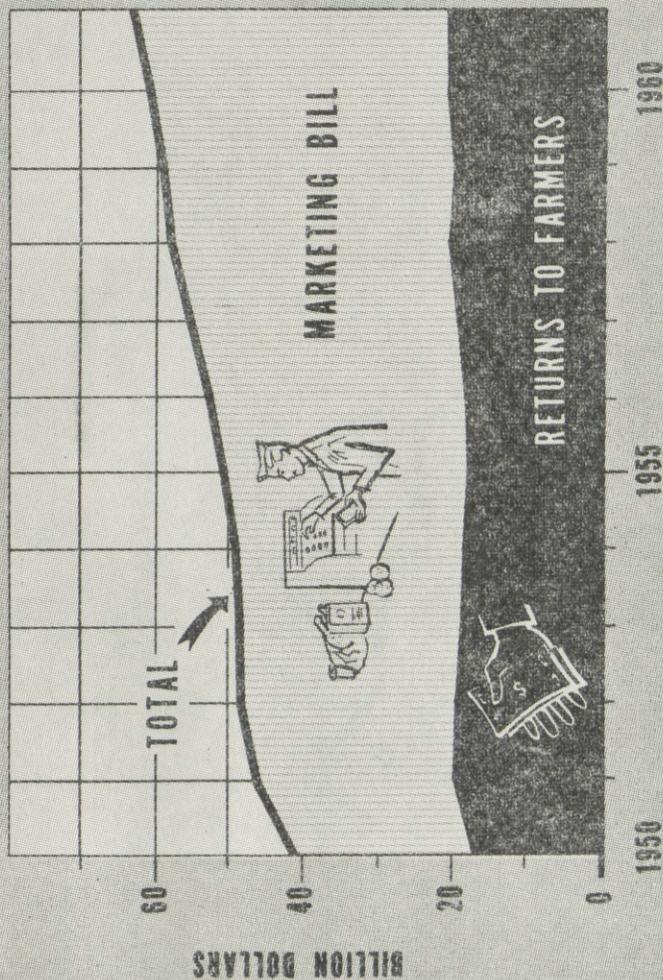


In the United States, food consumption per person increases very little as incomes rise. During the 1950's, there was virtually no change in per capita consumption of farm food products, although the average consumer's buying power rose nearly one-fifth. Meanwhile, domestic use of nonfood farm products—mostly fibers, fats and oils, and tobacco—declined almost one-fifth.

Food expenditures:

Returns to farmers and the marketing bill

Fig. 2



Most of the rise in expenditures for food has paid for increased marketing charges—transportation, processing, packaging, and retailing. From 1950 to 1961, consumer food expenditures rose \$20.7 billion, while returns to farmers for those products rose by \$3.3 billion.

With population up about 11 percent by 1967, total livestock product consumption will likely be around 10 to 12 percent higher than in 1961. The total domestic market for crops is expected to increase around 8 to 10 percent from 1961 to 1967.

Allowing for higher incomes, for some expansion of the food distribution programs, and for somewhat higher prices for livestock products by the mid-1960's, combined domestic demands for farm products are expected to be around 10 percent higher than in 1961.

No dramatic jump in the domestic demand for food or for other farm products can be expected; food use will continue to grow with the population.

Food and fiber exports.

The United States is the largest exporter of farm products in the world. The product of one-sixth of our crop acreage harvested is exported. Agricultural exports were valued at \$5 billion in 1961—one-fourth of our total exports.

The entire Nation—not simply farmers—has a stake in our agricultural exports. More than two-thirds of these exports go to commercial markets and are paid for in freely convertible currencies (fig. 3). Thus, agricultural exports are one of our best earners of dollars abroad and one of our best tools for dealing with the critical balance-of-payments problems.

The maintenance and expansion of our export market is most essential to a prosperous farm economy. Some sectors of agriculture and some regions of the United States have a much greater stake in the export market than others. Half of total wheat production in 1961 was exported; producers of rice and dried peas are even more dependent upon exports. Cotton exports in the calendar year 1961 were equal to nearly half the 1960 crop. Soybeans (including soybean oil) and tallow exports equal about two-fifths of output. Tobacco, hops, nonfat dry milk, raisins, and many others depend upon foreign demand for up to one-third of total sales.

Over the past few years, U.S. agriculture has benefited from reciprocal tariff negotiations authorized by the Trade Agreements Acts. In many cases, we have been able to strike a bargain with Western European countries that involved lower trade barriers for U.S. agricultural exports. At the same time, protection against agricultural imports has been retained where needed because of higher U.S. production costs or price support programs.

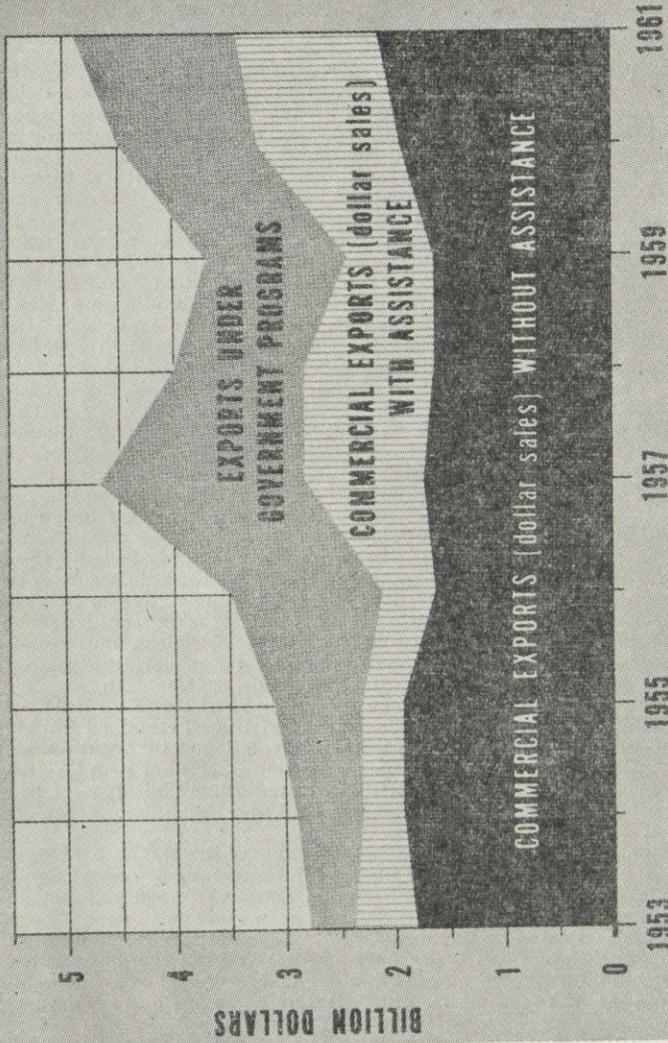
However, foreign countries have been reluctant to apply broadly the principles of a liberal trade policy to their agriculture. And the tide seems to be running toward even more protectionism in agriculture. It now appears that some of our agricultural exports to the European Common Market could decline sharply unless specific agreements can be reached with European importers. If U.S. agriculture is to maintain or increase its commercial exports, less restrictive trade policies for both agricultural and industrial goods are essential.

Food for foreign aid makes up the second main group of agricultural exports. Measured against a standard well below the nutritional standard employed in the United States and other advanced countries, the deficit in world food supplies is striking. Two-thirds of the world's population—2 billion people—live in areas that fall below this minimum nutritional standard. Two-fifths of these people live in the populous countries of the Far East and account for three-fifths of the world food deficit.

The annual world food deficit at the beginning of the 1960's, expressed in terms of familiar U.S. farm products, is over 3 billion pounds of nonfat dry milk, plus 350 million pounds of dry beans, 7 billion pounds of vegetable oil, and over 1 billion bushels of wheat. These measures mean that the shortage of protein from animal sources is equal to the nonfat dry milk figure; the remaining high quality protein deficit is equal to the dry beans figure; and the energy and other protein deficits are equal to the vegetable oil and wheat figures above. This huge deficit of food presents both a singular humanitarian challenge and a genuine economic opportunity.

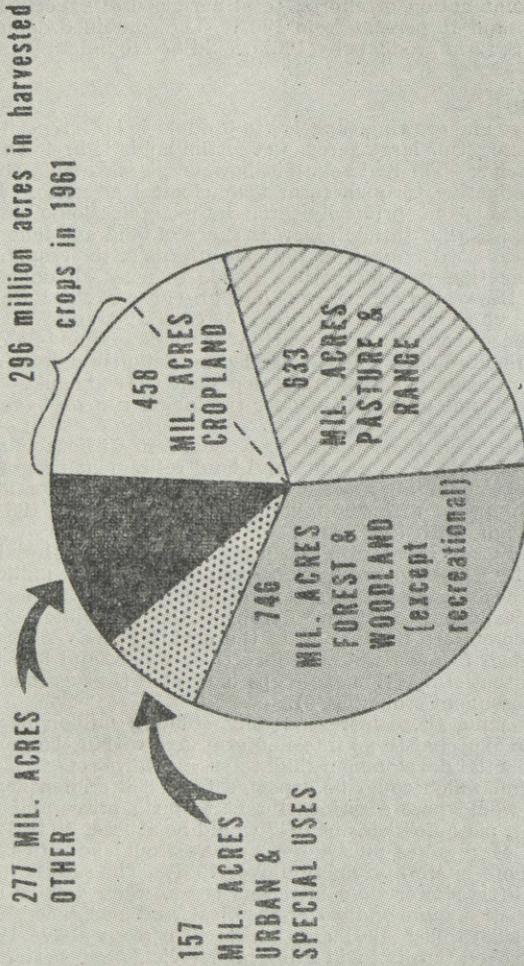
What are the conditions under which these 2 billion people live? Per capita income is very low. Land available per person for food production is limited in most of these countries. Improved technologies are making only a slow start. Some of the countries lack the physical facilities for receiving and distributing enough food even if it were available. Such problems—plus the desire of most nations to be self-sufficient in food—impose a limit on both the rate of expansion of our food-assistance programs and the eventual scope of the program. However, some of these limitations can and must be overcome, so that the great productivity of American agriculture can contribute to international economic development in the 1960's.

Fig 3 United States agricultural exports



More than two-thirds of our agricultural exports go to commercial markets, although part of those exports are made under export subsidy programs. Exports under Government programs are primarily food-for-peace shipments. The export market is increasingly important to American farmers.

Fig. 4 How our land is used.



2,271 MIL. ACRES (50 states)

In 1961, only two-thirds of U.S. cropland was used for harvested crops. Yet production was ample for all needs, domestic and export. The chart dramatizes at a glance our immense land resources.

Expansion of commercial exports can be continued if we move boldly. Larger exports under special programs are also possible. No specific projection of either type of export market is made here, as was made for domestic needs. Our farmers and the Government are determined, however, that the growth of agricultural exports should continue. Proposals which the President has made for a less restrictive trade policy, vigorous negotiations with the Common Market countries, and a positive and expanding program for use of food in international development, are aimed at this objective.

By such a combination of efforts, total agricultural exports by 1967 can be increased by around 10 percent from 1961. The combined domestic and export demands for U.S. farm products by 1967 would be around 10 percent higher than in 1961.

Food production

America's large and growing capacity to produce is both a positive blessing and a knotty problem. Our large acreage of fertile lands is basic to this increase in productive capacity. The real key to it, however, is the ability to make that land increasingly productive through farm technological advance. Farm output in the United States expands primarily through the application of new and improved production practices, not through increased use of land and labor.

In 1961 we harvested crops from only two-thirds of the cropland readily available. Yet production was more than ample to meet all domestic and export needs (fig. 4). Harvested acreage was down because of the 1961 emergency feed grain program, which reduced plantings of corn and grain sorghum and held production of those crops below utilization for the first time in a decade.

Over the years, crop output has expanded persistently despite declines in acreage harvested as a result of acreage allotments and the soil bank. Those programs were not without some effect. But over the longer run we have produced more on less land as yields rose.

What would happen to the acreage we harvest without current programs? In the absence of acreage allotments and land retirement programs, the acreage of harvested crops could be expected to increase to about 330 million acres in the next 5 years, compared with 296 million acres harvested in 1961. Most of the increase would come with 1963 crops.

The 1961 feed grain program reduced feed grain acreage by about 20 million. That land would return to production quickly. Some 17 million acres will be released from conservation reserve contracts in the next 5 years and about 10 million acres is expected to return to crops. About 4 million acres of new land is expected to come into production in the next 4 years. And if acreage allotments were ended, farmers would reduce their fallow and idle land somewhat. All these are potential additions to crops harvested if programs are not enacted for 1963 and subsequent crops (fig. 5).

Partially offsetting these increases, only about 2 million acres of harvested cropland can be expected to go into nonfarm uses within the next 5 years—into urban and residential development, highways, and airports.

The production which could be expected from 330 million acres of harvested crops by 1967 would pose a serious threat to farm prices and incomes. With average weather, per acre yields in 1967 would be at least 10 to 12 percent higher than in 1961. More acres plus more per acre would add up to an increase of one-fourth or more in crop production over 1961. The rate of increase in yields estimated is a little slower than in recent years, when greater use of fertilizer, better plant varieties, more and better chemicals and machinery, and more skillful farming combined to push 1961 crop yields 40 percent above 1950 levels. Research and improved farming will bring higher yields and better products. Despite great gains, we are yet in the foothills of technical progress in agriculture—not at the peak. Unless all signs fail, the ceiling on crop yields is still far in the future (fig. 6).

The spectacular rise in production per acre, during the past 10 years has been especially noticeable in the major crops—wheat, cotton, and feed grains (fig. 7).

Average yields for the four major feed grains rose from less than a ton per harvested acre in 1950 to 1.32 tons in 1961. By 1967, yields may approach 1.5 tons per acre with only average growing conditions.

Average yields of wheat rose from 16.5 bushels per harvested acre in 1950 to nearly 24 bushels in 1961. By 1967, average yield per harvested acre of about 27 bushels should be expected. This yield has already been reached—in 1958. The possibility of substantially higher yields should not be ruled out.

The average yield of cotton was about 270 pounds per acre in 1950; in 1961 it was 438 pounds. By 1967, average yields of one bale per acre—500 pounds—would not be surprising.

All in all, crop production has increased by nearly one-fifth in the last decade despite declining prices and incomes, efforts to restrict production through allotments on cotton, wheat, and other crops, the soil bank, and other programs. It can increase by one-fourth in the next 5 years on lands readily available, and primarily with methods now known and widely used.

In terms of major commodities, this could mean production at the rate of 190 million tons of feed grains in 1967 compared with 141 million tons in 1961; 1,600 million bushels of wheat compared with 1,235 million bushels in 1961; and nearly 20 million bales of cotton compared with 14.3 million bales in 1961. These huge quantities could be produced at the same time production of other commodities was being expanded.

This march of technological progress based on new varieties, new chemicals, new machinery, and new practices, is the product of the laboratories and of the ingenuity of American farmers. When new methods are available, when farmers are informed of them, and when it is profitable to use them, they are adopted—and farm output expands.

Shifts toward use of more purchased inputs—to tractors and fuel and fertilizer—continue whatever the farm policy. Use of fertilizer alone has more than doubled since World War II. Labor use has declined sharply at the same time—by nearly one-third in the last 10 years. More output with less labor adds up to a striking increase in worker productivity. The ratio of farm workers to people in the United States is rapidly approaching 1 to 30—a remarkable record of agricultural achievement.

There have been proposals for terminating both farm programs and production research, to discourage the adoption and the development of new methods of production through low farm prices and lack of support for research. Neither proposal will bear critical examination.

New practices that increase output are often profitable to the individual farmer even when prices are low. If farm prices were pushed low enough to bankrupt many present farm operators, the land would remain, and someone else would farm it. Low prices for one farm product may shift resources to other products, but a generally low level of farm prices will neither reduce total output nor will it exert a significant brake on production—short of general and sustained economic distress. In good times and bad, total farm production does not decline measurably when people leave farming; land simply changes hands.

Limiting production by choking off advances in farm technology would be as unwise a policy choice as a deliberate policy of low farm prices. Research and technological change in agriculture must continue:

To insure plentiful, high-quality food at reasonable cost for future generations.

To protect against disease and insect losses.

To increase efficiency of production and marketing.

To add to the strength of the total national economy.

A more efficient agriculture—not a backward agriculture—is the only possible choice in the 1960's. What is needed is not less rapid improvements in methods, but a sincere concern for the results of technical change, plus efforts to make those results work both for the general welfare and for farmers.

The production-consumption imbalance

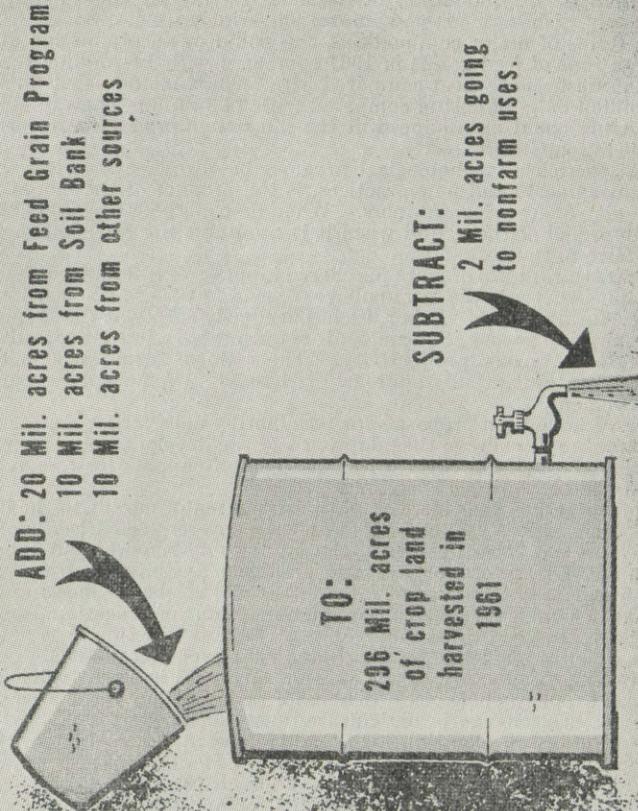
There is ample room for error in any projection of production and output. We estimate a potential increase by 1967 of one-fourth in crop output from 1961—but an increase of only about 10 percent in the demand for farm products (fig. 8). The difference may be termed “the production-consumption imbalance.”

This potential excess of production of farm crops over utilization by 1967, with prices approximately at the 1961 level and with the best obtainable expansion in food-for-peace exports, is about 12 percent. If that excess output were put into the market, it would seriously depress farm prices and incomes. If it were to be acquired by the Government in supporting prices, it would create a record burden on the budget.

Depending upon drought, or a limited war or a great technological breakthrough, potential overproduction by 1967 could be as low as 5 percent or as high as 20 percent. Whatever the magnitude in that range, the potential for depressing farm prices and incomes is great.

Potential ready additions to acreage harvested by 1967, without effective land-use adjustment programs

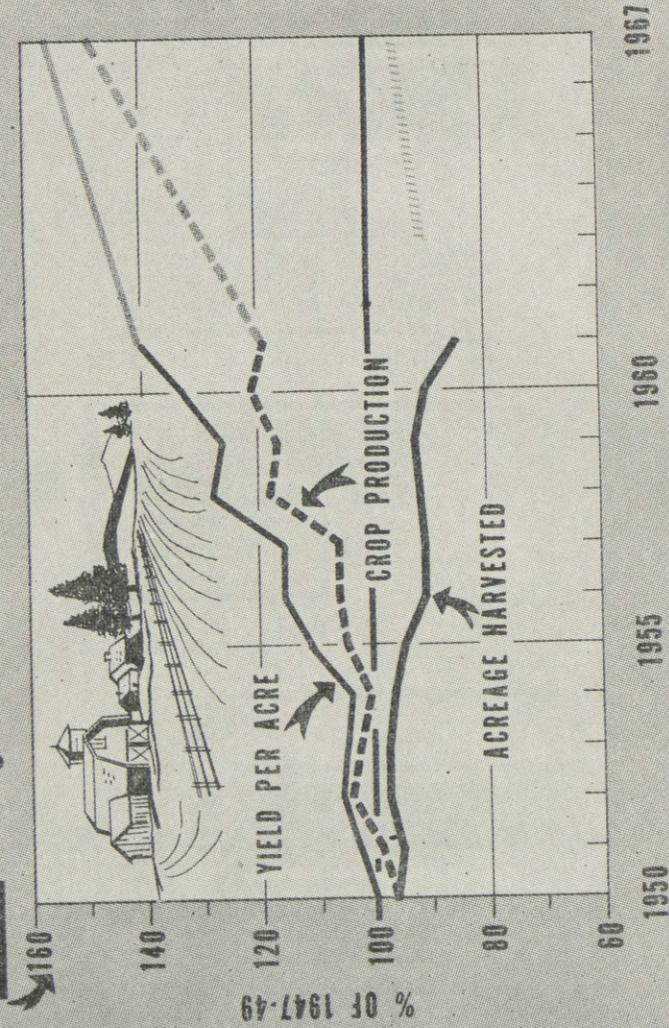
Fig 5



A net addition of nearly 40 million acres of cropland would readily go into production by 1967—in the absence of effective land-use adjustment programs. Crops would again be harvested from 330 million acres or more, instead of the 296 million harvested in 1962.

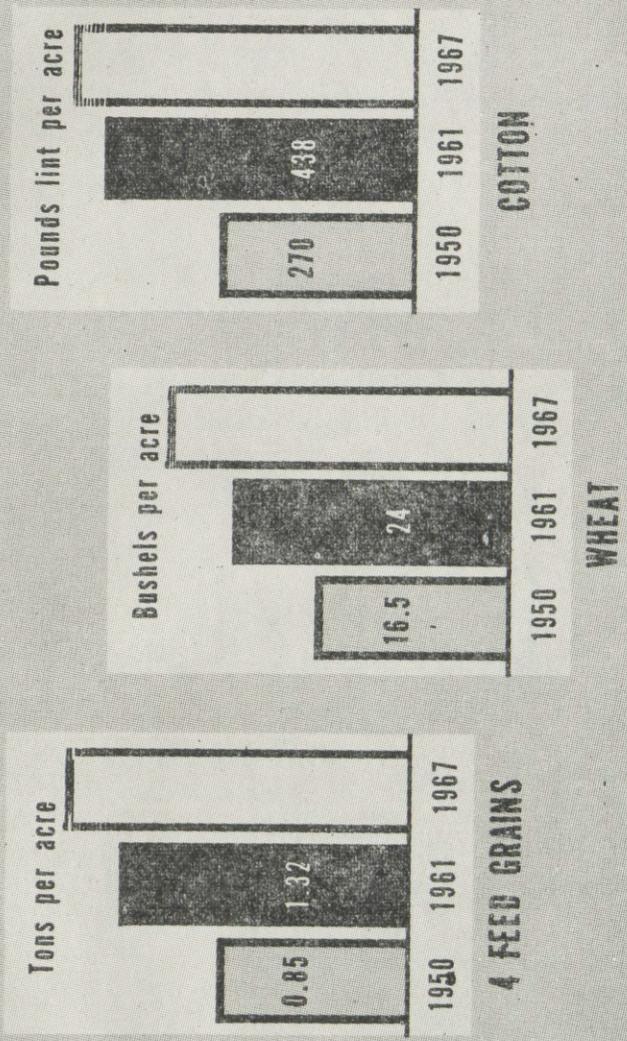
Index of crop production related to acrage harvested and yield per acre

Fig. 6



Despite the decline in crop acreage since 1950, crop production has risen sharply, because of even sharper increases in yields per acre. Crop yields in 1961 were 40 percent above 1950 levels due to greater use of fertilizer, better plant varieties, more and better chemicals and machinery, and more skillful farming. The projection of acreage harvested shows what would happen without effective land-use adjustment programs.

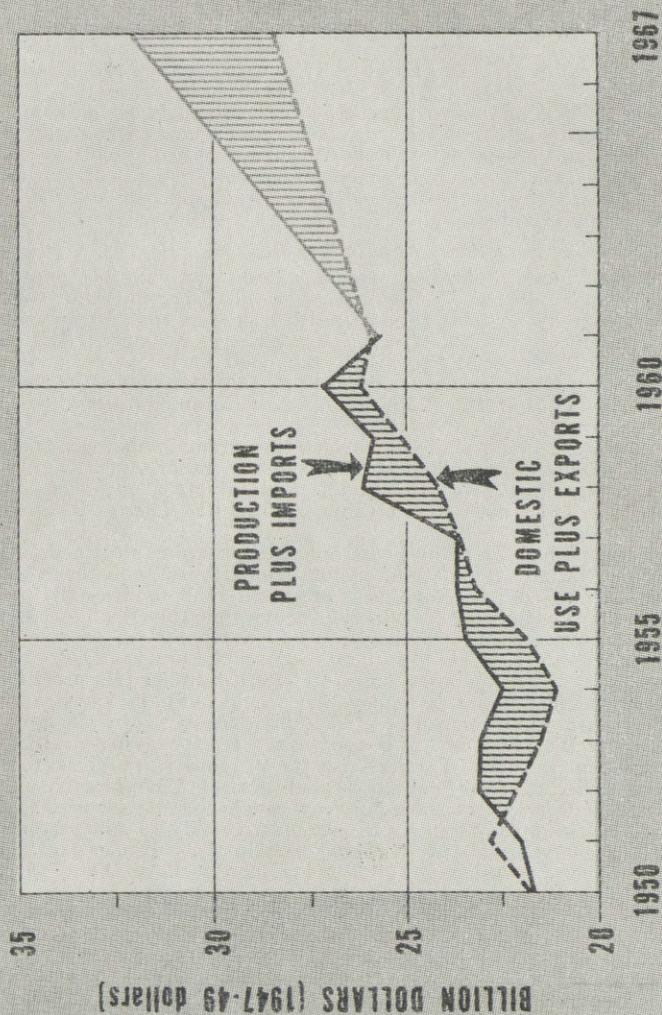
Fig. 7 Yields per acre for major crops, projected to 1967



The rise in production per acre during the past 10 years has been especially spectacular in the major crops—wheat, cotton, and feed grains. This trend will continue. Feed grain yields may approach 1.5 tons per acre by 1967. Average wheat yields of 27 bushels per acre or more should be expected on an acreage as large as was harvested in 1961. Cotton yields by 1967 may be somewhere near one bale per acre.

Crops: The production-consumption gap without effective production adjustment programs

Fig 8



In the last decade, the production-consumption gap has ranged up to 8 percent. Without effective adjustment programs, and with average conditions, the gap would be about 12 percent by 1967. Depending on crop and export developments, it could be as low as 5 percent or as high as 20 percent by 1967. Anywhere in that range, it would have serious effects on farm prices and/or Government costs.

PART IV. ABUNDANCE: PROGRAMS FOR FOOD AND PEOPLE

Our program for food and agriculture in the 1960's seeks to make the most of our abundant capacity to produce food and fiber to meet human needs.

Within the United States, this goal is being approached in several ways. We are making every effort to provide increased information and education to promote better nutrition. We are intensifying programs to provide better diets for those in need by means of direct food distribution and the food stamp program. We are expanding our special milk and school lunch programs for the children of this Nation.

We are also seeking to utilize our abundance to its fullest practicable extent to relieve hunger and promote economic development in emerging nations abroad, and to that end our program includes legislation to increase the effectiveness of our food-for-peace programs.

These special programs to meet special needs, combined with high employment and economic growth in our overall economy, plus a new trade policy that will help to increase our commercial exports of agricultural commodities can hasten the day when a flexible, prosperous American agriculture can make its maximum contribution toward erasing the fear of hunger from the minds of men, women, and children at home and abroad.

A positive food policy in the United States

There are weak spots in our diet, even though our national food supply is well above the National Research Council's recommended allowances for calories and nutrients. A nationwide food survey in 1955 showed that 13 percent of our families had distinctly poor diets, a matter for serious concern. Calcium and ascorbic acid—both essential to growth and good health—are short in many diets, both because of low incomes and a lack of education on diet matters. Even some higher income families get less than adequate amounts of these essential nutrients.

Serious efforts are being made to correct these remaining weak spots in the national diet. One responsibility of the Department of Agriculture is to cooperate with States and with other public and private agencies to make food available to those who need it but cannot afford it. These efforts should be intensified.

The Department has for many years operated programs designed to improve the diets of our Nation's population. These are our basic tools for attaining our nutrition goals. In addition, one new approach—the food stamp program—was begun on an experimental basis in 1961 to improve the effectiveness of public food assistance programs.

(1) *The food stamp program.*—A pilot food stamp program has operated in eight economically depressed areas since mid-1961. Under this program, needy families exchange the amount of money they would normally spend on food, for food coupons with a higher value. The difference between the amount the families pay and the value of the coupons they receive represents the Federal Government's contribution. Families use the coupons to purchase food out of commercial supplies at retail food stores. All but a few imported foods may be purchased. Retailers redeem the coupons through commercial banks.

The pilot food stamp programs were set up primarily to guide future action. About 140,000 needy persons were taking part in the 8 projects at the end of 1961. Their food purchasing power is being increased by about \$1 million a month. Sales in participating retail stores appear to be up about 8 percent over the earlier period. Animal products and fruits and vegetables account for more than 80 percent of the gains in food consumption in the pilot areas studied—a significant improvement in the quality of diets.

In view of the success of the pilot operations, this program should be gradually expanded. Preparation for this expansion—to be started using existing authority—is underway. Cooperating State and local governmental units require time to arrange for proper certification of needy families and for handling coupons. The proposed expansion in fiscal 1963 would provide a program three to four times the size of current pilot operations, with expenditures of approximately \$50 million.

As the food stamp program is extended to additional areas, direct distribution of foods to needy families will be discontinued in those areas. Greater expenditures in the food stamp program in 1963 will be offset in large measure by reduced levels of direct distribution of food.

The role of the food stamp program beyond 1963 depends primarily upon further evaluation of current operations and on general economic conditions. Even with relatively full employment, it is estimated that participation could increase to near 4 million persons within 5 years.

(2) *School lunches.*—The national school lunch program operates in schools having two-thirds of all elementary and secondary school enrollments. On a typical day in 1961, about 13.5 million or one-third of the Nation's schoolchildren enjoyed an inexpensive but nourishing meal under this program. Total expenditures by individuals and Government increased from \$1,030 million in fiscal year 1960 to \$1,133 million in fiscal year 1961 (fig. 9).

The program is financed primarily by State and local sources. In 1961, \$825 million came from State and local sources, including \$595 million in payments by children for lunches. The Federal contribution to the program in 1961 was \$303 million—\$94 million in cash, \$133 million in donated commodities, and \$82 million under the special milk program.

This program increases consumption of farm commodities, especially livestock products and fruits and vegetables. Per pupil consumption of fluid milk is about 75 percent greater in participating schools. Per pupil use of fruits and vegetables is about twice as great. The program provides a lasting influence on national food habits by developing an appreciation of a good diet. It makes a lasting contribution to farm policy.

But this is not enough. The President, in his agricultural message to Congress in March 1961, asked that steps be taken to extend the benefits of the school lunch program to more of the Nation's children, with priority attention to schools and children in economically depressed areas. Authority was provided in the 1961 Appropriation Act to test a new approach to the school lunch program to enable schools in especially needy areas to serve lunches.

Last year the Congress extended the special milk program through the 1967 fiscal year on the Department's recommendation. Over 2 percent of fluid milk used for food is now under this program—in schools, nonprofit summer camps, orphanages, and other child-care institutions.

(3) *Direct distribution.*—Even in the most prosperous times, many low-income families have poor diets. The food that these people need and want but cannot afford represents an untapped market for farm products and a potential means of national improvement.

Today more than 7 million people receive some type of public assistance. For the most part, they are people who cannot take advantage of employment opportunities—the aged, the disabled, the dependent children. In addition, seasonal, temporary, or long-term unemployment reduce the food-buying ability of many workers.

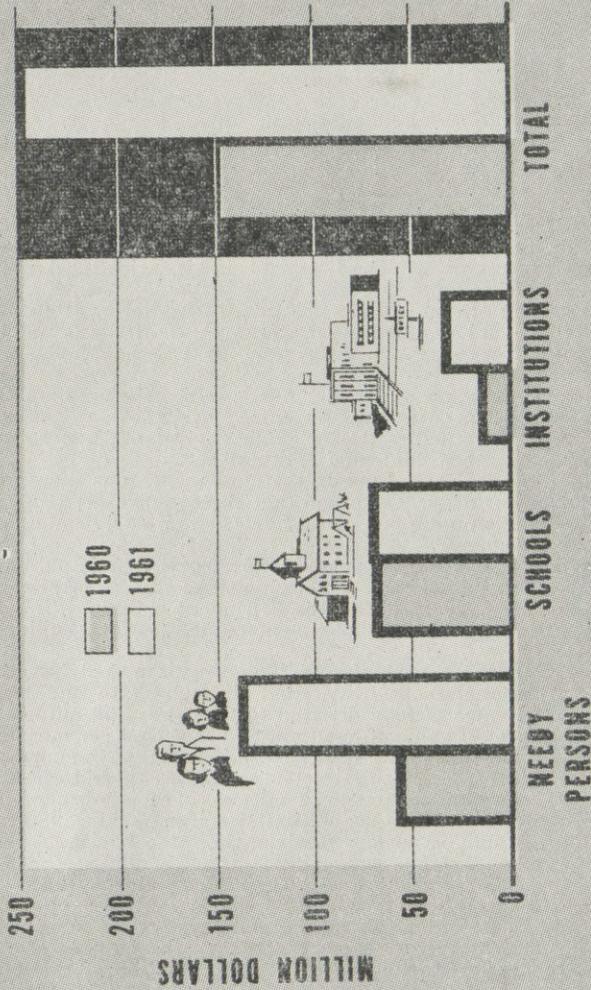
In fiscal year 1960, a peak of 4.3 million persons in needy families were receiving Department-donated foods distributed through State and local governmental facilities. The value of food donated to them was \$59 million. The food they received had a retail value of less than \$3 per person per month.

President Kennedy's first Executive order, issued on January 21, 1961, directed the Department of Agriculture to step up its assistance to needy families. The program has been extended to additional areas of economic need, and more foods—particularly proteins such as peanut butter and canned meat—have been added.

A peak of 6.4 million persons received those foods in fiscal year 1961 (fig. 10). Some \$246 million worth of commodities were distributed—\$140 million to needy persons, \$72 million to schools, and \$34 million to institutions. The retail value per person each month is now about \$6, and the program operates in most of the economically depressed areas of the country. Some areas with many needy families do not participate, however, because the number of eligible families is too small to justify distribution cost. Continuation of this program is recommended.

To sum up, high-level food consumption in the United States depends basically on high-level employment. The food consumption of school children and of the aged, needy and handicapped should be and is being augmented through established distribution programs. The level of these programs should not be reduced materially, but no major expansion is indicated except for the food stamp program. The scope and form of the program may change, however, as experience is gained with the food stamp plan.

Fig. 9
Value of commodities in the direct distribution
program in 1960 and 1961



USDA's direct distribution program in 1961 was up sharply from the 1960 level. The total value of commodities distributed was up from \$146 to \$246 million. The biggest increase was in assistance to needy persons and institutions.

Export policies and programs

(1) *Foreign food aid.*—The foreign food aid program is designed to make maximum use of food for economic development abroad, to meet the most urgent needs of hungry people, and to develop markets for U.S. agricultural exports. It can and should be coordinated fully with domestic adjustment programs.

The foreign food aid program takes into account the ability and willingness of individual countries to use food assistance constructively, and the demands which such assistance makes on the U.S. economy. It is based upon the world food budget, which indicates the extent of the world food deficit, country by country and commodity by commodity.

Studies made by USDA and by FAO show that food aid by the United States at a rate of approximately \$2 billion per year can be an effective tool of international economic development and of providing essential assistance in emergency cases. Food aid constitutes a major share of total foreign assistance. It is a program appreciated and understood by the recipients and by the American public.

Food assistance to foreign countries is being increased this fiscal year. It can and should be increased further. But because of problems referred to in part III—the desire for self-sufficiency, a lack of handling facilities, and others—it cannot in the mid-1960's fully meet the needs of the world's hungry. However, within the scope of a large and expanding program, food aid can become increasingly effective in linking the tremendous productivity of American farmers to the needs of friendly people.

Wheat is an economical source of urgently needed proteins and calories. The United States has large stocks of wheat as well as a great potential for production. Wheat exports under the aid program have been raised substantially, and can be increased to well over 500 million bushels by 1967 compared with 374 million bushels in 1960. As existing stocks are drawn down under the food and agriculture program of the 1960's, any foreseeable level of wheat needed to meet our food-for-peace objectives can be provided by U.S. farmers.

Nonfat dry milk effectively meets critical protein needs abroad and will continue to be programed to the maximum extent that it is available. However, it is not an economical source of protein when commercial markets for the resulting butter are not available.

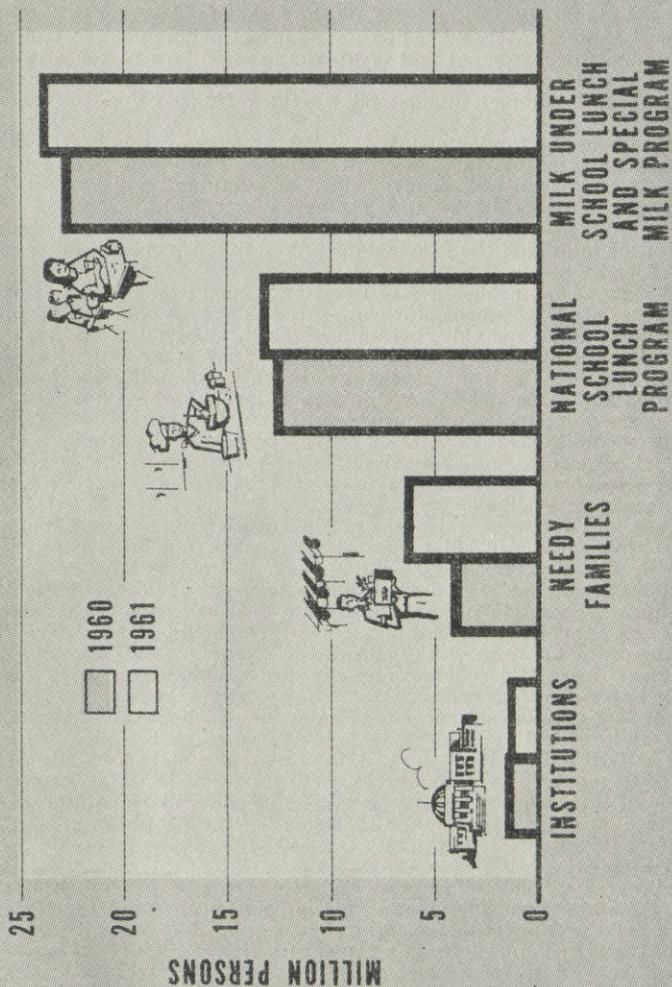
Soybeans and dry peas and beans are inexpensive high-protein foods and will find expanding outlets in aid programs. Soybeans and dried peas can be produced with virtually the same resources that are used to grow corn and wheat, and in quantities that exceed all foreseeable need. Many nutritionists claim that high-quality protein from soybeans and peas can adequately substitute for a part of the animal protein requirements. We should try to make enough of these items available to meet the most critical protein needs abroad. Soybeans and cottonseed are also economical sources of vegetable oil to supply a world market very short of fats and oils.

Most of foreign food aid consists of sales for which payment is made in local currency under title I of Public Law 480. Local currencies are used for a wide range of activities directly in the U.S. interest, but mostly they are used to provide loans to support economic development programs in the recipient countries. This type of program has been very successful and will be continued at a high level. An obstacle to expansion is that some of the people in greatest need do not have incomes high enough to buy this food even at the favorable terms under which it is offered.

Other programs, including sales for dollars under long-term credit, are expected to expand sharply. As the economic development of individual foreign countries advances, food assistance in the form of long-term dollar credit under the provisions of title IV, Public Law 480, can substitute for the title I transactions described above. More food can also be used with great effectiveness in work projects, school lunches, and other direct distribution programs. In many cases, this will assure that food aid is directed to those that are most needy. These activities can be a very dramatic demonstration of our food-for-peace aims. The extent to which additional food can be used in school lunches for hungry children abroad is now the subject of special study in the Department of Agriculture.

It is also an appropriate time to begin to channel a small part of U.S. food aid through the United Nations. This would permit a small expansion of our total program and would also help increase the amount of economic assistance offered by other countries.

Fig. 10
Number of persons participating in food distribution programs in 1960 and 1961



In 1961, food distribution programs were extended to cover additional needy families under direct distribution and additional pupils under the national school lunch and special milk programs. Distribution to needy families reached 6.4 million persons in 1961. The number of school pupils participating included 13.5 million under the school lunch program and 24 million under the special milk and school lunch program jointly.

Most of the program for an expansion of foreign food aid can be accomplished by sustained cooperative effort within the framework of existing administrative discretion and budget authorizations. However, several additions to present law are needed. Sales for dollars under long-term credit authorized by title IV of Public Law 480 cannot play their proper role in our overall trade program unless the Secretary is given greater flexibility under the law. This is particularly needed from the standpoint of repayment schedules, participation of other exporting countries, and authority to deal with non-Government institutions. Direct distribution programs can be expanded if commodities that are not yet owned by the Government could be included. Also, participation in multilateral food aid programs would be facilitated if it were specifically authorized as indicated below.

To make the food-for-peace program more effective, these changes are recommended:

(a) An amendment of title II of Public Law 480 to permit shipments of surplus commodities not in CCC inventory. This would broaden somewhat similar authority now available for animal fats and vegetable oils.

(b) Provisions to broaden title IV to include market development as a purpose and to make it possible for the private trade to participate in programs under this title.

(c) A new title V to promote multilateral programs for food, and to authorize the President to negotiate agreements with international organizations and other intergovernmental groups on matters involving grants of agricultural commodities.

(2) *Trade policy for commercial exports.*—The ability of U.S. agriculture to produce a wide range of farm products at low cost is unquestioned. U.S. producers of wheat, feed grains, soybeans, tobacco, cotton, poultry meat and many other agricultural products are efficient and flexible. They must remain so to compete with minimum Government assistance, in an increasingly competitive world.

Primarily through its Agricultural Attaché Service, and in cooperation with farmer and trade groups, the Department is going forward with a vigorous program of export promotion. Activities under this program include participation in international trade fairs, cooperative market development projects with the private trade, expert consultation by commodity marketing specialists, credit assistance for commercial exports, widespread information programs, as well as trade liberalization efforts in foreign countries. Promotional programs for exports are now doubly important: To improve our balance of payments and thereby safeguard the U.S. dollar; and to improve farm incomes. These activities will be expanded and intensified.

The countries of the European Economic Community have now agreed on a common agricultural policy for certain of their major farm commodities. Some of these programs involve the use of variable import fees instead of fixed tariffs. These fees could be used to disrupt established trade with outside countries, since they are designed to offset any differences between world prices and prices within the Community.

Agricultural exports by the United States are four times the size of farm imports from these countries. This country must negotiate tariff and other trade concessions with those nations on a mutually profitable basis on as broad a group of farm products as possible. However, a new approach is required for those products—such as grains—for which European countries have determined to use variable import fees. To the extent that access for products thus protected cannot be achieved through traditional tariff negotiations, we will seek more direct access to markets through international commodity agreements and other arrangements to maintain a satisfactory share in those markets.

The President has asked for the additional authority necessary to achieve our goals for commercial exports of U.S. farm products as well as for all our exports.

PART V. BALANCED COMMODITY PROGRAMS

The demand for farm products will not tax the productive capacity of American agriculture in the 1960's. Rapid economic growth, sustained high levels of employment, and expanded domestic and foreign distribution are essential—but they will not be sufficient to extend America's farmers in their ability to produce. Only in war, when demands were unprecedented and resources limited, has the productive capacity of American agriculture been tested.

Total projected demands for farm products fall far short of potential output at prices that will return good incomes to farm people. This is particularly true of

the four commodities—wheat, feed grains, cotton, and milk—which contribute directly or indirectly to three-fourths of all farm income, and which account for most of the expenditures under Government farm programs.

Without the emergency feed grain program, the output of feed grains in 1961 would have been near 165 million tons—more than 20 million tons above actual output. Utilization, even at 1960 prices, would have been well below production. CCC stocks would have risen sharply for the 10th successive year. If a “no adjustment” policy had been followed, or if it were to be taken up again, the burden on storage facilities would be extreme. The burden on the budget would be intolerable.

Wheat and cotton production could also be expanded in the absence of measures to limit acreage, since production has been reduced under allotment programs for those commodities since 1953. There could be only two possible results. Either prices would be severely depressed, or carryovers and Government costs would rise abruptly from current high levels. Neither is a tolerable choice.

Simultaneous achievement of two primary objectives of public farm policy—higher farm incomes and lower budget expenditures—depends, therefore, on supply management programs for major farm commodities. Other high priority objectives—greater economic growth, better use of resources, and a positive foreign aid policy—can be furthered at the same time.

In the past decade, total farm income fell as price supports were reduced generally, and production restraints were lifted on feed grains. Much sharper income declines were avoided only because large stocks of farm commodities—those acquired, stored, and shipped overseas by the Government—were isolated from the market.

The cost has been high. Excessive expenditures by CCC have resulted both from the cost of acquiring the commodities, and from charges—now at an annual rate of \$1 billion—for carrying them once they were acquired.

These costs can be reduced only if accumulation of new commodity stocks is ended and present excessive stocks liquidated.

Farm income can be maintained while a carefully scheduled but determined program of excess stock liquidation is carried out, only if production is limited for several years to less than the market demands, including the requirements of special Government programs.

Programs are set forth here for feed grains, wheat, and dairy products which would make it possible to reduce program expenditures, to liquidate excess carryovers, and to maintain or increase income. They have been discussed with farmer advisory committees, with farm organization leaders, and with Members of Congress. They are modeled on programs which have successfully adjusted production to demand in cotton, tobacco, and rice, and are built also on current wheat and feed grain programs. They represent real program prospects, not unrealistic hopes.

Feed grains, wheat, soybeans, and cotton cover nearly three-fourths of the cultivated land from which crops are harvested. These are the great interdependent crops, where reduction in the acreage and output of one crop has shown up as excessive production and excessive carryovers or low prices for another commodity.

That interdependence was not recognized in the programs of the 1950's. Cotton and wheat acreages were reduced after 1953, but feed grain acreages were increased on cotton and wheat farms. Corn acreages were reduced under acreage allotment programs, while wheat acreages were increased under a provision of the wheat program.

This excess farm production capacity, though general, is not unmanageable. In the 1950's, this excess capacity took the form mainly of surplus wheat and feed grain production and stocks. Thus it remained for the emergency programs enacted in 1961 to begin to deal realistically with the problem of excess capacity. The 1961 emergency feed grain program, together with other effective commodity programs, held total farm production below potential output last year. It was designed for that purpose, not to improve one commodity situation at the expense of another.

The gains made in 1961 must be continued. We hope they will be continued in 1962 under the temporary legislation now in effect. However, we cannot be certain of how successful these programs will be even in 1962, because of their dependence on voluntary participation. And for the years after 1962, new programs are imperative.

The feed grain program

The need for a new, long-range feed grain program in the 1960's is based on the experience of the last decade.

For 9 consecutive years in the 1950's, feed grain carryover rose (see fig. 11). Carrying charges rose, too, until the costs of owning and carrying the corn and grain sorghum loans and inventories reached an annual rate of about \$500 million in the 1961 fiscal year. The programs responsible for those results guaranteed price support to producers but offered no effective means of adjusting output.

This trend has been reversed as a result of the 1961 feed grain program. The 1961 crop of corn and sorghum grain was some 800 million bushels smaller than it would have been without the program. The feed grain carryover, which would have risen sharply except for the 1961 program, will drop for the first time in a decade. This was achieved despite record yields, which were due about equally to normal technical improvements, to better than average growing weather, and to measures taken by farmers as a result of the feed grain program itself.

The successful program of 1961 was based on incentive payments and price supports to producers who voluntarily diverted feed grain acreage to conservation uses.

A program similar to 1961 remains in operation only for the year 1962, and it includes barley as well as corn and grain sorghum. Without new legislation in 1962, the program in effect in the late 1950's would be in effect for 1963 crops. That program has failed—and would fail again. Carryovers would increase rapidly; within 3 years feed grain stocks would be the equivalent of 4 billion bushels of corn.

Long-range policies and programs are needed—programs which will effectively use our enormous capacity to produce feed grains and at the same time, reduce carryovers and maintain producer incomes.

The voluntary program has served and is serving a useful purpose. But voluntary programs can reduce production only so far as funds are available to provide incentives for participation. A long-range but voluntary program would become increasingly expensive.

If Government costs are to be reduced and farm income improved while feed grain stocks are reduced, other means must be devised. The approach proposed for feed grains in the 1960's is one that has already been used for many years in cotton, tobacco, wheat, and rice. It is to let producers choose periodically whether they want price support with the necessary production limitations, or whether they want to produce without regard to restrictions on production and to accept the farm prices which follow from such actions.

Both the rights of producers to choose farm programs democratically, and the duty of the Government to spend its resources wisely are protected under such programs.

The elements of a feed grain program in which all growers participate, subject to producer approval in a referendum, are listed below:

(1) Establish an acreage allotment program for four feed grains jointly. Corn, grain sorghum, barley, and oats would be interchangeable on the allotment acreage. The program would be applicable to all producers once it was approved by a two-thirds vote in a grower referendum. At the discretion of the Secretary, rye could be designated as a feed grain, and wheat could be considered as a feed grain and counted against the feed grain allotment.

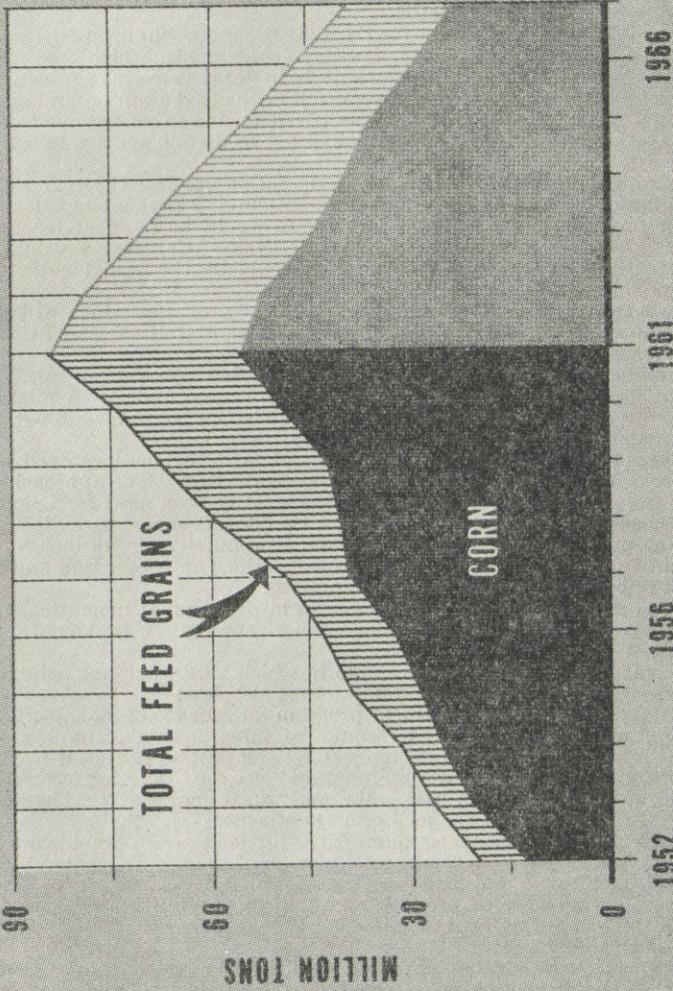
(2) Each year the national requirements for feed grains would be estimated, and when CCC stocks were too large, a portion of the requirements would be met from CCC stocks. A national acreage allotment large enough to provide the grain needed from current production would be established, and would be apportioned among farms on the basis of acreage history, with adjustments for unusual farm conditions.

(3) Corn prices would be supported at a level between 70 and 90 percent of parity when the marketing quota program was in effect. Other feed grain price supports would be related to corn. If the program were not approved in the referendum in any year, there would be no price support on feed grains for that year.

(4) Payments would be authorized for acreages taken out of grains. This would help to support farm income while reducing overall production, and would encourage improved long-term uses of diverted acres. The land use program described in part I would complement the feed grain program, attracting lands into new uses and reducing the acreages which would need to be diverted under the feed grain program. The Secretary would be authorized to permit limited uses of lands diverted under the feed grain program for special crops and possibly for grazing.

**Feed grain and corn carryover projected
under a long-range feed grain program**

Fig. 11



Feed grain carryovers rose every year for 9 straight years during the 1950's. From 1952 to 1961, the total feed grain carryover rose from 20 million tons to nearly 85 million tons. The projection shown above illustrates how the carryover might be reduced over several years.

(5) Acreages diverted from production of feed grains would be put to conserving uses, in addition to acreages normally in conservation uses. Failure to do so would result in a denial of price support and conservation payments. In addition, a penalty would be assessed if the acreage diverted from feed grains was used for the production of a surplus commodity. This would mean that the acreages of other major crops would not be increased to any great extent.

(6) Producers with less than 25 acres of feed grain in the base years would have the option of being exempt from the program provisions or being subject to the program. Those who chose to be exempt would not be eligible for price support and diversion payments, and could not vote in the referendum.

This program is designed to reduce CCC stocks to desirable levels—to between 30 and 50 million tons of feed grain—in about 5 years (table 3). Harvested acreages of the four major feed grains would probably be some 20 to 25 percent below 1959-60 acreages.

Budget expenditures would also be reduced, as CCC stocks were sold and as carrying charges declined. CCC expenditures for price support—a large part under the feed grain program—would be far below what they would be under a return to the pre-1961 programs (see fig. 14).

After stocks have been reduced to reasonable levels—say by 1967—feed grain acreage and production could be increased. And to the extent that lands diverted from grain could be grazed or otherwise used under long-term resource development programs, diversion payments could be reduced without damage to farm income.

Wheat program

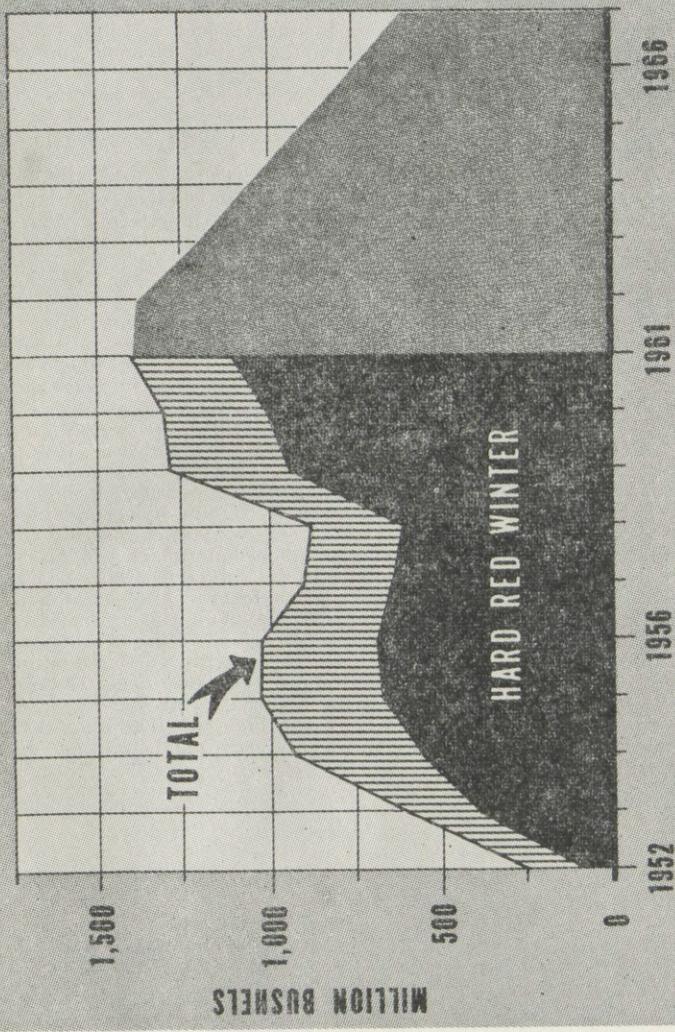
Wheat problems parallel those of feed grains. Large inventories and high program costs were inherited from the 1950's. Those programs—which have already failed—will become effective again for the 1963 crop unless changes are made in 1962. Under the old programs, a gradual increase in wheat stocks would be virtually assured, even with continued record levels of oversea shipments (table 4).

The 1962 wheat program is expected to arrest the growth of wheat stocks and to improve farm income, but for 1 year only. Legislation is needed in 1962 to assure that the start made toward both higher incomes and reduced carryovers is extended. Extension of the emergency wheat program, however, is not adequate for the longer term.

The 10-percent reduction in all acreage allotments which producers approved in the 1962 program is large enough only to avoid further addition to carryovers. The voluntary acreage diversion provisions for the 1962 crop will probably bring a substantial reduction in carryover although this cannot be estimated accurately until late spring this year. But the effects of a voluntary program for wheat, as in the case of feed grains, are most uncertain. A reduction in wheat acreage of approximately 20 percent from the 1961 level needs to be assured for perhaps 4 or 5 years if stocks are to be reduced. (See fig. 12.) A voluntary program could achieve those results only at a high cost if at all. It can best be accomplished by a program in which all producers participate and in which all their acreages are reduced proportionally.

Wheat carryover projected under a long-range wheat program

Fig. 12



Except for 2 years, the wheat carryover rose regularly since 1952 and under programs of the 1950's. From 256 million bushels in 1952, the carryover rose to 1.4 billion bushels in 1961. The projection shown above illustrates how the carryover might be reduced over several years.

TABLE 3.—*Feed grains: An adjustment program compared with pre-1961 programs*

	[In millions of tons]					
	Crop year—					
	1961	1962	1963	1964	1965	1966
New program:						
Beginning carryover.....	84.4	80	72	64	56	48
Production.....	141.0	138	133	135	137	139
Pre-1961 program:						
Beginning carryover.....	84.4	80	72	85	100	115
Production.....	141.0	138	163	167	170	173

TABLE 4.—*Wheat: An adjustment program compared with pre-1961 programs*

	[In millions of bushels]					
	Crop year—					
	1961	1962	1963	1964	1965	1966
New program:						
Beginning carryover ¹	1,411	1,365	1,215	1,065	915	765
Production.....	1,235	1,100	1,100	1,125	1,150	1,175
Pre-1961 program:						
Beginning carryover ¹	1,411	1,365	1,215	1,400	1,610	1,845
Production.....	1,235	1,100	1,325	1,350	1,375	1,400

¹ An accelerated export program is assumed under the proposed program; under the old program, special exports, while very large, would be geared to the 1960 level. If the higher level of Public Law 480 exports were used with the old program, carryover would rise less rapidly, but it would continue to rise.

Such reductions in acreage and in production will not reduce the supply of any class or quality of wheat by enough to cause short supplies for either domestic or commercial export markets. Classes and qualities of wheat do differ from each other—but they also substitute for each other. All classes of wheat except Durum are either actually or potentially in oversupply. None can be regarded as unrelated to the overall problem of excess wheat supplies and excess productive capacity.

While stocks are reduced, other important objectives can be met at the same time—especially to provide growers more flexibility in the operation of their farms, and to price some part of our agricultural exports more competitively with little or no direct Government subsidy.

(1) The minimum national acreage allotment would be eliminated. This minimum—established by law at 55 million acres in the late 1930's—has made it impossible to keep production in line with utilization. Under the long-range program, the marketing quota and the national acreage allotment would be defined each year in terms of actual requirements, allowing also for carryover reduction so long as CCC stocks are excessive.

(2) Acreage allotments would be apportioned to all farms with a history of wheat production—including small growers now exempt. Farms with a base acreage (generally based on 1959-60 acreages) smaller than 15 acres could choose either to be subject to their farm acreage allotment, to be eligible for price support and diversion payments, and to vote in the referendum—or to be exempt. Exempted producers, however, could not expand their wheat acreage above their base acreage without being subject to penalty.

(3) The wheat program would continue to be subject to approval by a two-thirds vote in a grower referendum. All growers would be eligible to vote who were subject to the program provisions. If the program were not approved in the referendum, there would be no production restrictions—and no price support.

(4) Land diverted from wheat—the difference in acres between the 55 million acre allotment and the allotment for any future year—would be devoted to soil conservation practices. Diversion payments would be provided. These lands would be partly absorbed into long-term resource development programs in the 1960's—particularly into grasslands. Certain limited uses could be authorized by the Secretary on these lands.

(5) An improved method of price support is proposed. A national wheat marketing allocation would be established equal to the amount of wheat needed for domestic food use in the United States, plus some portion of wheat and flour exports. Each farm would share in this marketing allocation in proportion to wheat production on the farm acreage allotment. Wheat in the amount of the marketing allocation would be eligible for price support in about the present range.

Wheat produced on the acreage allotment in excess of the marketing allocation, or wheat produced for feed on the feed grain allotment could be sold without penalty and would qualify for support price only at a substantially lower level—a support related to the feed value of wheat and to world prices. This would place effective limits on the price support obligations of the Government, yet would also continue to support farm incomes.

This proposed price- and income-support method has many advantages compared with the current method. There is, first of all, a need to establish a key principle: That U.S. farm products for export be priced more competitively in world markets. This could be done in the wheat program either through establishment of a marketing allocation which covered only part of export sales while the remainder moved at competitive prices virtually without subsidy, or by including all the expected production from the acreage allotment under the marketing allocation, but supporting the price of the export share at a lower level than for domestic food wheat.

Other advantages are that grower's incentives to expand production on the acreage allotment would be reduced slightly, and it would be possible to authorize wheat production under the feed grain program as a substitute for other grains when part of the wheat crop was priced at its value as a feed.

Results of the proposed wheat program would be a substantial reduction in carryover, protection of grower incomes, and reduction of program costs.

When carryover stocks reach a normal level after 3 to 5 years, marketings and possibly acreages could be increased. When the lands no longer required for grains are turned to other uses, additional products and income will be generated—without new additions to Government stocks.

Dairy program

Today's dairy market is in a tightening squeeze—between rising production and declining consumption. At present, the Government is bearing the brunt of that squeeze.

The law provides for mandatory support of milk prices at levels between 75 and 90 percent of parity, as the Secretary of Agriculture determines necessary in order to insure an adequate supply. Because fluid milk is highly perishable, prices are supported through the purchase of manufactured dairy products—butter, Cheddar cheese, and nonfat dry milk.

Since 1953, the Government has been buying these products at a rapid rate. Purchases have exceeded \$200 million every year and in some years have exceeded \$500 million. The rate of acquisition is going up rapidly.

The sharp increase in CCC purchases in 1961 was due to an unexpected decline in milk consumption, especially of milk fat. Production increased about 1½ percent—somewhat less than population—so that per capita supplies actually declined.

CCC expenditures in the current fiscal year will total approximately \$500 million and at present price-support levels would mount to more than \$600 million next year, in addition to about \$100 million each year for the special children's milk program. These heavy CCC costs subject the dairy price-support program to serious jeopardy. Beneficial use can be made, in domestic welfare and food-for-peace programs, of large quantities of nonfat dry milk and cheese. However, it is impossible to find acceptable outlets for the large volume of butter that is being acquired—about 400 million pounds this year.

In the current supply situation, it will be necessary under the present law to reduce dairy price supports to 75 percent of parity. However, dairy program costs—approximately \$440 million for the next year—would continue to be excessive. And this would reduce farm income substantially.

A satisfactory long-range dairy program must prevent this reduction in milk prices and provide for progressive improvement in dairy farm income, while reducing program costs.

There is presently no authority for such a program. In order to achieve both of these objectives, new legislation is essential to authorize a program through which supplies of milk can be kept in reasonable balance with demand. Such a program would provide the following:

(1) Authority to support prices of manufacturing milk at the maximum level up to 90 percent of parity, consistent with current marketing conditions, when producer allotments are in effect;

(2) Limit Government expenditures to the acquisition cost of those quantities of dairy products which can be utilized in the national interest for domestic welfare and foreign-assistance programs, up to \$300 million per year (approximately the average of expenditures annually for the past 8 years) plus costs incurred under the special children's milk and school lunch programs, whether or not marketing allotments are in effect. If marketing allotments are in effect, the amount of surplus marketing fees collected from producers who exceed their allotments would be available in addition to Government funds.

(3) Let producers choose in a referendum between price supports at a higher level with marketing allotments or supports at such lower level as can be maintained without management of supplies within the limit on Government expenditures.

(4) Base the individual producer's allotment on his marketings of milk in 1961. Marketing allotments for each year would be based on the producer's proportionate share of total commercial demand and purchases for Government programs in the national interest. Handlers would be free to buy all of the milk offered by producers, but would deduct and remit to CCC surplus marketing fees on milk marketed by producers in excess of their allotments.

(5) CCC would support milk prices by buying dairy products, just as under the present program.

(6) The size of the surplus marketing fee would be adjusted periodically during the marketing year as necessary in order to defray, together with Federal funds, the costs of acquiring surplus dairy products.

(7) Producers could transfer their marketing bases to other producers, thus retaining flexibility in their farm operations.

In addition to the long-range program, producer marketing-allotment authority would be proposed for Federal milk-marketing orders. These orders operate in 81 markets and enable producers and handlers, with the approval of the Secretary of Agriculture, to establish minimum prices based on current supply and demand. Producer allotments, when used in milk-marketing orders, would be in addition to the allotments in the long-range programs, and would seek added adjustment in markets where surpluses are especially large.

Cotton program

Revision of the cotton program is not so urgent as revision of some other commodity programs. However, changes in cotton price-support legislation are needed to reduce Government costs, to enable cotton to compete more effectively with synthetic fibers in the domestic market, and to make American cotton more competitive abroad.

Under existing law, progress toward these goals could be made by reducing the support price. But, because of the adverse effect such a reduction would have on producer income, it was decided to maintain the 1961 support rate for the 1962 crop in order that the Congress might first have an opportunity to enact legislation that will permit us to move toward these goals with better protection for producer interests.

The changes proposed are modest. They build on the current program yet contribute to the achievement of all these objectives. The incomes of cotton producers can be maintained at satisfactory levels while these other improvements in the position of cotton are made.

The supply situation in cotton is fairly satisfactory. On August 1, last year, the cotton carryover was 7.2 million bales, the smallest since 1953. The carryover will increase somewhat by next August, however.

If most cotton producers are to receive a fair return for their production, price supports must be near the present level. But if U.S. cotton is to move readily into world trade, the export price must be substantially lower. This has been achieved through use of an export subsidy, now \$42.50 for each bale exported. Government expenditures in the cotton program stem primarily from that export subsidy and from shipments of cotton under Public Law 480.

The export subsidy helps to create a difficult competitive situation for American textile manufacturers. Foreign mills buy U.S. cotton more cheaply than U.S. manufacturers can buy it. Cotton goods manufactured abroad, partly from low-priced U.S. cotton, are sent back to the United States to compete with textile products made from higher-priced cotton.

The change proposed in the cotton program would permit some progress toward solution of these problems, yet preserve most of the basic provisions of the present cotton program. These changes would authorize the Secretary to permit growers to produce cotton on acreage in excess of their basic acreage allotments, but not more than 30 percent above such acreage allotments, to be marketed so as to net the growers approximately the world market price for the cotton grown on the excess acres.

Dramatic and early results could not be expected from the above program. Nevertheless, it would permit a start toward the reduction of Government expenditures, toward the expansion of the use of cotton, and toward less restrictive trade policies. The mechanics of this program would be such that future progress could be made toward these objectives gradually and as rapidly as might be compatible with protecting producer income.

Marketing orders

Marketing orders and agreements have a growing role in American agriculture. They provide producers a choice between order and chaos in farm marketings, and an opportunity to manage their industry cooperatively as successfully as they manage their own operations individually.

Federal orders have been used for over 20 years in marketing fluid milk and for certain fruits and vegetables marketed from small producing areas. These orders have maintained orderly marketing and stable producer prices by the use of administered prices in milk marketing orders and by the use of quantity limitations on handlers in the orders affecting other commodities. Enabling authority for marketing orders is in legislation enacted in 1937, and was augmented by the Agricultural Act of 1961.

A number of commodity groups have been exploring the opportunities for industry "self-help" under these provisions, which are intended to give the farmer some of the marketing advantages long enjoyed by industry.

In essence, a marketing order is a legal document establishing regulations and rules by which an agricultural industry can, through self-regulation stabilize marketing conditions. It defines the terms handler and producer, the commodity to be regulated and the area to be covered. It generally provides for an advisory board to administer the order and recommend marketing policy to the Secretary. It lists the economic tools to be used and provides for financing arrangements.

Programs are initiated in this way: Producers and handlers submit a request to the Secretary of Agriculture, who initiates Department studies to determine that the proposed step is practical and of benefit both to the industry and to the consumer. Formal hearings may then be initiated so that all sides can submit arguments and evidence. Following these hearings, an order may be issued only after it has been approved in referendum.

The Department's major purpose is to be of service, to make available its facilities, resources and know-how, to help interested industry groups in developing effective and workable solutions. The Department is not offering marketing orders as a Government control program for unwilling industries. Unless the industry initiates and approves a marketing order, none will be established.

Under existing authority, marketing orders can regulate only the handlers of agricultural commodities. No authority exists for managing supplies at the farm level. In most commodities such authority would create an opportunity for even greater gains to producers. The diversion of excess supplies to secondary markets, once these supplies have been produced, tends to dilute returns to producers under present order programs. The law should, therefore, be amended to authorize individual producer allotments or marketing quotas in marketing orders for turkeys.

Marketing orders might also be made available to additional commodity groups that are now specifically excluded. Chickens, chicken eggs, and honey are products for which marketing orders might be considered. These and other commodities could be added to present authority as recommendations are made by advisory committees established under the Agricultural Act of 1961.

Commodity reserves for stabilization and defense

A program to determine and maintain stocks of farm commodities in the quantities and locations needed is an integral part of a supply management program. The objectives of the commodity reserve program are: (1) to protect against fluctuations in supply arising from weather and production conditions; (2) to protect against unusual and unexpected swings in demand as a result of international tension, famine or disaster; (3) provide for defense needs. Proper management of these stocks requires that the Department have additional flexibility in acquiring and handling farm commodities, since reserve needs vary from time to time.

The Department proposes to maintain a continuous review of production and demand conditions and to determine periodically desirable public reserve levels for the major commodities. These would enter into acreage allotment considerations and would be a guide to safe limits to reductions in public stocks, as well as indicating commodities for which carryovers should be increased. The feed grain and wheat program outlined earlier would bring carryovers approximately to needed reserve levels by 1967. Preliminary studies indicate that current stocks are now far above reserve needs for these commodities and for dairy products.

PART VI. FARM INCOME AND BUDGET EXPENDITURES

Two primary objectives of the food and agriculture program for the 1960's are to improve the incomes of farm and rural people and to reduce the cost of programs to the Government. These objectives can be achieved while we maintain fair and reasonable prices to consumers.

Farm-family incomes

Average per capita income of farm people is low—\$965 compared with \$2,216 for nonfarm people in 1959. These averages obscure many details. It is clear, however, that many farm people earn incomes lower than earned in comparable nonfarm jobs. This income gap must be narrowed in the interest of farm people and of the Nation.

The income position of farmers can be seen more clearly if the statistics describing two groups of farms and farmers are separated. Income sources and income problems on nearly 1.5 million farms with sales of \$5,000 or more in 1959 are substantially different from those of farms with sales below \$5,000. There is an increasing number of the former group, while the latter, the lower-income group, declined by about 30 percent between 1954 and 1959.

These larger commercial farms (\$5,000 annual sales and above) make 87 percent of all farm product sales, but they represent only 39 percent of all farms. Most income from farming is earned by these larger farms. Even though levels of living on some of these larger farms are relatively good, earnings are generally not comparable to nonfarm earnings.

The case for improved farm programs to support the incomes of farmers with annual sales of \$5,000 or more rests on two key points:

First, incomes on those farms would fall disastrously if farm programs were terminated.

Second, these farms are businesses with high investment and high risks. The 1959 level of income did not pay returns on both capital and labor comparable to returns in similar nonfarm businesses. Higher 1961 incomes have improved the picture, yet not to the point where incomes are satisfactory for such farms.

Commercial farms with sales below \$5,000 per year show a distinctly different income pattern. Income from farming is very low. Income from other sources is greater than from farming (table 5). For a large part of this group the combined sources of income provide cash returns and levels of living well below adequate standards of health and well-being.

All phases of the program proposed here for the 1960's offer improved income prospects for farm people:

TABLE 5.—Average net income of farm operator families, 1959

	Number of farms 1959		Percent of sales of farm products	Average net income of farm operator families			
	Total	Percent of total		Net cash farm income ¹	Off-farm income	Total cash income	Total income including nonmoney income from farm food and housing
Commercial:	<i>Thou-</i>	<i>Percent</i>	<i>Percent</i>				
Farms with sales—	<i>sands</i>						
\$10,000 and over.....	795	21.5	71.9	\$6,636	\$1,978	\$8,614	\$9,960
\$5,000 to \$9,999.....	654	17.6	15.4	2,165	1,567	3,732	5,018
\$2,500 to \$4,999.....	618	16.7	7.4	1,288	2,077	3,365	4,572
\$50 to \$2,499.....	349	9.4	1.5	438	525	963	1,476
Other farms:							
Part-time ²	888	23.9	2.7	176	4,283	4,459	4,890
Part-retirement ³	404	10.9	1.1	116	1,846	1,962	2,363
Farms with sales \$5,000 and over.....	1,449	39.1	87.3	4,618	1,826	6,444	7,763
Farms with sales of less than \$5,000.....	2,259	60.9	12.7	510	2,589	3,099	3,750
All farms.....	3,708	100.0	100.0				

¹ Cash receipts from farm marketings plus Government payments less production expenses.

² Value of sales less than \$2,500, operator under 65 years of age and either worked off farm 100 days or more or income of family from nonfarm sources greater than value of products sold.

³ Value of sales less than \$2,500, operator 65 years or older.

Domestic and foreign food programs, which provide a yearly outlet for nearly \$3 billion in farm products, clearly add to farm income, although they should not be justified on those grounds alone.

Commodity programs for balance in production and use are the key to better incomes for the nearly 1.5 million commercial farms with sales (at 1959 prices) of \$5,000 or more. Higher prices for many crops in 1961 have already improved incomes on these farms. Further gains will be made as feed grain prices increase at least to present support levels in the coming years, and as improved prices for livestock follow smaller supplies and higher prices of feed grains.

The program for conservation and resource use is primarily a program to divert farmland to productive but nonagricultural uses.

The development program will act to stimulate enterprise, improve the productivity of resources and bring new and additional resources to rural areas and thereby contribute to better incomes and better lives for the people involved. These gains depend greatly on effective policies for national economic growth, and on the response of rural people to new opportunities.

It will be difficult both to maintain and improve upon the income gains made by commercial farmers in 1961, however, while reducing production and carry-overs materially. All told, almost one-third of a crop of feed grains and half a crop of wheat will come out of CCC stocks by 1967—a significant subtraction from farm marketings. Combinations of farm prices and payments to growers who divert lands from crop production can be worked out, however, that will meet the objectives of a sustained improvement in the incomes of farm people, and a slow but steady closing of the gap between farm and nonfarm standards of living.

Public expenditures for farm programs

The Department of Agriculture administers many programs essential to public welfare, in addition to those commonly known as farm programs. These functions relate to research, education, and credit, to public health, to the preservation of resources, to assistance of needy persons, and to foreign aid.

For instance, the sale or donation of farm commodities for foreign currencies or their donation to needy people in friendly countries contributes substantially to our total national objectives. The Department makes substantial expenditures for the development and management of the national forests, and provides facilities for 90 million visitors to those forests yearly.

Expenditures by the Department in the fiscal year 1962 are shown in figure 13, classified by major purposes.

The larger part of the budget of the Department in recent years has gone for farm price and income stabilization and support. In the late 1950's, these expenditures went primarily to acquire the commodities now in CCC stocks. As a result, the charges for simply carrying and managing the commodity inventories have increased greatly in the last few years. Each additional bushel of grain acquired by CCC under the old programs committed the Government to expenditures for carrying charges for many years. This period lengthened as inventories grew. The current annual bill for all these costs, for storage, handling, transportation, and interest, is about \$1 billion.

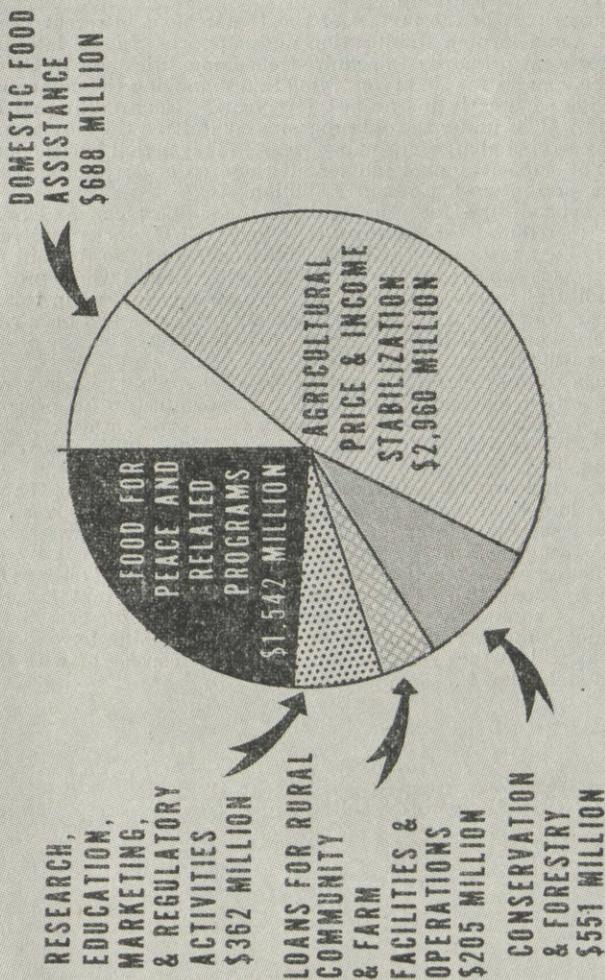
These expenditures for price and income support can and must be reduced. The key to reduced expenditures is reduced CCC stocks and reduced carrying charges. That task began with the 1961 emergency feed grain program. Further progress is expected under the 1962 feed grain and wheat programs.

Expenditures remain high, but they are already lower—in this fiscal year and next—than they would have been if the old programs had been continued. Carrying charges on the CCC inventory could only go up under the pre-1961 programs. Now they will fall as stocks decline.

A return to old programs, pre-1961 programs, would mean a return to higher and higher CCC expenditures. CCC net expenditures for price support, which are only a part of total income stabilization expenditures, would again move toward \$3 billion in the 1967 fiscal year. This would be near the peak of the 1950's (fig. 14).

CCC expenditures for price support can be reduced to less than \$1.5 billion by 1967 if a long-range program is adopted to reduce carryovers, particularly of grains and surplus production of dairy products. In this process, total price support expenditures over the 4 years 1964-67 can be cut by over \$5 billion. This reduction would result in large measure from reduced outlays for commodities acquired by the CCC. Perhaps an even more important effect would be the avoidance of committing large Federal expenditures for carrying charges for an indeterminate number of years beyond 1967. Looking beyond this period, it is likely that still further reductions can be made consistent with farm incomes at good and stable levels.

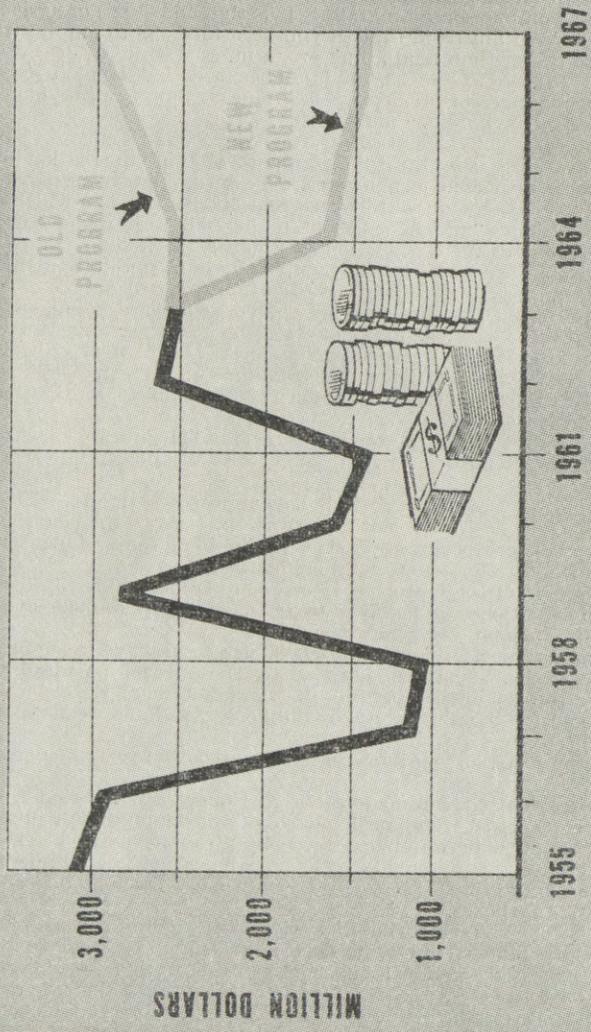
Fig. 16
Classification of net USDA expenditures
by major purpose. Fiscal year 1962, estimated



Not all USDA programs are price and income programs. The Department administers many others relating to research, education, credit, public health, conservation, assistance to the needy, and foreign aid. Nevertheless, expenditures for price and income support programs are too high, and it is expected that they can be reduced sharply by 1967 under a long-range program to reduce carryovers.

CCC net expenditures for price support, with alternative projections for expenditures under pre-1961 or old programs, or under long-range programs

Fig. 14



Price support expenditures are already lower in the 1962 fiscal year than they would have been if the pre-1961 programs had been continued. A return to the old programs now would mean higher and higher Government expenditures. Under the proposed long-range programs, expenditures for price support would decline.

(Following is the statement referred to on pp. 26 and 27.)

EXHIBIT A

Finally, the food and agriculture program for the 1960's is aimed at development—the creation of new opportunities and new incentives for those who gain a living from the land and who depend upon it indirectly, and the improvements in education and training which will enable them to use such opportunities. Enlarged opportunities for our rural people are, in fact, closely allied to the development and utilization of our land resources.

This is a commonsense program. It is the A B C D's of agriculture. Perhaps the best way to illustrate that to you here today is to emphasize that it will be a land use rather than land idling program.

It is dedicated to the use of land because that is plain commonsense, and because using land for other purposes than farming can provide other income for the farmer. Idle land cannot do this.

Let me show you specifically, in one way, what I mean. There is today an increasingly loud voice heard in support of more recreation opportunities for the people in cities and urban areas. Yesterday, for example, a report was sent to the President by an outdoor recreation commission which stated that the Nation's outdoors "no longer lies at the back door or at the end of Main Street." The commission said that action is urgently needed in many areas, especially metropolitan areas such as Chicago, to acquire public land for recreation lest city dwellers someday be deprived of outdoor recreation.

As important as public facilities for recreation are, I believe there is a broad area for private and semipublic recreation facilities that can be developed by cooperative action between a farmer and a group of city dwellers, or between a rural community and an urban community. It can provide a beneficial use of land by people in the city which can develop an alternative income source for the farmer.

Think for moment of the opportunities implicit in the Department's watershed program—opportunities for recreation, for fish and wildlife which haven't been touched.

The small watershed program is now almost 8 years old. There are about 220 of these projects completed or underway throughout the country. Each of these is a valleywide conservation program taking in all the drainage area of a particular stream without reference to political boundaries.

So far, most of these projects have been planned primarily for flood prevention although attention may be given to drainage, irrigation, fish and wildlife development, or municipal water supply.

A typical project may contain 60,000 acres and have seven or eight floodwater-deferment dams. The pools created by these dams may be used for recreation wherever the landowner permits it. But not more than perhaps 50 reservoirs out of some 1,900 built to date are publicly owned and available for public recreation.

These projects, as you know, are always sponsored by one or more local organizations.

The President's recommendations to Congress asked that the Department be authorized to assist these local sponsors to develop public recreation and fish and wildlife facilities in watershed projects. The purposes would be (1) to effect needed land-use adjustments by converting some land, preferably cropland, to recreational uses, and (2) to meet a strongly developing need for more public recreational facilities.

At least one reservoir would be selected in each of several pilot projects to become a lake for swimming, boating, and fishing. Improvement of streams and natural lakes and the development of campsites might be undertaken.

In order to do this, we have asked for legislation to include recreation as a purpose in the Watershed Act, and to permit the Government to share the cost of land easements and right-of-way for recreational purposes.

In order to delineate the scope of this idea, let's consider how it might work in a hypothetical project:

The original sponsors of the watershed project might undertake the recreation program, enlisting the cooperation of municipalities, counties, or State agencies.

Various USDA programs could help. The agricultural conservation program could stimulate the production of game and wildlife by encouraging long-term wildlife development practices by farmers in the area. This would require new authority for long-term cost-sharing agreements.

The Forest Service could provide technical cooperation.

If private financing were not available, the Farmers Home Administration might lend funds for the construction of boathouses, docks, and sanitary facilities. This would require an amendment to the water facility loan program.

Nearby private landowners might want to develop motels or riding stables. The Office of Rural Areas Development could channel loan applicants to the Small Business Administration under an existing program.

Some of these private operations, such as game farms or shooting ranges, might be a profit venture for farmers. The Farmers Home Administration could make loans for such purposes under a broadened FHA loan authority.

The Department might secure long-term options to buy additional land around the recreational facility to be exercised as use increased. This option might be combined with easements so that in the interim, limited use could be made of the land for such activity as nature trails and horseback riding.

The Department might also acquire scenic easements in order to protect recreational sites, which would require new authority to buy land or land rights.

It doesn't take too much imagination to see that opportunities for both the urban dweller and the farmer are there—with a little effort we can find ducks on the pond, fish in the water, and families on the grassy banks.

Mr. WHITTEN. Mr. Secretary, you have concluded your prepared statement. Do you have anything further to add at the moment?

Secretary FREEMAN. No, sir.

Mr. WHITTEN. We thank you for your discussion with the committee. I know more detailed information will be supplied in the course of our hearings by those that deal with particular programs and by Mr. Grant on the budget details.

However, as the Secretary, as a member of the Cabinet, and as a spokesman for the President, there are a number of questions that I feel we should develop with you. I shall not try to develop them as fully as they will be later, because this legislative program will be subject first to the action of the appropriate legislative committee.

AGRICULTURAL CONSERVATION PROGRAM

There are several things that I notice in the budget that you have supplied to us. Much attention was given in the President's message, in the proposed bill and in your statement to conservation. That being true, I cannot understand the proposed reduction of the agricultural conservation program to \$150 million for next year.

Mr. Andersen and I have almost made a career of restoring funds for this conservation program. Others on this committee have spent much time on that annual problem.

I am convinced, having sat here through the years, that the extension service is the base back at the county and local level, so far as general public understanding, upon which our agricultural system is dependent. It operates under a memorandum of agreement with the Department.

The Soil Conservation Service has districts organized under the law of various States and the Federal Government provides technicians and other skilled people to help with soil conservation. It strikes me that the record is full and complete with the success of those two agencies, on which we spend large sums of money each year.

However, the work of those two, to a great degree, is implemented by the agricultural conservation program. This program is participated in by something over a million people each year, who in turn put up at least \$2 for each Federal dollar spent. I think it is the spark that ignites maybe 10 times that much conservation work elsewhere.

How cutting that program a hundred million dollars in next year's budget fits in any way, top, side, or bottom, with the President's message or with your statement here, I can't see it.

Do you have any comment on that?

Secretary FREEMAN. No, sir.

Mr. WHITTEN. Could I ask you for the record whether you requested \$250 million, the regular level, of the Bureau of the Budget?

Secretary FREEMAN. Yes, sir.

Mr. WHITTEN. So this represents the Budget Bureau's action in the announcement of next year's program.

FUNCTION OF EXTENSION SERVICE

The other thing I would like to ask you has to do with two or three announcements that I have read recently.

It was carried by the press recently that the Extension Service was going to be used as the spokesman for or the chief promoter of agricultural policy of the Department.

Now we have been accustomed to charges and countercharges and I don't say that is a fact. I know in the preceding administration, periodically it was charged that the administration was making use of the Extension Service and the county agents, through various groups, to implement and support and send in recommendations. I refer again to what was charged. I have no personal knowledge.

Now, I am just wondering what basis in fact there is for any insistence by the Department that the Extension Service and county agents be called on to go beyond merely explaining what programs are under basic law. I go back to the fact that the Extension Service is set up separate and apart. It operates under a memorandum of agreement with the Department. The Service is not departmentally controlled, and the average county agent gets part of his pay from the local county government, part from the State, and part from the Federal Government.

Do you have any comment on that?

Secretary FREEMAN. Yes, sir, I do.

In this instance there was a lead written on a story reporting a speech I made to an extension conference, which was completely inaccurate and totally misleading. The manuscript of that address, is available and I would be pleased to submit it to the committee.

Mr. WHITTEN. We would be glad to have it.

Do so.

(The manuscript follows:)

U.S. DEPARTMENT OF AGRICULTURE—OFFICE OF THE SECRETARY

The major emphasis on improved production techniques which has dominated agriculture's Extension Service must expand to give equal attention to social and economic changes in rural America, Secretary of Agriculture Orville L. Freeman¹ said today.

"Many Extension leaders recognize today that Extension Service has been far more effective in developing and spreading improved production techniques than in assisting the adjustment of agriculture to the accompanying social and economic changes," the Secretary said.

¹ Address by Secretary of Agriculture Orville L. Freeman before Annual Conference of the Federal Extension Service, Freer Art Gallery, Washington, D.C., Wednesday, Jan. 10, 1962, 4 p.m., e.s.t.

He spoke at the annual conference in Washington, D.C., of the Federal Extension Service.

"The belief has been that a constantly increasing level of productivity and efficiency will bring the farmer an income adequate to compensate him for his labor, managerial skill and to repay the investment in land, equipment and such items as fertilizer.

"The experience of the past decade, a period when the productive efficiency of the farmer increased at a revolutionary pace, has shown that this belief is naive if not unfair to the farmer.

"Time has shown the result of increasing efficiency in agriculture is, logically, that the benefits of scientific and technological advances pass through the farmer to the general public.

"This aspect of agriculture is not to be lamented, for the production of adequate food and fiber at reasonable prices for the American people is the true goal of all the factors which have made the American farmer the most productive man of the soil in the history of the world.

"This is the only public policy which could be followed, for the cost of research, the land-grant college system, the Extension Service and all aspects of the Department of Agriculture have been and are an investment by the public of its funds to maximize the public well-being.

"But, in the same light, it has never been public policy to expect the farmer or the rural economy to produce without adequate compensation the food and fiber which has contributed so substantially to our high standard of living.

"It is this long neglected area of public policy toward which we are now directing our attention. It does not mean that we intend to deemphasize the continuing need for increased efficiency and productivity. Attention to these needs should continue as strongly as before, but only in perspective to the enlarging emphasis on public policy designed to strengthen the agricultural economy and to insure that it can continue to put new technology into practice for the benefits of all Americans.

"Through this enlargement of emphasis, we are seeking to update agricultural policies and programs as they affect the farmer. In effect, we seek to begin bridging the gap between conditions as they exist today and the public policy which has not changed as conditions have changed.

"There is an urgent need for economic, social, and structural readjustments in agriculture—a need which cannot be met by merely shoring up prices and incomes from year to year. And the Extension Service at the Federal and State levels can play a vital and important role.

"The role of Extension in a food and agricultural program of the 1960's has been the subject of much thought by those in Extension. I want to direct my remarks to that topic, but first let me outline in brief the direction of that program as the administration views it, including some of its general parts.

"It is obvious, or should be so, that neither the Congress or the people will continue to support programs which require increasingly larger expenditures which result only in increasingly larger accumulations of commodities.

"It is equally obvious that the productivity of the American farmer is going to increase tomorrow just as it did yesterday. We are just beginning the era of the agricultural revolution, and both science and technology have many surprises to show us.

"Under these circumstances, there are perhaps three alternatives which the American people have to choose from. There can be, as some persons have suggested, a complete elimination of all programs in order that farm prices could seek their own level in the marketplace.

"Given the massive productive capacity of agriculture today, prices would not seek a level; they would sink within a very short period of time to a level of more than a third below where they currently rest. Farm income would drop even further.

"This would entail a vast waste of capital during the brief, fierce struggle for survival among farmers, and the loss of resources in terms of people, communities, and land would be severe. It is difficult to imagine how anyone can consciously advocate such a course of economic disruption, institutional destruction, and human suffering. It will achieve an adjustment, but the price would be higher than anyone willingly will pay.

"The second alternative is one which I have already discussed very briefly. We can continue the programs in vogue during the 1950's which allowed unlimited production with a guaranteed price support. The fact that our current efforts to live with an abundantly productive agriculture are complicated by massive

carryovers of commodities, grain in particular, speaks for itself. The public will not continue to pay the price of such programs without achieving better results in reducing the current surplus and providing long-term tax savings.

"The third alternative is to develop policies of managing the abundant potential of agriculture, combining this approach with programs to first expand domestic and international uses for food and fiber and, second, to develop the most practical and efficient use for land and water resources.

"Its aim would be to preserve and strengthen the family owned and operated farming system we have perfected as the most efficiently productive agricultural unit known to man. In essence, this is the primary goal for, by doing this, we insure that the benefits of science in agriculture will continue to be used to the advantage of the public.

"There has never yet been presented to the Congress or to the people of this country a complete and comprehensive program for a food and agriculture policy to do this. In the past, as the approaching crisis of abundance affected first one commodity and one area and then another, public policy was developed to deal with one or several commodities.

"It is clear that the crisis of abundance is at hand. We can, with relatively little effort, substantially increase the amount of any given commodity. It has been estimated, for example, that we can produce all the food and fiber we need in 1980 on 50 million fewer acres of land than now are in production.

"It is time then that we develop a clear, overall program which views agriculture as it exists today and which projects for its need over the long haul as a complete and integrated whole.

"This administration intends to present such a program of food and agriculture to the Congress. It is, in general, a triangular program, each side of the triangle equally as important as the others and each dependent on the others.

"One side of the triangle is the program to develop the most practical and efficient use of land resources. Its goal is to provide adequate food for all, to conserve soil and water, to provide recreational resources and to insure that land resources are used and will not lay idle.

"We will hold a national conference on land and people here at the Department to discuss and study this general area which includes the rural area development program, building adequate family farms, retraining programs for rural areas and other projects designed to expand prosperity in the rural economy.

"The second side of the food and agriculture program emphasizes food and its uses, both in an affluent society and in a world which cannot satisfy its food needs.

"A second national conference, this one on food and people, has been held in the Department to discuss how we can expand domestic and international uses for food and fiber. There currently are underway vastly expanded programs at home—direct distribution of food, the food certificate program, school lunch—and abroad—food for peace and the food distribution programs of private and public agencies—to increase the use of food where it serves a constructive purpose.

"There also will be continued emphasis on the development and expansion of international markets for American food and fiber, recognizing that the current level of exports will require constant attention to maintain it while we seek to promote its growth.

"The third side of the triangle is the program for commodity management. Even before the last session of the Congress ended, the Department had begun an exhaustive series of meetings with various commodity groups, and these meetings have continued on through into the new year as we seek to consult and advise with as wide a cross-section of producers and processors as possible in developing individual commodity programs. I doubt that any program which has been presented to the Congress has been conceived with as broad consultation as the one the administration will propose this year.

"It should be so, for at no time has agriculture or the farmer stood at such an important crossroad. Given the most optimistic conditions to achieve the desired result under the program for land and food use, we must accept the blunt fact that American agriculture will produce for the foreseeable future more food and fiber than can be efficiently and effectively used.

"In this general reorientation of agricultural policy, where, you ask, does the Federal Extension Service—the cooperative extension service—fit in? What is its role?

"First, if Extension is to continue in its historic role as the educational arm, then obviously it will assume much broader responsibility than it has in the past.

"Cooperative extension has primarily been a program of continuing education, but education directed at helping people solve specific problems or adjust to

immediate circumstances. I think it is clear that the problems of agriculture cannot be met by continued emphasis on increased productivity, so the role of Extension will become more multiple purpose than has been the case.

"There will be those inside and out of Extension who will criticize you for looking to new horizons, but I submit that neither you, nor I, nor anyone honestly concerned with agriculture can avoid this challenge. Some would prefer to avoid it because it deals with controversial matters, because it relates to the formulation of public policy, because it deals with matters that cannot be proved or disproved by chemical analysis or controlled experiments.

"You cannot avoid the challenge. It deals with the welfare of human beings, with the future of our resources and our children, with principles and ideals relating to human dignity, and with values we regard as vitally important.

"We cannot allow machines to displace men, either in agriculture or industry, without providing those men with the opportunity to find and qualify for other employment.

"We cannot allow most of our ablest young farmers to be forced out of agriculture—the one industry absolutely essential to human survival—because farming offers economic incentives so much lower than other occupations.

"Nor can we allow such trends as the increased need for capital and credit in farming to jeopardize the continued existence of our owner-operated family farm system.

"We know that answers formulated by experts and farm leaders will not be enough. Research for increased productivity was not enough. The knowledge and techniques developed by experts and engineers had to be brought to the farmer himself. Programs to update the whole of agriculture can be assisted by experts, but they cannot be adopted by them.

"Thus, one of the biggest tasks ahead will be one of education, of public discussion, of arriving at sound decisions on policy in a democratic manner through participation by farmers, and by the nonfarm public as well.

"This is one of the prime roles of extension in a food and agriculture program of the 1960's. Extension will need to expand its techniques of education in problem solving to a wider audience. Consumers need to understand that progress from research benefits them more than it does the farmer. The public needs to understand farm problems more thoroughly, particularly in their relation of these problems to the Nation's economy.

"Extension Service has contributed greatly to the progress of agriculture during the past 50 years, and I am confident that it can in the decade ahead contribute as much to the need for decisionmaking. It must if it is to continue to hold its rightful place in American life.

"Another prime role of Extension in the decade ahead also involves an expansion of its education function as this relates to the organization and the activities of the rural area development program.

"In addition to seeking broader public understanding of the need for resource adjustments in agriculture, Extension will be called upon to direct attention in the rural community to the need for social and economic progress.

"This effort will include such programs as are necessary to help rural areas make complete and efficient use of human and physical resources to increase family income and the general level of living. It will affect such things as community services, helping young people to get a good education to prepare for the occupation or profession they wish to follow, developing adult education programs so people who cannot find full employment in agriculture—and who seek other ways to earn their livelihood—can get special training.

"Extension has been given a most responsible role in providing the organizational leadership for the RAD program on the local county and area level. It means that you will be responsible for bringing the vast resources of the Department, the agencies of State governments, and the land-grant colleges to the assistance of the rural community.

"I cannot overestimate the importance of the RAD program. This administration will not tolerate any program which seeks to drive people off the land. Rather, we seek to preserve the many values of rural life for those who live in rural areas and for the Nation as a whole. But the chance to earn a decent American standard of living is the right of every citizen, and where the resources of a community are so limited as to make this virtually impossible we will seek to strengthen those resources.

"I am pleased to see that the Federal Extension Service is beginning to meet this challenge of total economic development, and that there is recognition it will require considerable reorientation of thinking, organization, and emphasis.

"Extension deserves the praise of every American for the job it has done in helping agriculture and the American farmer to achieve the phenomenal record of productive success. It now has a much greater opportunity for service in the search for social and economic progress in the rural community.

"The need is clear, and I urge you to begin without delay."

Mr. WHITTEN. May I say again, the mere fact of asking the question does not imply the answer. So I feel obligated to ask the question because it gives you a chance to make the reply.

Secretary FREEMAN. I would like to do that and I would summarize to say this, that I, of course, said no such thing. I repeated something I have said over the years to church groups, and also to cooperative groups, that I felt that the great issues of the day needed to be understood, needed to be explained, needed to be discussed.

And that one of the great issues was an understanding of agriculture, of the technological revolution in agriculture, of the facts in connection with it, and that the Extension Service had a great contribution to make in informing the public as to those facts.

And that if they were so timid that they were fearful to discuss the facts in connection with these changes, because it would be controversial, I felt because of its importance, that they were doing less than they ought to do, as an instrument of educating the American public about the industry of agriculture.

CONTROL OF FOOD PRODUCTION

Mr. WHITTEN. Another thing, Mr. Secretary, has come to my attention recently.

On January 4, 1962, an announcement was made by the U.S. Department of Labor Secretary Goldberg, having to do with the training of 1,200 farm-tractor operators, in 16 county regions of the Yazoo Delta of the Mississippi. I received a call as to what I thought about it. I checked to see what was involved and reported back that I looked at that with some misgivings. I noticed that this was not for students in the vocational schools, this was for so-called unemployed, who would be given 160 hours in class training and 160 hours outside training, they would be paid \$24 per week, the rate of unemployment compensation in my State.

So I expressed some misgivings about it as perhaps being the opening wedge for the bringing together of labor organizations.

Subsequent to that I noticed in the press that you and the President and Mr. Goldberg jointly said you hoped it would lead to some such organization, some means whereby farm labor could be organized.

I recall further that your own statement was that, if anything like that were done, it would probably result in increased costs, which would require increased prices, which in turn would be passed on to the consumer.

I would like this original announcement to be included in the record. (The document referred to follows:)

[News from U.S. Department of Labor—For release January 4, 1962]

TWELVE HUNDRED TRACTOR OPERATORS TO BE TRAINED IN MISSISSIPPI

Twelve hundred farm tractor operators will be trained in the 16-county region of the Yazoo Delta of Mississippi under a plan approved today by Secretary of Labor Arthur J. Goldberg.

In what is the most comprehensive training program approved to date under the Area Redevelopment Act, more than \$400,000 in Federal funds will be made available by the Department of Labor and the Department of Health, Education, and Welfare to launch the program on February 1.

Secretary Goldberg said the trainees will be split up into groups of 20, each undergoing an 8-week course with subsistence payments to the trainees based on the average weekly unemployment compensation payments in Mississippi, currently set at \$24 a week.

The Secretary said the Mississippi Employment Service estimates that over half of the 50,000 rural males between the ages of 20 and 49 in the 16-county area are unemployed or underemployed, and that more than 3,000 are expected to apply for training. The Employment Service will conduct the screening of applicants.

A detailed course of study providing 160 hours of classroom and 160 hours of practice, under supervision of trained instructors, will be given.

Twenty schools in the 16-county area, all having approved programs in vocational education, will be utilized in the training program. The State supervisor of agricultural education will be responsible for overall supervision and administration, the Secretary said.

The 16 counties, all in the northwest and western portion of the State bordering on the Mississippi River and the Yazoo River are: Bolivar, DeSoto, Holmes, Humphreys, Issaquena, Leflore, Panola, Quitman, Sharkey, Sunflower, Tallahatchie, Tate, Tunica, Warren, Washington, and Yazoo.

There is an estimated 30,700 farm tractors in the region, according to the Mississippi Employment Service. An estimated 40,000 workers are operating such farm machinery now, although not more than half are adequately trained.

The Secretary expressed the hope that this training will provide workers with year-round employment, with day work provided for members of the operator's family to help achieve rural family stability in the years ahead.

Approval of the Yazoo Delta program is part of the overall economic development plan approved for the entire State of Mississippi by the ARA. The actual amount earmarked for the delta training program of \$435,000, which excludes the Labor Department's administrative costs, is more than half of total funds already granted to other ARA training programs in four States.

West Virginia has 4 programs approved for 1,100 trainees; Pennsylvania has 6 programs for 400; Connecticut has 1 for 200, and Rhode Island has 1 for 180 trainees, all costing a total of slightly less than \$800,000 to date.

MR. WHITTEN. Lots of things in the American way of life and under American law are not going to be changed. If all of the laws were repealed, it might make for a worse situation or perhaps better. But the point that has always frightened me is if control of the production of food ever gets in the hands of a few people, it could bring the American consumer to his knees.

I have been in Russia, Poland, and Hungary, and one of the chief means whereby the people are held under control is through the control of bread by the Government. The Government decides whether a store opens or does not open. It is a terrific thing, whatever the benefits and values are of a labor organization.

I have personally always been afraid to let such control get into the production of food. I would hate to see that control fully in the hands of the Government or any other organization.

I am just wondering if you have any comment on that matter.

Secretary FREEMAN. First, to my best knowledge, I could say quite dogmatically I have never at any time made any statement in connection with the program that you referred to, and I am not informed in connection with it.

I am a member of the Migratory Labor Committee, appointed by the President, along with some other Cabinet members of this Government. We have been reviewing the question of migratory labor and the problem it represents for some time.

A statement of policy was agreed to by that Committee, and that statement of policy included a statement that, as a matter of principle, farm laborers, as well as industrial laborers, should have the right to organize.

I think that is probably an academic statement, because I think under the laws of the land they have a right to organize in any event, if they wish to do so and do organize, unless we change those laws.

It did not refer to any special place, any special organization, but merely stated what I think is a legal principle. I have said again and again that I think it would be a very serious matter if we ended up with big collective corporate farms, with food and fiber controlled by a few people, the byproduct of that would inevitably be the organization, on the other hand, in terms of great labor unions, and we would find food and fiber under the control of a relatively few people. And I think this is something that we properly need to concern ourselves with.

Mr. WHITTEN. I limited my opening question to control by reason of labor organizations, but I think in all fairness I should agree with you that control is just as bad at one level as the other. But I do say that control of food in these countries I referred to is quite a strong weapon in bringing the people to subjection.

FOOD PURCHASES

Another thing which is of a different nature: I had a letter from a food broker, and this I would ask you to go into, in which he referred to the fact that in many of these programs processed foods are purchased and made available by the Government. The requirement is that they be purchased direct and not go through normal channels and while they may be set up with the finest of intentions of trying to keep out undue profits, he points out that, because you did not go through regular channels, there was no competition and the Government ended up paying far more than if you submitted bids.

If you would be so kind as to have your Department study that and see if the facts are as he understands them, and if so, see if it can be improved or changed.

Secretary FREEMAN. Yes, sir.

ADJUSTMENT FOR PRODUCERS OF HYBRID SEED CORN

Mr. WHITTEN. Another question I have had raised with me quite regularly is this: With the curtailment of corn, many producers of hybrid seed corn are left with stocks of hybrid seed planting corn on hand. It has worked a tremendous hardship on them as the result of the Government program. Is there any means under the law whereby they are entitled to any adjustment for the loss that has occurred to them? Or is that just one of those unfortunate things that occurs when the Government stops a program which leaves a man out on a limb on what he had anticipated? On this, too, I would be glad to have you make a thorough study by your Counsel or others, so the answer might appear, and then you might tell us here what consideration has been given to this.

Secretary FREEMAN. I believe I could respond to that question.

I am happy to report that an adjustment has been made, and that action is now underway to help meet this problem and to make an

adjustment to some of the hybrid corn seed producing people. That announcement was made just the other day. We have been working on it for some months.

Mr. WHITTEN. I am glad you worked it out. Please place the announcement in the record.

(The announcement is as follows:)

The Department of Agriculture announced a program for limited diversion of hybrid corn and grain sorghum seed on January 30, 1962. The announcement was by the following press release:

U.S. DEPARTMENT OF AGRICULTURE,
Washington, January 30, 1962.

USDA ANNOUNCES HYBRID SEED CORN AND GRAIN SORGHUM SEED
DIVERSION PROGRAM

The U.S. Department of Agriculture today announced a limited diversion program for hybrid corn and grain sorghum seed to lessen the adverse economic situation for seed processors caused by the late development of the 1961 feed grain program.

USDA officials pointed out that many seed processors had made arrangements for their normal quantity of hybrid seeds for the 1961 crop several months prior to the time that the 1961 feed grain program was proposed and enacted into law early in 1961. The resulting diversion of acreage from these two crops in 1961, in order to bring production into better balance with needs, reduced the quantities of hybrid seeds needed by producers for 1961 crop plantings.

Estimates are that about 2.2 million bushels more of hybrid seed corn and about 380,000 bushels more of hybrid grain sorghum seed would have been used for 1961 plantings if acreages had remained at 1960 levels. These quantities are in addition to the normal carryover the industry holds.

The program announced today is designed to lessen this loss by diverting the hybrid seed to nonseed uses. The diversion payment will be \$1.50 per bushel for hybrid seed corn and \$1.20 per bushel for hybrid grain sorghum seed upon proof of diversion by the processor. The program will be available to those processors who have grown the seed on their own or rented lands or have contracted with farmers for the production of seed. Under the program, diversion may take place at any time prior to June 30, 1962. Arrangements have been made for an advance payment upon approval of the applicant's request for participation in the program. Final payment will be made upon proof of diversion. Only seed which would normally be sold for planting will be eligible for diversion.

Participants will be required to submit records of their sales of seed corn for the 1959, 1960, and 1961 crop years and of grain sorghum seed for the 1960 and 1961 crop years. The quantity each participant can divert will be the lower of (1) the average quantity of seed sold in 1959 and 1960 for seed corn and the quantity in 1960 for grain sorghum seed less the quantity sold in 1961, or (2) the average quantity of seed corn sold in 1959 and 1960 and the quantity of grain sorghum seed sold in 1960 multiplied by the percentage of reduction in acreage in corn and grain sorghum under the 1961 feed grain program in the State where the participant has sold or distributed seed.

Payments to any one company or organization will be limited to \$20,000.

Program details will be announced later.

FOREIGN PRODUCTION OF AGRICULTURAL COMMODITIES

Mr. WHITTEN. Another situation which I mentioned here earlier is the fact that, with regard to several of the major commodities which are under price support, historically they have been dependent on foreign markets. The record clearly shows that if we do not keep offering at world markets at competitive prices—this committee kind of spear-headed or insisted we get back into the markets, at the time when we held all U.S. commodities off the markets—that the same production shows up overseas.

In that connection, we have had our investigators make a thorough study of what has happened in the field of production in foreign

countries, with regard to the basic commodities. This review has been made to bring a similar study made in 1955 down to date. Unless there is objection, I would like to ask that a summary of the facts which have been developed in this study be included in the record.

(The information is as follows:)

SUMMARY OF STAFF STUDY OF EFFECT OF U.S. POLICIES AND PROGRAMS ON FOREIGN AGRICULTURAL PRODUCTION AND TRADE

U.S. agricultural acreage has moved overseas.—As U.S. acreage has been cut back, acreage in the rest of the world has increased. During the period 1950-54 and 1960, the changes have been as follows:

[In millions]

Commodity	U.S. acreage			Foreign acreage		
	1950-54	1960	Percent	1950-54	1960	Percent
Cotton.....	22.8	15.3	-33.0	59.6	65.8	+9.4
Wheat.....	63.4	51.9	-18.1	383.8	435.8	+13.5
Corn.....	70.9	71.6	+1.1	143.0	172.7	+20.8
Rice.....	2.1	1.6	-22.9	260.9	302.0	+15.8
Tobacco.....	1.7	1.1	-35.0	7.0	8.0	+14.0
Peanuts.....	1.7	1.4	-17.9	28.5	37.9	+32.7
Milk cows.....	21.4	17.5	-18.2	40.4	42.5	+5.2

U.S. production has not kept pace with increases in rest of world.—Except for wheat and corn, U.S. production has remained constant or decreased during this period, while production in the rest of the world has increased, as follows:

[In millions]

Commodity	U.S. production			Foreign production		
	1950-54	1960	Percent	1950-54	1960	Percent
Cotton.....bales..	14.1	14.3	+1.3	24.8	33.0	+33.0
Wheat.....bushels..	1,094.0	1,357.0	+24.0	5,881.0	6,803.0	+15.7
Corn.....do.....	2,793.0	3,908.0	+39.9	2,552.0	3,637.0	+42.5
Rice.....pounds..	5,002.6	5,459.1	+9.1	402,958.2	520,783.0	+29.2
Leaf tobacco.....do.....	2,184.0	1,944.0	-11.0	5,627.0	6,714.0	+19.3
Flue-cured tobacco.....do.....	1,332.4	1,250.6	-6.1	1,209.3	2,063.3	+70.6
Peanuts.....tons..	.763	.892	+16.9	10.825	14.083	+30.1
Milk.....pounds..	119,259	122,920	+3.1	224,739	263,812	+17.4

U.S. exports of cotton, wheat, corn, and rice have increased faster than exports of other countries, due largely to Government export programs such as Public Law 480 and International Wheat Agreement. U.S. exports of tobacco have increased less than other countries, whereas U.S. exports of peanuts, canned and dried milk have decreased. A summary follows:

[In millions]

Commodity	U.S. exports			Foreign exports		
	1950-54	1960	Percent	1950-54	1960	Percent
Cotton.....bales..	4.1	6.9	+65.9	8.3	10.0	+20.4
Wheat.....bushels..	334.7	662.2	+97.9	666.3	856.0	+28.5
Corn.....tons.....	2.7	7.0	+164.1	2.2	5.0	+127.3
Rice.....pounds..	1,389.0	2,198.0	+58.2	9,589.4	10,273.3	+7.1
Tobacco.....do.....	474.0	496.0	+4.6	777.0	1,025.0	+31.9
Peanuts.....tons..	.85	.56	-34.6	2.1	2.7	+28.4
Canned milk.....pounds..	161.0	143.1	-17.9	623.8	773.0	+23.9
Dried milk.....do.....	180.8	102.3	-43.4	269.4	392.5	+45.7

U.S. private interests abroad

In general, overseas production activities of U.S. private concerns have not expanded since last study made in 1955.

On other hand, overseas, purchasing and marketing of foreign cotton has been expanded by many American traders.

COTTON

Acreage

U.S. acreage has been reduced from 22.8 million acres in the base period 1950-54 to 15.3 million acres in 1960, a reduction of one-third.

Acreage in the rest of the world has increased from 59.6 million acres in 1950-54 to 65.8 in 1960, an increase of 9.4 percent. The major increases are: El Salvador, 106.3 percent; Guatemala, 178.3 percent; Nicaragua, 43.6 percent; Greece, 86.8 percent; Spain, 265.7 percent; Iran, 43.6 percent; Syria, 29.6 percent; Colombia, 120.2 percent; Peru, 26.6 percent; Sudan, 53.1 percent; and Tanganyika, 115.3 percent.

Production

U.S. production is 30 percent of world total and has remained about same level during past 10 years. Production in rest of world increased over 30 percent as follows: Latin America, 70 percent; South America, 24 percent; Europe, 89 percent; U.S.S.R., 14.7 percent; Asia, 37.5 percent; Africa and Oceania, 32.6 percent (p. 12 of report).

Trade

U.S. exports rose from 4.1 million bales in 1950-54 to 6.9 million bales in 1960, an increase of 65.9 percent. This is due largely to Government export programs, such as Public Law 480, section 402, of mutual security and payment in kind. These increases have gone primarily to France, West Germany, Italy, Belgium, the Netherlands (all Common Market countries), and Japan.

Exports by rest of world increased 20.4 percent. Mexican exports increased 64 percent, from 982,000 bales in 1950-54 to 1.6 million bales in 1960. Various other countries had large percentage increases, although the quantities involved have not yet become large: El Salvador, 345.2 percent; Guatemala, 788.9 percent; Nicaragua, 133.9 percent; Greece, 400 percent; Western Africa, 361.5 percent; Iran, 91.2 percent; and Syria, 130.6 percent.

U.S. private interests abroad

U.S. private interests engaged in production abroad appear to have been reduced.

Many American trading concerns have expanded purchasing and marketing of foreign cotton.

WHEAT

Acreage

U.S. acreage has been reduced from 63.4 million acres in the base period 1950-54 to 51.9 million acres in 1960, a reduction of 11.5 million acres or 18.1 percent reduction.

Acreage in the rest of the world has increased from 383.8 million acres in 1950-54 to 435.8 million acres in 1960, an increase of 13.5 percent. The major increases are: Australia and other Oceania, 25.6 percent; Tunisia, 39.5 percent; Pakistan, 17.5 percent; India, 33.1 percent; and West Germany, 25.7 percent.

Production

U.S. production increased 263 million bushels from the 1950-54 base period to 1960, an increase of 24 percent.

Production in the rest of the world increased 922 million bushels or 15.7 percent as follows: Western Europe, an increase of 15.2 percent; U.S.S.R., an increase of 37.1 percent; Asia, an increase of 8.8 percent; Africa, an increase of 13.5 percent; Australia and Oceania, 51.6 percent.

Trade

World trade increased 52 percent from the base period of the early 1950's. U.S. exports increased from 334.7 million bushels in 1950-54 to 662.2 million bushels in 1960, an increase of 97.9 percent. This is due largely to Government export programs such as Public Law 480. The U.S. share of total exports is 43.6 percent.

Exports by the rest of the world increased 28.5 percent during the same period. Canadian exports increased 16.1 percent; Australian exports increased 86.9

percent; French exports increased 42.8 percent; exports from the U.S.S.R. increased 113.5 percent or 71.7 million bushels. U.S. exports increased 327.5 million bushels during the same period.

U.S. private interests

Six U.S. firms account for about 85 percent of the U.S. grain exports. U.S. companies have made investments in storage facilities and flour mills overseas and these facilities are used to further U.S. exports as well as to merchandise foreign grain.

CORN

Acreage

U.S. acreage has increased from 70.9 million acres in 1950-54 to 71.6 million acres in 1960, an increase of 1.1 percent.

Acreage in the rest of the world has increased from 143 million acres to 172.7 million acres or an increase of 20.8 percent. The major increases are in Brazil, 32.1 percent; Argentina, 41.7 percent; India, 23.0 percent; Mexico, 27.7 percent; and the Philippines, 63.6 percent.

Production

The United States continues to grow more than one-half of the world's total production. U.S. production has increased 1.1 million bushels from 1950-54 to 1960 or a 39.9 percent increase. Production in the rest of the world has increased 42.5 percent during the same period of time. The countries with the largest increases are Yugoslavia, 86.9 percent; Brazil, 41.7 percent; Argentina, 66.7 percent; India 57.0 percent; and U.S.S.R., 57.9 percent.

Trade

U.S. exports increased 4.4 million metric tons or 164.1 percent from 1950-54 to 1960. The United Kingdom has been the best market for U.S. corn.

Argentina increased her exports by 1 million tons and has the next largest increase. This has gone largely to European countries.

The greater part of U.S. export corn moves outside specified Government programs.

U.S. private interests

Increase in corn yield in many foreign countries has probably been due to a considerable degree to the introduction of hybrid seed corn from the United States.

RICE

Acreage

U.S. acreage has decreased from 2.1 million acres in 1950-54 to 1.6 million acres in 1960, or a 22.9 percent decrease.

The acreage in the rest of the world increased from 260.9 million acres in 1950-54 to 302 millions of acres in 1960, an increase of 15.8 percent. The major increases are: Brazil, 36.1 percent; Burma, 10.9 percent; India, 12.7 percent; Indonesia, 19.2 percent; Pakistan, 6.8 percent; Philippines, 33.7 percent; South Vietnam, 66.7 percent.

Production

U.S. production increased from 5,002.6 millions of pounds in 1950-54 to 5,459.1 million pounds in 1960, or an increase of 9.1 percent.

Production in the rest of the world increased from 402,958.2 million pounds to 520,783.0 million pounds, or a 29.2 percent increase. The areas of largest increase were: Brazil, 50.4 percent; Egypt, 69.9 percent; Burma, 24.1 percent; India, 40.0 percent; Indonesia, 28.4 percent; Japan, 34.7 percent; Pakistan, 26.4 percent; Philippines, 27.6 percent; Thailand, 13.5 percent; and South Vietnam, 82.8 percent.

Trade

U.S. exports increased from 1,389 millions of pounds in 1950-54 to 2,198 millions of pounds in 1960, an increase of 58.2 percent. Public Law 480 export programs have increased rice exports a significant amount since 1957.

U.S. private interests abroad

U.S. technicians, foundations, and financial assistance have contributed directly or indirectly to the increases in rice production noted since 1950-54, especially in free Asia.

TOBACCO

Acreage

U.S. tobacco acreage has decreased from 1.7 million acres in 1950-54 to 1.1 million acres in 1960, a decrease of 35 percent.

Acreage in the rest of the world has increased from 7 million acres to 8 million acres, an increase of 14 percent. Mainland China now has the most acreage in tobacco of any country in the world.

Production

U.S. production of leaf tobacco has decreased from 2,184 million pounds in 1950-54 to 1,944 million pounds in 1960, a decrease of 11 percent. Foreign production in the same period increased from 5,627 million pounds to 6,714 million pounds, an increase of 19.3 percent.

U.S. production of flue cured tobacco decreased from 1,332.4 million pounds in 1950-54 to 1,250.6 million pounds in 1960, a decrease of 6.1 percent. Production in the rest of the world increased from 1,209.3 million pounds to 2,063.3 million pounds, an increase of 70.6 percent.

Mainland China had the largest increase in pounds, 419 million pounds or a 30 percent increase. The Philippines had an increase of 87 million pounds or 161.1 percent, and Turkey had an increase of 38.4 percent.

Trade

U.S. exports of unmanufactured tobacco increased from 474 million pounds, in 1950-54 to 496 million pounds in 1960, an increase of 4.6 percent.

Exports in the rest of the world increased from 777 million pounds to 1,025 million pounds during the same period, an increase of 31.9 percent.

Countries with significant amounts of increase were: Rhodesian Federation, 64.1 percent; Greece, 51.1 percent; Indonesia, 76.7 percent; and Cuba, 64.9 percent.

In 1960 about one-fifth of the total U.S. export poundage of tobacco moved under the assistance of Public Law 480 and the Mutual Security Act.

U.S. private interests

There are about 100 tobacco merchandising firms that export U.S. tobacco. U.S. interests have not invested in foreign production. The high price of American tobacco often makes it difficult to compete in price with foreign growers.

PEANUTS

Acreage

U.S. acreage has been reduced from 1.7 million acres in 1950-54 to 1.4 million acres in 1960, a reduction of 17.9 percent.

Acreage in the remainder of the world has increased from 28.5 million acres in 1950-54 to 37.9 million acres in 1960, an increase of 32.7 percent.

Areas with the largest increase are India, 30.6 percent; and mainland China, 21.1 percent.

Production

U.S. production increased from 0.763 millions of tons in 1950-54 to 0.892 millions of tons in 1960, an increase of 16.9 percent.

Production in the rest of the world increased from 10.825 millions of tons in 1950-54 to 14.083 millions of tons in 1960, an increase of 30.1 percent. India increased production 28.3 percent, Senegal 66.8 percent, and Nigeria 50.7 percent.

Exports

U.S. exports decreased from 0.85 millions of tons in 1950-54 to 0.56 millions of tons in 1960, a decrease of -34.6 percent.

Exports in the rest of the world increased from 2.1 millions of tons in 1950-54 to 2.7 millions of tons in 1960, an increase of 28.4 percent. Mainland China had an increase of 28.7 percent; former French West Africa, an increase of 41.6 percent; and Nigeria an increase of 35 percent.

U.S. private interests

No U.S. private interests participate in foreign peanut production.

DAIRY PRODUCTS

Number of milk cows

The number of milk cows in the United States decreased from 21.4 million in 1950-54 to 17.5 million in 1960, a decrease of 18.2 percent.

The number of milk cows in the rest of the world increased from 40.4 million in 1950-54 to 42.5 million in 1960, an increase of 5.2 percent. Countries with the

largest increase were France, 10.4 percent; Greece, 58.1 percent; and Australia, 44.2 percent.

Milk production

U.S. production of milk increased from 119,259 millions of pounds in 1951-55 to 122,920 millions of pounds in 1960, an increase of 3.1 percent.

Production in the rest of the world increased from 224,739 millions of pounds in 1951-55 to 263,812 millions of pounds in 1960, an increase of 17.4 percent.

Countries with the largest increases were: Canada, 12.8 percent; Denmark, 24.1 percent; France, 31.2 percent; West Germany, 17.8 percent; Ireland, 24.4 percent; Italy, 22.9 percent; the Netherlands, 19.3 percent; the United Kingdom, 20.1 percent; and Australia, 12.4 percent.

Exports

U.S. exports of canned milk decreased from 161 millions of pounds in 1951-55 to 143.1 millions of pounds in 1960, a decrease of -17.9 percent. U.S. exports of dried milk decreased from 180.8 millions of pounds in 1951-55 to 102.3 millions of pounds in 1960, a decrease of -43.4 percent.

Foreign exports of canned milk increased from 623.8 millions of pounds in 1951-55 to 773 millions of pounds in 1960, an increase of 23.9 percent. Foreign exports of dried milk increased from 269.4 millions of pounds in 1951-55 to 392.5 millions of pounds in 1960, an increase of 45.7 percent.

Countries with the largest increase of canned milk exports were France, 128.3 percent; and the Netherlands, 34.8 percent. Countries with the largest increase in dried milk exports were Denmark, 123 percent; and the Netherlands, 48.7 percent.

U.S. interests abroad

There are reports of one or more plants having been constructed by U.S. interests overseas to furnish lower cost canned or dried milk. Our major competitors in the dairy product market are equally if not further advanced in the sciences of dairy technology and have not required help from the United States.

TEXTILE EXPORTS

Mr. WHITTEN. Now, the President has said in earlier statements that he had called on you to try to bring the domestic price and the world price together.

If you have to deal with the problems that we have in trying to keep our domestic textile mills from being hurt to some degree you should act.

However, it is my understanding of the economic facts that, if we do not export American cotton to foreign mills, those mills can buy anywhere else in the world they want to at the world price. And section 22, under present law, is a means whereby taxes or embargoes can be imposed on textile goods returning to this country. This we should use.

Further, I would like for you to put in the record what we provide in payments to our textile mills to compensate for that part of their production that moves into world markets. In effect, so far as our foreign trade is concerned, they get the equivalent of world price for the product.

(The requested information follows:)

The benefits of the export program for raw upland cotton was extended to cover exports of cotton textiles, cotton yarns, and spinnable cotton waste manufactured from American upland cotton.

Effective August 1, 1956, assistance in the export of U.S. cotton production was made available through cash equalization payments from the Commodity Credit Corporation to eligible exporters. For the period August 1, 1956, through December 31, 1961, equalization payments totaled approximately \$81 million.

FARM MARKET FOR INDUSTRIAL PRODUCTS

Mr. WHITTEN. One other thing that has been called to my attention, Mr. Secretary, and this is a sad commentary on what is happening. Recently the publisher of one of the leading farm magazines showed that in 1905 there were six major farm magazines. Since 1905 two of those have folded up and in the last 2 years the leading one has been losing money steadily. That is not your fault and it is not my fault.

The purpose in calling that to my attention was in connection with the proposal that the postage rates be increased. But I do think it is a sad commentary on the fact that there are fewer and fewer people who see fit to advertise in farm magazines, to reach this 10 percent of the people who are engaged in agriculture.

I am trying to do what I commended you for trying to do; that is, get over to the American public what is involved. I would like for you to include in the record at this point—and these figures are available; we have used them in our committee before and you have used them yourself—showing how much market U.S. agriculture does provide for industry and for the American people.

I would like for you to show these facts which to me require that agriculture get fully as big a share of the consumer dollar as heretofore, because as the number of farmers has decreased, the investment per farm has more than doubled and the risk has probably increased fivefold to tenfold. Those figures I am sure are available to you.

(The following statement was submitted:)

AMOUNT OF MONEY SPENT BY FARM OPERATORS

In 1961, farm operators spent \$26.9 billion for items associated with farm production, most of which comes from the nonfarm economy. In addition, farm-operator families in 1955 (the latest period for which data are available) spent \$15.7 billion for goods and services used in family living. Thus, the farm market exceeds \$40 billion annually.

FARMERS' SHARE OF RETAIL PRICE

Mr. WHITTEN. Now, we have earlier pointed out that so much of what is referred to as costs of agricultural programs is identifiable. I repeat, if you can take that relatively small amount of money—relative to the \$92.5 billion that we have in the Federal budget—and enable 10 percent to do all of these things, we are really doing something.

But have you ever had any occasion to contemplate or to take your pencil and figure how much may be passed on in the retail price to consumers as a result of other laws affecting labor and industry, the bargaining rights of labor, the minimum wages labor enjoys, and the right and requirement that industry put its markup on top of its total cost?

I make these points to bring out again, not as an attack, but to show it happens to be more identifiable for agriculture than for the other. In these cases it is passed on as part of the retail price; in the case of agriculture a part at least is identifiable.

Dr. Cochrane has called to the attention of the committee that, if the price of wheat were increased to full parity, which as I recall was \$2.38 a bushel, the effect would be to increase the cost of local

bread by 0.8 cent—if everybody was satisfied to keep the share they now get.

The other side, and the side which I think is more significant in trying to get over to the American people the facts in this case, is that, if the farmer produced the wheat and gave it away, the cost of a loaf of bread would decrease less than 3 cents. The same thing applies across the board.

If it is at all possible, I think it would be well at this point to show the facts as to cotton, where you have the illustration of shirts, and those other places where Dr. Cochrane has these tables and charts. (This information may be found on p. 291.)

NEW PROPOSALS FOR FOOD AND AGRICULTURE

MR. WHITEN. Now we come to some questions I would like to ask you about your presentation of the bill introduced to implement the President's message and your own recommendations.

In connection with this matter of conservation of land and purchase of land, and using it for recreation, certainly if the Government is going to own land, they should not let it grow up in sage grass and brambles and briars, and do it like some of the land under the soil bank program.

By the same token, we have the Park Service, and we have various and sundry acreages the Government owns throughout the United States already. I believe you said you could envisage and picture, I am wondering if your desires are not running away with your practical judgment as to this being a solution, Mr. Secretary. I raise that again so you might bear down a little with us, if you wish to.

Secretary FREEMAN. I have a lot of desire.

MR. WHITEN. I am certain of that. But we are going to be required to sign the check. However, you will have to sign it later yourself; we are in this together. But as a solution to the farm problem, I raise some serious doubts as to whether this isn't a mirage, or a panacea in appearance, which is not one in fact.

Secretary FREEMAN. I would not say to this committee that we have worked out in meticulous detail and tried out in operation some of the programs and possibilities that I have tried to sketch here today. I do feel that this can be a very real and a very effective program and in any number of places around the country this is taking place right now.

For example, I think we have got to recognize that where overabundance is concerned, that we need to direct to other uses not only marginal land but productive land, because today 40 percent of our farmers, about a million, produced 87 percent of our food and fiber and this is on our best resources.

In my State of Minnesota, I can well envisage private recreational resources around the metropolitan area, reachable by driving 20 or 30 or 40 miles, that a soil conservation district might develop, or that a group of farmers might incorporate themselves into an institution to develop. I can think of a half dozen, five or six, watersheds, including some that I have dedicated, where any kind of really effective promotion and coordination and availability of some capital would develop a lot of recreational possibilities, for which there would be a very eager public.

So I don't think that this is illusionary. I think it is very realistic and there is a great demand.

For example, I think, Mr. Chairman, all we have to do is look at the figures. In the Forest Service Operation Outdoors program it was predicted that by 1965 we would have 80 million recreational visits to our national forests. That level was reached in 1959, and in 1961 we already had over a hundred million recreational visits to our forests.

As the Governor of Minnesota, I know our State parks went wild, and Congressman Andersen would note that our State parks couldn't begin to handle the people on picnics and camping. I can think of a number of places in western Minnesota where today thousands of people stream out to hunt free on the farmer's land. He raises the pheasants for them and they come in and break down his fences and tear through his corn fields.

Now why couldn't a group of these farmers get together and make a bit more of a business of these pheasants and work out an agreement perhaps with a private club, or conceivably with a subdivision of government, within the metropolitan area, or just intermittently with whoever might come?

I can think, even in southeastern Minnesota, with all of Minnesota's lakes, of any number of places where ponds and reservoirs could be used for fishing purposes, with results comparable to that described to me in Pennsylvania yesterday.

So what we are going to do is not to start on any grandiose program. The amount in the budget in relation to this is strictly limited. We will seek to develop and to do some brainstorming of some specific pilot projects. I think that we must, and ought to, have responsibility to direct land into useful purposes and I don't even like the sound of idle acres, and even though semantically a bank sounds like a very wonderful institution, I don't like the sound of a soil bank. I would rather have this land at work, meeting useful needs.

RURAL HOUSING

Mr. WHITEN. Mr. Secretary, I appreciate your statement. As chairman of the committee, I was asked by the Department last year to give some thought as to where we had thought there had been some tight places in the availability of farm credit under the Farmers Home Administration.

I think this committee can claim credit for being the one that insisted, from time to time, that attention be given to rural housing as being distinct and apart from the FHA urban housing and farm housing. We did not try to write a housing bill, but pointed out that in effect this group was excluded from existing rights under the law to borrow money. I think that has proven very popular and thoroughly sound, has it not?

Secretary FREEMAN. Indeed it has. This committee has made a great contribution in getting at a problem that was not reached before.

Mr. WHITEN. Could we have for the record the amount of loan applications and the amount of money that has been handled in this program? A brief statement could be supplied at this point.

Secretary FREEMAN. Yes, sir.

(The requested information follows:)

U.S. DEPARTMENT OF AGRICULTURE—FARMERS HOME ADMINISTRATION

Rural housing loans

Fiscal year	Applications received during year	Total number of loans made	Total amount of loans made
1950.....	21,747	3,791	\$17,229,474
1951.....	14,805	5,296	24,104,841
1952.....	15,584	4,255	20,776,854
1953.....	11,065	3,445	19,110,020
1954.....	6,889	2,805	16,014,793
1955.....			
1956.....	2,085	546	3,699,297
1957.....	9,923	3,301	20,881,763
1958.....	14,938	4,851	32,395,294
1959.....	16,569	8,085	59,885,594
1960.....	11,216	5,290	40,314,662
1961.....	17,858	8,935	70,341,121
1962 through Jan. 31, 1962.....	¹ 24,000	7,169	57,894,840
Cumulative total.....	166,679	57,769	382,648,553

¹ Estimated.

NOTE.—Of the 24,000 (estimated) applications shown for the period July 1, 1961, through Jan. 31, 1962, 18,379 applications were actually received through Dec. 31, 1961.

FEED GRAIN PROGRAM

MR. WHITTEN. Now with regard to your feed grain program this year, which is another question which was in the realm of controversy before the Congress, may I say I have been here long enough to know most any farm law or program is almost always controversial. When I was a district attorney some years ago, when we had more farm people on juries than you have now, the circuit judge, who was a generation older than I, said, "Jamie, don't ever put a gun expert on the stand for the State when you have a jury made up of farmers. Each one will think he knows more about what a shot will do than the expert and you will have a hung jury or mistrial." And there is a lot truth in that.

I think farmers have these individual opinions, so we will always have to live with that. That does not leave us where we should not look at the problem objectively.

I had a rather strong feeling against the use of any cash in your grain program. To pay out cash for reducing corn acreage would show up as a request of this committee to restore it. I felt we should use commodities in payment. The surpluses that we have, we are going to give them away or sell them for foreign currencies, in all likelihood. In addition, we are paying storage on them. I felt that, if we use surpluses to reduce production, we have saved on what we didn't produce that would have gone in storage, and in addition we took them out of storage.

What has been your experience with regard to the grain program? How much cash have you paid out in bringing about such reductions as you have brought about? What has been the reduction in acreage and what has been the reduction in production?

You can give a general statement and then support it with more accurate figures later.

Secretary FREEMAN. All right, I will recall the figures as accurately as I can.

Approximately 25 million acres were directed to soil-conserving purposes. There was about 800 million bushels less production of feed grains than would have been the case without the program.

Mr. WHITTEN. Your general statement is all right, but for the record could we break it down between the various commodities?

Secretary FREEMAN. Yes, all right.

This is 617 million bushels of corn and 177 million bushels of sorghum. I think that is pretty close.

The outlay in the program has involved the use of payments-in-kind of 500 million-plus bushels of corn and sorghum that were made in payments-in-kind, in effect, through the mechanism of certificates that were applied. And the overall payments that were made totaled up to about \$780 million, half of which to date roughly has been redeemed through the medium of payments-in-kind, which has the effect that the chairman has just described.

In this fiscal year we estimate that at least \$75 million less will be spent on carrying charge and interest than would have been the case without this law. And over the period of the next 7 to 9 years, which is a period which we are presently holding corn in storage, there will be a savings of nearly \$600 million, and I am happy to report to this committee that every estimate that I made before the Agriculture Committee has been borne out by the results and this program has satisfied each goal that we set.

Mr. WHITTEN. Now various statements have been made in the press as to how much it costs and various other things. What has been the effect of using cash instead of the surplus products? I mean, have you paid out cash directly or have you just given them a redeemable certificate?

Secretary FREEMAN. We have given a certificate that was redeemable in either feed grain or in cash.

Mr. WHITTEN. How many certificates have been redeemed in cash and what is the total amount?

Secretary FREEMAN. The overwhelming majority have been redeemed in cash.

Mr. WHITTEN. Had you not used the cash approach but had used the commodities in payment giving them a certificate for grain only, which means a warehouse receipt, would we not have moved that much more grain and saved that much money?

Secretary FREEMAN. I really don't think so, Mr. Chairman. I think we have accomplished the purpose of a payment in kind, as you have outlined, through this method, because we have moved into the channels of use from present stockpiles and have redeemed the expenditures as made without having to go through the physical problem of actually transferring and handling this grain, which we think would have been very substantial indeed.

(The following was submitted for the record:)

THE 1961 FEED GRAIN PROGRAM

Payments to producers for diverting acreage from the production of corn and grain sorghum under the 1961 feed grain program were as follows:

	Acres di- verted	Value of payments
Corn.....	19,115,000	\$645,381,000
Grain sorghum.....	6,100,000	136,484,000
Total.....	25,215,000	781,865,000

Through January 26, 1962, producers and subsequent holders redeemed certificates with a value of \$4,830,711 for 4,846,995 bushels of feed grains from CCC stocks; and the Department had sold 500 million bushels of feed grains from CCC stocks in redemption of rights represented by pooled certificates with a value of \$496 million.

The following tables show the requested data on acreages, production, and carryover, and the estimated ultimate savings:

Summary of planted acreage, base acreage, and acreage diverted for payment, by participating and nonparticipating farms

[Million acres]

Item	Corn	Sorghum grain	Total
I. Participating farms:			
(a) 1959-60 planted acreage.....	45.3	14.4	59.7
(b) 1961 base acreage.....	48.4	15.6	64.0
(c) Net adjustment in base ((b)-(a)).....	3.1	1.2	4.3
(d) Acreage diverted for payment.....	19.1	6.1	25.2
(e) Permitted acreage ((b)-(d)).....	29.3	9.5	38.8
(f) 1961 planted acreage.....	25.3	7.3	32.6
(g) Underplantings ((e)-(f)).....	4.0	2.2	6.2
II. Nonparticipating farms:			
(a) 1959-50 planted acreage.....	36.9	5.2	42.1
(b) 1961 base acreage.....	39.0	4.9	43.9
(c) 1961 planted acreage.....	41.7	7.1	48.8
(d) Overplantings ((c)-(a)).....	4.8	1.9	6.7

Comparison of supply and utilization data and value of production with and without the 1961 feed grain program

[Millions, except prices and yields]

	Corn			Sorghum grains		
	Market- ing year 1960-61	Marketing year 1961-62		Market- ing year 1960-61	Marketing year 1961-62	
		With feed grain program	Without feed grain program		With feed grain program	Without feed grain program
Acreage planted.....	81.7	67.0	81.4	19.6	14.4	19.3
Acreage harvested.....	71.6	58.7	71.4	15.6	11.0	15.3
Yield per harvested acre..... bushels	54.5	61.8	59.4	39.8	43.8	43.0
Carryin (Oct. 1)..... do	1,787.0	2,008.0	2,008.0	581.0	702.0	702.0
Production..... do	3,908.0	3,624.0	4,241.0	620.0	483.0	660.0
Imports..... do	1.0	1.0	1.0			
Total..... do	5,696.0	5,633.0	6,250.0	1,201.0	1,185.0	1,362.0
Domestic utilization..... do	3,400.0	3,493.0	3,560.0	429.0	415.0	442.0
Exports..... do	288.0	340.0	340.0	70.0	70.0	70.0
Total disappearance..... do	3,688.0	3,833.0	3,900.0	499.0	485.0	512.0
Carryout (Sept. 30)..... do	2,008.0	1,800.0	2,350.0	702.0	700.0	850.0

Estimated savings resulting from the 1961 feed grain program

[In millions]

Element of cost	Corn	Grain sorghums	Total
1. Acquisition costs avoided.....	+\$289	+\$64	+\$353
2. Carrying costs avoided.....	+583	+260	+843
3. Interest savings.....	+164	+47	+211
4. Land retirement payments.....	-645	-137	-782
5. Administrative expenses.....	-34	-8	-42
Net savings.....	+357	+226	+583

ASSUMPTIONS USED FOR EACH ELEMENT OF COST

1. *Acquisition costs avoided.*—The difference in total carryout with a feed grain program was subtracted from total carryout without a feed grain program. This difference was priced at the old price support rate less a salvage value of 50 percent to determine net acquisition costs avoided. The acquisitions avoided used to arrive at above costs were 550 million bushels for corn and 150 million bushels for grain sorghums.

2. *Carrying costs avoided.*—Carrying costs for storage, transportation, and in and out charges were computed to ultimate disposition for acquisitions avoided. Number of years estimated to dispose of acquisitions avoided were 9 years for corn and 11 years for grain sorghums.

3. *Interest savings.*—Net savings in interest expenses were computed for number of years estimated to dispose of acquisitions avoided. This includes interest savings on acquisition costs and carrying charges less additional interest expense for land retirement payments and other operating costs.

4. *Land retirement payments.*—Estimates for advance and final payments to producers for reducing 1961 acreages of corn and grain sorghums.

5. *Administration expenses.*—This includes printing costs and estimates for the operation of the feed grain program at the National, State, and county level.

Mr. WHITTEN. Mr. Secretary, to me it would appear if you issued a warehouse certificate for so much grain, there being a ready market in warehouse receipts, it would move just like corn normally moves.

Now I did hear one statement yesterday that there seems to be some objection to you having followed that course. The facts will appear in the record. However, if you sold as much corn as you might have otherwise issued, there could be some argument that that might have offset it. But, I can't for the life of me see the soundness of you paying me cash to do something when I would take an old suit of clothes you weren't going to use anyway. In simple terms that is what it looks to me like this bill does. It provides for the payment in cash when the farmer could take the warehouse receipt for the grain, which is just as readily cashable as your certificate for cash.

Secretary FREEMAN. I suspect this is a question of judgment and I certainly have the highest regard for the judgment made by the chairman. There are two factors here that concerned the decision in this and our recommendation in connection with it.

The first would be whether you could get farmers under this kind of arrangement to sign up at all. This was strictly a voluntary beg-and-buy program and we had to make it as attractive as possible to get enough people to join it, to accomplish the purpose.

Second, in the process of taking warehouse receipts and trying to discount them—there would be procedures and processors and handlers and promoters involved—those certificates would get discounted before you got through to where the farmer wouldn't get the value of them.

Mr. WHITTEN. Now in connection with the new proposals you have, there are two or three questions that arise. Has there been any estimate as to how many people it would take to enforce the dairy provisions that you suggest, including the regulations that would follow the law? Would it require considerable policing, and has there been any attention given to what the cost would be or the personnel involved?

Secretary FREEMAN. I think very, very little. In the milk market order areas, it would be purely a matter of recordkeeping, in relation to producer records, which are already at hand. In the manufacturing milk areas, why, of course, all the milk has to move into use, anyway. It wouldn't be enforcement of the kind where you have to go out and measure acres, which is costly and burdensome. It would be relatively simple administratively because all of the milk has to move through someone's hands on the way to the consumer, and it would not be a question of saying "Don't produce it," but saying in effect "If you do produce above a certain amount, in order to market it you have to pay a marketing fee," and this would merely show up when the creamery or the pool remitted the monthly or weekly check to the producer.

So, administratively, this would be relatively simple, and fairly inexpensive.

Mr. WHITTEN. In your new proposals with regard to feed grains and wheat, do you contemplate the use of any cash payments to bring about reductions, or are you doing it entirely by making price supports contingent upon production?

Secretary FREEMAN. There would be involved cash payments as a part of the acreage diversions until such time as we brought this into balance.

BASIS OF CCC BUDGET ESTIMATE FOR 1963

Mr. WHITTEN. None of that appears in this budget request. Of course this budget is based on existing law and not on the new proposed law.

Secretary FREEMAN. No, sir, I think the budget takes into consideration this, and would involve substantial savings again both over what it would otherwise be and what it has been last year.

Mr. WHITTEN. If the request is in this budget, under what law would this committee be authorized to make the appropriation?

Mr. GRANT. Mr. Chairman, the appropriation request is not on the basis of the new legislation, because it is to cover losses through fiscal year 1961. However, the projection of expenditures by the Commodity Credit Corporation in 1963 is the thing the Secretary is talking about.

Mr. WHITTEN. So you are asking for restoration to the Commodity Credit Corporation in sufficient amount to take care of this, should the bill pass?

Secretary FREEMAN. What we are really asking to do is to stay in business.

Mr. WHITTEN. I am thinking of the technical proposition of whether there is authority. You are not asking us, in other words, for the appropriation of money to be used under a program which itself is not authorized, but you are asking us to put a sufficient cushion in the Commodity Credit Corporation so if the law passes, the Corporation could carry on this responsibility, along with its others?

Mr. GRANT. Really, Mr. Chairman, it is the other way around. At the time we had to develop our projections and needs for appropriations to cover borrowing authority, we didn't know exactly what the new legislation would be. So we projected, perhaps arbitrarily, the extension of the existing feed grain and wheat programs and what they would cost if administered next year the same as this year.

Mr. WHITTEN. And the amounts requested for Commodity Credit Corporation are sufficiently large to cover what you arbitrarily guessed its requirement might be?

Mr. GRANT. That is substantially correct.

Mr. WHITTEN. The Corporation funds are available for any purpose that the Corporation has authority to use them for. But unless legislation of this kind passes, there is nothing in the budget to indicate that the money in that amount would be needed for other purposes? Does a cushion exist for this purpose or not?

Mr. GRANT. I don't know whether I would call it a cushion or not, but there is an amount in the estimate which contemplates advance payments on the 1963 crops of feed grain and wheat. I might point out that if the new legislation is not enacted, then we would revert back to the old law, in which event there would be production which would require increased price support loans.

Mr. WHITTEN. Does the old law continue, or does it expire?

Mr. GRANT. I am talking about the law in effect prior to the present feed grain and wheat programs.

Mr. WHITTEN. In other words, you are contemplating if the 1-year feed grain program expires, and it will unless something is done, you would revert to the old law and the money would be needed for price supports?

Mr. GRANT. Price support loans; yes, sir.

Mr. WHITTEN. I think you have made that clear now.

Mr. GRANT. I should point out, Mr. Chairman, that the budget does include a projection that, if the proposed new legislation were enacted in the manner contemplated at the time the budget was submitted, there would be a reduction in expenditures of some \$434 million.

Mr. WHITTEN. But so far you have offered no evidence to support any such conjecture, so we will call it a conjecture at this point.

You will be back, Mr. Secretary, and I think some of my colleagues to the right might wish to ask some questions here today. I want to assure my colleagues on the left that when the Secretary comes back we will ask him to make himself available for a sufficient time so we can all pursue this. This is the first year we have had you here, Mr. Secretary, when you have had some experience, so we want to take full advantage of it for the purpose of developing things.

Mr. HORAN. Mr. Chairman, I think we have a very serious matter before us.

As long as we have more thoughts than he does, I don't think the Secretary minds.

Secretary FREEMAN. Certainly not.

COMPENSATORY PAYMENTS

Mr. WHITTEN. Based on my experience on this committee I have always warned against—speaking only for myself—compensatory payments.

I never have believed in paying out cash under a soil bank or even in this new feed grain program. That is just a matter of belief.

I have felt that in these programs we should use the services we had and limit ourselves to those uses.

You have given for the record your reply and feelings about it.

I take the view that appropriations to cover compensatory payments to any sizable extent would not be forthcoming through the Congress. If you had such a program, it is my belief that there would be limitations to it that would become so restrictive that in effect you would not have any program. Others may differ with me.

Having been the author of the appropriation bill for agriculture, I have had the primary responsibility of getting it through our subcommittee, through the committee, through the House, through the Senate, through the conference, and getting it signed. I believe the cost of agriculture small as compared to labor and industry.

Under the law you have minimum wages. You have the right of labor to organize. Having the right to organize, they have the right to strike. You have industry's right to put its markup as a percentage of its total cost, with these other factors entering into that total cost.

It is my belief that these things take many, many times more of the consumer dollar than agricultural programs. I think the record shows that in the last period of years that there has been a shift as a result of such things. As a result, the farmer's income has gone down 20 percent, and the income of the others has gone up 20 percent—that is, as a percent of the total consumer dollar.

Now, if you could get the money through Congress—and I do not think you could—but if you could, with the built-in rights of these other two segments to take more and more of the available dollar, it would leave the farmer more and more dependent upon the Treasury. He would finally be dependent entirely on payments from the Treasury, which again I do not think would be forthcoming but would be disastrous to the Nation.

PRODUCTION CONTROLS

The other thing that I would like to mention here is this matter of acreage and units.

In past years this committee has frequently pointed out that you cannot really control production by controlling acreage. Yet we readily agree that, as you point out, in most areas the farmer himself does not want control by units.

But there was one year here—and I come from a cotton section—where the cotton acreage was cut 30 percent in 1 year.

We had a hearing and we asked for surveys from agricultural agents and everyone else. Many people were put out of jobs and many people were left homeless.

In an effort to solve that, I prepared a bill which would have given supports on so many bales for the domestic market at full parity, and

would have turned the farmer loose to produce for the world market that he formerly had.

We have in the record this investigation which we made in 1955 and have now brought up to date. We have learned that, during this period, the United States held commodities off world markets because they were not offered competitively. Our production went overseas.

These investigations since that time show foreign production has increased, while we have tried to hold ours in check.

Now, to say that we limit the production of units I think is thoroughly unsound. To place a support on units should carry with it the right of the American farmer to produce any amount he wants to regain the world trade that he formerly had. And these figures from our latest study certainly show that he formerly had a much bigger part than we now have.

Now, I come to this point: We learned that the Government against our wishes—and this committee finally broke up the practice—held our commodities off world trade and held an umbrella over foreign production. American capital, the records show, went in to Mexico and became rich operating under this umbrella.

Now, it would appear from the figures which are in the record that the United States and some of our competitors are getting together and letting us hold an umbrella over world prices.

I just want to make it clear that all the discussions that we have ever had here about units were not intended to limit the units a man could produce, but rather to limit the amount that he might supply for the domestic market and give him the right to regain all that world market that he formerly had.

Now, I want to say again, this was offered by me in a bill after we had taken a 30-percent cut in cotton acreage. This was done by folks in the Department who thought that you could shrink up the supply here and thereby protect the price. The facts and the records show you cannot. It just moves American acreage overseas.

COMMON EUROPEAN MARKET

The other thing that is disturbing is this: Whatever our U.S. foreign aid policy should be—and I have voted against many of the programs we now have—I do not know why we should be surprised, when we finance textile machinery in Italy and other countries, that they turn out to be our competitors.

Prior to the Common European Market we could compete in each of the member countries on an equal basis. We could try to sell in Germany and could compete with France. And so it was with all those countries.

The record shows that one of the chief proponents of a Common Market in Western Europe was the United States. We helped to promote it. But in our promotion we did not think to insist on protection so that we would get equal treatment. So now we are over there pleading with them.

We insisted that they "get together so that you can trade with each other and so you can build up a barricade and protect and strengthen yourself." And they have. And now we are over there begging them to not freeze us out.

I would like to insert in the record here several excerpts taken from a report of the House Committee on Foreign Affairs which show what our participation was in the formation of the Common European Market.

(The material referred to follows:)

In October 1949, ECA Administrator Paul Hoffman, in a speech to the OEEC Council, explicitly offered U.S. support to European efforts to create a broad single market as a means to restore Europe's standard of living and its competitive position in the world.

The United States greeted as an act of constructive statesmanship the Schuman proposal of May 1950 for the formation of the European Coal and Steel Community (ECSC). In April 1954, the United States made a loan of \$100 million to the ECSC.

Secretary Dulles in December 1955 reaffirmed the hope that the Europeans would go ahead with unity plans, and President Eisenhower stated in a speech at Miami on October 29, 1956:

"Nothing has been more heartening than the recent announcement of two proposals (for a Common Market and a free trade area) that would advance further the economic integration of Europe * * *. We shall watch these exciting new developments with the keenest interest. Because, my friends, as Europe grows stronger economically we gain in every way * * *"

In January 1957, the Department of State officially welcomed initiatives for a common market and free trade area in Western Europe in the light of two traditional U.S. policies: "our consistent support of moves to further the political and economic strength and cohesion of Western Europe within an expanding Atlantic community, and our longstanding devotion to progress toward free non-discriminatory, multilateral trade and convertibility of currencies." At the same time, the Department of State noted certain tariff, agricultural and other aspects of these European initiatives in which the United States would be particularly interested.

On various occasions during the free trade area negotiations, notably in an address by then Under Secretary of State Herter at the OEEC 10th anniversary meeting in April 1958, the United States made known to the participating countries both its sympathetic interest in the general objectives of the negotiations and its views on certain implications for world trade of the free trade area proposals.

In a joint declaration issued in May 1957 by President Eisenhower and Chancellor Adenauer at the conclusion of the German Chancellor's official visit to Washington, gratification was expressed over the significant progress made toward closer economic integration in Europe. Further, " * * * the President expressed the great interest of the U.S. Government and of the American people in these treaties (European Common Market and Euratom) and his belief that their entry into force will benefit not only the people of Europe, but those of the entire world."

Since the entry into force of the Common Market and Euratom Treaties on January 1, 1958, the United States has in various ways signified its continued interest in, and support for, the objectives of the European communities. In sessions of the contracting parties to the General Agreement on Tariffs and Trade (GATT), and in other meetings of international organizations, the United States has frequently explained its position, both on general aspects of the European integration movement and on particular aspects as they relate to the trade interests of the United States and to the international trading community generally.

Mr. WHITTEN. It is most disturbing that many of our problems in agriculture are of our own making.

I would be glad, Mr. Secretary, to see you do all you can to help U.S. agriculture receive fair treatment in connection with the Common Market.

Of course, there again, it is a matter of negotiation. Unless somebody at the White House level or the State Department level gives you something to trade with, I do not know what the outcome will be.

I would like to ask you to go back and see if somewhere in our promotion of the Common Market, perhaps somebody might have accidentally gotten some of those folks to agree that they at least would

give us equal treatment once they got organized. It might be the record will show that somebody got some such assurance.

Naturally, the Common Market is being set up in an effort by those countries to become more self-sufficient. And the more self-sufficient they are, the less they need from us.

Like the United States, that are going to be looking for places where they can export what they don't need. Under the influence of two World Wars, we have become so self-sufficient that there is not as much that we need from other nations unless it is because of cheaper foreign labor. So this makes it more difficult to work out reciprocal trade arrangements with these countries.

The matter of high cost of labor over here is an established fact. Whether it is good or whether it is bad is not the point. Our biggest problem in the way of competition I think is the labor cost in the United States and that in foreign countries.

I am glad to see American labor live better than they live in lots of other areas. I am not deploring the fact that the average American lives better than other people. But it does create a problem when you get to dealing with the other nations.

Now I come to one other statement and then I want to close.

COTTON SITUATION

You mentioned this cotton situation. And I mentioned a meeting that we in Congress had with the textile group. I have some textiles in my area, but nothing like the so-called textile centers.

Here is the cotton problem as I see it. I mention it here because I know you are appearing before the Tariff Commission. You have prepared a brief and I do not know whether this point was made.

But American cotton has been dependent historically on the export of about 40 percent or more of its production. The American farm program on cotton provides for price supports at a level to be determined. It also provides for sales in world markets at the world price. And you handle that by a differential payment in kind. That is the farm program, generally.

With regard to domestic mills in the United States, to the extent that they export textiles, you make payments, which amounted to about \$75 million during the last year, to let them have the cotton that they export in the way of finished goods at the world price.

NEED FOR PROTECTION FROM IMPORTATION OF FOREIGN TEXTILES

What is involved, as you mentioned earlier today, is the need for some protection where a foreign textile mill might be sending its finished products back here.

In that connection, I would like to point out that, if we did not export American cotton at the world price, the foreign mill would buy at the world price anyway from Mexico or some other country. That is their right and privilege. Whether we make our cotton available or not, they can buy it elsewhere.

Section 22 of the Agricultural Adjustment Act provides for fixing penalties up to 50 percent, or establishing quotas on imports if imports jeopardize an agricultural program. The best evidence that that condition exists is the President's message.

The present program provides for price supports to offset high American cost. It provides for exports at world prices. And the President says the situation is so bad that we need one price.

Well, if we have one price, and if it is at the world price, we put our own folks out of business. If it is at our domestic price, other countries get all the business and we lose 40 percent of our production.

Mr. Secretary, I just want to say the President's message points out that our present program is in jeopardy and he has asked for it to be changed for that reason, which I believe justifies use of Sec. 221.

Secretary FREEMAN. Yes, sir.

MINIMUM WAGE REQUIREMENTS

Mr. ANDERSEN. Mr. Chairman, might I ask a question?

Mr. WHITTEN. Yes.

Mr. ANDERSEN. Mr. Secretary, several years ago I requested the Department to make a study as to why we could not apply the principles of the Davis-Bacon Act. Why could we not apply that principle to a bushel of corn, for example, going into interstate commerce and not being able to clear below a certain price at a certain grade?

If we could do that, we could eliminate all price supports on the farms.

I wish you could have one of your economists delve into that and see if we could provide that no farm commodities of certain grades could go into interstate commerce unless the farmer had received his minimum wage.

Would you do that, please, sir?

Secretary FREEMAN. All right.

Mr. ANDERSEN. Thank you.

(The following statement was submitted:)

The Davis-Bacon Act requires that certain minimum wages be paid to laborers and mechanics employed on Federal or District of Columbia contracts of over \$2,000 for the construction or repair of public works in the United States. The wages must be at least equal to those found by the Secretary of Labor to be prevailing for the same class of labor on similar work in the locality. A similar provision with respect to the payment of at least prevailing wages as determined by the Secretary of Labor is also incorporated in the Federal (Walsh-Healey) Public Contracts Act governing the letting of Government contracts to other private industries. The principles and objectives of such legislation as well as of the Fair Labor Standards Act are to protect and maintain certain minimum wage standards for employees. Legislation of this type does not attempt to fix any minimum returns to employers or any net returns to the self-employed from the operation of their business. Farmers are self-employed individuals who operate a farm business and whose net returns are determined by the difference between the gross receipts from the sale of their farm products and the business expenses that they must meet in producing these commodities. Neither in principle nor in practice is minimum wage legislation applicable to the net earnings of an employer or of a self-employed person, whether in agriculture or in a non-agricultural enterprise. It is probably for this reason that, historically, farm legislation has been directed toward influencing the level of prices received by farmers rather than through a minimum wage concept.

Mr. WHITTEN. One further statement, Mr. Secretary. This has been called to my attention.

SALE OF CCC CORN FOR THE MANUFACTURE OF ALCOHOL

Last year, many folks in government were very much disturbed at this Publicker corn deal whereby one particular company got CCC corn far below the price to anyone else.

It was, as I recall, offered as an experimental sort of plan. It developed later that this particular company could not get Cuban molasses any longer.

Many folks have spoken to me on this. What has come to me is that this is most unfair.

I would like to be certain that you give full attention to this matter, and I personally am not at all of the opinion that some rather extra treatment has not been given to this company.

Now, Mr. Secretary, I shall be glad for you to make an oral statement or a written statement for the record on these various comments that I have made.

COMMON MARKET

Secretary FREEMAN. Let me make a comment, if I may, about the Common Market matter, and you are concerned about that; so let me comment briefly about it.

Apropos of the chairman's recent remarks, of course, the Common Market is not exclusively an economic question. It also is a political question and has been one beyond the jurisdiction of this Secretary, I can assure you, and of this administration for that matter, in connection with developing the strength of free Europe as it stands abreast of slave Russia.

Mr. MICHEL. As a matter of fact, it was conceived as political union. Secretary FREEMAN. Correct.

And, of course, it moved forward with the blessings of this Nation under the very skillful guidance of one whom I think is one of the world's men of real vision and leadership: Jean Monnet, who is quite a person and who started the Iron and Steel Community and all the rest of it.

But coming down to the economic question here: First, I am not in any way informed in detail or in depth in connection with the industrial aspects of the Common Market except from my colleagues in the Cabinet. Generally they have been very well satisfied with our agreements with the Six where industrial concessions are concerned, and most economists feel the flow of trade between the Six and the United States, assuming we will be in a position to bargain and to progressively lower restrictions, will be substantially greater.

It seems only logical because the standard of living of Western Europe under the Common Market is going up by leaps and bounds. So are their wages and other things. There is going to be a big market there for many, many years to be tapped, with some 250 million people, who, by and large, have a living standard less than half of ours and who are going to want lots of television sets and lots of other things that we may be able to provide in part.

So this phase of it to all intents and purposes looks promising.

The problem, however, where it has been difficult, is in agriculture, and not only between ourselves and the Six but among the Six themselves. They finally came to general agreements. Much of the de-

tails and specifics still have to be worked out. They had marathon sessions, one of which I am informed ran 48 hours at a stretch, trying to reach acceptable agreements on agricultural policy.

This would be my appraisal. There are two forces within the Six and Western Europe. One is restrictionist and protectionist in its agricultural policies. It revolves around the political leaders of the respective countries and in particular tends to revolve around France and Germany, and in some commodities in Italy, and on some they all are involved.

There are some other very influential leaders in this who are very strongly opposed to the establishment of an arbitrarily high level to encourage uneconomic production, a danger pointed out by Mr. Horan in his reference earlier.

I assure you we have been working on it, and I assure you the President is aware of it. And our position as of now, which is by no means one which could allow us to feel the slightest complacency, is, in my judgment, much more promising than was the case 3 or 4 months ago.

I believe that there is some reason to think that the liberal forces within the Six in this regard are in a stronger position than they were before the first step toward a common agricultural policy was taken.

Now, our problem is to be in a position to bargain effectively, as the chairman points out, and to be on the job. I would welcome the help of the chairman of this subcommittee and Mr. Horan on all steps in this effort.

We are very conscious of it. The State Department is conscious of it. The President is conscious of it.

I think a good deal is going to hang on the passage of the Trade Extension Act. The President has indicated he would be willing under proper circumstances to exchange industrial concessions for agricultural concessions.

We do not have much to bargain with in agriculture because we only buy \$200 million, and we sell \$1.1 billion to the Six. So this does not give you much bargaining power.

But if we are in a position on some of these critical commodities—and wheat and feed grains and poultry are probably the ones that are of overriding importance to us—we need, of course, to be able to do some bargaining, and this becomes extremely important. We will also be facing problems, perhaps less critical, with reference to tobacco, vegetable oils, and dairy and livestock products.

In my best judgment, anyone who is interested in agriculture and in its markets will be a strong and vocal advocate of the extension of the Trade Extension Act. Then we would hope to be in a position to carry this forward.

It is going to take a lot of effort over a number of years.

Where their prices will land somewhere between the French prices and the German prices no one can tell. We are strengthening our own operation within the Department of Agriculture. I have a number of things in mind to bring to bear more knowledgeable and effective people constantly alert to all developments in connection with it.

PROSPECTS FOR FUTURE MARKETS IN WESTERN EUROPE

So, although I certainly cannot speak with any definitiveness or in detail, I would only say that I believe that our position is improved over what it was some months ago, and for my part I feel relatively—assuming we do a good job and have something to work with—optimistic. Because there is going to be a very, very substantial future market for a lot of things in Western Europe, and, hopefully, we can at least for the next decade find an expanding market there. Beyond that it is pretty hard to expand.

Mr. WHITTEN. Mr. Secretary, I have been around here for a number of years and I have seen lots of people with strong beliefs and firm beliefs. I have seen Presidents with strong beliefs and firm beliefs, and I have seen each of them dependent in turn on economists, and I have learned that economists differ.

I have not tried to reach a final determination myself on this proposal because I certainly hope to study it and learn more about it before I take a firm position.

But having studied a considerable amount of economics, and having been around here and seen the pros and cons about free and equal trade, it is my observation that usually it ends up by the countries reaching a common level.

Now, you have just said that the standard of living in Western Europe is 50 percent of ours, and you take that to mean there is a great market there. That I agree is possible. But in all likelihood, in my own opinion, if we limit it to these two areas we will strike a mean average between our standard of living and theirs. Now, with each seeking a fair advantage in the competition for markets that may not be.

But this fact that we have to go along with the forming of a Common Market to try to get them to stay with us in connection with international military standards is disturbing to me.

COMPARISONS OF TRADE POSSIBILITIES IN AREAS OF INDUSTRY AND AGRICULTURE

Industrially, what is it that they can produce better than we—unless it is because they have cheaper labor? It is hard for me to figure a thing in the world that we can outdo the Germans on industrially. And while we pay higher wage rates than they do, how can we compete with them for the rest of the Common Market, particularly with great freight charges?

I think that in agriculture we perhaps have the best chance, because of climate and high density of population, and many things that mean the Common Market can never be self-sufficient in agriculture.

But in the other areas one or another of the countries can do anything that we can do industrially, and they are doing it with much cheaper labor. If it tends to put us out of business, it looks like we are in a pretty tough situation. I am expressing just one viewpoint.

But whether we were wise to have promoted it, we did. It exists. It is an established fact. So I do congratulate you on your efforts to obtain the best possible deal.

I am glad to have your views expressed here, and I want you to feel free to enlarge on them. Letting in industrial goods and other things from countries that have about half the standard of living

that we do and about half the wage cost that we do, whether that can ever solve anything other than bringing our standard down to or half way down to theirs, is a matter in which economists can differ and people can differ. I do not know that anybody can be too cocksure about the answer.

Secretary FREEMAN. I would not be cocksure, Mr. Chairman.

Mr. WHITTEN. I did not mean to indicate you were. But feel free to point out all the supporting evidence that you have because we welcome it.

PRODUCTIVE EFFICIENCY—CRITICAL FACTOR IN REACHING FAVORABLE
BALANCE OF TRADE

Secretary FREEMAN. I would make this point. Wage rates have been mentioned here a number of times, and, of course, the real critical thing is not wage rates. The critical thing is efficiency of production, cost of production per unit.

Again I do not speak as an economist, and I do not suggest that I am better informed about this than the chairman by any means.

Mr. WHITTEN. I do not profess to know all about it either.

Secretary FREEMAN. In the overall, I feel confident—this is a judgment and an opinion—that American industry, high wage rates, and all, will meet the necessary competition and that both of us will benefit from it, and on a per unit cost. And as of now, we are enjoying a \$6 billion a year favorable balance of trade, most of which flows to Western Europe, because our customers in other parts of the world except Japan, of course, which is a big one for raw materials, are not in position to be able to pay dollars for anything, I think that our folks in this country have shown enough initiative and resolution and organizing ability and productive capacity so that we can compete to the benefit of all concerned.

That is just my judgment.

Excuse me if that sounds like a speech.

Mr. WHITTEN. Mr. Secretary, we do appreciate that statement.

Mr. Natcher?

TOBACCO PROGRAM

Mr. NATCHER. Mr. Secretary, at the tobacco supply and demand meeting held several weeks ago by the Agricultural Stabilization and Conservation Service of your Department, a 6-percent increase in the burley allotment for 1962 was requested and after careful consideration you correctly directed a 6-percent increase for the crop year of 1962. All down through the years the burley tobacco producers, together with the tobacco farmers generally have cooperated fully with the Department in the tobacco program. On several occasions a reduction in acreage was requested by those who knew that tobacco was in trouble and by making reductions at different times in the acreage we have succeeded in keeping our tobacco supply and demand program in line.

As you well know, the Commodity Credit Corporation, as of December 31, 1961, had on hand approximately 20 million pounds of burley tobacco and this of course is less than 2 days' requirements for this particular type of tobacco. In order to meet foreign competition and to take care of our domestic and export demands an increase was justified.

We know full well that substitution might have been attempted and that burley tobacco would have been seriously affected. Now, Mr. Secretary, as you have heard me say on more than one occasion, it is a pleasure to sit on this side of the table and to hear your testimony and that of the heads of your departments and all of the members of your staff, all down through the Department of Agriculture.

I have said on more than one occasion that no department in our Government has better qualified or more dedicated people than the Department of Agriculture.

MARKETING CARDS

Next, Mr. Secretary, I would like to point out to you one other matter pertaining to tobacco. An administrative decision to eliminate memorandums from within quota tobacco marketing cards and discontinue employment of ASC recorders would seriously damage the integrity of our tobacco program. Tobacco is one of the few commodity programs that has been successful and is one in which the Government has maintained good production compliance. It is not only a matter of saving insofar as the salaries of the ASC recorders is concerned, because I believe that after this action was taken, you would be confronted with asking for additional appropriations for use in instructing the warehousemen and also in making audits in the warehouses. I do not believe that the warehousemen should be called upon to police their own customers, and also keep the Government's books. Such procedure, Mr. Secretary, in my opinion, will not work.

As you well know, in 1954 nearly 50 percent of the tobacco farmers in this country produced excess tobacco and the tobacco program was in serious trouble. If one farmer today succeeds in disposing of excess acreage it is possible for us to again have many cases where excess acreage is produced.

Mr. Secretary, I sincerely hope that you take a good look at this matter, because I say to you quite frankly we have had it up, off and on ever since I have been a member of this subcommittee, and this is not the place, Mr. Secretary, to save money. This action would cause serious trouble in the tobacco program.

I sincerely hope that we continue to use our system of checks and balances that we have insofar as the tobacco program is concerned.

I wanted to call that to your attention, Mr. Secretary, and I do hope that every consideration is given to a cancellation of the administrative decision that we have along this line, insofar as the Agricultural Stabilization and Conservation Service is concerned.

CLASSIFICATION OF APPROPRIATIONS AND EXPENDITURES

One other matter, Mr. Secretary: In traveling throughout my district in the fall after we adjourn, from time to time I have farmers call to my attention the fact that in our agricultural appropriations bill we have several hundred million dollars that should be charged to other departments. I don't know the exact amount, but as a member of this committee if you asked me to say to you quite frankly how much I thought of the overall amount contained in the proposal for fiscal year 1963 should be charged to other departments, I would say to you quite frankly about a billion and a half dollars.

I hope that as you go along, Mr. Secretary, in all of these matters such as certain funds in the CCC where this money is used in the foreign aid program, even though it is a little easier to obtain maybe in your bill, rather than to face another subcommittee that I serve on, Mr. Secretary, I still believe that every consideration should be given to charging back to the other departments the money that is in this bill that doesn't belong here. I say to you quite frankly that I hope you give every consideration to that matter.

Mr. ANDERSEN. Will the gentleman yield?

Mr. NATCHER. Yes.

Mr. ANDERSEN. I think you have made one of the best proposals I have ever heard made in this subcommittee for many a day.

I believe that we should get down to hard cases, Mr. Secretary, and not have charged against Agriculture, in the people's minds at least, huge sums of money which should justly be elsewhere. I thank you, Mr. Natcher.

Mr. HORAN. Will the gentleman yeild further?

Mr. NATCHER. Yes.

Mr. HORAN. How would we handle this as far as hearings are concerned? We do have some duplication of hearings between State and Commerce now, and do you anticipate that we would maintain any jurisdiction over these appropriations if we charged them back?

Mr. NATCHER. I think this, Mr. Horan, that in matters especially pertaining to the foreign aid program where we have a lot of money involved, I personally believe that that should go, as far as the jurisdiction of the amounts is concerned, to the proper subcommittee and should not be charged to Agriculture.

Mr. HORAN. You mean the entire hearings on that item?

Mr. NATCHER. Every dollar in this bill that should not be here should be taken out or fully explained and we should work out the matter of jurisdiction, insofar as the subcommittees are concerned. I don't know whether I answered your question or not, Mr. Horan.

Mr. HORAN. I want to raise this point. You may recall that I said on balance I thought Public Law 480 was worthy, but I did point out the fact that soft currencies will probably never be convertible to dollars. We will have to write them off at some future date, but the fact that we have made friends, I am quite sure in the countries I visited, that the value was there. I do know in my own Pacific Northwest that we have emptied the elevators, we have reduced the storage costs immeasurably. And we do like to think that we have improved the market in Japan and throughout other areas, as Asia, and as a result I am reluctant to relinquish the entire jurisdiction of this subcommittee to this phase of it, because it is, as I say, on balance it is one that concerns your committee, I know, and should be reflected in the total cost of foreign aid and that sort of thing.

But I think we ought to discuss it further, before we take any definite action.

Mr. SANTANGELO. Will the gentleman yield?

Mr. NATCHER. Yes.

Mr. SANTANGELO. I can appreciate the attitude of Mr. Natcher and Mr. Andersen, but I would like to pose a caveat, a little warning as to what the effect of what you propose would have if you separate the appropriations for farm and nonfarm programs and all those items which do not properly belong within the farm bill.

I have before me a newspaper article from the New York Times dated Tuesday, yesterday, in which the Secretary of Agriculture warns the farmers of an urban revolt, and saying that they may become disenchanted with all of the high-cost programs, and if they don't wake up, there may be a little difficulty with the urban representatives, and so I say if you don't have these sweeteners like the school-lunch program and the food stamp plan, which affect the cities as well as they do the rural areas, if you don't have the Public Law 480 which has aspects of foreign aid which many of the people from the city are interested in, you might encounter a great deal of difficulty in passing some of your farm programs which you do not now have.

I think the committee, in its report allocates the expenditures of these extra farm programs and brings these facts to the attention of the public. But I want to give you this caveat, don't try to separate too much. If you do you might lose the support of urban representatives who are sympathetic to your problems.

Mr. WHITTEN. I don't know how many subcommittee chairmen write their own reports, but I take full responsibility for mine because the key parts of it I do insist on writing. And may I say it was written last year, not because of the ideas of the gentleman from New York, but because I recognized exactly what the gentleman from New York says. I think that we need to identify these various things for what they are. But as a practical matter I think as long as we identify them it is all right.

Secretary FREEMAN. Mr. Chairman, might I ask you to look on page 52 of this booklet, at figure 13. The problem that you have so ably discussed here is one I have given great thought to and one thing we are doing and making progress on is a sharper clearer classification in the budget document itself and part of the answer to this, I think, is to bring home to people the expenditures that are for the good of society as a whole and aren't related in any way to commodities and couldn't conceivably be called subsidies to Agriculture. On this chart you will note \$362 million for research, education, marketing, regulatory activity, you will note the loan part, the conservation and forestry part, and the domestic food assistance part. And I think it helps to get this message across.

(The chart referred to appears on p. 70.)

Mr. NATCHER. Mr. Secretary, when I first came to this subcommittee we took our bill to the floor and they used to line up and help us pass this bill. Mr. Secretary, that is not the situation today, and I say to you quite frankly that I know when you and the members of your staff prepare your budget and submit it to the Bureau of the Budget, there again you find quite a different situation than we had 6 years ago or 7 years ago. I think we ought to take a right good look at this matter now. I think it is a right serious matter, Mr. Secretary, and I say to my good friend, Mr. Horan, from Washington, a member that I have admired over the years, that I certainly would not want anything taken away from our subcommittee that belongs here. I say to you again, Mr. Secretary, that anything that has to be charged to Agriculture, let's explain it real good. If it should be charged to another department, then every consideration should be given to charging it to the proper department.

Mr. ANDERSEN. This discussion, gentlemen, just exemplifies what the thinking of a subcommittee will do.

On the one hand, we have Mr. Natcher and myself ready to go one way, and Mr. Horan and Mr. Santangelo the other, with our chairman as a balance wheel.

This shows what discussion can bring out at times, and I think that this problem is something that we should thoroughly discuss, from every angle.

EXTENSION SERVICE

Mr. NATCHER. Mr. Secretary, one other matter I would like to call to your attention pertains to our Extension Service.

I know you agree with me that our extension agents all down through the years have carried the word to the farmer. They do a wonderful job.

They do in my district and throughout my State. I believe the same applies to the entire country.

All down through the years I have been one of the members of this subcommittee, together with our chairman and Mr. Andersen and all of the other members here, that have believed sincerely our extension agents should receive an adequate salary. They are doing a good job, and I think, Mr. Secretary, that if we go along now with some of the other programs, nothing should be taken away from the Extension Service. Nothing should be done to minimize the fine work these people have done down through the years and are doing now.

In any new programs that come up we must not hurt our Extension Service.

Mr. Secretary, again I want to thank you for your appearance before this committee and say to you, quite frankly, that I think you are doing a good job.

Secretary FREEMAN. Thank you, Mr. Chairman.

Mr. WHITTEN. Mr. Santangelo?

URBAN AFFAIRS

Mr. SANTANGELO. Mr. Secretary, you are supervising a department which affects the lives of 54 million rural people, and many untold millions throughout the world.

As a representative from a city district, I have found it somewhat difficult to appreciate the vastness of the whole program. But with the passing years it begins to unfold and I want to commend you for a presentation which has given me a panoramic view of the agricultural program.

What you pointed out has given me some new and different thoughts. Your Agricultural Department has supervision over many various subdepartments and agencies, and has given a lot of sense and direction to the agricultural program.

Fifty-four million people, with a budget of more than \$6 billion for the forthcoming year, is a major problem in the United States. And I think it has the right direction, and I think it is trying to solve the problems which have disenchanted some of the urban dwellers.

I think if the people from the cities understood the problem, and understood the full meaning of the contribution made by the 10

percent of the population, in feeding not only the 183 million in the United States but millions throughout the world, they wouldn't feel so reluctant in voting for an agricultural program, which means so much for democracy.

Your agency covers a myriad of programs, that are intricate; they involve research, it involves food inspection, meat inspection, soil conservation, flood prevention, emergency programs, statistical reporting, special milk programs, and school lunch programs, in cities and rural areas, storage of the food, and electrification throughout the country with its concomitant effects upon industry and manufacturing in the cities, and they involve telephonic communications and also housing.

The Department of Agriculture also supervises insurance, and goes into the foreign affairs and of course the most important of all, that is the production of food and fiber.

Well, this supervision would be chaotic, if it were not coordinated under one head. If it were a hydra-headed agency, with various supervisory powers, the program couldn't operate.

The vastness of these programs requires a member of the Cabinet, a Secretary of Agriculture, to bring all of these aspects together.

The reason I stress this intricacy to the members of the Republican side and my other colleagues is that we are going to be confronted with a problem which affects similarly the cities of our country, cities which have problems of housing and mass transportation, public transportation, light and air, and protection of the people. The cities would be without sense of direction just as the farm areas would be without a Secretary of Agriculture and farmers would not be able to carry on as well as they have been doing. The cities likewise require the same coordination, the same sense of direction and guidance which this great industry of agriculture has and requires.

In talking about this program, I have been compelled to think about what a Secretary of Urban Affairs could accomplish, if it had the same sense and guidance and direction that Agriculture has. Would you care to comment upon that?

Secretary FREEMAN. Well, I am in support of the President's proposals in connection with the Department of Urban Affairs.

Mr. SANTANGELO. I thank you for that statement.

EFFECT OF COMMON MARKET ON WHEAT EXPORTS

I just want to ask one more question. I have several others, but this I would like to get your thinking on now.

Mr. Secretary, this year the Congress is going to be confronted with the extension of reciprocal trade agreement or some different type of legislation. What effect has the Common Market had upon our International Wheat Agreement and our exports of wheat?

Secretary FREEMAN. So far it hasn't had any, but what effect it will have is something that we don't know.

On the one hand, we could conceivably have a substantially expanded market, in Western Europe, because their standard of living is going up rapidly.

On the other hand, if they lock up their agriculture, it could cost them. Our big problem is the fact that we don't have much to bargain with, because we sell \$1.1 billion and we buy less than \$200

million and that is why the Trade Extension Act is very, very important to agriculture.

The President has indicated that he would give serious consideration, in effect, to considering industrial concessions, appropriately, in regard to agricultural concessions and we would have something to bargain with.

I have tramped all over Western Europe and this is a tough one, because they of course have their domestic problems and we don't have much bargaining power, no one knows what is going to happen.

But I think that we are in a much better position than we were 3 months ago. We have maintained our flexible position on some critical commodities. The developments that have taken place, so far as we know, in connection with agricultural policies, are generally favorable.

(The following statement was submitted later:)

On January 14, the Common Market countries agreed on a common agricultural policy which is to be implemented gradually over a period of 8 years. Because of the gradual approach to common policy it is not expected to have much adverse effect on the current International Wheat Agreement or U.S. wheat exports for the next couple of years. This would also apply to any extension of the International Wheat Agreement which might be negotiated in the months ahead.

Over the longer run, however, the Common Market area will doubtless become self-sufficient in soft wheat. The Common Market countries are capable of increasing wheat production to meet internal requirements as to quantity, but not as to quality. Therefore, there will be continuing need to import high quality wheats to blend with indigenous wheats to make bread flour. This need for quality wheat, however, is expected to be much smaller than current imports of all types of wheat. In addition, there will be much more competition for the smaller quality wheat market among the United States, Canada, Argentina, and the U.S.S.R.

Mr. WHITTEN. We shall adjourn at this time until 1 o'clock tomorrow.

WEDNESDAY, FEBRUARY 14, 1962.

Mr. NATCHER. The committee will come to order.

Mr. Andersen.

Mr. ANDERSEN. Thank you, Mr. Chairman.

PROPOSED OPERATION OF NEW FARM PROGRAM

Mr. Secretary, when we adjourned about a week ago, the questioning had come down to the point where I could ask you a few questions with regard to the proposed operation of the new farm program if put into effect and adopted by the Congress. I would like to develop a series of questions and find out from you just what is proposed.

It is very difficult to know just exactly how such a bill would operate on a particular farm; for example, the one in southwestern Minnesota with which I am personally acquainted.

BASIS OF NATIONAL ALLOTMENT OF FEED GRAINS

First, I understand that you, as Secretary, would proclaim a national allotment equal to the number of acres of feed grains needed, taking into consideration expected yields together with expected production in noncommercial areas and the increased acreages resulting from the small farm exemption.

Now, do you have in mind the number of acres of corn needed in the United States as of this time?

Secretary FREEMAN. Well, the first step, of course, would be to estimate how much corn or feed grain would be needed.

Mr. ANDERSEN. Yes. I will change my term "corn" to "feed grain."

Secretary FREEMAN. Yes, sir. Then, based upon the projection of this marketing quota, to estimate the number of acres that it would take to produce that amount of feed grain. This determination would, of course, depend upon the current situation and would necessarily, I think, need to rest in the discretion of the Secretary, with perhaps a certain range by way of guidelines if the Congress saw fit to set that range as they have in the past.

Then the acres would be estimated and the acreage allotments and allocations made as has been done in similar programs in the past.

ACCOMPLISHMENT OF CURRENT FEED GRAIN PROGRAM

Mr. ANDERSEN. Now, last week, Mr. Secretary, you rightfully—I say "rightfully" because I believe the present feed grain program has made quite a stride—you brought to the attention of the subcommittee the accomplishments of the feed grain program now in effect.

Secretary FREEMAN. Yes, sir.

Mr. ANDERSEN. And you really feel it has done a good job, do you not?

Secretary FREEMAN. Yes; I think the feed grain program has met each of the targets we set when it was presented to the Congress a year ago.

Mr. ANDERSEN. I am very much inclined to agree with your statement that the feed grain program as presently operated meets with the approval of the average farmer and has done considerable good. But if that is the case, why should we upset the applecart for the next crop year and change the program to any extent? In other words, try to convince me if you can. Here, we have a fairly good program working, and I think in the long run, it will do what we are aiming to do, and that is to get rid of some of this surplus and at the same time cut down the cost to the taxpayers.

I think it has met both criteria so far or will meet it in the foreseeable future, but why change?

Secretary FREEMAN. It becomes increasingly difficult because there are a substantial number who do not cooperate in a program of this nature if continued over an extended period of time. It necessarily involves the Government; the Department of Agriculture, in effect, determining the price of corn in the marketplace through the medium of sales as a means of maintaining some kind of differential between the cooperator and the noncooperator. In the long run, we will, I am fearful, find less and less compliance and the program beginning, after 1 or 2 years, to fail to meet its objectives.

Secondly, over the long run, it would prove to be an extremely costly program. I think it would cost much more than we could legitimately expect to expend in this manner.

Mr. ANDERSEN. Let me understand you. On the one hand, you say that the accomplishments of the feed grain program for 1961 have been fairly good.

Secretary FREEMAN. Yes, sir.

COST OF CURRENT PROGRAM

Mr. ANDERSEN. Now, you say it is proving to be costly or will prove to be too costly in the future. Is that it?

Secretary FREEMAN. It has been costly.

Mr. ANDERSEN. Has been?

Secretary FREEMAN. Yes, sir; it has been costly. But we were able, so long as we had substantial stocks on hand, to offset expenditures for it through the medium of payments in kind. But the program has been costly and the savings involved have been in relation to what it would have cost under the permanent law we now have on the books.

It would have cost more in this fiscal year, at least \$75 million more under the old program. And under the old program, over a period of the next 5 to 9 years, it would have cost some \$600 million more if we had not had this program. But even so——

Mr. ANDERSEN. You are speaking about a period of 9 years when you mention this \$75 million?

Secretary FREEMAN. No, sir; \$75 million this fiscal year.

Mr. ANDERSEN. This fiscal year, or \$600 million over a period of 9 years?

Secretary FREEMAN. Yes, sir.

Mr. ANDERSEN. All right, sir.

Secretary FREEMAN. This is related to what it would have cost, I repeat, if we had operated under the permanent law on the books. I do not think this program, on a long-term basis, meets the needs of the farmers or gives adequate consideration to the taxpayers.

FUTURE INCREASE IN POPULATION AND AGRICULTURAL PRODUCTION

Mr. ANDERSEN. Well, now, Mr. Secretary, our main problem is, from the viewpoint of agriculture, that temporarily we produce too much; and secondly, this has an effect on the price level of agricultural commodities to the point where the farmer does not receive what he should receive. That's about it in a nutshell, is it not?

Secretary FREEMAN. If I might respond to that question, I would want to elaborate on the use of the word "temporarily."

Mr. ANDERSEN. Temporarily, I have in mind about 10 years, from 10 to 15 years.

Secretary FREEMAN. As nearly as we can estimate, Congressman, this situation of our production growing faster than our population will continue for the foreseeable future.

Mr. ANDERSEN. Well, now, we have had testimony in the last 5 or 6 years to the effect that if we will just be patient that eventually the rise in the population level will take care of our overproduction of farm commodities. That testimony came right from this same Department of Agriculture.

And now, you folks have changed your mind. Is that it, Mr. Secretary, and say that not in the foreseeable future can we see such a thing happening?

Secretary FREEMAN. I would remind my good friend, the Congressman from Minnesota, that I have only been in this Department for a little over a year.

Mr. ANDERSEN. I am speaking of the Department itself as an entity. The great mass of capable employees are down two or three levels,

and they are the gentlemen who accumulate this information and then, in turn, bring it up before this subcommittee. I have a very vivid recollection from a few years ago when Mr. Oris Wells stated before this subcommittee that in another 15 years' time, the farmers of America could not produce sufficient food for the people.

Have you changed your mind? Has the Department of Agriculture changed its mind on that particular premise?

Secretary FREEMAN. I am sure that the Department has observed and interpreted some technological changes which are of recent development and as such, some of the judgments and predictions made in the past in light of these developments have been proven incorrect; yes, sir.

May I add to my answer to this question that I certainly would compliment the Congressman for putting his finger immediately on the essence of the whole matter. In the past, in the predictions that increased population would absorb our productivity, the element of increased technology and productivity following from it has been underestimated. And as we have seen now, especially in the past 5 years when this has been even more rapid, if placed on a chart, a trend line would suddenly begin to go sharply up instead of gradually over the past 5 years.

There is no reason to believe that this will change, and the net result is that we have been making careful and thorough analyses of production potential. We concluded that just as for the past 10 years, our productivity has grown faster than our population, so for at least the next 10, and we would even say for the next 20, although that's a long time to estimate, this will continue.

Therefore, I think it misses the point if one assumes that growing population in the foreseeable future is going to absorb American agricultural productivity.

ACREAGE OF FEED GRAIN NECESSARY FOR THE UNITED STATES

Mr. ANDERSEN. Mr. Secretary, let's get back to my original question about the acreage of feed grain necessary for the United States. Did you give me a figure in millions of acres on that?

Secretary FREEMAN. No, sir.

Mr. ANDERSEN. Would you place it in the record at this point?

Secretary FREEMAN. I don't have such a figure and couldn't have one.

Mr. ANDERSEN. At your leisure, have an answer to that placed in the record, will you please? The necessary acreage of feed grains for the foreseeable future to take care of the requirements of the people of the United States and the export possibilities that we might have.

Secretary FREEMAN. I would be happy to do that, but I am sure the Congressman would understand—

Mr. ANDERSEN. It would only be an estimate.

Secretary FREEMAN. An estimate made now a year ahead would obviously be an estimate and would have to be regarded as such, because there are rapidly changing consumption patterns.

(The following was submitted for the record:)

It is presently estimated that from 95 to 105 million harvested acres of feed grains would be required to produce annual requirements while CCC stocks are being reduced.

EXTENT OF FURTHER REDUCTIONS IN ACREAGE

Mr. ANDERSEN. My question now, assuming that one is answered to some degree, comes back to this point: Just how much more do we have to reduce than has been reduced in the corn and feed grain acreage to reach the limitations that you feel advisable? I want an answer to that, please, at your leisure. I am not asking that you answer everything right now.

Secretary FREEMAN. All right, sir.

(The following was submitted for the record:)

The 1961 acreage harvested for grain (corn, oats, barley, sorghum) was 107 million. If producers indicated they would plant about the same combination of crops in 1963 that they planted in 1961, the acreage reduction would not need to be much greater than in 1961. If a substantial acreage were expected to be shifted from oats to corn, the reduction required would be somewhat greater than was achieved in 1961.

POLICY ON SALES OF COMMODITY CREDIT CORN ON TERMINAL MARKET

Mr. ANDERSEN. Mr. Secretary, last November 7, I wrote you a letter, and Mr. Chairman, I would like to place in the record at this point a copy of my letter written to Mr. Freeman last November 7 and also his letter in reply.

Mr. WHITTEN. Unless there is objection, it may go in the record.

(The letters referred to follow:)

NOVEMBER 7, 1961.

HON. ORVILLE L. FREEMAN,
Secretary of Agriculture,
Washington, D.C.

DEAR ORVILLE: The feed grain bill was passed by the Congress with the assurance that it would raise the income of and bring additional buying power to agriculture.

In order to encourage compliance with the program, price supports were necessarily taken away from the farmer who does not comply. The price support rate for corn was established at \$1.20 per bushel, or about 15 cents above the market price at the time the bill was enacted into law last spring.

You will recall that many Members of Congress, especially those from the Midwest, expressed concern at that time. They were concerned that you, as Secretary of Agriculture, in an effort to penalize the noncooperator could, through heavy sales of CCC corn, go beyond the then prevailing 15-cent spread and force the local market price even lower. Their concern has proven to be justified.

As a Midwest Congressman, from a corn-producing area, I personally expressed my opinion, during the debate on the floor of the House that the USDA could, by sales of huge quantities of CCC corn, force the market price of corn in my area below \$1 per bushel. My concern was well founded. Corn is selling on the market in my area today for less than 90 cents per bushel.

I feel that you, by selling too much CCC corn on the market, either certificate corn or off-grade corn, have lowered the market price of corn and thus lowered the agricultural income. This is in direct contravention to the expressed intent of the act for which you fought and for which I voted.

Even the cooperator in the feed grain program will feel the effect of the lowered market price because of the feature of the feed grain bill which limits the cooperator to price supports on an amount of corn up to his appraised yield. This will mean that most cooperators with a good crop of corn will not be able to get price supports on their entire crop and will therefore sell a part of their crop on the depressed open market.

I wish to protest the selling of Government-owned corn on the terminal markets in such quantities and at such prices as to further depress our country markets and thus cause further loss of income to our farmers. May I urge very strongly that you take such steps as necessary to hold the minimum price

level for corn to at least \$1 per bushel. In my area we cannot produce corn for less.

Sincerely,

H. CARL ANDERSEN.

DEPARTMENT OF AGRICULTURE,
Washington, D.C., December 19, 1961.

HON. H. CARL ANDERSEN,
House of Representatives.

DEAR MR. ANDERSEN: This is in further reply to your letter of November 7, 1961, in which you refer to the Department's corn sales price.

We appreciate your concern that current sales of feed grains by the Commodity Credit Corporation might cause a reduction in income for both cooperators and noncooperators.

Current Department estimates in the light of our October 27 and November 9 announcements (USDA 3536-61 and 3703-61), indicate that both cooperators and noncooperators will be better off than if there had been no feed grain program and also that cooperators will not be at a disadvantage compared to those who remained outside the program.

You will note from the aforementioned press release, USDA 3536-61, that in recovering funds issued as diverted-acre payments, the Department will not sell below prices generally prevailing in the fall of 1960 and that sales will be so scheduled as to permit feed grain prices during the marketing year generally to follow patterns, relative to harvest time prices, similar to those of recent years.

Thus, we do not consider that there is much basis for assuming at this time that a producer has no hopes of realizing more than a "depressed" price for that part of his corn crop above his loanable limit. The sales of corn and grain sorghums which we have been making in the past few months and will be making in the future are in accord with both the letter and spirit of the Feed Grain Act which provided for payments in kind. The matter was fully discussed in the committee hearings and debate which preceded the enactment of the legislation.

I indicated earlier this year that we would take no action while farmers were still selling their 1960 crop corn which would reduce their returns below that which they would have received if the 1961 feed grain program had not been enacted. This pledge has been kept. Secretary Benson had reduced the support level for 1960 corn 6 cents below the 1959 level. However, the reduction in returns to farmers has been only 4 cents. The price level through the marketing year has been more, not less, than would have been expected with no new legislation.

Your letter relates to the 1961 crop. It is too early to make any broad statements with respect to returns to farmers from the 1961 corn crop; however, returns per bushel of corn sold in October and November of this year have been above the returns for a year ago both in Minnesota and for the entire country.

It is a source of much gratification for us in the Department of Agriculture that the drop in farm income has been arrested and this year the income of grain growers and of our entire farm population will show an improvement over last year.

Sincerely yours,

ORVILLE L. FREEMAN, *Secretary.*

Mr. ANDERSEN. Mr. Secretary, in that letter, I protested against this heavy selling of corn. Thousands of corn farmers were watching the terminal markets, trying to decide when they could sell their corn on the cash market. About the time the market would begin to strengthen, there would be a little item in the grain notices from Chicago to the effect that liquidation by Commodity Credit Corporation had weakened the market.

Now, I believe if you will look back at the time that the Congress was considering the first Feed Grain Act about a year ago, you will find that it was the assumption on the House floor that the cash corn market should be held at \$1 in the country markets.

In other words, the producers in the far corners of Iowa and Minnesota would receive not less than the then existing price at the time

the House was considering that legislation. The market price was approximately \$1.10 or \$1.12 in Chicago at that times.

I would like you to go back over the terminal market records because that's what induced my letter to you of November 7. You will find that about every time the market in the terminals would strengthen, Commodity Credit then would release corn, and legally so, under these certificates which the Secretary of Agriculture had on hand.

I do not maintain that this was illegal. It was perfectly legal. What I did protest against was the fact that it seemed to me that on the one hand, we had legislation on the books designed to try to bring to the grain farmer a little increase in price for what he produced. But on the other hand it seemed to me that the Department intentionally kept the price of cash corn on the terminals at a low figure. This did not give the farmers in southwestern Minnesota whom I represent, 40,000 of them, at least the \$1 a bushel that they must have to stay in the farming business. I am speaking about corn specifically but the same thing is true of all feed grains.

So, consequently, in my letter to you on November 7, I protested against this apparent policy on the part of the Department. When Dr. Cochrane was here the other day, I asked him if it was going to be the continued policy of the Department to hold the cash market price of corn down near the \$1 level in the terminal markets.

If that is the case, and if that is the policy, then, I say they are wrong. I agree with you there should be a price spread between the noncooperators and the cooperators. For the good of the program I would like to see a spread of 30 cents a bushel, or at least 25 cents, but I would say if you want to get that additional spread, you have the authority under the law to increase that support price of \$1.20 up to \$1.30 on corn for the cooperators.

You can do that overnight, Mr. Secretary. If I had my way, corn would not be permitted to fall at any time below \$1 a bushel in the country markets for the good of our agricultural economy.

Now, I am very much concerned about maintaining the price level of cash corn and feed grains, Mr. Secretary. Is there going to be a continuance of that policy that provides that whenever the price level of cash corn in the terminals reaches \$1.02 a bushel, then Commodity Credit stocks start to flow in and beat it down?

I am trying to find out from you what is going to be the policy of the Department and, remember, I am not criticizing you from a legal point of view for what you did. You had the right under the law to do it. I am criticizing the policy or perhaps it just happened, perhaps there is no set policy.

Now, Mr. Secretary, I yield the floor to you for further discussion.

Secretary FREEMAN. No. 1, I want to assure the Congressman I share his concern, and I too am most anxious that the price of corn should be strengthened. That is why I increased the support price and did so very substantially a year ago.

Mr. ANDERSEN. I want to compliment you for increasing the support price on flax, too.

Secretary FREEMAN. Thank you, sir.

Mr. ANDERSEN. Upon taking office you immediately did a lot of good for the farmer by putting that price support up to \$3.10. So I want to compliment you while I am criticizing you.

Secretary FREEMAN. Thank you, Congressman.

May I refer to the market price of cash corn in Chicago, No. 3 Yellow, in response to your question? At no time during the year 1961 did it fall below \$1.09 a bushel. It generally followed, with a few cents differential, the prices of the year previously. And in October, November, and December, it was higher than was the case in the previous year.

Mr. ANDERSEN. How about the December futures, Mr. Secretary, or the March futures during that period?

Secretary FREEMAN. The price in December of No. 3 Yellow in Chicago was \$1.09.

Mr. ANDERSEN. I am speaking about the futures, not the cash position in this case.

Secretary FREEMAN. I don't have information on the futures with me.

Mr. ANDERSEN. I think you will find they run around \$1.01, \$1.02. I should have mentioned futures rather than cash position.

Secretary FREEMAN. I will reexamine the futures, and I am sure the Congressman is also more familiar than I with the fact that in January 1961, the average in Minnesota in January was 77 cents and in January of 1962, under this program, the price in the market was 84 cents. It was up 7 cents over the previous year.

Mr. ANDERSEN. There is no question about that. It did go up about 7 or 8 cents through the year. And, again, I compliment you on that.

Secretary FREEMAN. Now, the policy was set down last July, and I quote now from a statement issued by the Commodity Credit Corporation as follows:

Permit feed grain prices during the marketing year generally to follow patterns relative to harvesttime prices similar to those of recent years.

And I would go further by stating that in October, I further stated that certificate sales would be made at market prices and not below generally prevailing prices received by the farmers for the 1960 crop in the fall of 1960.

This policy has been implemented. By and large across the country, the noncompliers got more for their corn than they did the year before. And the price did rest at around \$1 to \$1.10.

Mr. ANDERSEN. Let me at that point inform the Secretary that my partner and I received 89 to 92 cents for our free corn in November of this past year. I am speaking about the market in Tyler, in southwestern Minnesota.

Secretary FREEMAN. Yes, sir.

Mr. ANDERSEN. As you mentioned, Mr. Secretary, there was an increase of approximately 7 or 8 cents over the price of the year previous.

Why doesn't the Department of Agriculture hold the minimum value of corn at a minimum of \$1 in the country areas and then gage their supports from there up, for the compliers? That's the point I am driving at, Mr. Secretary.

Secretary FREEMAN. The objective that the Congressman sets is certainly a very laudable one, which I share, and we would certainly hope to move in that direction. It has been our purpose throughout to move the price of corn to a more satisfactory level, and we believe that we will be able to do this in the long run through the medium

of a permanent rather than an emergency program and have, therefore, recommended such a program in the current legislation before the Congress.

Mr. ANDERSEN. I am looking at this entire problem from the overall economic status of agriculture. When we allow corn through the big producing area to stay down around 90 cents instead of being up where it belongs at \$1, I think we are injuring the overall economy of the Nation. And that's the thing that I am fighting for here today.

I don't believe that I am any more concerned about the welfare of agriculture than you. I know that you, as Secretary, have got to do something for the farmer or you won't go down in history as a great Secretary of Agriculture. I think you will become a great Secretary of Agriculture if you will follow certain guidelines. I hope there are not too many people in the Department who are determined to hit the noncompliers with our present voluntary program. I hope there is not a group of people helping you make decisions in the Department, who want to force that noncomplier into compliance with a voluntary program, through lowering the price he receives for his cash corn.

Mr. Secretary, I know from personal experience, and from talking to many farmers, that for various reasons, some farmers were unable to cooperate with the program. That's why I am so insistent today and I will watch very carefully to see if there is any evidence of thinking in the Department of Agriculture to hit the noncomplier on the head just because he does not join a voluntary program. Far better to go the other way and raise the price level via the support route to the cooperator.

NUMBER OF FARMS WITH FEED GRAIN BASE OF 25 ACRES OR LESS UNDER
PROPOSED PROGRAM

There is another thing that bothers me in your new proposal that I want to ask you about. Let me quote. Under the feed grains, title 4, subtitle A of the proposed bill—subtitle 4 here—

Farms with feed grain base—

or, in other words, average acreage—

during base period, of 25 acres or less, would not be subject to the program unless the producer elects to be subject to it. If the producer does not so elect, he can plant up to his base, but he is not eligible for land use payments or price support.

Has your Department made an estimate of how many 25-acre feed grain producers there would be in the United States under this provision?

Secretary FREEMAN. I am sure that we have an answer.

Mr. ANDERSEN. I know that under the 15-acre wheat provision, we had around, what, 500,000, Mr. Horan, of these so-called 15-acre wheat producers?

Mr. HORAN. Oh, no, it is closer to 1,400,000.

Mr. ANDERSEN. I am conservative in my estimate?

Mr. HORAN. You sure are, we have far more.

Secretary FREEMAN. May I say, Mr. Horan, at this point, that my best recollection is that anyone could produce up to 15 acres of wheat and that's what opened the door. This provision would apply only to those that are producing 25 acres now.

Mr. HORAN. And there is a tendency in the direction of reducing the support level on acreages on the smaller farms.

Mr. ANDERSEN. Let me understand you, Mr. Secretary. In the first place, producers must have had a history or a feed grain base of at least 25 acres to come under that provision?

Secretary FREEMAN. Well, no. If they have a base, any base at all, up to 25 acres, they can continue to produce based on that historical experience. But no one can just start planting corn up to 25 acres as was the case in the wheat provision.

Isn't that right, Dr. Schnittker?

Dr. SCHNITTKER. That's right, sir.

Mr. ANDERSEN. If you have an estimate of how many such farmers there would be—

Secretary FREEMAN. I haven't at my finger tips.

Dr. SCHNITTKER. Mr. Secretary, because we have not had feed grain programs in the past, and only a corn program until 1958, we do not have a tabulation. We made a survey in, I believe, three States, Corn Belt States and some Southeastern States and find that it runs as low as about 13 percent of the farms in a State like Illinois and up to as much as around 22 percent in North Carolina.

Mr. ANDERSEN. What do you find in Alabama, Mississippi and Arkansas and that area relative to the proportion of feed grain acreage?

Will this provision open up a new possibility for the cotton and rice producers to get in on the gravy train so to speak at the expense of the commercial feed grain producers up my way who would be forced to reduce under the proposed law?

Now, is this going to be a big loophole for the nonfeed grain producing areas?

Dr. SCHNITTKER. The States you asked about, Alabama and Mississippi, were not surveyed, but this does not open up a new loophole for producers to come in.

Mr. ANDERSEN. South Carolina was surveyed, I think you said.

Dr. SCHNITTKER. South Carolina or North Carolina was surveyed.

Mr. ANDERSEN. And it had a high percentage?

Dr. SCHNITTKER. It had a high percentage.

Mr. ANDERSEN. The further south you go, the more you will find of this, isn't that a fact?

Dr. SCHNITTKER. Possibly so. It will vary somewhat by State.

Mr. ANDERSEN. Possibly so.

Thank you, doctor.

Mr. SANTANGELO. Mr. Andersen, would you yield for a question?

Mr. ANDERSEN. If it is directly in line with what we are discussing.

Mr. SANTANGELO. It is in order to find out what you are talking about. I would like to know since we are talking about the effect on a noncomplier, during this last year, what percentage of the farmers did not comply in the corn program?

Secretary FREEMAN. I think there was about 55 percent non-compliance.

To really answer that, we really need to have it (a) in terms of numbers of farmers and (b) in terms of acreage. They are different figures. My best recollection is we had about 45 percent compliance by farmers and 55 percent noncompliance. We had a higher ratio by acres because quite a number of farmers came in for a full 40 percent.

Mr. BEACH. Fifty-five percent of the base acres on corn was on participating farms.

Mr. ANDERSEN. Now, Mr. Secretary—

Secretary FREEMAN. May I respond to your question now? We have the figures.

In connection with compliance on the emergency feed grain program for 1961, 55 percent of the base acres of corn and 76 percent of the base acres of sorghum complied with the program; 40.1 percent of all corn and sorghum farmers signed up in the program.

Mr. SANTANGELO. It is true, therefore, that those corn farmers who signed up with the program are guaranteed a price support on the corn that they sell if the market doesn't go above the price.

Secretary FREEMAN. A price support based on their historic production.

Mr. SANTANGELO. And those who do not join can produce as much as they want and get what the market can bring.

Secretary FREEMAN. Yes, sir.

Mr. SANTANGELO. In your experience, of the 45 percent of the non-complying corn farmers, would you say that they produced more than the average or less than the average?

Secretary FREEMAN. They produced 6-million-plus more acres of corn than they had in the previous year, and this is one of the reasons why this program is very difficult over an extended period of time.

Mr. ANDERSEN. You will admit, Mr. Secretary, the weather was very favorable, however.

Secretary FREEMAN. I am not talking about bushels now, Congressman, I am talking about acres.

Mr. ANDERSEN. All right, sir.

Mr. BEACH. Noncompliers planted 6.7 million acres more than in 1959-60.

Mr. ANDERSEN. Now, Mr. Secretary, let me have your assurance on this 25-acre provision. You are telling the subcommittee that under your proposal the farmer in question must have had a feed grain acreage base of at least 25 acres?

Secretary FREEMAN. Yes, sir, and in addition, if he had a base less than 25 acres, he could only plant up to that base.

Mr. ANDERSEN. He could only plant up to the base—10 acres that might have been—that he previously had.

Secretary FREEMAN. Yes, sir.

Mr. ANDERSEN. He could not plant up to the 25-acre maximum?

Secretary FREEMAN. No, sir.

Mr. ANDERSEN. I am glad to hear that. That is one important point we have brought out here; now I want to go into various points to get a better understanding of this proposal. Let me ask you something about wheat. I have jabbed at these gentlemen from the South, now I want to get after my wheat producers.

PROPOSED PLANTING OF WHEAT AS SUBSTITUTE FOR FEED GRAINS

I understand, Mr. Secretary, that under the proposed bill, you would permit wheat to be planted as a substitute for feed grains.

Secretary FREEMAN. Yes, sir.

Mr. ANDERSEN. And count it against the feed grain allotment, is that correct?

Secretary FREEMAN. Yes, sir.

Mr. ANDERSEN. Is that in contravention to present law?

Secretary FREEMAN. This would be a change in the present law, yes.

Mr. ANDERSEN. It would be a change, would it not?

Secretary FREEMAN. Yes.

Mr. ANDERSEN. It would be giving to the wheat producers the opportunity to perhaps put 300 million or 400 million bushels of wheat onto the feed grain market, would it not?

Secretary FREEMAN. No, sir.

Mr. ANDERSEN. The proposal reads, "May permit wheat to be planted as a substitute for feed grains."

Secretary FREEMAN. But only as a substitute for feed grains. This is the essence of the point. It would have to be planted on feed grain acres, not on wheat acres.

Mr. ANDERSEN. Suppose, for example, that I take 40 acres of my land out of feed grain production under your proposal. Could I then put that 40 acres into wheat?

Secretary FREEMAN. No, sir.

Mr. ANDERSEN. I don't understand the language, then, in the bill.

Secretary FREEMAN. Let me try to amplify it, and, Dr. Schnittker, if I don't state it precisely, correct me, please.

Take, for example, a wheat farmer by definition based on the majority of his production, or a feed grain farmer who produced mostly feed grains, each of whom have a feed grain allotment. If you assume that this program becomes law, then wheat could be planted on the remaining feed grain acres after the cut of feed grain acres had been taken.

Therefore, it comes down only to this, that the feed grain farmer, because he has a feed grain history, would have the option of planting any of the feed grains; to wit, corn, sorghum, barley, oats, possibly rye.

Mr. ANDERSEN. Including wheat?

Secretary FREEMAN. Or wheat if he saw fit, and it is tailored to his particular operation.

Mr. ANDERSEN. But the feed grain farmer could not produce wheat on the 30 or 40 acres which he diverted.

Secretary FREEMAN. No, sir; nor could the wheat farmer produce any feed grain on the 30 or 40 acres that he might divert from his wheat production.

Mr. ANDERSEN. I understand that point and I am glad to hear your explanation of it.

DAIRY AND MILK PROVISIONS OF PROPOSED PROGRAM

Let's talk about the dairy and milk provisions of the proposed bill, Mr. Secretary. Now, under title 3, as I understand it, you would establish producer allotments on milk products for each individual producer. Is that correct, sir?

Secretary FREEMAN. The actual terminology in the case of dairy, as the Congressman knows, is "base" rather than "allotment." To avoid confusion, I would like to refer to it as a "base," although, in effect, it would be the equivalent of an allotment in grain.

METHOD OF SECURING A DAIRY BASE

Mr. ANDERSEN. All right, sir. Would you please tell the subcommittee what you propose to do and I hope you will bring out the answers to some questions that I have in mind. First, how would a new producer, a young man wanting to start in the dairy business, ever secure a base?

Secondly, how would an old producer, who formerly was in the dairy business but for some reason went out temporarily, and now wants to get back in—how would he ever secure a base?

Secretary FREEMAN. The dairy proposal would, like the other proposals, involve an effort to bring balance between supply and demand. It would do this by establishing base production in terms of the 1961 production. That base would then be cut back depending upon the requirements. We would estimate, in terms of the current situation, a cutback of approximately 5 percent. There would be discretion for local situations that might arise and which are particularly complex in light of the interchange between fluid and manufactured milk and its transportation and, of course, its perishability.

FARMERS VOTE IN DAIRY REFERENDUM

Then the dairy farmer would be, as would the wheat and corn farmer, given an opportunity to vote in a referendum.

Mr. ANDERSEN. Now, would you get back to how you establish this base? Give me a little more information on that. Do you go all the way down to the individual producer in that, Mr. Secretary?

Secretary FREEMAN. You would determine what the production had been in the base year.

Mr. ANDERSEN. On that specific farm?

Secretary FREEMAN. On that specific farm, correct.

Mr. ANDERSEN. Would the base follow the farm or the producer if he moved off?

Secretary FREEMAN. The base in this case would be subject to transfer.

Mr. ANDERSEN. It would be subject to transfer?

Secretary FREEMAN. Under the rules that might be established by the local ASC committee.

DAIRY SURPLUS MARKETING FEES

Mr. ANDERSEN. How would this base affect the average small dairy farmer in Minnesota, for example, a man who keeps 10 good dairy cows? What kind of a base would he secure?

Secretary FREEMAN. Well, if you assume he got 10,000 pounds of milk a year per cow, and he had 10 cows, that would be 100,000 pounds, and he might be held to 95,000 pounds. Then, if he produced more milk and marketed it, he would pay a marketing fee on the excess.

That marketing fee would go, together with whatever was appropriated by the Congress, into a fund that would be used in the purchase program just as it is now.

Mr. ANDERSEN. Then, if his production showed an average over the last 2 or 3 years of 100,000 pounds of whole milk, then, he would be entitled under the program to put 95,000 pounds onto the market.

Secretary FREEMAN. At a given—

Mr. ANDERSEN. At a given support price.

Secretary FREEMAN. Yes, sir.

Mr. ANDERSEN. How much marketing penalty, would he pay on any excess production? He can't shut those cows off—in fact, he is increasing their production. Every good farmer wants to increase his production. Suppose he had 5,000 pounds excess. How much penalty would he pay on that?

Secretary FREEMAN. The proposed law reads that he could not be made to pay a penalty in excess of \$2.75 a hundred. That's the maximum. It would be subject to the discretion of the Secretary up to that maximum.

Mr. ANDERSEN. That would be, roughly, what proportion of what he would receive for milk? Better than half, would it not?

Secretary FREEMAN. Better than half.

Mr. ANDERSEN. Almost two-thirds in some instances.

Secretary FREEMAN. Obviously it would have the purpose of seeking to get this producer to tailor his production to his base and to bring to his outlet a quantity not in excess of his base.

TRANSFERRING OF DAIRY BASE

Mr. ANDERSEN. Now, Mr. Secretary, suppose this man came to the point of retiring. He had the 10 dairy cows and a young man wanted to take over his farm.

Secretary FREEMAN. He would then—

Mr. ANDERSEN. What then could that young man do about securing a base?

Secretary FREEMAN. He would get the base from the farmer whose farm he purchased. He would probably—

Mr. ANDERSEN. I didn't think that you had just said that it follows the farm.

Secretary FREEMAN. I didn't say it follows the farm because the farmer himself could transfer the base.

Mr. ANDERSEN. The base is transferable?

Secretary FREEMAN. Yes, sir.

Mr. ANDERSEN. Under what circumstances are they transferable? Just from the one producer to the man following him or what?

Secretary FREEMAN. The only statement in the proposed law in connection with this would be subject to the general discretion of the Secretary, which would be delegated to the county committees with the objective of seeking to prevent the concentration of bases in a few hands. That would be detrimental to our family farm system.

Mr. ANDERSEN. All right, Mr. Secretary, now, suppose that two miles down the road there is another farmer who up to now had not seen fit to engage in dairying. He just had a corn and barley and alfalfa farm. What can he do toward securing a base?

Secretary FREEMAN. He would have to obtain a base from someone who currently has a dairy base.

Mr. ANDERSEN. Now, suppose, he couldn't find anyone who had a base that wanted to sell, then what?

Secretary FREEMAN. Then he couldn't produce.

Mr. ANDERSEN. But is there not a danger that you will create a situation that these bases will become mighty valuable property and almost out of reach to the young farmer starting in?

Secretary FREEMAN. They will be in the same category as——

Mr. ANDERSEN. Tobacco allotments.

Secretary FREEMAN. On, let us say, an allotment on wheat such as that we have now. You can't produce wheat unless you get an allotment.

Mr. ANDERSEN. But under this proposal, are you taking away the right of any American farmer to engage in dairying?

Secretary FREEMAN. No, I think he would, of course, have to get a base, just like he would have to get the land and buy the cows.

Mr. ANDERSEN. Now, suppose there is not a base available in that particular county for sale or for transfer, then what, Mr. Secretary?

Secretary FREEMAN. Then, he couldn't start producing dairy products.

Mr. ANDERSEN. Then, he couldn't start producing.

Mr. WHITTEN. Will the gentleman yield to me at that point?

Mr. ANDERSEN. Yes. This is very basic, Mr. Chairman.

Mr. WHITTEN. I appreciate the gentleman yielding to me. I know through the years we have both been interested in the welfare of agriculture, as have other members of this subcommittee.

One of the most difficult things that we have had to deal with in any kind of agricultural laws is this matter of controls, and how new people can have any opportunity to enter farming.

I do think that this question is appropriate.

But there is this point: If it reaches the point where in any of these areas the allotment is so valuable that you cannot buy it at any reasonable price, would that not be a basis for an expansion of the total amount?

As Mr. Andersen has said, in a given county or area, the allotment could become so valuable you could not buy it at any kind of reasonable price. Certainly I think anybody in your position would feel obligated to expand the allotments in that event, would they not?

Secretary FREEMAN. Yes, sir. I think that is a very important point.

Mr. HORAN. There are two factors, I think, that have to be recognized in this regard, if you will yield.

Mr. ANDERSEN. Go ahead.

Mr. HORAN. One is that if the dairy industry is not flourishing I should think that would affect the so-called value of the right to produce.

Mr. ANDERSEN. That is entirely correct.

Mr. HORAN. So it is a basic fact that has to be taken into consideration.

Mr. ANDERSEN. Mr. Secretary, you can assure the subcommittee then that in your opinion it would not be too difficult for a man starting in farming to secure some kind of a base for dairy operations?

Secretary FREEMAN. It would be no more difficult, I think, if the program were properly administered, than it would be for him to be able to buy land and cows and equipment and go into operation. It would be part of his cost of operating.

If the cost of an allotment became so excessive it would be a pretty clear indication, as the chairman pointed out, that this program had

become unduly restrictive and lucrative, and then the production ought to be increased.

Mr. ANDERSEN. Let's go down the road to that farm 2 miles down that I mentioned, Mr. Secretary, away from this gentleman who does have a base. He decides to try to go back into business. He would like to put some dairy cattle back onto the old home farm. He may have been a big dairy producer in the past.

Now, suppose that man did want to go back in or his sons did want to go back in. Their only method of securing a base would be to try to find some one who had a base available for transfer for certain consideration? Is that about a fair statement?

Secretary FREEMAN. That is a fair statement.

Mr. ANDERSEN. Well, now, is this not going to create almost a monopoly in production, Mr. Secretary?

I know you are opposed to monopolies.

Secretary FREEMAN. The fact that the allotments are transferable prevents it from becoming a monopoly. And, subject to the conditions that the chairman recently described, again the question is one of alternatives.

If the dairy farmers did not wish to have base allotments and wished to have unrestricted production, they could vote in a referendum not to have supply management. But if you are going to have supply management, a part of it necessarily involves some kind of governing of the flow of production.

Mr. ANDERSEN. All right.

Now, Mr. Secretary, that brings me back to my original thesis.

NEED FOR OTHER PRODUCTION ADJUSTMENT METHODS

I have heard both Dr. Cochrane and you yourself say that the present feed grain program has achieved certain results, and both of you gentlemen indicate that it has done a fairly good job.

When we talk about supply and demand in agricultural commodities why do we have to go beyond the original commodity to regulate such supply? Why do you have to go into the dairy production phase and the beef cattle and hog and poultry phases to achieve the result we want?

Why can't you make a definite reduction in producing acreage nationwide—by mandatory methods if necessary—do the job without going into all of these other things?

Why is it necessary to have a long, detailed bill like this when you, as Secretary of Agriculture with your statisticians, could figure the necessary reduction we need in our cultivated acreage over the next few years?

If the Government could take out of production the necessary acreage, why would that not take care of the problem? Then let the farmer produce what he saw fit on the balance and give him a fairly decent support for his production on the remaining acreage.

Now, I am just bringing out here the essence of my "green acres" proposal.

I agree absolutely with you when you get down to the basics, you must make any farm program mandatory to make it work. I do not criticize you for trying to make a farm program mandatory, be-

cause every farmer should share in contributing, if he can, toward a program designed to help his own economy.

In the little booklet put out by the Department of Agriculture recently showing the goals and objectives relative to the new farm program, I had to get down to item No. 6 before there was even any mention made whatsoever about raising the income level for agriculture.

Now to me as a farmer, that is the one big thing. I have got to get more for what I produce. You know that.

I have got a lot of respect for your personal ability. Of course, you do not have the farm background I have. But I think you understand the situation well enough to know that the farmer cannot farm unless he gets a decent price for what he produces.

But why do we have to get into any more controls than absolutely necessary?

Under the "green acres" type of program all you have to do is make mandatory that percentage reduction out of production.

I know it would cut down the volume of feed grains available for producing milk and poultry and hogs and eggs, and it would have a beneficial effect on the market.

I am going to end this discourse, Mr. Secretary, by asking you this: Why is it necessary to have such a complicated proposition before the Congress in order to achieve what you want to achieve?

Secretary FREEMAN. I think that the Congressman asked me three questions. I will try and respond to them.

Mr. ANDERSEN. Take that last basic question, if you will. Why is it necessary, and I repeat, to have a complicated measure of this nature?

Secretary FREEMAN. No. 1, in connection with the parts of this bill that are directed to land use, it is my very strong feeling the policy of the administration in this bill—and I am sure the Congress would concur in it—is that what we want to do is not to retire acres or to have useless acres. What we want to do is to make land serve a constructive purpose.

If we do not need some land, as your green acres bill indicates we do not, I am sure that you would agree that it is much better to have that land available to use it where it is needed and to provide some income, some additional income, to the farmers, rather than to have it just lay idle at a cost of X dollars.

No. 2, you directed a question as to why we would have a program of supply management in dairy. Dairy is, as you well know, the only perishable commodity under support prices.

In the long run, when we successfully direct some land to alternative uses, we may very well have a situation which would not require the management of anything except the basic commodities.

But as long as we are going to have a support price on dairy, we need to have some supply management in connection with it, if that support price is to involve a level with an open end and no limit to the purchasing that the Government is called on to make.

Thirdly, I find much of very real merit in your green acres proposal, but it is my feeling that we need to direct our attention not just to acreages in general while we make this transition but to the specific commodities that are in overabundance.

As such, we need to direct our attention to feed grains and to wheat and the amount that will be produced rather than to merely say that we are going to have X number of acres across the board taken out.

Because if we just have X number of acres taken out, the producers applying modern technology even on those limited acres are going to be maximizing their production, and we are not, I think, going to accomplish our goal.

Mr. ANDERSEN. Mr. Secretary, at that point they are going to maximize it anyhow. I talk from my experience on my home farm in Minnesota.

Every farmer does everything he can to produce everything he possibly can from his acres.

Go ahead, sir.

Secretary FREEMAN. I have concluded my effort to answer that question.

Mr. ANDERSEN. Thank you. You have not, however, thoroughly answered what is in my mind.

Do you not feel you are going a little bit too far afield to take care of secondary things? For example, I believe in recreation, I believe in the proper land use, but that is not the main thing. The main thing is to try to secure a little additional income for the farmer from the commodities he produces. That is what we have to have.

Mr. Secretary, I think you could write a two-page bill and accomplish everything we have in mind with far less disturbance to our agricultural economy, and without the threat of controls and dictation all along the line.

Secretary FREEMAN. There are only three commodities involved in this program, Congressman. Not very many.

Mr. ANDERSEN. No.

Secretary FREEMAN. Wheat and corn, and the only other one is dairy if farmers vote for support prices.

Mr. ANDERSEN. All right. When you talk about corn and when you talk about dairy products, you are touching on nearly every farm in a vast area.

Secretary FREEMAN. We feel that the farmer, the dairy farmer, ought to have the discretion in an election to vote whether he wants to have supply management and higher support prices or whether he will be willing to take a substantially lower support.

Mr. ANDERSEN. Let's get down to the alternatives you offer the farmer on the feed grain referendum. If I understand this incorrectly, please advise me.

EFFECT OF REJECTION OF SUPPORT PROGRAM BY FEED GRAIN PRODUCERS

You say to the feed grain producer, "You either take this or you get nothing." Is that about it?

Secretary FREEMAN. We are saying take the support price under supply management, or take the free market.

Mr. ANDERSEN. Or the free market?

Secretary FREEMAN. That is correct.

Mr. ANDERSEN. Is that not a little harsh? Is that not outdoing Ezra Benson?

Secretary FREEMAN. No, sir.

Mr. ANDERSEN. At least Ezra Benson gave us 60 percent of parity.

Secretary FREEMAN. Quite to the contrary, we got into the position we are in right now with some 2½ billion bushels of feed grains under loan or on hand. The rather difficult posture of agriculture before the Nation grew from an effort to try and have low support prices, which you did not favor. And the net result was enormous production which the Government took on.

I submit to you that low support prices and uncontrolled production are no solution and provide the farmer in the long run with no alternative.

Mr. ANDERSEN. You do not have to sell me on that. Low support prices never did anyone any good.

Mr. Secretary, what would happen now if such a referendum were voted down? You are asking for two-thirds vote, are you not?

Secretary FREEMAN. Yes, sir.

Mr. ANDERSEN. You are telling the farmers, and now I am speaking about feed grains, "You either take this or all supports go off."

Secretary FREEMAN. Yes, sir.

Mr. ANDERSEN. You do not want to gamble with the agricultural economy, do you, Mr. Secretary?

Secretary FREEMAN. No, sir.

Mr. ANDERSEN. I know you do not.

Secretary FREEMAN. That is why we make this proposal.

Mr. ANDERSEN. I think you are. If that happened, if, say, 35 percent voted "no," and all supports went off, we would see chaos, would we not, in the feed grains?

Secretary FREEMAN. Yes, sir.

Mr. ANDERSEN. All right.

Secretary FREEMAN. What is the alternative, Mr. Congressman?

Mr. ANDERSEN. There again I want to compare what you offer the feed grain farmer to what you offer the dairy producer. Now, you are not leaving him to the wolves. You give him an alternative. You say, "Well, if you do vote down the referendum, we will still spend \$300 million"—as I understood Dr. Cochrane the other day—"on supports on dairy commodities. We are not going to let you go entirely to the wolves."

You are talking to the dairy farmers.

"We are still going to help you, and we are going to give you a moderate support."

Why can you not do the same thing for the producers of feed grains, Mr. Secretary? I have many good dairy farmers in my area, but why show special privilege to them as compared to my feed grain producers?

Secretary FREEMAN. Well, let me attempt to answer this question and preface my answer by saying that we need necessarily to deal not in abstractions but in practical realities.

The Congressman is a partner in a corn farm. I am also a partner personally in a dairy and corn-hog farm, and, therefore, I can assure you that there are no kind of prejudices or favoritisms involved whatsoever, but a recognition of the practical realities, motivated by a desire to help insofar as we can, and not to drag someone down but rather to try and move everyone up.

With that preface, I would say there is a very practical difference between the application of a program to corn and to dairy. And that difference is:

We have and will be able to make efficient and effective use through domestic distribution and our food-for-peace program of approximately \$300 million worth of dairy products. We will be able through that medium, because of the nature of the marketing structure, to provide some substantial help to the dairy farmer with this level of expenditure.

On the other hand, we do not have the same market outlets for corn where we can get the same response we will be able to get in the dairy area.

Our ability to utilize corn under the food-for-peace program is as yet very modest. Hopefully, it will grow.

Mr. ANDERSEN. When you talk about corn——

Secretary FREEMAN. May I finish?

Mr. ANDERSEN. You are speaking about feed grains?

Secretary FREEMAN. Yes, sir. Feed grains.

Also we do have a very, very substantial stock of feed grains on hand.

If the Congressman suggested that we ought to have a program that would involve expending \$300 million for helping the corn farmer as we would seek to help the dairy farmer, I would only respond by saying I am afraid that \$300 million would not have very much effect. In the case of dairy products it would have a very useful effect and would substantially strengthen the price.

Mr. ANDERSEN. If you permit me, Mr. Secretary, I do not agree with you on that last premise.

Secretary FREEMAN. May I——

Mr. ANDERSEN. I think, Mr. Secretary, if you would allocate \$300 million to the support of corn and feed grains on, say, a 70 percent or 72 percent support basis that you could pay for such supports with that \$300 million.

That is just my personal opinion. If I am wrong I would be glad to be advised of it.

Secretary FREEMAN. I would respond further, if I may, in answering this question.

Mr. ANDERSEN. I am just going back to the alternative, sir, again. I mention this keeping that in mind.

Secretary FREEMAN. I am saying this: That I do not consider that this is a harsh choice. Quite the contrary. I think it is giving the farmer an opportunity to make a choice.

The combination of low support prices and unrestricted production is what we saw attempted the last 8 years, and I do not think we can continue this way. I believe that to just stumble along until finally a program is voted out would be a disservice to the farmer and that it is only fair to present him with the real alternatives, which are a decent support price with supply management or the free market. And this is where we are going to go sooner or later.

Mr. ANDERSEN. Mr. Secretary, let's get back again to what the chairman touched on. Neither you nor I are advocating any 60 percent price supports. When I talk about 72 percent, it is only as the basis of a very moderate price support that could be used as an alternative, Mr. Secretary, to prevent the corn market or the feed grain

market from collapsing entirely in case the vote on the referendum did not carry.

I certainly do not want to leave the impression that I am in favor of anything like the previous Secretary of Agriculture advocated.

Mr. Chairman, I have enjoyed discussing this problem with the Secretary. I think we have added to our knowledge. I know personally I have.

Secretary FREEMAN. I certainly have.

Mr. ANDERSEN. Especially in connection with that 25-acre provision that disturbed me quite a bit.

Secretary FREEMAN. Yes, sir.

Mr. ANDERSEN. I think we have added to our knowledge about this proposed legislation.

Mr. Chairman, I would like to express my appreciation to the Secretary for the very candid answers that he has given to this subcommittee this morning.

Mr. WHITTEN. I have listened with a great deal of interest to the questions and answers in connection with these programs.

As I have indicated earlier, with any farm program there are many places for disagreement. I differ with many of the things that have been proposed, and if I wrote the law I am sure that many would differ with me, too.

But, we do know that, with consideration of any bill, questions and answers as to how it applies give the Congress a more intelligent basis on which to act.

I think we all can agree that our friend and colleague from Minnesota has dealt with many prior programs. Not only has he had his experience here but also his own farm experience back home.

Mr. Santangelo, if it is agreeable, I will let you question at this time.

Mr. SANTANGELO. Thank you, Mr. Chairman.

EFFECT OF REJECTION OF SUPPORT PROGRAM BY DAIRY FARMERS

Congressman Andersen raised a question. I do not know whether I understood the answer or whether you gave the answer to it. I think he indicated if the corn farmers rejected the program there would be no price supports for them and that if the wheat farmers rejected the program there would be no price supports for them but that if the dairy farmers rejected the program that there would be a low price support for them under the old program.

Secretary FREEMAN. Yes, sir.

Mr. SANTANGELO. What I am asking is: Did you give an explanation as to why the difference in treatment of these various farmers?

Secretary FREEMAN. I tried to. I hope that I did. I will repeat it if the Congressman would like.

Mr. SANTANGELO. If you would, I would appreciate it.

Secretary FREEMAN. I answered that question by stating that we deal with the practical alternatives of what, as a practical matter, we can accomplish, guided by an effort to help everyone to move all of agriculture up rather than ever to just move any part down.

In the case of dairy products, we have useful and efficient outlets for up to \$300 million worth as a part of our purchase programs, both

in our domestic programs, with which you are familiar, and our food-for-peace program.

In addition, the amount of \$300 million, which is set down as a maximum, would have a substantial strengthening effect to the price that dairy farmers would get.

Corn must be distinguished from this because of the circumstances that, first, the market for corn, which is primarily consumed by animals rather than humans, does not have the same kind of outlet, for example, in the food-for-peace program that dairy products have.

Secondly, the amount of \$300 million expended in an effort to strengthen corn prices, due to the difference in the commodities and way of handling, would not serve any useful purpose as it would in strengthening dairy prices.

It comes down to the fact that commodities are different, the marketing structures are different, the outlets are different, and, in this instance, we can be of substantial assistance to dairy farmers within that budgetary limit and we cannot to corn farmers.

Mr. SANTANGELO. I thank you for that explanation.

ACCURACY OF FIGURES ON FARM SURPLUSES

Mr. Secretary, in prior testimony in connection with an inquiry by me as to the volume of commodities in the Commodity Credit Corporation there was furnished a chart indicating the quantities of the basic commodities and the value of the commodities.

With respect to the item of corn it indicates that as of December 31, 1961, the volume was 1.412-plus billion bushels of corn as compared to a volume of 1.471-plus billion bushels of corn as of December 31, 1960.

With respect to the commodity of wheat, it indicates as of December 31, 1961, there was in volume 1.130 billion bushels of wheat as compared to a quantity of 1.132 billion-plus bushels of wheat as of December 31, 1960.

In dollars it indicates that the volume for wheat as of December 31, 1961, was \$2,236 billion-plus as compared to \$2,314 billion as of December 31, 1960.

I mention these things in detail because I see in today's New York Times, February 14, 1962, an article entitled "Kennedy Disputed on Cut in Surplus." It quotes that one of our colleagues in the coordinate branch of Government, Mr. Williams, charges there was a juggling of these farm surpluses to show that there was a reduction in farm surpluses, whereas in truth and in fact with the exception of cotton that there was an increase in farm surpluses.

I would like, Mr. Secretary, for you to give us an answer with respect to the serious charges which Senator Williams has made in view of all the facts and circumstances we have.

Secretary FREEMAN. I am pleased to receive this question, and I hope there will be an appropriate response to it in the Congressional Record because, rather than the Secretary of Agriculture and the administration juggling figures, Mr. Williams is the one who has been doing some figure juggling.

He picks, of course, a selected date out of the air and fixes on it to make certain accusations.

I would answer this to say that, No. 1, the stated value of commodities on the Commodity Credit Corporation's books have been adjusted to show more realistically the real value of what we have on hand, and there has never been any contention made—and this has been carefully footnoted—that this represented any big draw-down by virtue of lower dollar values.

Instead, it seemed to me from a pure business standpoint that our inventory ought to reflect the value of what we have on hand and not a lot of charges that have been accumulated over the years by way of interest and storage and movement.

So, therefore, we have sought to value soundly our inventory without any contention that it represented at any time any decrease in physical stocks on hand.

That's the first answer.

Secondly, the contention that there has not been any decrease in the feed grain surpluses—which is the figure to which Mr. Williams has directed a good deal of attention. He merely took a given period of time which would run high in light of the heavy carryover from the 1960 crop that we were taking over that had been under loan and, as such, the figures as of December 31 are not at all representative of what the final figures will be when the crop and fiscal year are closed.

Our best estimates now are that there will be a drawdown in feed grain stocks of 273 million bushels and that this will include 200 million bushels of corn.

As such, we are proud of the fact that we have for the first time begun to move in the direction of accomplishing some balance in these feed grain stocks.

Further, if it had not been for the feed grain program there would have been an addition of about 800 million bushels? Is that right, Mr. Beach?

Mr. BEACH. Additional production. That is right.

Secretary FREEMAN. Additional production of 800 million bushels. And there would have been an additional carryover, an addition to the surplus, of 500 million bushels instead of the reduction of 210 million we expect this marketing year.

Mr. HORAN. Will the gentleman yield?

Mr. SANTANGELO. Yes. I yield to the gentleman.

Secretary FREEMAN. Let me get this straight now. We were working over the figures last night late.

The decrease in production due to the feed grain program will have been 794 million bushels. The decrease of the carryover will be 210 million bushels. This is just corn and sorghum now. Or 273 million bushels if we add other feed grains. And the decrease—

Mr. BEACH. That is from an earlier year.

Secretary FREEMAN. Yes. And the decrease due to the feed grain program from what it would have been without the program is 700 million bushels.

Mr. HORAN. If the gentleman will yield, you are not saying though that in terms of the national debt and in terms of the overall budget that we do not have to charge interest rates and storage charges some place?

Secretary FREEMAN. Oh, no, sir. No; it was merely to say that to continue to carry a valuation on it which climbs with the addition

of carrying charges on commodities that has been in stock for 7, 8, or 9 years is an artificial or misleading inventory figure.

Mr. HORAN. The reason I asked my colleague from New York to yield is that we are troubled with some of the end uses and some of the aspects of some of our food for peace and school lunch and a few other programs, that they theoretically perhaps should be charged to another budget.

But since they originated under the Department of Agriculture or Commodity Credit Corporation, I think we will just have to frankly and honestly face up to the fact that the costs are there.

That is all. Thank you.

Mr. SANTANGELO. Mr. Secretary, I do not know when you or someone for you is going to insert in the Congressional Record a full response. I think it might be appropriate that the same answer that goes in the Congressional Record would be incorporated in your testimony here.

Secretary FREEMAN. There will be a response.

Mr. SANTANGELO. So a person might be able to get a true comparison.

(The following statement was submitted:)

COMMENTS ON STATEMENT BY SENATOR WILLIAMS OF DELAWARE

Statement by Senator Williams

Comment

"The Kennedy administration is boasting a \$1½ billion reduction in its inventories of surplus agriculture commodities."

"On January 12, 1962, the Department issued a report stating that as of November 30, 1961, the total investment of the Commodity Credit Corporation in price-support loans and inventories amounted to \$7,647,236,000 and called attention to the fact that on December 31, 1960, the investment of the Commodity Credit Corporation in surplus agriculture commodities had been \$9,228,604,000. Thus they showed a reduction of agriculture commodities during the first 11 months on the New Frontier of approximately \$1½ billion."

The President, in his farm message as sent to the Congress under date of January 30, 1962, called attention to the fact that the Government stocks of farm products have been reduced for the first time in 9 years and when his administration had taken over early last year the inventories had amounted to over \$9 billion. I quote from his message:

"By the beginning of 1961—when the emergency legislation was introduced to reduce inventories—the Commodity

No such claim has been made. The Senator apparently has taken two statements made at different times in different contexts and derived therefrom his contention.

The official monthly press release on CCC Operating Results and Status of CCC Price-Support Program as of November 30, 1961 issued on January 12, 1962 (copy attached) makes no reference whatsoever to investment as of December 31, 1960. Furthermore, it sets forth in complete detail the facts concerning the inventory revaluation made as of June 30, 1961. In the only comparison that is shown between values as of November 30, 1961, and November 30, 1960, it is specifically pointed out that while the "investment" figures for inventories are on different bases, the "net book value" figures are comparable. No comparisons of "investment" in individual commodity inventories was included in this press release.

The statement made in the farm message was correct in stating that the loans and inventories as of the beginning of 1961 had amounted to over \$9 billion. This was the amount invested as of that time and as reported at that time including accumulated carrying charges on inventories. The Senator's statement that the amount represented "inventories" is incorrect.

The statement by the President in his press conference was made in an entirely different context, comparing the

Statement by Senator Williams

Credit Corporation had over \$9 billion in loans and inventories.”

In his press conference of February 1, when commenting upon the excess inventories in our strategic stockpiling program he referred to the value of our surplus farm products now in storage as being less than \$7.7 billion.

Last year the New Frontier administration under its feed grains program spent nearly \$700 million, paying the American farmers to reduce their acreage of feed grains—corn, sorghums, et cetera—but this program was a dismal failure as evidenced by the fact that instead of getting a reduction of 20 million acres of corn—based upon their own report—the 1961 corn acreage was reduced by only 15.4 million acres.

Thus, in 1961 the Secretary of Agriculture paid over \$150 million for the removal from production of 4½ million phantom acres, acreage which never would have been put in feed grains anyway.

To cover up this multimillion-dollar failure the Kennedy administration has merely changed its bookkeeping system, and after juggling a few figures they now come up with the fantastic claim of a \$1½ billion reduction during the first 11 months under the New Frontier administration in the Government's investment in inventories of surplus agriculture commodities.

In fact, instead of a \$1½ billion reduction there have actually been increases in the Government's stockpile of practically all commodities except cotton.

This is how the books were juggled to create this false impression.

Comment

current investment in farm commodities with the investment in stockpile inventories. This statement was correct and there was no need to allude to the change in inventory accounting policy made as of June 30, 1961. This change has been clearly described in monthly press releases on CCC Operating Results and Status of CCC Price-Support Program each month, in the CCC Monthly Report of Financial Condition and Operations and was most fully described in a special press release on September 28, 1961. It has also been fully described in the monthly reports of the Byrd Committee on Reduction of Nonessential Federal Expenditures on Federal Stockpile Inventories.

Corn producers participating in the 1961 feed grain program diverted to conservation uses 19.1 million acres of corn acreage for payment. In addition, these same producers underplanted their permitted acreage by 4.0 million acres, for no payment. Thus, participating farmers actually reduced corn acreage by 23.1 million in exchange for diversion payments on 19.1 million acres.

No money was paid to producers except for land actually diverted to conservation uses.

There is no connection whatsoever between the change in inventory accounting policy made as of June 30, 1961 and the success of the feed grain program. The accounting policy change was discussed at length with other agencies of the Government, including the GAO, the Budget Bureau and the Treasury before it was made. It had their concurrence. It was made to provide a more realistic statement of the real value of inventories owned by the CCC, and a more realistic statement of the current losses and costs realized by the CCC on its price-support operations.

Essentially, all increases in inventories, except those of dairy products, which occurred during the “first 11 months” of this administration reflected acquisitions of commodities from 1960-crop price support programs initiated by the previous administration.

The inventory of corn in bushels was at an alltime peak at November 30, 1961. This peak was caused by the takeover from the 1960-crop price support program. The eventual takeover from that crop will set an alltime record

The actual figures prove that there can be no possible justification for the fictitious claim that under the New Frontier they have reduced the inventories of wheat, corn, and grain sorghums by around \$1.4 billion during the first 11 months of their administration. The fine print in their own books shows actual increases in inventories of all three commodities.

This fictitious claim of a \$1½ billion reduction in inventories of surplus agriculture commodities was for no other reason than to cover up the fact that the Kennedy administration's feed grains program of 1961 was a complete fizzle and to kid the American taxpayers and in particular to fool the American farmers into believing that they are actually making progress under the New Frontier's agricultural program.

At a time of the year when the Federal Government is expecting all American taxpayers to render a proper accounting of their 1961 earnings the

as a direct result of programs initiated by the previous administration.

Essentially, the same facts apply to grain sorghums. The takeover from the 1960-crop program of the previous administration was exceeded only by the 1957 and 1958 crops in that same administration.

These inventories which the Senator cites would have been higher than they were had the present administration not sold feed grains to redeem payment-in-kind certificates under the 1961 feed grain program, and had it not increased the use of surplus commodities in feeding needy persons.

Actually, if the Senator had used the December 31, 1961, accounting figures which were made available for his particular use in advance of normal publication, he would have revealed the beginning of the decline in inventories of corn and sorghum which is resulting from the 1961 program. This decrease will continue and by the end of the 1961 crop marketing year the national stocks of corn and grain sorghum will have decreased further. Additional decreases in total stocks will be realized as a result of continuing the program into the 1962 crop.

Not only has no one in the administration claimed a reduction of \$1.5 billion in 11 months in total CCC investment in price-support loans and inventories, or in inventories alone, but neither has anyone claimed a reduction of around \$1.4 billion in wheat, corn, and grain sorghum inventories in 11 months. It has been and is claimed that the carryover stocks of feed grains will be reduced this marketing year for the first time in nearly a decade, due to the successful operation of the 1961 feed grain program. The increases in quantities held results from takeover of 1960 crop grains from the price-support program initiated by the previous administration.

No such claims have been made. The 1961 feed grain program has been a signal success and is meeting all the objectives hoped for when the authorization was enacted by Congress in March 1961.

The Commodity Credit Corporation monthly Report of Financial Condition and Operations represents a most complete and full disclosure to the public

*Statement by Senator Williams**Comment*

least the administration could do is to be equally as honest in reporting to the people on its own operations.

at large of CCC financial operations and operating results on a regular basis. It includes no unfair or unwarranted comparisons such as those made by Senator Williams.

Considerable work was involved in converting previously reported data to the current basis of valuation. However, sufficient progress has been made to permit the press release on CCC operations (which is issued each month) to include for December 31, 1961, investment values for December 31, 1960, on a comparable basis to those for December 31, 1961.

MR. SANTANGELO. I want to state in earlier testimony by Mr. Grant in discussing the budgetary items I asked for not only the volume in the Commodity Credit Corporation between December 1960 and December 31, 1961, but my colleague, Mr. Horan, also suggested that the total cost be set forth so that we could get a true comparison.

I want to state on page 73-A of the testimony, which I have before me, on the designated nonbasic commodities, there seems to be an increase in the value in the inventory from \$775 million as of December 31, 1960, to \$898 million on December 31, 1961, or an increase in value in the Commodity Credit Corporation for the designated nonbasic commodities of \$123 million.

So it indicates that there is no juggling but an actual presentation of the facts whether it was good or bad.

I am very happy to see this information, because this is something I think the public as well as the committee would like to know, as to where the Commodity Credit Corporation is going and what the volume is and what the taxpayer is paying because of this farm program.

COTTON ALLOTMENTS

I want to leave that subject and go on to something that is in line with what Mr. Andersen was talking about with respect to the cotton program.

It is my understanding where an allotment is made to a State and where a farmer retires from the cotton business that the allotment to him is not lost but it is divided among the other participating cotton farmers.

The history of the cotton program indicates that many small cotton farmers have gone out of business and the total overall allotment has not been decreased and that the cotton farmers are getting bigger.

Is there any reason why or any justification why the allotment given to a small farmer who goes out of business should not be canceled out in view of the fact that the purpose is to reduce the amount of cotton?

Secretary FREEMAN. Well, actually, we are not in a surplus position where cotton is concerned, and the acres that have been allotted for production are in excess of the minimum acreage.

The minimum acreage is some 16.3 million acres. The allotment, if I recall correctly, is 18.1 million acres, designed to produce an adequate amount of cotton for domestic and foreign markets.

As such, we do not face the same problem of oversupply in cotton that we have in the basic commodities that we considered here this morning. So they are different in that respect.

Mr. SANTANGELO. In other words, the allotment of the retiring farmer is allocated and taken up by the cotton farmers who remain in the business?

Secretary FREEMAN. Well, it is my understanding that the cotton allotment would go with the farm if someone chose to farm it. If it was not farmed and if a cotton allotment is not used, that allotment would go to the county committee for reassignment within that county or to the State committee for reassignment within that State for someone who did wish to use it.

SUBSIDIES OF THE COTTON INDUSTRY

Mr. SANTANGELO. The reason I raised the question is that some of my colleagues in the House have indicated their displeasure with the increasing subsidies of the cotton industry to less and less number of cotton producers and feel that a great deal of the expenditure is going to fewer and fewer cotton producers and not to all the cotton farmers, and some of the small cotton farmers have had to go out of business.

I raise this because particularly one Congressman was very much disturbed about the great amounts of money going to a small select group of cotton farmers.

Secretary FREEMAN. I think that it is true that there are fewer very small cotton allotments than there used to be, just as there are fewer small farmers in the Midwest. The tendency has been toward a larger operation.

But that does not mean at all that we see the cotton support program redounding to the benefit of enormous corporate farms or large holdings.

FAMILY SIZE FARMS PRODUCING COTTON

There are many thousands, hundreds of thousands, of families, family-sized farms, producing cotton where it is very important to their continued operation as a part of diversified farming.

This is not a program that redounds only to the benefit of a handful of people.

Mr. SANTANGELO. Well—let's take the State of Texas—it is indicated that fewer farmers, cotton farmers, are in the business, and the amounts going to the individual farmers are getting larger and larger, whereas the small farmer has practically gone out of business in the cotton field.

Secretary FREEMAN. Well, I would hesitate to comment too explicitly on Texas. There certainly has been a movement toward larger holdings in cotton.

But I think fundamentally the question which you address to me is one of small farms versus large farms, and how our programs support or fail to support them.

I think we need to have in mind in this respect a very important fact: That about 1.5 million farms in this country produce 87 percent of our food and fiber.

About 2.2 million farms produce less than 13 percent.

Now, where 1.5 million farms are concerned, the overwhelming majority are family farmers. Adequate price is of extreme importance to maintaining the operations, which are both highly efficient and represent a very important segment of our economy.

Where the 2,200,000 farmers are concerned, price is, of course, a consideration, but in this instance the greater consideration is one of bringing more resources to farmers in these areas. By and large they do not have adequate resources, no matter what prices might be, to earn an adequate living.

And so we address ourselves to the problem primarily in terms of bringing more resources, though price is part of that problem.

In this area there has been a very sharp decrease in the number of these small farmers. There has been and, we hope there will continue to be, an increasing tendency for them to find alternative and outside sources of income to supplement what would always be a marginal farming operation.

Where the 1 million farmers are concerned, price and the economics of this is of the essence because these are real family farms that are both highly efficient and represent an important social and political entity in the country as well.

SHIPMENTS OF WHEAT TO INDIA

Mr. SANTANGELO. Mr. Chairman, Mr. Secretary, with respect to the wheat problem, in the month of November I think our Nation was deeply shocked by the action of India in invading Goa and I received a few complaints about our generosity to India in giving and selling to India wheat for local dollars and they were using some of these funds which they might pay for wheat for the purposes of invasion of an enclave.

I wrote to you on December 22 and I received a reply from Assistant Secretary Mr. Duncan regarding the situation.

I would like, Mr. Chairman, to have this letter from me to the Secretary of Agriculture, Mr. Freeman, and the reply from the Acting Secretary, Mr. Duncan, to me, placed in the record.

Mr. NATCHER. Without objection, they will be inserted in the record at this point.

(The correspondence referred to follows:)

DECEMBER 22, 1961.

HON. ORVILLE FREEMAN,
Secretary of Agriculture,
Washington, D.C.

DEAR MR. SECRETARY: The use of military forces by India in invading Goa and the Portuguese enclaves is an expensive and aggressive act. I believe that our abundance and surplus agricultural products should not be used to aid a belligerent nation which invades the neighboring territory, thereby endangering world peace.

In 1960 our Government assured India that it would sell a quantity of wheat for local Indian currency under Public Law 480. The funds, as you certainly know, can be spent by us only in India. In view of India's aggressive action and diversion of its own funds to warlike activity, it seems unwise and foolhardy on our part to continue to "donate" foods to India. I favor, under the circumstances, immediate termination of this program of "donated" wheat.

I respectfully request that you furnish me with information as to how much wheat our country has delivered to India under this program since 1960, how

much more wheat we are committed to deliver, and what are the legal prospects of terminating this program now.

Sincerely,

ALFRED E. SANTANGELO, *Member of Congress.*

DEPARTMENT OF AGRICULTURE,
OFFICE OF ASSISTANT SECRETARY,
Washington, D.C., January 12, 1962.

HON. ALFRED E. SANTANGELO,
House of Representatives.

DEAR MR. SANTANGELO: This is in reply to your letter of December 22, concerning the status of shipments of wheat to India under title I, Public Law 480.

The May 4, 1960, title I agreement with India provided for the sale of \$965 million worth of wheat (approximately 16 million metric tons) for delivery during the 4-year period ending June 30, 1964. Of this amount, about \$297 million worth of wheat has been shipped, leaving a balance of about \$668 million of wheat for delivery prior to June 30, 1964.

The agreement also provides for the sale of \$116 million worth of rice over the 4 years. About \$42 million worth of rice has been shipped to date, leaving a balance of about \$74 million.

In addition to the wheat and rice, the agreement provided \$87 million for the shipment of other agricultural commodities—cotton, edible oil, tobacco, and feed grains—during U.S. fiscal year 1961. Shipments of these commodities have been completed.

With respect to the legal prospects for terminating the 1960 Indian title I agreement, paragraph 4 of article I of the agreement provides that "The two Governments agree that the issuance of purchase authorizations for wheat and rice providing for purchase after June 30, 1961, shall be dependent upon the determination by the U.S. Government that these commodities are in surplus supply and available under title I of the act at that time. The U.S. Government shall have the right to terminate the financing of further sales under this agreement of any commodity if it determines at any time after June 30, 1961, that such action is necessitated by the existence of an international emergency."

Please let us know if we can be of further assistance to you in this matter.

Sincerely yours,

JOHN P. DUNCAN, Jr., *Acting Secretary.*

CAPONETTES AND HAMBURGERS

Mr. SANTANGELO. Mr. Secretary, the State of New York this last week was shocked by a few announcements by the commissioner of the department of markets in regard to the inoculating of caponettes and the amount of fat in hamburgers.

As I recall it, there were certain ingredients inoculated into caponettes which it was said could induce cancer, and the fatty substances in the hamburgers were so overweighted that the consumer was being short-changed.

This gives rise to this question: Is this a local situation or is it nationwide? And is your Department doing anything with regard to the issue of injecting the poultry with some substances which might be cancer-producing or is your Department doing anything with respect to the amount of fatty substances being put in hamburgers?

Secretary FREEMAN. May I check these questions out? I am not able to answer specifically in connection with this at this moment.

Mr. SANTANGELO. The action taken by the commissioner of markets, I think, might indicate that similar things are going on across the country, and I think your Department, which has jurisdiction as I understand it, should make inquiry as to what the practice is across the country.

Secretary FREEMAN. If I may, Congressman, I will respond to this question in detail following the noon recess.

So far as the Department of Agriculture is concerned, our inspectors would have required compliance with the law and regulations for any meat or poultry products leaving the inspected plant, and I am sure that the injection of any chemicals that would be deleterious to human welfare would be immediately a ground for rejection. Specifically what we are doing, I will bring to your attention immediately.

Mr. SANTANGELO. Thank you.

WATER CONTENT OF HAMS

Now, with respect to the question of the imitation ham order by the Department of Agriculture, last year you know the public was exercised by the few articles under the consumer magazines about the great ham robbery, about the pumping of water into ham.

I think I communicated with your Department asking investigation into the amount of water being pumped into ham.

I think your Department then issued an order saying that some of these hams which had water pumped into them would be labeled imitation ham.

Secretary FREEMAN. That is right.

Mr. SANTANGELO. It is my understanding that the courts today struck down the order as being arbitrary. In view of that decision, what action does the Secretary contemplate to protect the consumer from excess water in hams and protect the consumer from the selling of ham under conditions which are not giving them, in my opinion, a fair purchase at a reasonable price?

Secretary FREEMAN. We have made a motion and filed a petition before the circuit court of appeals asking for a rehearing by the full court in this matter.

I would not presume to comment on the opinion of the three-man court who rendered a judgment except to say that we felt that this matter was of sufficient importance and conceivably, as a question of fact, had been misunderstood so that it should be heard by the full seven-man circuit court of appeals.

I might add that labeling watered ham as imitation ham is something that was done by the Department for 10 years prior to the order of my predecessor about 2 years ago that it should no longer be so labeled; and, therefore, this has not been something new as far as the Department is concerned.

Mr. SANTANGELO. Mr. Secretary, as far as I read, not the case itself but the comments in the newspapers regarding the decision, it seems to me that the basis for striking down your order was the fact that they said the Food and Drug Act prevents false labeling and that this might be considered false labeling.

Would you think that you may need legislation to authorize an order on your part if the court decides to sustain the viewpoint? Then if you come to that point you may need legislation in order to authorize you under certain circumstances to give an order such as the one you have already issued?

Secretary FREEMAN. This could well be, Congressman. If the present opinion were sustained, it would mean that instead of labeling ham as imitation ham we would label it as ham, water added, or some such thing, which it was our judgment did not give the consumer adequate notice.

Mr. SANTANGELO. I have discussed the question of pumping water in ham with the meat industry, and, of course, they feel that it is necessary to preserve the structure of the meat, the ham, and also to give it body.

In further discussion, some of the meat producers have indicated that if the phosphates were prevented from being put in the ham that the water would run out and that you would solve the problem because then if you pumped water into the ham the water would not remain in there and that the consumer would not be defrauded.

And another further point that they have made, and I throw it open to you for consideration, is the fact that in interstate commerce they are being discriminated against because there is favoritism to the local man who produces, who sells within a State, and this regulation does not apply to them.

They indicated that if an order was out that they could not use phosphate or nitrogen or whatever type of phosphate that they use, then the water would run out and the people in intrastate business as well as those in interstate would be treated alike and there would be no unfairness as between them because then the water would be out and the meat would not spoil because all that the phosphate does is to give it body and give it a redness which makes it a better selling product.

I would like, Mr. Secretary, now or after you discuss it with some of your members to comment upon whether we can solve the problem of the water in the ham by ordering the elimination of phosphates from the hams.

Secretary FREEMAN. I will surely look into that. That, I am sure, has been reviewed.

(The following statement was submitted by the Department:)

A ham will retain added water through the curing process whether or not phosphates are used. However, when hams containing added water are heated, either in the smokehouse, in the can, or in the home, there will be less leakage in those in which phosphates were used in the curing process. To deny the use of phosphates would not, in the opinion of the technical experts in the Department, solve the excess moisture problem as some meat producers have indicated.

Mr. SANTANGELO. Well, meat men who know the business have told me it could be that way and it would be fair as between the local man and the interstate individual.

Secretary FREEMAN. It would not make any difference on the intrastate man because this is a legitimate complaint by the packing people that we, of course, only reach interstate, and intrastate operations are free to put as much water as they want in a ham and there is nothing we can do about it under present circumstances and this is a legitimate complaint. After long and careful thought and public hearing I came to the conclusion that—well, may I put it this way: A long time ago, during, oh, I guess it was during or just before World War II, there was a lady who wrote poems that I could never quite understand. Gertrude Stein was her name. And she had one that was very well known and it went something like this: "A rose is a rose is a rose is a rose."

Now, that never seemed much like literature or poetry to me.

Well, I would say here, "A ham is a ham is a ham is a ham is a ham." And that is not water.

Therefore, even though there is this conflict intra- and interstate, we ought not to compound the misleading of the consumer. In other words, two wrongs do not make a right.

USE OF ANTIOXIDANT IN SAUSAGE

Mr. SANTANGELO. In connection with this same problem, I received a letter on November 17, before the decision by the Court, from a meat distributor producing sausage, Eatwell Provisions, Inc., in connection with his desire to develop the sausage under the supervision and after the approval by the Department of Agriculture and trying to insert an antioxidant so as to eliminate the rancidity of the sausage.

He could not get approval, but he thinks that the Department is in error, but he did say that the Department requested that he label his sausage "imitation sausage."

The gist of his complaint is that if he labels it "imitation sausage," which it is not, there is not any opportunity for him to sell it or to produce his product and get it to the consumer.

I would ask permission, Mr. Chairman, to insert this letter from Eatwell in the record. After you look at it, Mr. Secretary, if you care to reply to it, I would appreciate an answer to the letter to me.

Mr. NATCHER. Without objection, the letter will be inserted at this point in the record.

(The matter referred to follows:)

EATWELL PROVISIONS, INC.,
New York, N.Y., November 17, 1961.

HON. ALFRED E. SANTANGELO,
Congress of the United States,
House of Representatives,
Washington, D.C.

DEAR MR. SANTANGELO: As food is the most important factor in keeping a person alive, it is of utmost importance that I as a manufacturer, and you as a Member of Congress who is also on the Agricultural Committee, see to it that every product manufactured is fit for human consumption and not adulterated in any way which would be harmful to a person having a weak or poor digestive system.

I know for a fact that many manufacturers under local inspection in New York and New Jersey, who come under the jurisdiction of the board of health are using chemicals to maintain a very bright color which gives the product a fresh-looking appearance. One of the most harmful of all chemicals is called sodium sulfite which is used by undertakers for embalming a body so it would not decay while in state.

You are well aware that the board of health is doing everything possible in correcting this situation and is really doing a terrific job, but, however, they are so undermanned that it is an impossibility to catch these people who persist in using chemicals.

As you are well aware, of the USDA, whose main rule is to see that all meats are fit for human consumption and not adulterated in any way which could cause harmful injury to human and animal life, are also doing a splendid job, but it all ends when a manufacturer comes under local inspection and not Federal. When a manufacturer is finally caught using such a chemical, he is given a summons and appears in court and is generally given a \$50 fine with a warning not to use anything that does not conform with the board of health rules. I know for a fact, several violators who have been given summonses more than once and are still operating in the same fashion.

We who manufacture under Government inspection, are proud to present our products for sale, but we are met with such stiff opposition because the local competitors present a sausage that holds up much longer than ours, and the price is so much cheaper because of the type meat they use. In making the statement of the type of meat they use, by no means do I infer that the

meat is not wholesome, but the type of cuts they use that cover the ingredients statement would not be permissible in a Government inspected plant.

In the past few years, on every business trip I had made to Washington, I have never failed to drop in on the Agricultural Department to express my views on manufacturing proceedings pertaining to my products. I have brought the subject of discoloration up many times and asked for an approval to use an antioxidant to keep the fat in the sausage from going rancid. I was referred to a Mr. Philbeck, who is the chemist in charge, and my complaint was that when my product is purchased and brought home and then put into a freezer, the sausage would turn rancid within a period of 4 to 6 weeks. Upon his request, I submitted samples which he instructed by letter to the head of the New York Division to see that the inspector in charge of my plant packed the sausage in dry ice and delivered in a frozen state to his office. Rather than have it go through the mails, I made a special trip with this package that was put under a seal so as not to be tampered with, and delivered same within 4 hours after. Mr. Philbeck, who extended every courtesy possibly to me, made tests periodically to check for rancidity. The final analysis was that there was no truth in my statement.

After weighing Mr. Philbeck's answer which proved that he was 75 percent right, the reason for that, was that the product he received was immediately frozen, direct from the production line, which did not give the product the same usage that a housewife would buy it in a store. Our products, when manufactured, are brought into a dryingroom, and when properly dried, are then packed and delivered to the different stores. When purchased, this product is approximately 2 to 3 days old. I figure by the time the housewife arrives home, is approximately 1 to 2 hours under no refrigeration whatsoever. When placed into the freezer, this particular package cannot be frozen for more than 2 to 3 weeks before rancidity sets in.

If you recall years ago, lard had to be kept under refrigeration because the fat would turn rancid. Finally the Government approved of an antioxidant which is not harmful in any way, and which eliminates on many occasions the necessity of keeping it under refrigeration.

I believe the same product is permitted in the manufacture of margarine. The reason I was given or made to understand, that they could not permit me to use an antioxidant was that if the fat would be kept from going rancid, the lean meat would still show a bloom, and I would be selling a product that would be in their eyes deceiving to the public. The answer I would like to have is, if this antioxidant is used under Government inspection, and we are protecting the housewife and not fooling them, which would you say is right? Let the sausage go rancid because when a woman buys at a saving, she buys extra; because she owns a freezer and feels that it could never go bad, and let her suffer with her own loss, and when she does find that the sausage is not edible, it reflects on the manufacturer alone. This harms not only the manufacturer but the name and reputation that he has strived for.

I sincerely believe that this should be brought up at a meeting of the Agriculture Committee, and if so, I would appreciate if it is at all possible to be called upon to express my views and feelings of this entire letter.

Hoping that I may have the pleasure of hearing from you on this matter in the very immediate future, I remain

Respectfully yours,

MICHAEL J. PIZZUTIELLO.

MARCH 1, 1962.

HON. ALFRED E. SANTANGELO,
House of Representatives.

DEAR MR. SANTANGELO: This refers to the letter from the Eatwell Provisions, Inc., of New York, relative to denial of their request for permission to add an antioxidant to fresh pork sausage.

The folks in Meat Inspection Division have developed a policy with regard to the use of chemical additives in meat and meat-food products which appears to be logical and fair both to the consumer and the meatpacking industry. They do not permit the use even of a safe chemical unless it (1) serves a definite and useful purpose, (2) benefits the consumer, (3) does not make the product appear to be better than it actually is, and (4) does not impair the nutritive value or otherwise adversely affect the product.

Your constituent's comparison of this proposal to the use of an antioxidant in lard is a good one, but not exactly identical with it. Since lard consists entirely of fat, it is susceptible primarily to rancidity development. The addition of the antioxidant which inhibits this type of spoilage is, therefore, justified.

We must concur in the decision of the Meat Inspection Division that there is no justification for permitting the addition of an antioxidant to fresh pork sausage. This was based on the conclusion that bacterial spoilage and enzymatic deterioration normally occur in fresh pork sausage prior to the development of rancidity. Therefore, the sausage would not be improved by the addition of the antioxidant. If your constituent has evidence to demonstrate that their decision is not supported by the facts, he should, of course, request a further review of his proposal.

We share your constituent's concern about the illegal use of sodium sulfite and similar chemicals in nonfederally inspected meat and meat products.

The Department is considering legislation that would extend Federal meat inspection to some plants that do not now come under provisions of the act. Several such proposals have been made and are under study. Consideration is also being given to ways in which the Department might help States establish a more uniform and satisfactory meat inspection system for the many plants that do not come under Federal inspection.

We appreciate having had this opportunity of discussing the Federal meat inspection program with you. If you have further questions on this subject or other functions of the Department, do not hesitate to call on us.

Sincerely yours,

JOSEPH M. ROBERTSON,
Administrative Assistant Secretary.

Mr. SANTANGELO. I have no other questions, Mr. Chairman.

I want to thank the Secretary for the information which he has given not only to the committee but the enlightenment he has given to me as a city representative on this farm program.

Secretary FREEMAN. My pleasure, sir.

Mr. NATCHER. The committee will recess until 2 o'clock.

AFTERNOON SESSION

WEDNESDAY, FEBRUARY 14, 1962.

Mr. WHITTEN. You may proceed, Mr. Slack.

DIETS OF PERSONS LIVING ON SURPLUS FOOD AND THE FOOD STAMP PROGRAM

Mr. SLACK. Published press reports on February 7, attributed to State director of health, Dr. N. H. Dyer, of West Virginia, state that those persons living on surplus food face slow starvation unless their diets are supplemented from other sources. He expressed particular concern regarding the position of expectant mothers and families with small children. There is no advantage to simply increasing the quantity of surplus commodities apportioned to these two groups. This suggests some possible points which might be explored.

Can you estimate if there are prospects to extend the general food stamp program into more depressed counties?

Secretary FREEMAN. At the outset it might be well to point out that neither the direct distribution program nor the food stamp program is designed, of themselves, to provide the total amount of food necessary for an adequate diet. They are designed to supplement the families' food in order to improve diets. Both programs are based on a family having some other source of income, either from public assistance, general relief or pensions, or some employment.

We propose to use \$50 million during fiscal year 1963, an increase of \$30 million, to expand the present pilot operation of the food stamp plan to provide for about three times the number of participants now in the program. The number of additional pilot areas will depend, of course, on the size of the areas added to the present eight.

Mr. SLACK. If circumstances do not permit general extension of the food stamp program, could something be developed to provide stamp distribution to families with small children or expectant mothers? In other words, if it is not possible to generally extend the food stamp program on an area basis throughout depressed counties, could it be done on an individual family basis in those counties, with the stamps limited to those with children under a specified age or to expectant mothers?

Secretary FREEMAN. Because of the administrative machinery necessary for operation of the food stamp program in a county, it would be quite impractical to extend it into additional areas for only certain groups of recipients while the balance of eligible families were participating in the direct distribution program in the same county. The proposal for this limited expansion is based primarily upon the need for additional pilot projects to gain experience in additional geographic areas, different economic situations, additional rural areas, and further test out administrative machinery as a basis for possible future expansion into all areas desiring the program.

Mr. SLACK. Along these same lines would it be feasible to devise a stamp system for children and expectant mothers which would permit the purchase of vitamins or some type of supplemental food concentrate? This again would be limited to small children and expectant mothers.

Secretary FREEMAN. The food stamp program is primarily an agricultural program. That is to say, as one means of making greater use of our agricultural productive capacity to use agricultural commodities to improve the diets of those families unable to provide it for themselves. For this reason, the provision of nonfood substitutes for the nutritional values that could be obtained through normal foods would not be consistent with the legislative authority or intent of the program.

Mr. SLACK. If the food stamp program cannot be broadly extended, could there be any arrangement made which would include some food concentrates or vitamins for these two categories in those counties in which persons now receive only the surplus food commodities?

Secretary FREEMAN. As stated earlier, both the direct distribution and food stamp programs are programs to provide additional foods out of our abundance to needy families rather than either a health program, as such, or a supplement to the families' general economic needs. Any provision for food concentrates or vitamins might more properly, we believe, be provided through an increased recognition of families' health needs through their public assistance grants. We might add parenthetically that baby foods normally sold in grocery stores and not considered pharmaceutical may be purchased with food coupons.

Mr. SLACK. There has been quite a bit of recently published material, particularly in the Sunday Gazette-Mail of December 17, 1961, in which it is pointed out that the surplus food commodities program in areas of long-term unemployment is leading to the development of

families in which a second generation is being raised on this food because of the lack of employment opportunity. There are reputed to be children in these depressed counties who have never seen their fathers actually go to work. These children grow up and are unable to find jobs but very often get married and have children and simply apply for direct relief as soon as they are married. This becomes self-perpetuated relief. The question here then is whether or not the Department of Agriculture's program has any connection with the development of willingness to work or do they simply leave the establishment of eligible recipients to local officials?

Secretary FREEMAN. The Department of Agriculture, through both the direct distribution to needy families and the food stamp program, is attempting to help needy families, certified by local welfare officials, to obtain additional food. The basic problems of the unemployed and the needs for greater emphasis on rehabilitation in public assistance and "direct relief" are the responsibility of the Department of Health, Education, and Welfare. The Secretary of HEW has proposed a rather far-reaching program in this respect. In administering our food assistance programs we have been working very closely with HEW and State and local welfare officials to insure that our programs are consistent with their welfare practices.

Mr. SLACK. An unemployed person usually registers at the State employment office, a division of the U.S. Employment Service. He participates in unemployment compensation payments for a number of weeks if he is eligible. He may later exhaust potential benefits and apply for direct relief through the State public assistance program. Throughout this process, he is supposed to indicate a willingness to work if referred to a job. The great weakness in this process is the fact that the law only requires him to work at a job of comparable pay to the one which he had held before. For this reason, there is no actual pressure upon former coal miners to obtain and hold jobs which pay less than the rate paid in the mines. Over a period of years, a great many individuals have developed a vested interest in unemployed status, especially since the surplus food stamp programs have gained favor. It would be worth inquiring of the Secretary of Agriculture as to whether or not he would favor a general review and recertification of the eligible persons at this time inasmuch as it would appear that the trend is toward a broadening of the commodities and food stamp programs. In other words, should we go to some trouble at this time to definitely establish just who should be eligible before extending the program broadly?

Secretary FREEMAN. Our regulations provide that the eligibility standards for the direct distribution program, established by the State and local public welfare agencies and approved by us, bear a direct relationship to the State's eligibility standards for their own public assistance and relief programs. These eligibility standards then apply to all families applying for the commodities who are receiving no form of public assistance or direct relief. Persons already receiving public assistance and general relief are considered eligible for the commodities because they have already been determined to be needy in order to receive public assistance or general relief. For the families not receiving any form of public assistance but who have been found to be eligible for commodities under State criteria, must be recertified

periodically in order to determine their continued eligibility. This periodic recertification is required by USDA regulations. Our objective is to obtain recertification every 3 months.

Mr. SLACK. Recently, there was considerable publicity regarding the problems of the milk industry and President Kennedy issued a statement urging greater consumption of milk. In this connection, would the Secretary then favor another increase in the amount of funds which would be applied to the purchase of milk for the special milk program in schools and institutions?

Secretary FREEMAN. Although under the legislation in effect this year the Department was authorized to spend up to \$105 million of Commodity Credit Corporation funds in the special milk program, our current estimate is that we will not exceed \$95 million. For this reason, our request for fiscal year 1963 under the new special milk legislation, which provides for an annual appropriation, is for the same amount, \$105 million, for next year. We believe that this amount will provide for continued substantial expansion of the program based on past years' experience.

ATTITUDE OF MERCHANTS TOWARD THE FOOD STAMP PROGRAM

Mr. SLACK. With regard to the food stamp program as far as it has presently gone, what has been the general attitude of the merchants? Have they been cooperative? Has there been any important evidence of cheating or of collusion with the recipients? Can the Secretary estimate whether or not the purchase of stamps for cash or the exchange of stamps for nonlisted items has grown into a hazard of any size?

Secretary FREEMAN. We have kept a representative of the Department stationed in each one of the pilot project areas since the beginning of operations. In this way, we have been able to keep in very close touch with the local reactions to the programs by the merchants, banks, general public, welfare officials, and recipients. Our representatives have called on all of the participating grocers at one time or another. We have received very fine cooperation from the merchants as well as the newspapers, radio stations, and other interested groups. In addition to reports from our administrative representative, we have received semimonthly fiscal reports on the sale of coupons and received copies of all of the redemption certificates turned in by the grocers when they have redeemed their coupons at the bank. We have also audited the local stamp issuance accounts and spot-checked individual recipient families.

One of our requirements has also been that the local welfare officials follow a program of continuous spot checking of families. We have followed up on all complaints of program abuses either with our administrative people or trained investigators. To date, we are quite gratified to find that there has been no widespread evidence of non-compliance. After screening all complaints received to date, we have found it necessary to suspend only 8 out of the 4,000 participating grocers in the program throughout the 8 pilot project areas. In addition to suspending these grocers, we have referred these cases to the Department of Justice for possible criminal and/or civil action. We have no evidence that there is any growing trend toward viola-

tions. However, we do recognize that there are many elements present in these first months of limited pilot operations which have been conducive to excellent compliance which may not continue to be as effective over a longer period of time. This is one reason why we are hoping to continue the program on a pilot project basis with a moderate expansion during the coming year.

COST OF EXTENDING FOOD STAMP PROGRAM

Mr. SLACK. The most recent estimates on the cost of extending the food stamp program into all depressed counties runs approximately \$250 million a year. This is a considerable decline from the original estimate of such costs given out by the Eisenhower administration several years ago. However, can the Secretary estimate what the cost would be at the present time if such a general extension were entered into?

Secretary FREEMAN. Pursuant to President Kennedy's first Executive order, the direct distribution program was substantially increased in relation to the kinds and quantities of commodities that were made available. We believe that at the present time this program has been expanded to most of the areas in the country where the local economic situation and the need for food assistance is substantial enough for local communities to assume responsibility for such a program. Using this as a guide to those communities which might have enough need to request the food stamp program, if it were offered to all communities, our best estimate is that it might ultimately be expanded to areas in which there would be perhaps 4 million participants. If the present rate of Federal supplement being given to food stamp participants in the eight pilot areas were to be continued, the annual cost for these 4 million participants would be somewhere in the neighborhood of \$360 million. At a moderate rate of expansion, this level might be reached in 4 or 5 years and, of course, would be on the assumption that the present economic level of the country remained the same.

Estimates of much higher costs in applying a program, nationwide, were based rather arbitrarily on the total number of persons with less than some minimum income. In actual administration, however, only those communities where there is some concentration of needy persons is there enough need to justify setting up the machinery for operation of a food stamp program.

EFFECT OF DIET ON PHYSICAL FITNESS IN DEPRESSED AREAS

Mr. SLACK. Recently, the Selective Service System issued figures indicating that there is a very high percentage of rejections among young men called up for military service due to physical disability. This was also emphasized by President Kennedy and was part of his public statement relative to the need for a national physical fitness program. Does the Secretary have any data which would indicate a relationship between the lack of physical fitness among draftees and the origin of that condition due to inadequate diet in depressed areas?

Secretary FREEMAN. I do not have specific information that would relate the level of draft rejections to inadequate diets in depressed areas.

A significant number of rejections are, we understand, due to failure to meet physical fitness standards and poor diets, regardless of their cause, do affect the physical development of our youth.

The Department's 1955 nationwide food consumption survey indicated that 13 percent of our families had diets that could be considered poor and additional families had diets that were in need of nutritional improvement. Inadequate income is an important factor where poor diets are concerned but some moderate and high income families have less than adequate diets because of poor food selections or a lack of knowledge about good nutritional practices.

ADMINISTRATIVE COSTS OF FOOD STAMP PROGRAM

Mr. SLACK. Again, relative to the food stamp program, has there been sufficient experience recorded so that you could estimate the administrative cost of distributing the food stamps in terms of either county units or individual recipients being served by the program? In other words, can we say that the overhead cost for the food stamp program is approximately 50 cents per person per annum, or \$1, or is there any indicative information available as yet?

Secretary FREEMAN. I do not have any authoritative figures on the local cost of administering the food stamp program except to say that in seven of the areas, the local welfare people have all told us that the cost of certification and sale of coupons is less than the cost of direct distribution. On the other hand, in Detroit, where they are using quite skilled workers, they have calculated that it costs them \$1.25 per month per family for the total job of certification and sale of coupons. Federal expenses other than the food subsidy such as contractual costs for printing and shipping coupons are considered program costs and are not expected to exceed \$1,500,000 for fiscal year 1963. Our Federal administrative costs of the food stamp program we estimate at not more than 3 percent or \$1,500,000 next fiscal year on an expanded basis.

Mr. WHITTEN. You might go ahead, Mr. Horan.

Mr. HORAN. Mr. Secretary, I very much appreciate this opportunity to exchange viewpoints with you regarding the operation of the Department of Agriculture.

As you know, Mr. Secretary, we have a changing world around us, one that is challenging to me and to agriculture and to all America.

I might mention two things that are disturbing. I believe that President Kennedy regretted the 25-hour week that was procured by one of the labor unions. We know that in a lot of the crafts they do not even work a 40-hour week. It is between 35 and 40 hours. This cannot help but have some influence domestically on our costs of production in this country.

As you know, all is not well with the American farmer. I know it is your sincere desire to help him to weather the storms which he has encountered, especially since 1952. I can assure you that it is the sincere desire of this subcommittee to do the same.

I might mention when we are on things that tend to throw the economy out of balance through various types of agricultural research that we now face out in my area the Gaines variety of wheat, which gives ample promise of at least adding 10 and perhaps 20 bushels to the acre over present production, which is going to add to something that is already troubling us.

As some of the questions that I have in mind asking you may appear to be quite pointed, I want to assure you that I am merely trying to seek out a matching of minds at that point which we might term the action level.

COMMON MARKET

In that regard, my attention has been directed to a rather provocative article in the February issue of *Nation's Business*. It deals with our position with regard to the Common Market which presently is burgeoning in Europe.

I do not need to tell you that the countries of the Common Market, as well as those which aspire to join it, are tremendously important to us, for a good share of our agricultural exports that return sound money go into these markets.

This article which I am referring to—and I do not necessarily endorse it, but I do believe it forms a background on which we might exchange some viewpoints on the Common Market and perhaps draw some comment from you that would be helpful; I do know that you have been doing some work in this field and made several trips over there—is entitled “Bloc Politics or National Strength.” It puts considerable stress upon the export subsidies that are presently being applied to our exports to all the world and especially to the Common Market, and points out the difficulties that we may encounter in dealing with the Common Market on agricultural exports—cotton, wheat, and many other commodities.

The fact is mentioned that while President Kennedy is urging lower tariffs and freer trade on one hand, he has asked the U.S. Tariff Commission to see if added duties of 8½ cents a pound are needed to hold down cotton textile imports, a lot of which comes from the Common Market countries. This, of course, is a direct result of our selling cotton not at support prices but at world prices.

Mr. Secretary, do you have any comment on this?

Secretary FREEMAN. Well, Congressman, we do not have a problem in the Common Market countries where cotton is concerned. The problem that we face in connection with agricultural commodities within the Common Market revolves principally around the commodities that the Common Market countries themselves produce. A problem might develop in cotton if they extend concessions to any of their affiliated groups, such as the Associated Overseas Territories, or the Commonwealth in the case of the United Kingdom, should they join, but at the moment our agreements are quite satisfactory and our access to markets for cotton has not been threatened and I believe will continue to expand.

Mr. HORAN. Well, I might say that in Canada, I, as an American, bought a shirt that was loomed in Denmark out of Egyptian cotton, tailored in England. I bought it as an American in Canada a couple of years ago. So this question of what we must do to meet the problem of whether or not our American textile factories are being hurt because they have to pay a higher price for cotton in the United States in order to loom it should be given protection through the tariff agency.

Secretary FREEMAN. Well, this is a question you probably draw attention to, which involves our domestic textile industry selling in

our own domestic market and the competition they face from outside sources, who may buy even our cotton at a lower price.

The matter is now before the Tariff Commission as to whether the export subsidy ought not to be applied in equivalent amount as a kind of equalization fee to any cotton textiles coming into this country. That whole question is under advisement at present. I have expressed myself on a number of occasions, speaking personally and not in terms of administration policy, in connection with it; the Tariff Commission will pass on it, that there is considerable justification to the request and the complaint by domestic textile manufacturers, because it is true that cotton purchased at world prices could then be sold in our market, where our own manufacturers would purchase cotton at our own supported price level.

Mr. HORAN. Does it have any relationship to the use of section 32 funds?

Secretary FREEMAN. I do not think it has any relationship to section 32 funds.

Mr. HORAN. Because it is a finished product rather than an importation of cotton into this country?

Secretary FREEMAN. Yes. We have not used or considered using, and offhand I do not know whether we even could use, section 32 funds.

I stand corrected. Mr. Grant tells me section 32 funds have been used in the past for export and diversion payments on cotton, no such payments have been made, however, for more than 10 years.

Mr. HORAN. I was not sure about that either, but I do know we have a problem here.

Mr. WHITTEN. I think the President's message on the agricultural situation is the best evidence I know of the need to take action on section 32.

PROBLEM OF LEVEL OF MARKET TARGET ON GRAIN

Mr. HORAN. The article also stresses—and this is where you get in the act, because I know you have been busy—the fact that the main struggle in the U.S. negotiations with the Common Market countries so far has been over trying to convince these countries not to set an artificially high market target on grain.

Secretary FREEMAN. That is correct.

Mr. HORAN. The article then goes on to point out that this would stimulate production in the Common Market, if they set an artificially high target price in their countries as well as any countries which might be favored to supply them and would mean increased restrictions against U.S. grain.

Secretary FREEMAN. It could have that effect, yes, sir.

Mr. HORAN. Then the article states:

Ironically, Agriculture Secretary Freeman told the Common Market officials—and they are quoting you here I guess—

“Basically we believe in the efficiency of the market mechanism as the best means of providing consumers with goods and services.”

Would you care to comment on that?

Secretary FREEMAN. No. I think that is correct.

Mr. HORAN. This article further points out that we raised the price support on wheat from \$1.79 a bushel to a production stimulating \$2 a bushel, in spite of our large surplus. Do you wish to comment on that?

Secretary FREEMAN. I would question whether the increase to \$2 was necessarily a production stimulating increase.

Mr. HORAN. I am inclined to buy that, because I think our free market quotations were above the support price out our way.

Secretary FREEMAN. But I might add to that, Congressman, that by the same token when this was done there was a 10-percent mandatory cut and provision for an additional 10 percent in acres, which would bring production into some balance.

Mr. HORAN. I am going into that one.

I believe that we have already discussed the feed grain program, which this article labels as a "billion-dollar bust." However, it seems to me that our feed grain policies do need continuous review, and not only with regard to exports but also with regard to our livestock feed programs among our livestock owners and feeders here at home. Do you have any comments you wish to make on that?

Secretary FREEMAN. I certainly think that the program is intimately related to the whole question of the feeding of the feed grains to livestock and to hogs and to poultry. This is all tied together, obviously. If it were not for the fact that the Government had taken between 2 and 3 billion bushels of feed grains on, we would see lower prices in livestock and in eggs than we see today.

Mr. HORAN. Well, I would not overlook poultry, especially out our way, because their troubles are manifold. The feed grains to the State of Washington have been quite a problem ever since we put in the price supports and acreage restrictions. It has been quite an item.

ACCESS TO MARKET PROBLEMS

Finally, with respect to this article, I want to quote one paragraph therefrom:

Foreign markets for our farm commodities would be lost and the deficit in our balance of international payments could be increased, many agriculture authorities agree, unless we adopt realistic domestic programs with fewer Federal controls.

Secretary FREEMAN. I would say that this article, insofar as the Common Market is concerned, is confusing two things. It is confusing price with access to market.

The problem of the Common Market countries is not a problem of price. We are easily more than competitive at present prices, together with support levels, so far as any production within the Market is concerned. The problem is access to market and not having a wall thrown up so we cannot get through at our given price. This has been a common confusion that many, many people in the business world have jumped to; namely, the conclusion that because in some instances we have had some export subsidies that we were pricing ourselves out of the market. The problem in the Common Market is not a price problem; it is an access-to-market problem.

Mr. HORAN. Mr. Chairman, I wish that the Secretary would amplify that still further, with existing up-to-date and present-day roadblocks that might be being thrown up by some of the Common Mar-

ket countries. I am aware, of course, that they employ subsidies themselves to stimulate production. I think France has quite an ambitious program, or has had in the past, and I wish you would amplify that with some brief instances of where they are perhaps artificially stimulating their own production.

Secretary FREEMAN. It is my best recollection that the support price on wheat in Germany is approximately \$2.92. The support price on wheat in France is somewhere around \$2.20. Obviously, we are easily competitive with both of these with \$2 wheat in this country, and the only reason we have an export subsidy is because we must compete with, let us say Canada and Australia.

Mr. HORAN. I want the record to be complete and as full as we can make it here, because we are facing this problem right now. Our record might be helpful, Mr. Chairman, if we could have that amplified.

Mr. WHITTEN. We will be glad to have it in the record.
(The following was submitted for the record:)

IMPORT CONTROLS IN THE EEC

Presently each of the EEC countries maintains import controls on certain agricultural commodities. By comparison, Netherlands maintains the fewest controls and West Germany the most with France a close second to Germany. The agricultural commodities still under import control in the individual EEC countries are briefly listed below:

(1) Netherlands: Beef and veal, fresh or chilled; potatoes; wheat and wheat flour; hops; and calfskins.

(2) Belgium: Some 40-odd agricultural commodities are included in a waiver granted in 1955 to Belgium in the GATT on which import controls are permitted under the terms of the waiver which is scheduled to expire December 31, 1962. Items of trade interest to United States are fresh apples and pears; hops; lard; asparagus; and leguminous vegetables.

Belgium has announced liberalization of wheat and wheat flour; feed grains; fresh beef, veal, and pork; bacon; processed meat; and eggs but at the same time has imposed new import taxes or levies (the amount frequently changed by decree). Thus, in effect, wholly or partially nullifying the liberalization moves.

(3) Luxembourg: Fresh beef and veal; processed meats; wheat and wheat flour; rye and rye flour; and fresh apples.

(4) France: Poultry meat; canned fruits; dried plums (prunes) packaged for retail sale; fresh and dried apples and pears; corn and potato starch; canned vegetables; canned fruit and vegetable juices; pig and poultry fat, rendered; prepared animal feeds; fresh oranges (other than summer oranges). State trade items include grains and flour; oilseeds and oil; sugar; and tobacco.

(5) West Germany: Effective import restrictions still apply to 250 commodity classifications in the agricultural sector, of which 161 are subject to state trading. Controlled items include rice; tallow; meat extracts and meat juices; fresh apples and pears; canned fruit (other than canned peaches and fruit cocktail); wheat; corn; oats; barley; rye; grain flours; seed oils; fresh, chilled, or frozen beef, veal, pork, and mutton; processed meats; and edible offals.

The waivers granted to West Germany at the 14th session of GATT with respect to its import controls expires June 30, 1962.

(6) Italy: Poultry; natural honey; dates; dried figs; raisins; cheese; essential oils of citrus; pasta; linseed oil; soybean oil; grain sorghum; corn (during January 1 to June 30); rye flour; and lard. Wheat and wheat flour and tobacco are state traded.

While the present controls are of concern to us and we have constantly sought the relaxation of these controls, the proposals coming out of the common agricultural policy are of equal, if not more, concern to us inasmuch as these proposals, if and when enacted, will have a decided adverse effect on imports from nonmember countries. This is apparent in the preliminary summary of

the important EEC Council's agricultural policy decisions of January 14, 1962, given below:

1. Grain regulation

This regulation applies to all grains (exclusive of rice). During the transition period, i.e., until January 1, 1970, each member country will charge a levy on intra-Community trade as well as a levy on third-country trade. Thereafter, all countries will charge a uniform levy on third-country imports and no levy on imports from other member countries.

The intra-Community levy will be based on the difference between the target price in the importing country and the wholesale market price in the exporting country, both adjusted for costs of transportation to the border.

The levy on third-country imports will be based on the difference between the lowest world market price, c.i.f. principal port of importation, and the target price adjusted for freight costs. In addition, there will be a charge to assure a preferential position for EEC grain.

The target prices for 1962-63 will be determined by the national governments within an EEC-wide ceiling and floor. This ceiling and floor have been set at such levels that, roughly speaking, the present price in the largest importing country (Germany) will be the highest permissive intervention price, and the price in the largest exporting country (France) will be the lowest permissive intervention price. From the market year 1963-64 on, the differences between the national target prices shall be reduced progressively, the objective being a Community-wide target price at the end of the transition period. (Intervention prices are to be between 5 and 10 percent below target prices.)

The Council decisions on price adjustments before April 15, 1963, are, however, to be taken by unanimity and thereafter by a majority vote. If unanimous agreement is not reached by April 14, 1963, the establishment of common target prices may be delayed.

For wheat and rye flour, wheat groats and meal, the EEC Council will, upon a proposal by the Commission, determine the principles governing the amount of the levy. In addition to the extraction rate, these principles are to take into consideration the "necessity to protect the processing industry."

Import and export licenses will be issued by the member states for both intra-Community trade and third-country trade.

The import licenses will be valid for 3 months beginning with the first day of the month after issuance of the license. (The Council may change the licensing period by unanimous vote during the second stage of the transition period, and thereafter by qualified majority.)

Importers must make a guarantee deposit, which is forfeited if the licensed quantity has not been imported during the period for which the license was valid.

Normally, importers will pay the levy in effect on the day of importation. Against payment of a premium, they may, however, fix their import levy obligation as of the date of licensing.

No import duties, taxes, or other charges will be added to the levies. Quantitative import restrictions, mixing regulations, and state trading also are ruled out subject to the following exceptions:

(a) *Escape clause action.*—Such action may, during the transition period, be taken by any member state if, despite the variable import levy, its grain market becomes "subjected to or threatens to become subjected to serious disturbances." The member state must, however, report such action to the Commission at the latest on the day on which it becomes effective. The latter must, within 4 workdays, decide whether to maintain, change, or terminate the member state action. By appealing to the Council, the member state can obtain a 10-day suspension of the Commission decision. The Council can overrule the Commission by a qualified majority vote (12 out of 17 votes). If it fails to do so, the Commission decision becomes valid after the 10-day grace period.

Whenever imports from other member states are being restricted by "escape clause" action, imports from third countries must be similarly restricted.

(b) *Postponement of liberalization measures.*—If a member state should encounter "serious difficulties" in taking the liberalization measures envisaged in the regulation, the Council may, upon a Commission proposal, grant it a grace period of 1 year, which may be extended for another year. Unanimity is required for such a vote.

Subsidies which will have a price-distorting effect on the intra-Community trade are in principle ruled out. Subsidies for exports to third countries are permissive, however. Exceptions to the general rule allow, however, the use of export subsidies also in intra-Community trade under specified conditions.

In making decisions under the grain regulation, the Commission will be advised by an "Administrative Committee" consisting of representatives of the member states and meeting under a Commission representative as nonvoting Chairman. This Committee will advise by a qualified majority vote. Its advice is not binding on the Commission. However, if the Commission disregards the advice of the Committee, it has to submit its decision to the Council, which may change this decision within 1 month.

2. Poultry regulation

The basic provisions are for dead poultry, but the regulation applies also to live poultry, poultry livers, and offals.

During the transition period, each member state will charge a levy on intra-Community trade that will consist of two elements:

- (a) A variable element equal to the incidence of differences in feed grain prices between the importing and the exporting member state; and
- (b) A fixed element equal to the incidence of the 1962 intra-EEC tariff of the importing member state.

The variable element will be reduced as the differences among the feed grain prices of the member states are reduced.

The fixed element may be increased to 6 percent if the intra-EEC tariff of the importing state is less than 6 percent. Member states having now in effect quantitative import restrictions on poultry, or equivalent measures, may raise the fixed element to the amount of the actual incidence of protection accorded by these quantitative restrictions during the last 2 years. From July 1, 1963, on, the fixed element is to be reduced by two-fifteenths annually. Thus it will be eliminated by January 1, 1970.

On imports from third countries, member states will charge a levy consisting of three elements:

- (a) A variable element equivalent to the incidence of the difference between the world market prices and the importing state's prices of feed grains;
- (b) A fixed element equivalent to the fixed element charged on intra-EEC trade. (This element will also be reduced to zero by 1970.)
- (c) An additional amount, which will be 2 percent in 1962-63 and in the following years will increase gradually to a maximum of 7 percent.

Upon a member state's proposal, the Commission can authorize that state to reduce its levy on third-country imports to the lowest levy on third-country imports charged by any member state. If this is done, the member state's levies on imports from other member states must be reduced correspondingly.

To prevent market disturbances as a result of imports from third countries at "abnormal prices," the Council will, upon a proposal by the Commission and by unanimity, determine a lock-gate price. This price is to be calculated on the basis of the feed grain prices in the world market and a feed conversion factor "typical for the exporting third countries." If poultry is offered for imports into the Community below the lock-gate price, the third-country levy will be increased by the difference.

The "lock gate" price thus would amount to an additional levy. It will not apply to third countries that offer assurances that the price of their poultry will not be below the "lock gate" price.

A member state may subsidize poultry exports to third countries, and under certain conditions, also exports to other member states.

All quantitative restrictions are to end on July 1, 1962, for intra-Community trade. Unless the Council of Ministers decides otherwise by a qualified majority upon a Commission proposal, they are also to end for third-country trade. However, there are escape-clause provisions similar to those for grain. If the Commission decides to change an escape-clause action of a national government, the Commission decision will become immediately effective even if the member state affected appeals to the Council.

An Administrative Committee will be set up in the case of grains and with the same functions.

3. *Egg and pork regulations*

The regulations for eggs and pork are similar to those for poultry. However, the fixed element of the intra-Community levy will be 5 percent for eggs, and for pork it will be calculated on the basis of a formula.

The third element of the levy on third countries will increase from 2 percent to 7 percent during the transition period, as in the case of poultry.

In the case of poultry offals (other than liver) and of pork sausages and offals, a footnote to the regulations states that a maximum for the levy may be bound in GATT.

4. *Regulation for fruits and vegetables*

The regulation covers in principle all fruits and vegetables as well as their processed products. However, quality norms have thus far been established only for a limited number of fresh products, including apples and pears.

For a number of other products, including oranges, tangerines, clementines and lemons, and table grapes, quality norms are to be established prior to July 1, 1962.

The Council of Ministers will decide, with qualified majority and upon a proposal by the Commission, for which other fresh products quality norms are to be established. By similar procedure, the Council will decide on quality norms for processed fruits and vegetables.

The quality norms will be made effective gradually. Under the general "minimum qualities" of the norms, the fruits must be "clean (free of all traces of chemicals)." The minimum size requirement has been waived for summer pears shipped prior to August 1.

Imports from member states must be freed of all quantitative controls or measures of equivalent effect as of the following dates: For "Extra" class, as of July 1, 1962; for Commercial Class I, as of January 1, 1964; for Commercial Class II, as of January 1, 1966. As of the same dates, member states shall not have recourse to the minimum price provisions of article 44.

In the case of serious market disturbances, member states may restrict imports by escape clause action in the same way as in the case of grains and poultry. As in the case of poultry, a Commission decision overruling the unilateral escape clause action of a member state will become effective immediately even if the respective member state appeals to the Council. Escape clause measures are to apply to third countries as well as to member states.

As regards controls on imports from third countries, article 10 of the new regulation provides that, upon a proposal by the Commission, the Council shall decide with qualified majority, about the coordination and unification of the import regulations applied by the individual member states, vis-a-vis third countries.

A new provision not contained in the original Commission proposal provides for a fee additional to the fixed tariffs on fruits and vegetables imported from third countries. In essence, this provision is as follows: If Community markets are considerably disturbed, or threaten to become considerably disturbed, by imports from third countries at prices below a "reference price," then these imports can be suspended or subjected to the payment of a uniform import fee. The reference price shall be calculated on the basis of an average of the lowest producer market prices, during a certain base period, for a standard quality of the respective product. The amount of the fee shall equal the difference between the reference price and the import price prior to payment of duty. Import suspension and determination of the fee shall initially be decided upon by the Commission with the advice of the Administrative Committee which acts as described for grain. The Council can override a Commission decision within a month after it was taken, but only if this decision was taken in disregard of the advice of the Administrative Committee.

MINIMUM IMPORT PRICES, ARTICLE 44 OF THE TREATY

The long controversial issue of minimum prices for imports from other member states has been resolved by a Council decision which, in the main, provides as follows:

Minimum prices may be established during the transitional period by any member country, not however, valid for more than a year at a time.

The Commission and member states must be informed about the principal features of a minimum price system at least 15 days in advance of its effectiveness.

The minimum price is to be announced at least 3 days in advance. It may be as high as 5 percent above the intervention price. Imports at prices below established minimums may be suspended or restricted.

As soon as the Commission learns of a member state's intention to impose a minimum price system, it will call for a multilateral consultation among the member states. In preparing for these consultations, the Commissions will analyze the planned measures as well as the import system applied by the respective member state against third countries to assure continued preference for intra-area trade.

Imports from other members countries can be embargoed by means of a minimum price system only if it is established that the import price (prior to the payment of duties) was below the minimum price for 3 consecutive market days. Imports are again to be admitted if that import price has reached or exceeded the minimum price for 3 consecutive market days.

The significance of the minimum price provisions for trade with third countries is that anything done under these provisions must not deprive intra-area trade of a preference compared with imports from third countries.

As a general rule, the establishment of minimum prices is excluded for products subject to market regulation by variable levies or other special safeguards. The rules do not specify, however, whether or not this principle—in any case applicable to intra-area trade—also applies to imports from third countries. But there is little doubt that minimum import prices can be established for intra-area trade in agricultural products not specifically protected by market regulation: in such cases imports from third countries must also be subject to minimum prices (art. 7) and these prices must be higher than the intra-area minimum prices in order to maintain or develop a preferential treatment of member countries.

EFFECT OF WAGES ON COST OF PRODUCTION

Mr. HORAN. The article ends—and perhaps this is basic—discussing wages as a part of cost of production, and I do not think we can escape it. It is estimated that the action of the electrical unions is going to increase the cost of building wherever it is applied from 10 to 25 percent, and, of course, some of that blows over on the farmer if it hampers him in any way in buying those things which he has to do in order to mechanize, which you have to do if you are going to be competitive. I will have a little more to say about that as I finish.

Roger Blough, of United States Steel, said, and I quote:

Basically, confidence in the American dollar means confidence in Americans, in American policies of productiveness and the will to produce, and the constant renewal and enlargement and perfection of the capital equipment vital to that production. It is confidence that factories and buildings will be built, that men will have useful, not merely time-consuming jobs, that what is produced will be able to compete in the marketplace.

And in conclusion the article states:

Our Government must now determine the future national policies that will create this confidence.

I would like to have your comment on that statement.

Secretary FREEMAN. Well, I read into this statement and into your question, Congressman, the principle with which I would certainly agree—that wages must reflect the productivity of the worker and ought not to increase in excess of his productivity.

I noted, reading a similar article yesterday, the somewhat reassuring figures that last year we exported \$20 billion worth of goods and services and imported \$14 billion worth, with a favorable balance of trade of \$6 billion, which is about the best we have ever done. The consensus in this article was that we certainly could do better, but

as of now we were doing excellently in terms of competing for markets and had this very good favorable balance of trade.

Mr. HORAN. Well, I might say I agree with you on that. I think our job though is to protect that situation, because our tremendous outlays in mutual security and national defense do jeopardize that export balance of trade that we have today.

Secretary FREEMAN. They surely do.

Mr. HORAN. So I think it is wise for us to continuously review and adjust our national policies in terms of the realistic world picture. I say that, Mr. Secretary, because I do feel that not always do our American people think of their own neighborhood in terms of the eventual competition with some foreign production, but I will have still more to say on that as we progress.

MEAT PRODUCTS

I would like to yield to Mr. Santangelo for some answers to the questions he asked just before lunch.

Secretary FREEMAN. Here are statements on the questions you raised this morning except the one on whether you can cure pork without the use of phosphates. We will get you a statement on that as soon as possible.

Mr. SANTANGELO. Have you inserted these in the record?

Secretary FREEMAN. Not yet. I wanted you to see them.

Mr. SANTANGELO. I think they could well be inserted in the record as answers to the questions I posed with respect to the hamburger problem in New York and the country; also with respect to the background information on the use of nitrate in meat products; and also the third one with respect to the recent action on the part of the commissioner of the department of markets of the city of New York in condemning caponettes in New York.

Mr. Chairman, I ask these answers be placed in the record as the answers of the Secretary.

Mr. WHITTEN. We will be glad to have them placed in the record at this point.

(The information is as follows:)

BACKGROUND INFORMATION ON USE OF NITRITE IN MEAT PRODUCTS

Sodium nitrate and sodium nitrite are added in small amounts to meat to produce the characteristic red color normally associated with cured meat. The nitrite itself does not color the product but combines with the red meat pigments, myoglobin, to form a relatively stable pink compound that will carry through the smoking and cooking operation. For several years prior to 1925, fixing of the normal red cured color of meat was accomplished with saltpeter, potassium nitrate, alone. Before the fixing of the color can proceed, it is necessary that the nitrate be reduced to nitrite since only the nitrite will react with the meat pigment. The nitrate is slowly converted to nitrite by certain bacteria normally present in the meat.

In 1925, the Meat Inspection Division accepted use of sodium nitrite in the curing of meat. This action was taken as a result of research showing that the nitrite content of cured meat could be more closely controlled when sodium nitrite is employed in the curing operation. Some nitrate may be added to act as a reservoir for nitrite to protect against subsequent fading of the color. The amount of either nitrate or nitrite present in cured meat is usually between 10 and 200 parts per million, the latter figure being the maximum quantity of sodium nitrite that is permitted in products prepared under Federal meat inspection.

Qualified experts have stated that in the amounts used, these chemicals are safe. Furthermore, in the more than 50 years since Federal meat inspection was

inaugurated, no case involving ill effects from consumption of federally inspected meat or meat-food product because of the presence of nitrite or nitrate has, to our knowledge, been reported. These two chemicals have also been accepted as a color fixitive in smoked, cured tuna fish and smoked, cured salmon.

"CAPONETTES" IN NEW YORK

The Poultry Division of the Agricultural Marketing Service has received reports indicating that live poultry was being sold in the New York market that had been treated with diethylstilbestrol pellets (a synthetic hormone used to chemically caponize poultry).

The Poultry Products Inspection Act of 1957, Public Law 85-172 (August 28, 1957) does not give the Secretary of Agriculture authority to control or seize live poultry that may have been treated with diethylstilbestrol.

The Inspection Branch is alert to the possibility of such treated birds being offered for inspection in official plants operating under the Poultry Products Inspection Act. Inspectors are making careful ante mortem and post mortem examinations to determine if birds have been treated. If evidence of hormone injection is found, inspectors would require that the birds be skinned and the liver and kidneys removed and condemned before the carcass could be passed as wholesome. Residues have only been found in these parts and their removal assures that the remaining carcass is wholesome.

HAMBURGER PROBLEM IN NEW YORK

The New York Times for February 9 reported that hamburger containing up to 90 percent fat and mixed with beef blood was being sold in New York City. Commissioner of Markets Alfred C. Pacetta was quoted as saying that, while there is no standard for fat in hamburger in New York, he intends to seek such authority. He immediately banned the use of beef blood in hamburger. He also warned against the use of pork in hamburger. Mr. Pacetta indicated that he favored following the 30-percent limit as provided for in the meat inspection regulations of the Department of Agriculture.

This regulation is as follows:

"17.8(c) (35) Hamburger shall consist of chopped fresh beef, with or without the addition of beef fat as such and/or of seasoning, and shall not contain more than 30 percent of fat."

The Department of Agriculture does not permit the shipment from an inspected plant or the movement interstate of any hamburger containing more than 30 percent fat.

A great portion of hamburger is chopped in the retail market and is not under the jurisdiction of the Department of Agriculture. A large amount of hamburger is, however, prepared under Federal meat inspection and is sold in the original package or repackaged at the retail market.

CAPONETTES

Mr. SANTANGELO. One other question, Mr. Secretary, in connection with the caponettes. While the action has been taken in New York, I think the answer does not include the possible action to be taken in the United States if that be a prevalent condition.

Secretary FREEMAN. No, sir, it does not; and we would review, and appreciate reviewing with you, the question of whether this ought to be added to the list of things that the Department would be empowered to use as a basis for condemning poultry. You will note that as of now, when we find it, we go ahead and take out the parts of the fowl that might have been infected. So I think so far as the Federal jurisdiction is concerned that we are meeting the problem.

Mr. GRANT. The Secretary of HEW and the Food and Drug Administration have dealt with this matter, and it is prohibited under Federal order now.

Mr. SANTANGELO. Since the action in New York?

Mr. GRANT. No; it was about 2 years ago when the original action was taken. As a matter of fact, the Department bought several million dollars worth of poultry with section 32 funds and removed the affected parts and skin. These caponettes were used in the school lunch program.

Mr. SANTANGELO. Do you think it might be advisable if we put in the record at this point the regulation of the Food and Drug Administration regarding this?

Mr. GRANT. Yes.

Mr. SANTANGELO. Would you kindly have inserted in the record at this point the regulation by the Food and Drug Administration of HEW?

Mr. GRANT. Yes, sir. I will insert a statement on the present situation.

Mr. WHITTEN. Thank you, Mr. Grant.

(The statement referred to follows:)

DIETHYLSTILBESTROL

The use of diethylstilbestrol is not permitted in any form in poultry.

Registration for sale or use of products containing diethylstilbestrol must be made under provisions of the new drug application of Food and Drug Administration.

At the request of the Department of Health, Education, and Welfare, December 10, 1959, manufacturers, feed companies and poultry producers agreed to withdraw the use and sale of diethylstilbestrol pellets used in poultry.

As a result of 2 years further concentrated research and investigations, a hearing was held between Food and Drug Administration and interested manufacturers of products containing diethylstilbestrol.

Facts brought out in this hearing resulted in the decision of December 15, 1961, by the Food and Drug Administration to suspend the production of the products used for treating poultry.

A list of these products follows:

- Tend-A-Wate
- Tend-A-Wate 537
- Tend-A-Wate 539
- Tend-A-Wate 545
- No Brood
- Tenderettes
- Caponade
- Anti-Brood
- Stilboserts

There is not a regulation that directly covers this subject. However, the above indicates the actions which have been taken under the applicable law.

DISCUSSION OF U.S. AND FOREIGN AGRICULTURAL PRODUCTION AND MARKETING

Mr. HORAN. This is an investigation ordered last September 13, 1961, by the Committee on Appropriations, entitled "The Effect of U.S. Policies and Programs on Foreign Agricultural Production." I do not believe that anyone in the Department has seen this as yet. It is up to the committee whether it is released or what happens. In the course of this investigation, officials were interviewed and data obtained from the following agencies in Washington, D.C.: Foreign Agricultural Service and Economic Research Service of the U.S. Department of Agriculture, the Commodity Credit Corporation, Agency for International Development—that was formerly the International Cooperation Administration—the Development Loan

Fund, U.S. Department of Commerce, Export-Import Bank, International Bank for Reconstruction and Development, International Development Association, Food and Agricultural Organization of the United Nations. Interviews were also conducted with officials of various companies directly engaged in the marketing or processing of agricultural products for sale in foreign countries. Certain private trade and investment groups, as well as the Rockefeller Foundation, were also contacted.

I shall attempt to summarize the summary of this report, although I have gone through the part particularly that refers to wheat.

This study is in fact a review of former studies made in 1955 on the same subject by the same investigating agency, which means the House Committee on Appropriations.

Taking as a base production figures from 1950 to 1954, this new study indicates that while our cotton production has remained more or less at the same level, cotton production in the remainder of the so-called free world is up 38 percent and in the Communist countries it is up an estimated 26 percent.

Corn is estimated to be up 41 percent all over the world, and the United States participated in this increase.

Rice, while a minor item to our Nation, is estimated to be up 32 percent in the free world and 25 percent in the Communist world.

Tobacco, which these findings say is up 19 percent outside of the United States, is down 11 percent in the United States, and I will have a little more to say about that.

Peanuts have increased 29 percent in the world, while the United States has had an increase of only 17 percent.

Milk production outside of the Communist areas has increased 10 percent from 1954, while our own increase in the same period has risen an estimated 3.1 percent.

Butter production in other dairy nations rose 19.6 percent, as against 4.6 in the United States.

Parenthetically, I assume that we probably consume more oleomargarine in this country than do other countries. Do you know whether or not that would be a fact?

Secretary FREEMAN. I think that is very likely. Not so many other countries use this spread outside of Western Europe.

Mr. HORAN. Our studies point out that New Zealand, Denmark, Australia, and the Netherlands are the major exporters. The United Kingdom is the major importer. But the study further points out that butter is not an important export of ours.

Cheese outside of the United States rose 25 percent, as against an increase in the United States of 15 percent.

Canned milk in the major producing nations rose 14 percent over the base 1951 to 1954, and during the same period the U.S. output of canned milk dropped 18 percent.

Our exports of canned milk declined from 21 to 16 percent of all exports from leading producing nations, and as compared with the 1951-54 base were reduced by 11 percent, while those from other important countries were increased by 24 percent.

In dried milk, output in major producing nations rose 83 percent by 1960 over the based period of 1951-54, inclusive. Over this period we increased our own output by 57.5 percent. However, our exports,

the study reveals, decreased sharply, while total world trade in dried milk expanded sharply.

The point I wish to make, Mr. Secretary, and to which I invite your comments, is whether a program of domestic controls is actually the answer, or whether in the world picture we may be missing the boat. We do know that we have made considerable headway in the export and market development of soybeans. We also know that energetic activities by our wheat associates, some of whom you met out in Spokane this week, have expanded the market and use of wheat abroad in competition with rice. Our studies with regard to wheat indicate that there was an overall 17 percent increase in world wheat production, and that here even with acreage control we had a gain of 24 percent.

The U.S.S.R. is reported to have increased wheat production by more than one-third, and yet we are informed that in the Communist world wheat is in short supply. I do not think there is any question about that.

It is interesting to note that world wheat trade, according to our studies, has increased 52 percent over the base period of 1951 to 1954, to a figure of better than $1\frac{1}{2}$ billion bushels in 1960. I do not have the figure in millions of bushels prior to that. Over half a billion though, I think, or about 700 million is the figure.

Of this total, our own wheat comprised 43.6 percent of this export market, and there again I think the cooperation that exists between the industry itself and the FAS and Department of Agriculture and Commodity Credit Corporation is to be credited for a lot of this increase. This is an increase of some 10 percent in export over the base period from the United States. But here again there is a disturbing fact brought out by this study. During this period wheat producers outside the United States increased their acreage by $13\frac{1}{2}$ percent, or by nearly 52 million acres, an increase almost equal to the controlled acreage in the United States.

Of this gain outside of the United States, weather permitting, some 37 million acres was the increase reported from the U.S.S.R. as part of its virgin lands expansion program.

Mr. Secretary, the point I wish to discuss here is that despite what we may pay the farmer out of the Treasury for that which he does not grow, he finds it increasingly difficult in this day of high taxes and costs to increase his equity in a property he may be operating, and actual farm ownership is made more difficult. It is for that reason I think you will find out in the State of Washington, whose referendum vote last year as you know did not quite meet the $66\frac{2}{3}$ —I believe it was 65 percent and some fraction.

I would like to have some comment at this time from you regarding this.

Secretary FREEMAN. Well, first I think we ought to add to the figures you have outlined that last year was the best export year for farm commodities in the history of the Nation. Our exports in calendar year 1961 exceeded \$5 billion and may run to \$5.1 billion in the fiscal year 1962. Our wheat exports in the calendar year 1961 set a new record of 740 million bushels due to very effective promotion activities which the Congressman has described and, of course, through an expanded food-for-peace program.

Fundamentally, I would say that these figures go to support the thesis that not only the United States but the rest of the industrial nations of the world are moving into positions of being surplus agricultural producers. Oddly enough, in the theory of free trade that you can read in your college economic classbooks, it would be held that certain nations would produce food most efficiently and other nations would be industrial, and the two would interchange. Instead, what is happening—

Mr. HORAN. That is the classic argument that goes clear back to Adam Smith—that the most efficient producers profit by free trade.

Secretary FREEMAN. But what has happened instead is that the most productive agricultural nations are the most productive industrial nations, and agriculture is back to back and married with industry, because today the seed, the fertilizer, the machinery, the distribution, all the rest of this goes down the path together.

So I would suggest that each of these figures, rather than indicating that the United States is falling behind the parade, would underline and substantiate the fact that I think we must face, which is that the whole Western World, on almost any commodity, is soon going to be in the dominant position of a surplus producer. The direction in the whole Western World, on almost any commodity, is soon going to be in the direction of supply management, not only nationally but internationally, as we see it in part today in sugar, as we are negotiating right now in the international wheat agreement. I would predict that we are going to have much more of this kind of thing in the future.

France is rapidly moving into a position of a substantially surplus producing nation.

This is part of the problem within the Common Market countries. Italy is going to do the same.

Mr. HORAN. Weather permitting.

Secretary FREEMAN. Yes. The great unfilled market rests where need is great and demand is sometimes almost unpredictable, in the Far East. But here again knowledge and techniques know no boundaries. I visited a plot of rice in Thailand and another in Burma, or East Pakistan, where Japanese rice technicians who had been there for 18 months had increased the production of rice on this 3-acre plot by 500 percent.

Mr. HORAN. We saw some of those experiments at the agricultural college in Bangkok, I might add.

Mr. WHITTEN. Would the gentleman yield to me?

Mr. HORAN. Certainly.

Mr. WHITTEN. This is a complex situation and there are many facets to it. As chairman of this committee, I initiated this study, to bring current an earlier study that was made some years ago, as the gentleman from Washington is aware.

It strikes me that, whatever course this Nation takes, we frequently overlook what the end result will be.

This Nation, through various aspects of foreign aid, has provided new textile mills in many sections of the world. The preceding study made in 1955 showed that we were financing 743 agricultural people in foreign lands.

I asked the investigators to try to find out how the foreign production relates to Government policy here. I cannot see how, when you

furnish all these agricultural specialists to go overseas and show them how to put us out of business or to show them how to do the very things that we are doing, we can be surprised when our foreign customers turn out to be competitors.

I think a long-range study of the policy of the Government is in order—and I am not talking about political parties now. I think through a long period of years our State Department has been the recipient of complaints from foreign countries. As a result, when they have been the dominant influence in the Government the State Department usually has insisted that we cooperate and go along. Then when we implement that type of a policy with our own technicians this policy reaches the point where again our customers have become our competitors. I think our competitors have largely dominated our export policy in many of the past years.

I just wanted to review that background, with the permission of my colleague from Washington. I am glad to see him develop what has happened since our earlier report.

Mr. HORAN. I might add a lot of these countries were agricultural to an extent anyhow, and it was only natural that any aid we gave them, technical aid, would go into the furtherance and improvement of their agriculture. It was a natural phenomenon, one that we should not be surprised about.

I doubt, though, whether the Common Market countries, on the one hand, with their limited land resources, with the fragmentations of farming that have occurred because of the family effect upon splitting up an estate, and so forth—whether even under management controls, by which we mean acreage controls, will increase any alarming percentage, but they may increase quite a bit, and if we give them Gaines wheat which produced 20 bushels more to the acre—well, I want to get back to the freedom of the individual, if I may. Not every individual farmer in the United States is really pleased with the prospect of still further acreage restrictions. I know out my way they are not, nor does acreage control fit into some studies that—I am going to take some credit here. I insisted on these economic unit studies being made in 1957, I believe it was. We had information bulletins based on six sections of the United States—what acreage they had to have in order to have an economic unit that would sustain machinery necessary to be able to produce a given level of income. Two years ago we initiated this program, and this interim report which I hold in my hand, came out just last week from Dr. Cochrane's shop.

The days when a man went West with a bandana handkerchief holding all his worldly worth over his shoulder and nothing in his pocket and made good and became prosperous—those are gone now. He has to have tractors and lots of equipment. These studies reveal what he has to produce on a certain number of acres in order to obtain income of \$2,500, \$3,500, \$4,500, and \$5,500 a year net to him. So when we cut down on his producing acreage, even with payments out of the Treasury, we leave him in pretty much the tenancy rut. It is almost impossible if he keeps up his machinery, which is presumed to be gauged to the farming of his total ranch or operation. His costs and taxes are going to limit him from buying that property. So it is a real problem. It was brought forcibly to our attention yesterday, Mr. Natcher, when the experiment stations showed us pictures of some

of the really promising experiments that are going into the harvesting of tobacco and are decreasing acreage in the United States in tobacco production. Perhaps they can make up for it through cooperative use of machinery, if that is possible, but they will have to do something if these new developments are made available and really save them production cost.

We estimate tremendous savings through the use of forklifts and tote bins in harvesting of apples and still picking them by hand, but by using bigger units and forklifts we save on cost—and the pickers like it, incidentally. Some of those pickers make as much as \$30 a day, which ain't hay even today. They work for it, too. I raise that because I don't feel that we are solving our problems of agriculture through reducing the size of acreage below what can be proven today to be the size of an economic unit that is necessary, and some of your own statements involve what constitutes an economic unit.

So I submit that we have got to pay some attention, if we are going to provide any freedom whatever for our producing American agriculturalist, to not restricting him below what constitutes an economic unit or production and provide him with acreage enough so that he can feel free as an American individual. Do you not agree with that?

Secretary FREEMAN. You place your finger on a very real problem, of course, and we are necessarily forced to choose between alternatives.

If unlimited production would bring forth an adequate price, I think everyone would be much happier to have it and to produce whatever they wanted in whatever quantity they wanted, at any time and place they wanted. Given the enormous increase in productivity, this has resulted in depressed prices, depressed agriculture, and the alternative is to seek to try and bring this into some kind of balance.

I was grateful to the gentleman from Kentucky who the other day expressed his pleasure that we had had an increase in acreage allotments in tobacco.

Mr. HORAN. I suspected these figures were supplied our investigation by your own Department.

Secretary FREEMAN. And I hope that once we could bring wheat into balance. It certainly is a hardship for any producer to have his acreage cut below what is needed for an efficient operation. During a period when we seek to bring our surplus stocks into reasonable balance, we would hope to supplement that income by payment for those acres, and hopefully there could then be additional acres for a more efficient operation when we attained that. But as you well know, Congressman, we have approximately 1.4 billion bushels of wheat hanging over our head today, and that is a practical problem.

Mr. HORAN. That brings me to the sense of everything I had tried to say, and that is this: Do you not think in the light of what is going on in the world that we ought to pay less attention to management controls and more attention to market development—what the Wheat Associates are doing, what the soybean people are doing?

Secretary FREEMAN. I would say we certainly ought to pay every bit of attention, and give every bit of concern and ability, and creative imagination and promotional capacity we have, toward market expansion; but making allowances for very successful programs in this respect, we still find for the foreseeable future a capacity to produce far beyond even the potential markets that we can see before us.

Mr. HORAN. Well, here is an interesting experience. We do not often have this even in Washington, D.C. I hold in my hand the President's farm message. On page 6 he refers to cotton, which has been cut back from about 26 million acres to about 16 million.

Secretary FREEMAN. Eighteen.

Mr. HORAN. Well, it has been cut back, while our actual production has remained about the same.

Secretary FREEMAN. Yes, sir.

Mr. HORAN. At the same time we have Mexico increasing her acreages over five times. They did not start very high. They had about 700,000 acres and now they have about five times that and maybe more. I have not seen any recent figures on that.

In the President's message—and I want to read this, Mr. Chairman, because this affects the cotton-producing areas.

Mr. WHITTEN. We can stand all the benefits we can obtain.

Mr. HORAN. I might add that in this study being made in Dr. Cochrane's shop there are five areas of cotton production that are being studied and economic units to provide from \$2,500 to \$5,500 net income to the cotton producers. This is from the President's message, and I quote:

Cotton.—Cotton suffers chiefly from the attempt to adopt a single legislative program to widely divergent crop needs. There is a sharp conflict between the demand for cheap cotton that can compete effectively with substitute fibers and the need for support levels high enough to assure farmers an adequate income; between the interest of textile mill owners, who face stiffening world competition, in low raw material costs and in the interest of the producer in income sufficiently high to cover his costs; and between our Nation's desire to expand further our world trade in cotton and to hold down a Federal budget already augmented by cotton export subsidies. These conflicts can best be reconciled by a program which establishes a support price upon allotted acreage but permits efficient producers to grow additional acreage at the world price.

I recommend that the Secretary of Agriculture be given authority to:

(1) establish the acreage allotment at a level which would produce the cotton needed for domestic use and such portion of the cotton exports as he may determine;

(2) authorize growers to exceed their farm acreage allotment by up to 30 per cent with the cotton produced on the additional acreage to be marketed under a plan which will net the grower approximately the world market price.

Of course, Wheat Associates would object to applying this to cotton because this is our program for wheat, and we claim some pride of authorship in suggesting it.

Mr. WHITTEN. Mr. Horan, I am sure those of us in the cotton country could write a much better wheat bill. I am sure you folks in the wheat country think you could write a better cotton bill. It is when you try to write one that fits our own section that we get into real difficulty. I am speaking for myself now.

Mr. HORAN. This approach has been developed in the summer fallow areas of Washington and Oregon, particularly. Idaho is in it; Montana is in it. Of course, we import certain grades of wheat now. We do not begin to produce all the Durum that we could use, and so it is the summer fallow areas in the Great Plains and largely the Pacific Northwest that have evolved this principle, and it would work out, they say, getting price support on that which is used domestically. It is a domestic parity program, actually, and to offer and sell the rest of it at world prices, which in my book would really provide us a saving through the fact that it would not necessarily have to go

through Commodity Credit at all. It would be offered at the world price, but it would enable your farmer to make full use of all of his facilities. It should reduce the cost of administration, as far as I can determine.

Secretary FREEMAN. The program you recommend, the wheat certificate, Wheat Associates plan, has certainly much to recommend it, but not wanting to put words in anyone's mouth, I am very sure that the people from the section of the country where Congressman Andersen and I come from, at the thought of unlimited wheat production which would move at world prices and get into the feed grain markets, would be heard rather sharply in opposition to such program.

Mr. HORAN. Then geography is overcoming intelligence in this case. Is that what you are saying?

Secretary FREEMAN. Hardly. I think I am saying really what the chairman said—that it is easy enough to provide for one section, but when you have to live in the whole country it gets to be another proposition, and we have to harmonize a variety of interests and commodities. This is the difficulty, and this is frankly what we have sought to do in connection with the wheat proposals in connection with this bill. We spent many long hours meeting with your associates and Wheat Associates. I spent many long hours just day before yesterday reviewing this with them. I believe the proposals as made come as close to the objectives they seek to attain and at the same time pay attention to some of the other areas in the country, which properly call for consideration, as we were able to develop them. I am hopeful, sir, that you will support these proposals.

Mr. HORAN. I was present at the meeting of the wheatgrowers in one of the largest wheat-producing counties in the United States when they voted down all of these proposals, and they asked for the removal of price supports and acreage allotments, except on corn. I do not know why they left corn in. I did not ask them. Their position did not prevail at the State meeting, and, of course, we went back to the modification of the domestic parity program which is presently before you.

I might say that it is not a political matter. Those of us that come from those areas that would be affected, particularly the summer fallow areas, we do have an informal group, and we are hopeful that something along that line will be done, which I think has promise and in all honesty ought to be tried. Perhaps it will prevail one of these days. If you do anything for cotton, we are going to be pretty mad, and you will not blame us.

That is enough of that. We are not going to solve that this afternoon.

MEAT INSPECTION

One matter which we have previously discussed during the time we had meat inspection before our subcommittee is that which has just been brought to my attention again by the National Association of State Departments of Agriculture. I might say here that I have conferred with those who were responsible for meat inspection, poultry inspection, and what have you, in the Department.

Apparently what the National Association of State Directors of Agriculture want done is not quite consonant with the measure which

Harlan Hagen of California first introduced, and I thought so much of it that I introduced it in the 86th Congress. It is my understanding that the Honorable Charles Teague has a similar resolution in the present Congress, and I would like to have you see this.

It is my understanding that the State directors are becoming a little aggressive now, and that what they propose is not consonant with what the intent of that bill would have been. It is my understanding that people in position to say so state that the USDA could live with the intent of the measure as I introduced it.

I would like to read what is already in the record, as I understand it, but has not been brought to the attention of the subcommittee, a letter from Phil Campbell, secretary-treasurer of the National Association of State Departments of Agriculture. He hails from Atlanta, Ga. I notice that the executive committee includes Mr. Joe Dwyer, from my own State of Washington.

This letter is dated January 25, and I am going to read it in order to get the full intent of it before you :

Enclosed is a copy of a resolution passed by the executive committee of the National Association of State Departments of Agriculture at its December 1961 meeting in Washington, D.C., which points up a serious condition from the standpoint of State departments of agriculture as to the complete disregard in many instances by the Federal Government of excellent State programs in operation which are financed by State funds.

I may say parenthetically that that statement may be overstated. I will go on with the letter. [Continues reading:]

An illustration at the present time is that States are beginning to set up State meat-inspection programs similar to State milk and State egg-inspection programs, in order to insure quality meat for the consuming public in the States, the same as quality milk and eggs, which are presently inspected under State programs at State expense.

If the Federal Government is to take over all such programs in the future, the cost to the Federal Treasury will certainly be tremendous.

This action by the executive committee of the National Association of State Departments of Agriculture is being sent to you for your information. Should you desire to pursue this matter in any manner with the State departments of agriculture, I will certainly appreciate your letting me know.

Well, I have replied to this, merely an acknowledgment. I did state in my acknowledgment that I did intend to take this up with you.

In my service on this subcommittee, which encompasses nearly 18 years, I have seen the cost of meat inspection and now poultry inspection and other food inspection programs rise by at least fivefold in their cost. Some of that is due to inflation, of course, pay raises, and that sort of thing, but certainly it has been a precipitous raise.

My reason for introducing that bill is that I was attracted to it because under the provisions of that measure which I introduced in the 86th Congress the control of meat and poultry and other inspections at a State level would not be divorced from Federal supervision. Of course, it is something we want, and yet if there is any way that we by cooperative action between the Federal and State Governments can hold down the cost, I feel compelled to embrace it.

Secretary FREEMAN. Well, I feel compelled to embrace it, too, and I speak as a former Governor. But I feel also impelled to say this, and I am sure this committee will go into this with great care in the weeks ahead. If there are substantial quantities of meat and poultry products being slaughtered and processed and reaching the consumer that

are not being adequately inspected and are deleterious, we ought not to anticipate very quick or effective action on the part of local units of government in response to this need, because at the moment the pressures in local government, on every Governor—and I know all of them or most all of them—are so enormous on the tax and appropriation front that the likelihood—and I would certainly speak for my own State, no matter who the Governor is—of getting substantially increased appropriations for this purpose is very limited.

Now, we are considering in the Department two things, first along the lines of this bill. One of the assistants to the Secretary, Mr. Barney Allen—and I would be very pleased if you would have time to visit with him, Mr. Horan—has been directed to work with the State commissioners and find out just what they are able to do and what they think they can get by way of appropriations to expand their resources, which are sharply limited in almost every instance.

We are also considering a proposal which would combine this bill with an extension of the Federal inspection to those larger operations under a definition similar to that used in the National Labor Relations Act to define interstate commerce, and by applying this definition, which has been well tested in the law and is clearly accepted as interstate commerce, we would reach a number of the larger plants and would leave a very substantial number of the smaller ones, which we would then seek to work with the various States in expanding their services to meet those needs and in this fashion move with some dispatch toward the goal I know we both seek to reach.

Mr. HORAN. It is not exactly comparable, but for over 50 years the State of Washington has had what is called the Federal-State Inspection Service covering fruits and vegetables. Part of it is designed to keep up the quality of a product that has to be shipped 3,000 miles. We cannot ship culls at that price, a dollar and a half a box or something like that. Part of it is to protect the health of the people. That has worked very well, and of course to my knowledge practically all of the burden of that Federal-State inspection falls on the producer. We do not complain about that. And of course in meat inspection certain operators maintain their own service for quality, and so the meat inspection item we have before this subcommittee deals primarily with the health of the consumer, protection to the consumer. I would not in any way want to jeopardize that, but I do trust that you will discuss this with Dr. M. R. Clarkson, who has already paid a lot of attention to it. I would appreciate it very much if you could have a session with some of these men that I know. If anything could be worked out that adds up to State and Federal cooperation in these fields and spells out some saving to the Federal Government in cash outlays, again I say I want to embrace it.

Secretary FREEMAN. May I make this request, Congressman? Mr. Allen was strongly urged on me in this Federal-State liaison assignment by the association for which Mr. Campbell writes and is representing. Interestingly enough he happened to be the Commissioner of Agriculture in the State of Minnesota when I was Governor and was one of my appointees. Congressman Andersen has known Barney Allen for many years.

He knows all of the State commissioners, is very well accepted by them, has been working in this field with them, and I have specifically

instructed him to try and further this kind of cooperation. With your permission, I would like to ask both him and Dr. Clarkson to call on you and to discuss this matter that you have such real interest in.

Mr. HORAN. I would be glad to entertain them. I do not know as they need to call on me particularly. What we want is results, and that appears to be an avenue that might supply some results.

Secretary FREEMAN. Maybe calling on you is an avenue that gets results, too.

FARM LABOR

Mr. HORAN. There is another matter already discussed by the chairman of this subcommittee, which is the matter of farm labor.

Pending in the Subcommittee on Migratory Labor of the Labor and Public Welfare Committee is S. 1128. It has not been reported out of that committee as far as I know. It would extend the National Labor Relations Act to cover agriculture.

Then there is S. 1122, which is the farm workers' minimum wage act. It provides minimum wages for employees engaged in agriculture, sets such wages at 75 cents per hour for the first year, 85 cents during the second year, and \$1 during the third year, and in accordance with minimum wages under the Fair Labor Standards Act thereafter.

I might say in passing that actually outside of the cumbersomeness of over-regulating what tends to be predominantly a seasonal operation that this does not really touch my State of Washington. I told you before that we have pickers that make as much as \$30 a day picking. To my knowledge we exceed the minimum wage now on all of our employees.

I had an interesting experience the other day when Mr. Jerry Holleman, Assistant Secretary of Labor, sent me a letter telling me they were going to hold a hearing in my State. I urged him to do so. Now I get a letter back from him apologizing for his first letter to me. He said, "No, we are just going to hold two in California." That is a proposal to require the lettuce growers down there, as I understand it, to pay not less than \$2 an hour for lettuce pickers, and there was some complaint about the invasion of the States with such demands. I understand that Secretary Goldberg has changed his mind, that the matter has been resolved, and that is to his credit, I think. But in this entire matter of seasonal farm labor there are honest objections from honest producers.

Another bill introduced by the same group is S. 1129. This sets forth certain congressional findings with respect to the supply of agricultural labor, authorizes the Secretary of Labor to establish a program to recruit qualified agricultural workers, to furnish transportation, food, and housing prior to employment, to guarantee earnings lost as a result of breach of contract by the employer, to recruit workers, and to establish a revolving fund to pay such expenses, sets forth certain requirements before workers may be made available to an employer, permits the Secretary to undertake special studies and conduct experimental projects.

I understand in the measure—the other two are still before the committee with no action scheduled—the Subcommittee on Migratory Labor did hold hearings on February 8 and 9, S. 1129. There is a companion bill in the House, H.R. 5290, on which hearings were held in New York City.

As the chairman has made amply plain in the past, we realize, of course, the cities run the United States today. It is not the farm people.

But I submit that if you are going to hold hearings on farm labor you ought to let the farmers in on it.

I should think that you as Secretary of Agriculture should make certain that they do get in on these hearings.

Now, we have had migratory labor in the State of Washington for many years, and in some cases we found it difficult to get some of those Mexicans to go back to Mexico. They liked it so well up in the State of Washington. And the pay was good. They got to wear those black leather jackets and a lot of things they could not get down in Mexico.

The treatment was good. The food was good. Their wages were standard. And they just loved it up there.

But where we are paying good wages, I would like to read to you some of the complaints. I will start in with S. 1122. That is the minimum wage. [Reading:]

This bill does not require overtime but that could be the next step. It is almost impossible for fruitgrowers to keep an accurate record of hours worked by a picker. This bill provides that piece rates will be considered to be in compliance if 90 percent of the workers earn the minimum hourly wage. This percentage is far too high.

Mr. WHITTEN. Would the gentleman yield to me?

Mr. HORAN. Yes.

Mr. WHITTEN. There are several aspects to this thing, but the things that disturb me are there.

Again, I would point out, to the general public and to the press and everyone else, that we on this subcommittee are just dealing with 10 percent of the people who happen to farm. Many folks think of these bills that have been introduced as merely dealing with agriculture.

I read in today's paper where the Federal Government was going to recognize and deal with a Federal employees' union. I believe I am right in saying the Amalgamated Meat Cutters was the first to be recognized. It may or may not be correct.

As we discussed the other day, Mr. Secretary, when you start letting a few people control the food supply, the food production, or the food distribution in this country, you are putting in the hands of those few people the right to bring the whole Nation to its knees.

This is a different area. Mr. Horan discussed the applegrowers and what they do. We might discuss the producers of this, that and the other commodity. What we are really discussing is the source of food for all the American people.

Again, I do not know how far this thing has gone with the union of meat inspectors. But if you have a law that says you must have meat inspection, and it is illegal to distribute it in interstate commerce unless it carries that stamp, and the meat inspectors strike or cannot get together on union bargaining, then where are the people in our cities going to get their meat?

I am not trying to say that folks should not earn a fair livelihood. I just say that it can be a serious matter. In Poland, in Russia, in Hungary and those Communist countries, the governments' control of the food supply is one of the most effective means used to make the people do whatever they want.

It is bad enough for things like clothes. You can wear your old suit. There are so many things you can get by with while these things get worked out. But food might be in a different category.

I thank the gentleman for letting me make these comments.

Mr. HORAN. I want to complete the description of this inequity. [Reading]:

This percentage—

that is, 90 percent—

is far too high. One farmer with an inexperienced crew who are not willing to work could be required to pay a higher piece rate whereas his neighbor whose crew is willing to work would only pay the established rate. Also this bill would deprive the partially handicapped or elderly worker from an opportunity for employment if that worker could not produce enough to earn the hourly minimum.

So I want you, Mr. Secretary, to give some thought to your American farmers when these proposals come before you. You are on that committee, and I am happy that you are.

But just remember that an awful lot of our American farmers are honest employers, and I think they pay about as high as they can, everything considered.

In 1800, 80 percent of the population were—well, you could call them farmers I guess. That is down now to about 11.75 or somewhere around there. It is supposed to get down to 8-point-something in 1975.

We feel like the American farmer is losing any protection he has through the Department of Agriculture unless the Secretary of Agriculture really stands up for the American farmer.

You do not have to stand up for those who abuse a reasonable procedure such as inspection of any kind for quality and for health purposes. You do not have to protect any Simon Legrees among the employment forces.

But here is what is going on. All these bills deal with farm labor, but they bypass the House committee on agricultural legislation by the simple procedure of offering them as amendments to the Fair Labor Standards Act without any consideration to those things which should be fully considered.

In the case of the lettuce problem in California, I guess Secretary Goldberg began to realize that perhaps he should look into it further before he took action.

I do not know whether he is going ahead with the hearings at Los Angeles and Sacramento or not. I hope he does not.

I wrote to Jerry Holleman, and I said we want hearings up in the State of Washington because we think we are doing about what we can do to be fair to labor as far as the traffic will bear.

Mr. SANTANGELO. Will the gentleman yield?

Mr. HORAN. Certainly.

Mr. SANTANGELO. I am very sympathetic with your viewpoint about the burden on the producer. But have you considered how much your State may be paying in welfare because some of those people are not making sufficient money? The seasonal workers?

Mr. HORAN. I do not see where that has anything to do with it excepting that because they do have seasonal employment the welfare burden should be lessened.

Mr. SANTANGELO. If you do have seasonal employment, do you realize that the State is going to pay in welfare payments what the producer is not paying? And if you give a basic minimum wage in order to obtain the commodities of life to live, then you are not going to provide for them out of welfare funds.

So the question is: Shall you put the burden on those who are going to profit from their labor or put it on the State?

Mr. HORAN. We expect the Department of Agriculture to defend the proper rights of the American farmer. Don't you?

Secretary FREEMAN. Yes, sir.

Mr. HORAN. I do not want to stir up too much on this thing, but I do not like the way it is shaping up, and I know some of my friends in the Congress are fit to be tied about the same thing.

There is a problem we are going to have to learn to live with, and on the face of it it just looks to me like some of our farm producers and even farm labor are being unjustly persecuted by some of these ventures.

Secretary FREEMAN. I would like for the record to show that the Secretary of Agriculture is a member of this Migratory Labor Committee.

Mr. HORAN. I am glad of it.

Secretary FREEMAN. We have reviewed these things, and I have been very sharp and clear in pointing out to the other members of this committee the nature of this problem and the variety of situations around the country including the problem of low-producer income. Certainly many, many of the producers who would like to provide better conditions and better wages find themselves strapped because of sharply limited income.

I am hopeful for many of these proposals which do carry with them the sharing of resources to bring about a more steady supply of American domestic farm laborers to help producers in local units of government that are limited in their resources by way of education, social welfare, housing conditions and other things. I know the Congressman would join with me in hoping these things could be improved in many, many places.

Where you come to the minimum wage question, this becomes one of practical economics that certainly cannot be disregarded.

I hope and believe that this committee will continue to be conscious of these factors and, that within what is reasonable and practicable, we can improve what has been on occasions a situation where substantial numbers of Americans live under standards that none of us are proud of.

Mr. HORAN. Well, I will close with this observation. Dr. Cochrane I guess gave us the text the other day when he said the outlook for agriculture was not too bright.

All that some of our farm producers need is too much interference from the Federal Government through the Department of Agriculture and the Department of Labor and what have you and it just might be the straw that breaks the back of certain farm producers. And, along with you, I am proud of them.

Secretary FREEMAN. I share that pride and that concern, and we are doing our best to try to help and not to hurt, I assure you.

Mr. WHITTEN. Prior to turning to Mr. Michel—and he has been most cooperative in waiting—I would point out once again for the

record that the Department says the outlook for agriculture is not good.

Secretary FREEMAN. The Secretary of Agriculture did not say that. If there is anybody that is the Department, it is the Secretary. He does not assume that he is, but he speaks for the Department.

Mr. WHITTEN. With all the problems we see, and fewer and fewer people who are interested in going into agriculture as a vocation, many other people must think that it is not the thing for a young man to do. We see that evidenced all around us.

I did not mean to in any way reflect on the present Secretary or the Department or anyone else.

I think we can all see agriculture is not inviting enough to get new blood into it. All you have to do is measure the average age of the average farmer today with last year and the year before that.

When we say that, we mean that the source of food and fiber for the American people is unhealthy. If agriculture is unhealthy, the next step is for the public to feel it. It is just as simple as that. The public may not see it, but it is true. An unhealthy condition in the supply of the food and fiber of this country will be felt by the consumers of that food and fiber eventually.

Mr. ANDERSEN. And by our entire economy, Mr. Chairman.

Mr. WHITTEN. That is true too. Mr. Michel.

Mr. MICHEL. Mr. Secretary, my colleagues who have preceded me have certainly covered the waterfront in their penetrating questioning of you in the last couple of days.

You have stood up well in the face of their interrogation, and I must say parenthetically that you have fared much better than your predecessor, at least to this point, and so much so that at times I wondered whether we were conducting ourselves with the best propriety with your predecessor.

But I respect you as a former Governor and as a member of the President's Cabinet just as I respect the office of the President very highly.

This does not necessarily hold that I subscribe to your views. Far from it. I guess on many, many issues we are poles apart. But this is one of the beauties of our system of checks and balances that we have, that constitutional right to disagree.

Just by way of brief prefacing of my questioning, I do not happen to hold the view that the only way to be a friend of the farmer is to promise him benefits from Government, because I find in looking over the history of what Government has tried to bestow upon the farmer it has likewise taken from him in good measure by way of freedom of action and freedom of choice.

And so, underpinning my whole philosophy of this agricultural program is this general feeling that we are moving more and more into that direction of completely subjugating the American farmer and putting him more and more in a straitjacket.

RURAL AREA POPULATION AND INCOME

I notice in turning to your testimony on page 3 that you say :

There are about 54 million people living in rural America. Over one-half of the poverty that exists in the United States is in this group that constitutes nearly one-third of our total population.

Taking half of 54 million people, one would, in taking a sentence out of context, say that 27 million people then are rural people who are poverty stricken, or, to quote Webster's dictionary, in a state of being pauper poor or indigent or destitute or owning nothing. And I just do not happen to think that American agriculture is in those dire straits.

First, I would ask you: Of those 54 million people living in rural America, what number or what percentage are actually living on the farm or are farmers?

Secretary FREEMAN. This is, of course, extremely difficult to define, and the Bureau of Census wrestles with how to define a farmer.

A goodly number of these would be people who are living in rural America who may raise something but who might have greater sources of income outside of agriculture per se than they have in producing food and fiber.

But 4.1 million people having incomes of less than \$2,500 a year are living in rural America, which includes about 54 million people.

There are 3.9 million or fewer people with incomes under \$2,500 living in urban America, which is comprised of 131 million people.

The point I seek to make is not one of overemphasizing, certainly, the problem of falling farm income, but by the same token properly emphasizing that there is a great deal and proportionately much more poverty in rural America than in urban America.

Mr. MICHEL. When you talk about the \$2,500 a year income, you do not take into account, of course, that a real recognized farmer is producing on his farm many of those necessities of life that normally the city individual does not provide for himself?

Secretary FREEMAN. Yes; the things that he would grow and other additions to his total income are taken into consideration in these figures.

I would repeat, if I may, again, what I said this morning. If we break down our 3¾ million farmers, approximately, we find about 1½ million of them are commercial farmers, on farms of reasonable size, who produce 87 percent of our food and fiber and to whom the price of agricultural commodities is a very real and essential part of their income, and they are a very vital part of our economy in producing that percentage of our food and fiber. Here price becomes an extremely vital factor.

In the case of the other 2¼ million, I would not minimize the importance of agricultural price, and there is a great variety among that 2¼ million, but here we have some related problems. For many of these people any kind of prices that we have discussed, or would reasonably anticipate, will not meet their needs. This is a problem of rural renewal, if you will, and of the development of resources and the addition to resources rather than a farm problem per se.

PILOT FOOD STAMP PROGRAM

Mr. MICHEL. Turning to page 4 of your testimony, you discuss the pilot food stamp program, and you say specifically:

* * * has been operating successfully in eight economically depressed areas since the middle of 1961. About 140,000 needy persons were participating by the end of 1961.

And going on to point out that they are paying \$63 for roughly every \$100 worth of coupons received.

As I understand it, there was appropriated for the inauguration of this food stamp plan something like—or an estimated expenditure—\$4 million a month.

Secretary FREEMAN. That is pretty close.

Mr. MICHEL. The initial operation. Is that not true?

Mr. GRANT. That is correct; that was the original projection last year.

Mr. MICHEL. If that program then has been characterized as successful in its first 6 months, half of that proposed yearly cost of \$48 million would be roughly \$24 million, and spread over 140,000 people it comes out to about \$171 a person.

I asked the question last year when we were discussing this thing as to how broad or how far we would expect to expand this program and then tried to project some cost figures for the future, because I was disturbed that here we were embarking upon a \$50 million experiment, and that is exactly about what it is going to prove out to be.

If it is going to run for a year, involving only 140,000 people, that is \$342 a year subsidy to each individual participating in the program.

And I say: Well, how far do we go in this particular area?

Secretary FREEMAN. Well, actually the cost of the program has been substantially less than we estimated that it should be. And for the first 6 months instead of costing \$24 million it has been how much, Mr. Grant?

Mr. GRANT. I do not have the exact figure. We estimate for the entire year it will be less than \$20 million. So I would say the cost will probably not be over \$8.5 million to \$9 million for the first 6 months.

Secretary FREEMAN. It is proving out to cost less than half what we estimated, including the substantial overcharges that go along with a pilot study and demonstration project which would not be the case when it was significantly expanded.

Mr. MICHEL. In your computations of costs, is that for subsidizing the food that they are getting at a cheaper cost plus administrative expenses, or what are we talking about here?

Secretary FREEMAN. We are talking about the cost of the stamps that go to the people.

Mr. MICHEL. You are talking then strictly about administration?

Secretary FREEMAN. No, we are talking about the cost of the stamps that go to the people and is reflected in the expenditures for the food they get at the grocery store, plus the administrative costs of setting up the food stamp plan in the various areas and the research programs that have accompanied it.

Mr. GRANT. Mr. Michel, the way this works is that in effect we sell the stamps to the family. They take the stamps and go to the grocery store and buy their food at the price listed on the retail shelves. So there is no subsidy in the sense which I think you mean.

The \$8.5 million or \$9 million we have spent so far this year represents what we have paid to redeem those stamps when they come back through the normal banking channels, plus administrative costs.

Mr. ROBERTSON. This is total estimated administrative costs.

Mr. MICHEL. How much of an expansion of the program will there be this coming year?

Mr. GRANT. It is estimated to go up from about \$20 million to \$50 million.

Mr. MICHEL. That will embrace how many additional communities?

Secretary FREEMAN. This is something that we are now seeking to work out. There are a number of things that we want to continue on a pilot basis before any permanent program would be recommended.

We expect that it will expand, let us say, from 8 to maybe 25 or 35 new areas within the \$50 million limit that initially was contemplated a year ago.

Mr. MICHEL. Are these still going to be confined to so-called depressed-area cities?

Secretary FREEMAN. Yes.

Mr. MICHEL. Are they going into the big metropolitan cities where there would normally be relief rolls?

Secretary FREEMAN. No, they are going to be directed to areas which would be described as depressed with an unemployment ratio so defined by the Bureau of Labor Statistics.

Mr. GRANT. Mr. Michel, I find I do have some figures. In December 1961 there were 143,753 participants. There had been a total of \$17,547,000 worth of certificates or stamps, issued, for which the recipients paid \$10,800,000, leaving \$6,695,000 paid from section 32 funds.

To that, of course, would have to be added the administrative costs, which were probably in the neighborhood of a million dollars.

Mr. ANDERSEN. Will you permit a short question at this point?

Mr. MICHEL. Yes.

RESULT OF PILOT PROGRAM

Mr. ANDERSEN. Mr. Secretary, are you pleased with the results so far of the pilot program?

Secretary FREEMAN. Yes; pleased from several standpoints. First, with the excellent cooperation that has been forthcoming from the people in the retail trade. I had a delegation call on me on the west coast from both Oregon and Washington. These are retail grocery people, independent grocers, as a matter of fact. They are anxious that this program be expanded in this area because it obviously is much more desirable to them than a direct food distribution program.

Further, I visited several of them myself, and I have been pleased to find that the people involved themselves seem to appreciate that they participate in this by buying some of these stamps, and it does not have quite the connotation of a handout, and they seem to like it.

Finally, administratively it has proved to be much better, more subject to effective administration. Direct food distribution inevitably involves some abuses that are almost impossible to control when you are distributing food in bulk quantities.

But in this fashion, through the medium first of certifying people who are in an income level where their diet is inadequate, and then their actually paying X number of dollars for stamps up to a level of adequate nutrition according to that community, and then limiting those stamps in the grocery store to food items that people really do need as a part of their diet, all of this has worked on a limited scale extremely well, and there have been very few violations.

In the overall we would say that it has more than met our expectations.

Mr. ANDERSEN. Thank you, Mr. Michel.

Mr. MICHEL. That is good. I appreciate the gentleman's contribution.

I was pleased at the Secretary's comment that these were limited to dairy and food products.

Secretary FREEMAN. Yes.

Mr. MICHEL. And that, for example, in a large supermarket where they have got eggbeaters and towels and diapers and everything else—

Secretary FREEMAN. Cigarettes and beer.

Mr. MICHEL. Yes.

Secretary FREEMAN. They could not use the stamps for such items.

Mr. MICHEL. These are taboo and are prohibited from being purchased?

Secretary FREEMAN. That is right.

FEED GRAIN PROGRAM

Mr. MICHEL. On the feed grain bill my good colleague, Mr. Andersen, of course, developed this at great length. I have a few additional questions that I would like to ask, the first being this: The 1950-60 average corn acreage planted according to the Department of Agriculture statistics equaled 82.2 million acres, and according to the official report to the President of the Senate dated June 21, 1961, the basic acreage assigned to corn producers last year equaled 87,047,000 acres. Both of these figures relate to the average annual planting history for the 2-year period, 1959-60.

These figures, of course, do not agree, and my question is, Mr. Secretary: Which of these figures is the Department going to use in setting up the feed grain program for the fiscal year 1963?

Secretary FREEMAN. Well, of course, there is a substantial difference at any time between planted and harvested acres.

Actually, the initial estimate of base acreage was subsequently increased about 3 percent because we had to take only estimates because we have no base acreages to start from.

Now, let me back up a little, and this bears on what Congressman Andersen felt—that the Department was much too harsh and restrictive—this morning. The implication of your question is the opposite—that the Department was much too loose or generous.

Mr. MICHEL. There is actually no particular implication. The two figures do not jibe and I would like to know where right is right and wrong is wrong.

Secretary FREEMAN. All right. Here is what took place.

When the emergency program was started, we had no basic acreage, and so what we did, first of all, was to ask the Statistical Reporting Service to make estimates based upon the best data available for each county in the United States that was a feed grain producing county, and to attempt to estimate what they felt the base acreage ought to be in that area.

At the same time we made a review through the medium of our customary crop reporting service, getting from individual farmers in

these areas on a representative basis their estimate of what the base acreage actually was.

Then we found, of course, that there was a substantial difference between the earlier estimate and the result which was forthcoming from the postcard and sample survey.

So then we lit, to state it colloquially, somewhere in between what this early estimate had been and what the farmers' report would indicate. Then we set our county ratios accordingly in terms of base acreage.

Then, further, we allowed individual producers, through the meeting of their county committee, to appeal a base acreage assigned to them which they felt was too low.

The net result was that we ended up with a figure which was updated some 3 percent over what our initial estimate had been, but was about 4 percent below what the report from the farmers indicated they felt it should be in total.

This was the product of the difference between the figures you mentioned.

In addition, there is this additional complicating factor, or two complicating factors:

First of all, the noncompliers, as I said this morning, planted 6.7 million more acres which we had no control over, which meant that the acreage which was planted went up beyond what it otherwise would have been. But this was almost counterbalanced by the fact that those who did comply actually withdrew from production, and did not ask for compensation for, some 6 million acres approximately. These were compliers who did not plant that much but did not get any retirement payments for not planting.

So all of these factors explain the differential between the figures to which you direct attention.

Mr. MICHEL. What is it assumed the farmers did with those 6 million acres?

Secretary FREEMAN. They did not do anything with them, probably. The best estimate we can make is that this acreage represents the corner of a field, represents an estimate where they chose to be on the conservative side so as not to end up overplanting.

Generally, I think it was a pretty good reflection on the farmers of the country who chose to be conservative rather than excessive in the plantings within their base acreage.

ACREAGE DIVERTED AND COST TO GOVERNMENT

Mr. MICHEL. Is my recollection correct that this past year there was set aside or diverted 24.8 or 25 million acres?

Secretary FREEMAN. That is approximately right; yes, sir.

Mr. MICHEL. Was the total cost paid to farmers for these diverted acres \$768 million?

Secretary FREEMAN. A little more than that. I think closer to \$782 million.

Mr. BEACH. \$782 million.

Secretary FREEMAN. Yes, \$782 million.

Mr. BEACH. That is still an estimate, however.

Mr. MICHEL. Is that still an estimate?

Secretary FREEMAN. Yes.

Mr. BEACH. It is not complete yet.

Mr. MICHEL. The net reduction in production of 1961 over 1962 by volume was what? Have we had that inserted in the record?

Secretary FREEMAN. Yes; this morning. Over 1960, the net reduction was 421 million bushels. But might I add, the net reduction of production was 794 million bushels.

Mr. MICHEL. How do you arrive at that figure?

Secretary FREEMAN. Well, this merely takes into consideration what the increased production would have been without the feed grain program.

Mr. MICHEL. That is just conjecture; is it not?

Secretary FREEMAN. No; I think this is not conjecture. I think this is pretty solid fact.

We harvested 70 million acres of corn and sorghum and we know just about exactly how much it would have produced and how much the additional acres would have produced. There is nothing conjectural about it.

SOYBEANS

Mr. MICHEL. Does this take into account now the increase in soybean production?

Secretary FREEMAN. No.

Mr. MICHEL. How much increase was there in soybeans?

Secretary FREEMAN. There was substantial increase. Are you speaking now in total or by acres?

Mr. MICHEL. Well, let's talk about volume.

Secretary FREEMAN. All right.

Mr. MICHEL. I think it was 556 million in about 1960. Something like that.

Secretary FREEMAN. My best recollection is about 120 million increase in soybeans.

Mr. BEACH. The total production was 693 million bushels in 1961 as against 555 million in 1960.

Mr. MICHEL. So that increase in soybean production is not reflected in your overall reduction of feed grain figures there; is it?

Secretary FREEMAN. No.

Mr. MICHEL. And I think that is a very significant figure to be included to make a complete record.

Secretary FREEMAN. I would, with due respect, sharply disagree with you. I feel that in connection with the feed grains it has no relation, because the acres in feed grains did not move over into the acreage in soybeans. They could not.

Mr. MICHEL. Well, there surely must have been some stimulant for that increase.

Secretary FREEMAN. Some oats that was not under the program moved over into the production of soybeans, and there could have been—I withdraw my somewhat dogmatic statement. For the non-complier there could have been some movement over into soybeans from corn.

Mr. MICHEL. And what has been the comparative price of soybeans say December 31, 1961, as against December 31, 1960?

Secretary FREEMAN. Have you got that, Mr. Beach?

Mr. BEACH. I have the January 15 prices here.

Mr. MICHEL. All right. That is good enough.

Secretary FREEMAN. Let me say while he is looking them up that the prices to the farmer were considerably better. They might not have been so much better on the exchange or for the people that were speculating with them, but to the farmer there was an increased return of \$400 million of income by virtue of the soybean program.

Mr. BEACH. The average price received by farmers was \$2.23 on January 15, 1961, versus \$2.32 for January 15, 1962.

Secretary FREEMAN. Carry that back into about September and October and November. What was the comparison?

Mr. BEACH. The November price was \$2.27. The December price was \$2.30.

Secretary FREEMAN. How does that compare with a year ago?

Mr. BEACH. That is not here for those same months. I will check that.

(The information requested follows:)

Comparison of soybean prices

[Per bushel]

Month	1961	1960
October.....	\$2.20	\$1.94
November.....	2.27	1.96
December.....	2.30	1.99
January.....	2.32	2.23

Secretary FREEMAN. What happened a year ago before this program when they had a price support of \$1.85 is that when it came to market the soybeans moved into market at that rate. This time the farmers, many of them, put their beans under support and held them, and the increased income totaled approximately \$400 million.

PROSPECTS FOR FUTURE ACREAGE INCREASE

Mr. MICHEL. What is your projection for this coming year so far as soybeans are concerned? Is there going to be again as much of an increase in acreage do you think?

Secretary FREEMAN. No.

Mr. MICHEL. Do you think it will hold steady at what it was this past year if the law is not changed?

Secretary FREEMAN. We expect the soybean crop to remain relatively the same. Perhaps some soybeans will move back out of soybeans and into corn.

The price support on soybeans was dropped a nickel because of some question of foreign production and foreign markets. We expect, weather and production being within the limits that we can predict, that we will about balance out in this year and perhaps add some 10 or 15 million bushels of soybeans or conceivably drop below what the carryover will be, depending upon the uncertainties of foreign production and domestic production.

Might I just add for the record, too, that we saw in soybeans a miraculous increase per acre this time which could only be attributable to weather. For the last 4 previous years there had not been a 1-

bushel deviation per acre in the production of soybeans, and in this crop it went up nearly 2 bushels an acre in increased production.

Mr. MICHEL. Except some of us increased our hydrous ammonia as much as 30 percent.

Secretary FREEMAN. This has almost no effect on soybeans. In corn this might have had an effect, but not in soybeans.

Mr. MICHEL. This brings to mind a question. I think it was raised out at the Chicago meeting where you attended.

POSSIBILITY OF TAXING FERTILIZER TO CUT PRODUCTION

The possibility of taxing fertilizer at a time when we have too much as a means of cutting down on production when we do not need it and eliminating the tax at a time when you do need the increased production.

Has anybody in the Department given any kind of thought at all to that?

Secretary FREEMAN. We are thinking about it.

Mr. HORAN. Like Mussolini's taxes on goats in the southern part of Italy.

EFFECTS OF CONTROLS ON FREEDOM IN AGRICULTURE

Mr. MICHEL. Mr. Secretary, I heard you on the "Today" show when the Cabinet members were being interviewed by Martin Agronsky I believe it was, and I do not have the exact transcript of that particular interview, but I recall one question which Mr. Agronsky directed to you after you developed your theme and your story, very articulate as you are:

"Well, Mr. Secretary, it appears as though we are moving more and more in the directions of controls and regimenting our farmer."

And your answer if I can recall was something to this effect:

"On the contrary, Mr. Agronsky, we are moving much more toward a freer agriculture."

Now, this to me just did not jibe at all in view of some of the proposals I have heard about coming up from the Department about cow quotas and pig quotas and every other quota.

Secretary FREEMAN. Where did you hear about pig quotas?

Mr. MICHEL. Well, they are talking about everything today, and I suspect that if we are just talking about cow quotas we are only a shade away from pigs and then poultry and every other thing.

I just wonder how far we are really going in this control business.

Secretary FREEMAN. I do not recall answering that question in exactly that vein. I think what I said, and certainly what I meant to say, was that within an area where it will make it possible to accomplish some balance between supply and demand essential to fair prices we would certainly seek to maximize the area of free decision and discretion by the individual producer.

Now, for example, in the program as recommended to the Congress, a farmer, as Representative Andersen brought out this morning, who produced feed grains could produce any of the four feed grains as best fit his land and wishes and could add to the wheat. And this is giving a broader area of discretion.

On the other hand, I would submit to you that to get agriculture in a posture where we hit the market with supplies far in excess of de-

mand is a violation of the best law of free enterprise, the operation of the law of supply and demand, and as such the farmer cannot expect to make a living.

And so, realistically, we seek to maximize his freedom as a free enterpriser conforming to the laws of supply and demand.

Mr. ANDERSEN. Mr. Secretary, as long as you brought my name into the matter, remember also that I suggested that perhaps the farmer felt he had a shotgun at his back in making a determination as to whether he wanted to accept that referendum or not.

Mr. MICHEL. I would certainly have to subscribe to what you say, Mr. Andersen, because that is exactly the condition that prevailed out home. When talking to the individual farmers they just felt that there was a bludgeon being held over their head.

Mr. ANDERSEN. "You take this or else"?

Mr. MICHEL. That is it. There was no recourse for them whatsoever. I think we are stretching it a little bit when we say we are giving them all the freedom that they are entitled to.

Mr. ANDERSEN. I will agree with what the Secretary says when it comes to the point where the farmer does vote for it. Then, sure, he does have that very limited freedom of selecting the type of feed grain he wants to plant.

Mr. MICHEL. Sure.

COMPARISON OF ACREAGE CONTROLS TO PRODUCTION CONTROLS

Mr. Secretary, we have batted around in this committee and the legislative committee has too, I am sure, the difference between acreage controls and production controls. Would you mind just giving me your philosophy a little bit as against the two?

Secretary FREEMAN. You mean acreage versus unit?

Mr. MICHEL. Yes.

Secretary FREEMAN. Well, first, in connection with feed grains, unit control is virtually impossible because such a substantial part is fed in the operation itself, so you have no means of measuring it.

In connection with other commodities we do have some unit application—in the present wheat program.

In some of our other basic commodities, tobacco and cotton, where this has been discussed, it has been felt very strongly that unit controls would not be effective.

I think, very frankly, the political facts of life are that the people closely identified with those commodities, whatever anyone might theoretically think, are not likely to support pounds and bushels.

Mr. MICHEL. Now, closely akin to this, for several years many farmers in the feed grain and wheat areas have been requesting the Department to shift from a bushelage to a hundredweight basis for selling grain, and many areas of the country, particularly the Northwest and eastern seaboard, already use this approach. All of our export business is done on a hundredweight or a ton basis.

A large share of the grain trade is in substantial agreement with this shift.

The question is: When will the Department make this change? Or are they contemplating a change? Or is there a study being made at all in this connection?

Secretary FREEMAN. I am afraid I will have to defer that question and do some checking myself. There is some review of this underway, and precisely where it stands I am not certain.

Mr. MICHEL. I would appreciate your supplying that for the record then if you would.

Secretary FREEMAN. All right, sir.

(The information requested follows:)

In carrying out its many services pertaining to the trading of commodities, the Department usually accepts the weights and measures prevalently employed in the trade. Thus in market news reporting, in crop and livestock estimating, in inspection and grading and in buying and selling the services do not attempt to change the prevalent practices, but rather to adapt to them. Nevertheless, the Department endeavors to be responsive to progressive changes when farmers and the trade are willing to adopt them.

Accordingly a few years ago production estimates for rice were changed to a hundredweight basis when representative groups from the rice industry proposed that this be done. Rice trading still goes on in other units because the Department has no authority to impose particular weights and measures on the trade. It can change only its own practices.

Similarly in 1957, the Department responded to the Grain Research and Marketing Advisory Committee and made a study of the advantages and disadvantages of shifting from the bushel to the hundredweight as a trading unit for grain. The study also outlines some of the manifold factors to be taken into account pertaining to legislation, Government agencies, and trade practices in accomplishing such a shift. It was published as Market Research Report No. 168 entitled "Hundredweight or Bushel—as a Trading Unit for Grain."

In 1959 hearings were held on a proposal for the Commodity Credit Corporation to conduct its operations in grain on a hundredweight basis. Although a substantial body of opinion favored the proposal, sufficient opposition was voiced at the hearings to have the proposal withdrawn.

The Department is continuing to explore the feasibility of steps it might take in response to farm organization and trade group efforts to obtain wider adoption of the hundredweight unit. It stands ready to consider steps in this direction when public acceptance appears sufficiently favorable to justify the costs involved.

DAIRY PRICE SUPPORTS

Mr. MICHEL. On page 7 of your testimony, referring to the dairy price support situation, you say:

It will be necessary under the present law to reduce dairy price supports to 75 percent of parity for the marketing year beginning April 1. In order to prevent the disruption of dairy markets that would occur if this happened, the President has recommended that Congress enact a joint resolution to permit continuation of the present support rate through December.

Now, what leads the Department or the President to believe that conditions are going to be any better in December than they are in April other than the fact that there is an election coming up?

Secretary FREEMAN. The fact that we have submitted a dairy program as a part of the program for the sixties to the Congress, and that by the end of the year we hope that program will be in effect and the dairy situation will be stabilized.

In the meantime we feel in all fairness to the dairy farmer who suddenly finds himself with a precipitous cut, and a very substantial one, in support price because of a drop in consumer utilization which no one predicted, that it would be only fair and equitable to try for this limited period to maintain the status quo and to protect the income of the dairy farmer.

Mr. MITHEL. Is it estimated that this extension for those 9 months then would cost \$300 million?

Secretary FREEMAN. No, sir. It would not cost that much.

If we drop from 83 to 75 percent of parity, it would cost the producers about \$250 million to \$300 million. The cost at the present level to maintain it would probably run about \$150 million.

Mr. ANDERSEN. Would you permit one question, Mr. Michel?

Mr. MICHEL. Gladly.

PRICE SUPPORT LEVEL FOR FEED GRAINS

Mr. ANDERSEN. Mr. Secretary, this morning I neglected to ask you one question. What do you have in mind as to the support level in case the feed grain referendum does pass and in case this new law is adopted?

Secretary FREEMAN. Again, the support level would be set based upon the circumstance, as it is now, and, hopefully, and I think almost necessarily, the Congress would allow discretion to the Secretary within limits.

In addressing ourselves to that question, we would take two hypothetical situations:

The present support level of \$1.20 and a support level of \$1.30.

Mr. ANDERSEN. I have heard the figure \$1.30 used as perhaps representing your viewpoint. Is that correct?

Secretary FREEMAN. I would not and could not answer that specifically. I would say that somewhere between \$1.20 and \$1.30, subject to the conditions at the time, would be as precise as I could be a year ahead of time.

Mr. ANDERSEN. Thank you, Mr. Michel.

STORAGE OF CCC GRAIN

Mr. MICHEL. Now, Mr. Secretary, I would like to turn now, if I might, to a memorandum which the State ASC offices sent out to the warehousemen on load-out orders.

There was one statement in here that incensed me a little bit, to the effect that:

It is the goal of the Department of Agriculture that all empty CCC bin space be filled this year since Commodity Credit Corporation stores grain in bin sites for approximately 8 cents per bushel a year whereas the cost in warehouse is approximately 15 cents a bushel a year.

So I directed a letter to, first, the State, and then it came here, to find out on what basis they were arriving at these figures.

I find they were referring to a Government Operations Committee report which I am sure was written by a subcommittee on which I served but unfortunately the report was issued after I left the subcommittee or I would have surely been filing a minority report.

But it burned me a little bit because in the first instance the cost has been reduced to 13.5 cents. It is not 15 cents. And another thing is the 8 cents shown for Commodity Credit Corporation storage just does not stack up when we look at the report's own admission of something around 9 cents.

But, to develop that a little further, I was curious to know what percentage of load-out orders had been issued for CCC bins as against private warehouse storage.

In our own State of Illinois in this past year they approximated two-thirds from private warehouses and one-third from CCC stocks.

But the thing that distresses me is that when we ask for the figures we can never get the shrinkage and deterioration of the corn in CCC-owned bins, whereas we know the warehousemen under the Uniform Grain Storage Agreement Act, of course, guarantee to deliver like in kind and grade.

I do not intend to ask you anything specifically here other than simply to alert the CCC folks to the point, and when they come before us to testify I intend to develop this quite fully and thoroughly as to what Department policy is going to be.

Because the Congress has, of course, made a point of telling the Department time and time again to refrain from disrupting of normal commercial channels as much as possible.

I think this is one of the areas where they might have been getting off base.

I wanted to read one telegram, too, if I might, which I just received that is kind of apropos.

This is from my Peoria Board of Trade violently protesting and opposing the action of the Department via CCC requesting section 22 relief from railroads on bulk grain rates to southeastern destinations at levels now proposed by Southern Railroad.

ICC hearings now being held on Southern Railroad proposed rates with strong opposition from many factions. CCC states emergency situation exists when in fact supplies are more than adequate in this area. We believe this in direct violation of the stated CCC policy to use existing marketing channels to the fullest extent.

This was just received the 9th.

PRIVATE STORAGE OF CCC COMMODITIES AS COMPARED TO GOVERNMENT STORAGE

Mr. ANDERSEN. Mr. Michel, with reference to your comparison of costs as between Commodity Credit storage and private storage, there is one element too that has not been brought into the picture.

If the warehouseman with his private storage does make a profit—and I assume most of them do—part of that profit immediately goes back into the Treasury of the United States in the form of taxes.

Mr. MICHEL. Sure.

Mr. ANDERSEN. If you would figure on an average of 30 percent in taxes paid by those corporations to the Treasury on their net earnings, that would take 30 percent off of the 13 cents and you would have them down on about an equal basis with Commodity Credit costs; would you not?

I wonder, Mr. Secretary, is that feature taken into consideration, in comparing the cost of Government storage with private storage?

Secretary FREEMAN. We try to take all appropriate factors into consideration.

But I might say that if your board called on me, Congressman, I would solicit their support for the program submitted to the Congress, because if we had so-called mandatory program rather than the emergency program, we would not be in a situation of this kind, and the market would be performing its normal function.

It is not performing its normal function when we are selling corn at the market price and when we are creating abnormal deficits in certain places through the medium of the emergency feed grain program.

This is another reason why the emergency feed grain program, serving an extremely useful purpose in the short run, is not a final solution, and the action taken in this instance to bring about some shipments, at special freight rates, into the deficit area in the Southeast occasioned by the emergency feed grain program is again a response to a situation created by the emergency program which would not exist if the permanent program is enacted into law.

Mr. MICHEL. I want to turn to another subject if I might now.

SALE OF CCC CORN FOR MANUFACTURE OF INDUSTRIAL ALCOHOL AND OTHER PRODUCTS

Mr. Secretary, last year the Department announced on June 23, 1961, that they had signed a 1-year contract with the Publicker Chemical Co., of Philadelphia, for the sale of 14 million bushels of corn for use in the production of industrial alcohol and other products.

If you will recall, this corn was sold to Publicker on the basis of 64 cents per bushel delivered in Philadelphia.

There is no doubt but that the Department has netted substantial losses as they have had to pay somewhere in the neighborhood of 25 cents a bushel freight moving from the Midwest to Philadelphia.

I would like to know if there is any thought in your Department of extending this type of program when it expires on June 26, 1962.

Secretary FREEMAN. No, sir.

Mr. MICHEL. That is a flat "No." And since it comes so strongly and so precisely, do you feel you made a mistake at all?

Secretary FREEMAN. No.

Mr. MICHEL. Did it serve a good useful function?

Secretary FREEMAN. Yes.

Mr. MICHEL. Has the Cuban situation changed that much as to make that difference?

Secretary FREEMAN. Well, let us say that some of the adjustments which were called for as a part of the Cuban situation made the action taken in this instance appropriate.

These adjustments in the long term, assuming no immediate resolution of our problems with Cuba, are means that various parts of our economy are taking, making forward adjustments now, hoping that there will be a democratic government in Cuba, but in the mean time not necessarily anticipating this the day after tomorrow.

And so, from all present indications, the circumstances which occasioned this contract will not exist so as to require its extension.

Mr. MICHEL. Well, I stated at the time that I thought it was very discriminatory to pick out one company competing obviously with a number of others throughout the country in that same field, and regardless of what considerations were made topside, which obviously had to be made, I am very happy to hear your unequivocal "no" on the extension of that particular contract.

PAYMENTS UNDER THE AGRICULTURAL CONSERVATION PROGRAM

On page 12 of your testimony, Mr. Secretary, you discuss the matter of conservation, and I am certainly not going into any detail so far as you are concerned, but as we get on down to your subordinates we will have some rather penetrating things to inquire about.

I just would like to have an expression from you, however, as to what you think of a farmer who diverts his acreage in the feed grain program and then has those diverted acres participate in or be the beneficiary of ACP payments for the sake of building it up for some future date.

Secretary FREEMAN. I know of no such circumstances where this would occur.

Mr. MICHEL. It can happen and it is happening.

Mr. BEACH. Where the man who participates in the feed grain program puts the conservation practices on the land with ACP?

Mr. MICHEL. Yes.

Mr. BEACH. It is certainly all right.

Mr. MICHEL. You get \$54 to \$60 an acre for corn you are not growing and then get a check in the neighborhood of \$900 or \$1,000 to put the same plot of ground into a conservation practice.

Mr. BEACH. He pays half of that cost.

Mr. MICHEL. I know.

Mr. BEACH. Any conservation goes on the land. He is required to put it to a soil conserving use.

Secretary FREEMAN. I stand corrected.

Mr. MICHEL. Well, it is just one of those ambiguities or paradoxical situations which to me just seem to have us running around in circles.

We are trying to do one thing on one hand and, by the Government's hand, we are promoting precisely the opposite.

FEDERAL AID FOR DEVELOPMENT OF FARM RECREATIONAL FACILITIES

And then, Mr. Secretary, I recall sometime during the course of your testimony your making reference to the farmer who had a pond and as a source of additional income probably made \$2,000 or \$2,500 by having folks come in and fish and what not—a recreation area.

Secretary FREEMAN. Yes, sir.

Mr. MICHEL. Chances are he got some Government aid to build the pond in the first place, and now that he has gotten into a business I wonder when does this so-called farmer cease to be a farmer and become a businessman?

Secretary FREEMAN. I think any farmer is a businessman these days or he does not stay in farming very long.

Mr. MICHEL. I think that is very true. But by the same token then we say: When does he subject himself to the risk that the normal businessman does without a particular aid from Government via the Department of Agriculture?

Secretary FREEMAN. Well, if he qualifies—and Mr. Baker can comment on this—he could qualify under the proposed bill for an FHA loan to develop his land for alternative uses, among which would be recreation as well as for producing crops.

However, if private sources of credit are available to him, he is expected to use private sources of credit. He cannot qualify for an

FHA loan until it is demonstrated other sources of credit are not available.

Is that correct?

Mr. BAKER. That is correct.

FHA LOANS TO NONFARM HOUSING APPLICANTS

Mr. MICHEL. You bring up the matter of FHA. And it has come to my attention recently that FHA has a shortage in funds available for rural housing.

What percentage of the total FHA loans were made to nonfarm housing applicants?

Secretary FREEMAN. Mr. Baker, will you respond?

Mr. BAKER. We will put the exact figure in the record, sir. It has varied by months. I do not have the record.

(The information referred to follows:)

The authority for making rural housing loans on nonfarm tracts first became available October 15, 1961. During the 2½ months' period from that date to December 31, 1961, a total of 2,870 rural housing loans were approved, of which 1,221 or 43 percent were approved for owners of nonfarm tracts. Figures are not available on the breakdown of applications received between rural farm and rural nonfarm applicants.

Mr. BAKER. Although it is slightly larger for rural farm housing since October when we got underway, I think that ultimately the rural nonfarm housing loans will be greater.

Mr. MICHEL. Why is that?

Mr. BAKER. There are approximately four times as many rural nonfarm families as there are rural farm families. So that the potential clientele for an all-rural housing program is some four or five times larger than the potential clientele of a farm housing program.

Congress made this change last summer in the Housing Act of 1961, as you know.

Secretary FREEMAN. Might I add that there is a rather interesting phenomenon here; for some reason private sources of credit did not reach out to rural nonfarm housing sources and have the same kind of aggressive availability of capital that is the case in the cities.

We hope and expect that from this may very well flow a much more aggressive policy on the part of lending agencies to reach out into rural nonfarm housing.

Mr. WHITTEN. Would the gentleman yield to me at that point?

Mr. MICHEL. Gladly.

Mr. WHITTEN. I know I was, and I think a majority of our subcommittee were, in many ways the chief proponents of this change.

Having been on this committee for a good many years, I was here at a time when the FHA, under the rules laid down by the Congress and under the law, would not make a loan for a farm tenant if the man was going to work in town.

It also would not make a loan if he hired labor. They would foreclose him if he went to town and got a good-paying job and hired somebody to hold the farm together.

We went through that period.

When the Federal Housing Act was passed, there was a section in there for farm housing, which I believe was the descriptive term.

I do not mean there is any clear intention, but I have seen the word "farm" put in many programs here where lots of people thought it was just added to pick up some farm votes to pass the general legislation. I have seen many of those programs where the farm aspect of it certainly lagged far behind in the implementation of the program.

This is how it was with the Housing Act, which had this \$500 million, I believe, in a revolving fund for farm housing. That was hardly implemented at all.

It lagged for quite a long time with the carryover of these restrictive provisions. For the farm housing to come under the bill that was passed for city housing, the individual had to show that he was primarily a farmer.

That was relaxed to some degree, but he still had to show that his operations were substantially farming.

It left the man who lived in the city eligible for a loan on certain conditions to build a house, and it left the farmer who actually farmed eligible under the program, but the fellow who happened to live on a farm and worked in town and who was a better risk could not get in under the Federal program in town and he could not get into the Federal program in the country.

And, as you say, bankers and other private lending agencies normally were not interested.

I think one of the reasons they were not is this problem of fire hazard, and the lack of fire protection.

I did not have to cross the bridge of whether we should have a Federal housing program or not. We had it.

But I was convinced then, and am convinced now, that if you are going to have it that you should not have this big segment that is excluded from the program.

There is another answer which I think applies here also.

That is, up until October this big segment was not even eligible. And any time that a group is completely left out, the minute you open the gate, naturally, for a good period of time there will be quite a bit of activity.

If we are going to have the housing program in the first place, I think farm housing should be eligible. But I will have to admit that a rural applicant with a good job in town is often a better financial risk.

REA LOANS

Mr. MICHEL. Mr. Secretary, there are two other areas quickly.

You have asked for an increase of \$100 million in REA loans this year principally for generation and transmission. While I will develop that more minutely in detail with your proper subordinates, I would just like to have a general expression from you as Secretary as to what your position is with respect to this trend toward getting more and more into actual generation and transmission as against simply distribution as originally conceived for REA.

Secretary FREEMAN. Well, first, there is and will be enormously increased demands and needs for power, and these demands will need to be met. The REA co-op power available, if I recall rightly, is around 15 to 20 percent of the generating needs.

Mr. BAKER. That is right.

Secretary FREEMAN. So this is response to the careful surveys which disclose a continuing and sharply expanding need in these areas.

Further, there is the question of the availability from private sources of power at fair and reasonable rates.

In some instances, while agreements making power available to REA co-ops at fair wholesale rates existed, the private power sources were no longer making that power available at such rates. It was involved, and is involved in some places, with the question of who is going to serve an area which has been farm but may have begun to alter its nature somewhat.

It is the policy of the Department and of the administration to make available to the REA adequate sources of power to meet their customers' demands at reasonable rates. Hopefully, agreements can be negotiated with the private power sources in many, many instances.

Mr. MICHEL. Do you think there is any justification for a farmer getting a lower rate for electricity than someone in the city other than simply the consideration that is given for getting a better rate by bigger volume?

Secretary FREEMAN. I said earlier in talking about dairy and corn that I always try to apply the principle of bringing someone up to an advantageous place instead of pulling someone down in order to make everyone equal.

In this instance I would hope the power could be made available cheaper in the city in accordance with the rates that you say prevail in the country.

ADVISORY COMMITTEES

Mr. MICHEL. One final question. That is in this area of advisory committees.

I just noticed on February 5 I guess it was the appointment of a hog cholera advisory committee, and I see that there are committee members, oh, several of them from Virginia, Missouri, Illinois, Georgia, Mississippi, Washington, D.C. There is one swine producer on that advisory committee.

I wonder if this just is not kind of overloaded with people outside an actual direct interest in hog producing.

You have a list of them here. It could be supplied for the record, of course.

But what consideration goes into the choosing of some of these people on these advisory committees?

Secretary FREEMAN. Well, there has been a very careful and systematic effort to select balanced representation in the various commodity areas.

I am not, to be perfectly frank with you, completely familiar with all of the considerations in the selection of this committee.

It was called to my attention when I was in Omaha a few days ago that there was not anyone on the advisory committee, for example, from Iowa, which I think is the biggest hog-producing State. And immediately I made some inquiries and have not gotten a response.

I will look into that myself. It would strike me on the surface that it may not have been as well selected as would be desirable.

Mr. MICHEL. I am happy to hear you say that, because when I first saw the list, while some of the people may be eminently qualified, and

I know some consideration has to be given to geographical location, I think there were some real deficiencies in that respect.

One final question. I would like you to supply for the record, if you might, the number of advisory committees that existed, official or otherwise, in the Department when you took over, how many of them were eliminated, and how many of them have been added.

Secretary FREEMAN. All right, sir.

(The information requested follows:)

STATEMENT ON USDA COMMITTEES

Committee activity in USDA involves public advisory committees (which include non-Government personnel), interdepartmental committees (with representation from two or more Federal Departments), and departmental committees (with representation from two or more USDA agencies). Action has been taken since January 1961, to review the status of these groups.

Public Advisory Committees.—Secretary Freeman on April 20, 1961, issued Memorandum No. 1452 calling for an appraisal of committee activity to (1) abolish inactive committees and (2) provide for clear-cut assignments of responsibility to individuals and existing organization units. Procedural steps were outlined in Administrative Management Memorandum No. 25, of April 25, 1961.

This review resulted in the termination of 36 public advisory committees, in addition to one previously abolished in February 1961.

Since January 1961, the Secretary has authorized 13 new public advisory committees, one of which has been terminated upon completion of its work. Procedure for establishment of national public advisory committees was promulgated on August 22, 1961, in Secretary's Memorandum No. 1463.

Summary data on USDA public advisory committees

Number of committees in January 1961.....	284
Number of committees in February 1962.....	259
Net reduction.....	25
New committees established since January 1961.....	13

The committees accounted for are formally established advisory groups. These data do not include operating committees which perform administrative functions, as in the case of Agricultural Stabilization and Conservation State and county committees, or State and county committees of the Farmers Home Administration. Similarly, statutory bodies are excluded such as the Board of Directors of the Federal Crop Insurance Corporation or the Advisory Board of the Commodity Credit Corporation.

Departmental officials have, of course, met, from time to time with ad hoc groups or informal assemblies of persons interested in agricultural programs. Of the 13 new committees formed, 10 are commodity advisory committees established under the Agricultural Act of 1961.

Interdepartmental committees.—These committees are subject to considerable fluctuation as to their number and the degree of activity. Many serve as coordinating mechanisms, with only infrequent formal meetings. Others are terminated upon completion of their objectives. While current information is available, data for January 1961 has been estimated.

Summary data on interdepartmental committees

Number of committees in January 1961.....	¹ 300
Number chaired by USDA.....	26
Number of committees in February 1962.....	273
Number chaired by USDA.....	13
New committees established since January 1961.....	1

¹ Estimated.

Administrative Management Memorandum No. 33, of November 2, 1961, directed a review of interdepartmental committees by USDA agencies.

Departmental committees.—These groups are usually special purpose coordinating committees or established to study and report on particular problems. While current information is available, data for January 1961 has been estimated.

Summary data on USDA departmental committees

Number of committees in January 1961-----	160
Number of committees in February 1962-----	145
Number of committees established since January 1961-----	9

¹ Estimated.

(The issuances referred to above follow :)

U.S. DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C. April 20, 1961.

MEMORANDUM No. 1452

APPRAISAL OF COMMITTEE ACTIVITY

Purpose

The Department is initiating an appraisal of committee activities with a two-fold objective:

(a) To abolish those committees which have become inactive or for which there is no longer an essential and definite need.

(b) Wherever possible, to clarify responsibility for action and functions by providing for clear-cut assignments of responsibility to individual and existing organization units.

Abolition of committees

During the first phase of its committee appraisal, the Department has found that the following interdepartmental committees have completed their work and are hereby terminated:

Interdepartmental Sugar Policy Committee.
Joint Committee, Federal Extension Service and Department of Labor.
Joint Committee on Application of Protective Dusts and Sprays to Stored Grains.
Subcommittee on Locust Control of the U.S. Food and Agriculture Organization Interagency Committee.

Committee survey

A survey conducted by the Office of Administrative Management will concern departmental and public advisory committees within the Department. Agencies will also be asked to review the operations of agency committees.

ORVILLE L. FREEMAN, *Secretary.*

U.S. DEPARTMENT OF AGRICULTURE,
OFFICE OF ADMINISTRATIVE MANAGEMENT,
Washington, D.C. April 25, 1961.

ADMINISTRATIVE MANAGEMENT MEMORANDUM No. 25

APPRAISAL OF COMMITTEE ACTIVITY

1. Background

As announced in Secretary's Memorandum No. 1452, the Department is undertaking a review of its various committees to eliminate those not considered essential and determine whether assigned responsibilities to individuals and organization units would not, in many cases, obviate need for committees. The evaluation to be made should primarily answer the question "Is this committee necessary?"

Particular attention is directed to management responsibility for the proper use and control of committees. The Department's Administrative Regulations

(10 AR 900 et seq.) impose requirements for committee operation which should be currently reviewed to assure that agency practice conforms to the policies and procedures outlined.

2. Action steps

Each agency is requested to report to the Office of Administrative Management on the status of committees as follows:

(a) *Departmental and Public Advisory Committees.*—List all departmental committees chaired by agency officials; list all public advisory committees sponsored or chaired by agency officials. This data should be submitted in the format of the attached exhibit. For each committee state:

- (1) the number of meetings held between April 1, 1960 and May 1, 1961;
- (2) whether minutes have been kept;
- (3) whether the "Committee Control Record" (form AD-241) lists the current membership; and
- (4) whether the committee is to be terminated or retained.

(b) *Release of information.*—In an accompanying memorandum, describe what procedure is followed in releasing information about public advisory committee activities, including press briefings, notices to information media, publication of recommendations, etc.

(c) *Agency Committees.*—In the accompanying memorandum, report the total number of agency committees in existence as of May 1, 1961, and the number retained after review by agency officials.

3. Currency of control records

To the extent that forms AD-241 (committee control record) are found to be out of date or incomplete, revisions should be made and submitted in accordance with 10 AR 926. The revised forms should accompany the committee appraisal report.

4. Reports due

Agency reports and committee control records (form AD-241) to be submitted to the Office of Administrative Management should reflect data as of June 1, 1961, and be submitted not later than June 15, 1961.

J. P. LOFTUS, *Director.*

U.S. DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., August 22, 1961.

SECRETARY'S MEMORANDUM No. 1463

ESTABLISHMENT OF NATIONAL PUBLIC ADVISORY COMMITTEES

1. Current regulations

The Department's administrative regulations (10 AR 900-926) now prescribe that public advisory committees "shall be specifically authorized by statute, or the Secretary shall find that such committees are in the public interest in connection with performance of duties imposed by law."

2. Additional procedure

It is anticipated that under the Agricultural Act of 1961 (Public Law 87-128) several new public advisory committees will be formed. The act authorizes the Secretary to consult and advise with farmers, handlers, and processors of commodities, and farm and commodity organizations to review problems and need for new or revised legislation (secs. 102-104 of title I). For effective coordination of these and other national public advisory groups which may be initiated in the Department, agencies shall observe the following guidance and direction.

3. Establishment of committees

Authority to establish national public advisory committees will be exercised by the Office of the Secretary. An agency wishing to propose establishment of a committee shall advise the executive assistant to the Secretary by informal memorandum outlining briefly the contemplated purpose, membership and direc-

tion of the committee. Resultant preliminary determinations, prior to taking any actions on the proposed establishment or memberships, will be incorporated in a memorandum from the agency to the Office of Administrative Management, stating:

- (a) The proposed name of the committee.
- (b) A citation of the statutory authority or reasons why the committee is needed "in the public interest in connection with the performance of duties specified by law."
- (c) The proposed purpose and functions of the committee, adequate to indicate the intended scope of the committee's responsibilities and activities.
- (d) The appropriation or fund to which the committee's operations would be charged.
- (e) A listing of prospective members or the basis of representation considered appropriate; in this connection, representation of consumer and other appropriate public interests should receive consideration.
- (f) The name of the proposed chairman (and the official U.S.D.A. representative if a non-Government person is expected to preside), and the name of an executive secretary assigned to keep minutes, maintain records, and in other ways service the committee.
- (g) The contemplated duration of the committee and frequency of meetings.
- (h) The name of the Department official who, by prior determination, will notify members of their appointment, after appropriate clearance and approval by the Office of the Secretary.

4. Approval and announcement of committee establishment

Sponsoring agencies also will provide the Office of Administrative Management, at the same time or as soon as feasible, a draft or text of a Secretary's memorandum which announces establishment of a committee. Approval of the memorandum by the Secretary will constitute formal approval of the committee's establishment.

5. Initiation of committee services

In connection with each public advisory committee, the sponsoring agency shall:

- (a) Provide secretariat services.
- (b) Notify members that funds are available to pay transportation costs and subsistence expenses (at a prescribed per diem rate in accordance with 7 AR 550.9), if members wish to submit claims for such reimbursement.
- (c) Secure from each committee member a biographical statement (forms obtainable from the Office of Administrative Management.)
- (d) Through the Office of Information, arrange for advance notice of meetings, for press briefings, and issuance of press releases on committee activities and recommendations, as required by USDA administrative regulations.
- (e) Through the Office of the General Counsel, arrange for notification to members at the first meeting of their legal liabilities in committee activity.
- (f) Arrange for observance of other requirements of the administrative regulations governing public advisory committees.

6. General policy

While it is recognized that public advisory committees can be useful in administering Department programs, continuing evaluation of their effectiveness is desirable. The conduct of committee business should be a supervised operation to assure productive results. Too many members on a committee can hinder effectiveness. Committees of limited usefulness should be terminated.

ORVILLE L. FREEMAN, *Secretary.*

U.S. DEPARTMENT OF AGRICULTURE
OFFICE OF ADMINISTRATIVE MANAGEMENT,
Washington, D.C., November 2, 1961.

ADMINISTRATIVE MANAGEMENT MEMORANDUM NO. 33

REPORT ON INTERDEPARTMENTAL COMMITTEES

1. *Background*

The Department has been requested to furnish information to the Office of the President on the activities of interdepartmental committees. The attached memorandum of October 25, 1961, from Frederick G. Dutton, Special Assistant to the President, specifies the particular details required.

2. *Agency reports*

Each agency is requested to submit to this Office on or before November 20, 1961, a report (in duplicate) containing the data requested. For uniform presentation, each interdepartmental committee chaired by a USDA official should be listed on a separate page in the following format:

U.S. DEPARTMENT OF AGRICULTURE

(Agency name)

- (a) Name of committee:
- (b) Date of establishment and citation of authority:
- (c) Agendas for meetings during period August, September, October, 1961:
(List dates of meetings for which agenda are attached.)
- (d) Committee budget:
(If funds are allocated for committee activities, state amount and explain obligations incurred on an annual basis for (a) personal services, (b) travel, and (c) other.)
- (e) Staff activities:
(Show grade levels and salaries of persons, other than the chairman, who perform secretariat services for the committee—full or parttime (show percent); also indicate extent to which regular employees contribute staff assistance in support of committee activities, i.e., number of man-years involved in staff work other than secretariat services. For example: Executive secretary, GS-12, \$9,215; typist, GS-5, \$4,840 (70 percent); estimated man-years of other assistance from regular employees—5 man-years.)
- (f) Official reports since January 20, 1961:
(List dates of official reports or similar materials attached.)
- (g) Termination:
(Should committee functions be assigned to a specific Department or official and the committee be terminated?)
- (h) Continuation:
(If the committee is to be continued, state justification; indicate, also, whether continuance is indefinite or until a specific date.)

3. *Additional listings*

Interdepartmental committees not chaired by USDA officials but on which the Department is represented should be separately listed.

4. *Committee control records*

To the extent that Forms AD-241—Committee Control Record—are found to be out of date or incomplete, revisions should be submitted in accordance with 10-AR-926.

5. *Contact*

Inquiries concerning preparation of this report may be made to William J. Benoît, Extension 3535.

J. P. LOFTUS, *Director*.

THE WHITE HOUSE,
Washington, October 25, 1961.

MEMORANDUM TO DEPARTMENT AND AGENCY HEADS

I will appreciate receiving not later than December 1 a list of all presently existing interdepartmental committees and task forces on which your department has a representative.

For those interdepartmental committees and task forces for which your agency provides the chairman, I will appreciate receiving in detail the following information:

A copy of meeting agenda during the last 3 months; a detailed budget of the group; a roster with grade levels and salaries of all full- or part-time staff employees, including any regular departmental employees who perform staff work for the group, and the approximate proportion of their time so involved; a copy of any official reports or similar materials issued by the group since January 20, 1961; a statement of the authority under which the group exists, whether by statute, Presidential or departmental directive, or other source; whether it should be abolished, merged, transferred to the responsibility of a specific department or official, continued until a time certain, or continued indefinitely (include a statement in justification of the group if it is to be continued).

Please list separately those interdepartmental groups which have been established since January 20 of this year.

FREDERICK G. DUTTON,
Special Assistant to the President.

Mr. MICHEL. That is all, Mr. Chairman.

Mr. ANDERSEN. May I say at this point, Mr. Chairman, I think Mr. Michel and Mr. Horan have made some very exhaustive studies of the subject matter at hand, because they certainly have asked many very good questions here this afternoon.

Mr. WHITTEN. I think so. As I have said many other times, if a man has an answer he never is hurt by being asked the question. And if they are answers that will be needed later, and we have not received them here, then we will wish we had.

So we all have the obligation to develop the record as fully as we know how.

Mr. ANDERSEN. I would like to follow up my comments by saying I think the Secretary has done a very good job of trying, at least, to answer the questions propounded to him.

Mr. MICHEL. I would certainly say amen to that.

Mr. HORAN. I am still going to wait and see what he does with cotton.

Mr. WHITTEN. To conclude our hearing of today, Mr. Secretary, we do appreciate your appearance here and your candor and your willingness to cooperate with the committee in presenting your viewpoint.

I have said earlier I doubt that there are five or six people in Agriculture that could agree entirely. But we like to have a witness who says it like he sees it and lays it on the line. That you have done, and we appreciate your cooperation in that regard.

Secretary FREEMAN. Mr. Chairman, I want to thank you and all the members of the committee.

It is always a pleasure to come here. I have been stimulated and have thoroughly enjoyed it.

Mr. WHITTEN. The committee will stand adjourned for the day.

THE BUDGET FOR THE DEPARTMENT OF
AGRICULTURE

MONDAY, FEBRUARY 5, 1962.

WITNESSES

JOSEPH M. ROBERTSON, ADMINISTRATIVE ASSISTANT SECRETARY
CHARLES L. GRANT, DIRECTOR OF FINANCE AND BUDGET OFFICER, DEPARTMENT OF AGRICULTURE.
LEE A. DASHNER, DEPUTY DIRECTOR OF FINANCE, DEPARTMENT OF AGRICULTURE
SAM H. NEEL, CHIEF, DIVISION OF ESTIMATES AND ALLOTMENTS, OFFICE OF BUDGET AND FINANCE

Mr. WHITTEN. The committee will come to order.

We are glad to have with us today Mr. Joseph Robertson, Administrative Assistant Secretary, Mr. Grant, budget officer, and his deputy, Mr. Dashner.

We shall follow the pattern we have followed for some years, Mr. Grant. Present to us the new budget with the various tables and comparisons that you have heretofore given us.

Preceding your statement I should like to insert pages 4 through 8 of the committee print in the record.

(The pages referred to follow:)

COMPARATIVE STATEMENT OF APPROPRIATIONS, 1962 AND BUDGET
ESTIMATES, 1963

DEPARTMENT OF AGRICULTURE

TITLE I.—*General activities*

Item	Appropriations, 1962	Budget estimates, 1963	Budget estimates, 1963, compared with appropriations, 1962
Agricultural Research Service:			
Salaries and expenses:			
Research.....	\$76,973,000	\$77,982,000	+\$1,009,000
Plant and animal disease and pest control.....	55,330,500	58,902,500	+3,572,000
Meat inspection.....	24,211,000	25,241,000	+1,030,000
Total.....	156,514,500	162,125,500	+5,611,000
Salaries and expenses (special foreign currency program)	5,265,000	5,265,000	-----
Construction of facilities.....	800,000	1,680,000	+880,000
Total, Agricultural Research Service.....	162,579,500	169,070,500	+6,491,000
Cooperative State experiment station service: Payments and expenses.....			
	36,207,000	38,207,000	+2,000,000
Extension Service:			
Payments to States and Puerto Rico.....	59,590,000	60,590,000	+1,000,000
Retirement costs for extension agents.....	6,260,000	6,605,000	+345,000
Penalty mail.....	2,490,000	2,490,000	-----
Federal Extension Service.....	2,464,500	2,724,500	+260,000
Total, Extension Service.....	70,804,500	72,409,500	+1,605,000
Farmer Cooperative Service.....			
	657,000	757,000	+100,000
Soil Conservation Service:			
Conservation operations.....	89,636,000	90,725,000	+1,089,000
Watershed protection.....	53,746,000	59,635,000	+5,889,000
Flood prevention.....	24,999,000	24,000,000	-999,000
Great Plains conservation program.....	10,167,000	13,000,000	+2,833,000
Total, Soil Conservation Service.....	178,548,000	187,360,000	+8,812,000
Economic Research Service: Salaries and expenses.....			
	9,410,000	10,440,000	+1,030,000

TITLE I.—General activities—Continued

Item	Appropriations, 1962	Budget estimates, 1963	Budget estimates, 1963, compared with appropriations, 1962
Statistical Reporting Service: Salaries and expenses.....	\$8,758,000	\$9,693,000	+\$935,000
Agricultural Marketing Service:			
Marketing Research and Service.....	38,269,500	40,335,000	+2,065,500
Construction of facilities.....		1,600,000	+1,600,000
Payments to States and possessions.....	1,325,000	1,325,000	
Special milk program.....		105,000,000	+105,000,000
School lunch program.....	¹ 125,000,000	¹ 125,000,000	
Total, Agricultural Marketing Service.....	164,594,500	273,260,000	+108,665,500
Foreign Agricultural Service:			
Salaries and expenses.....	² 13,045,000	21,841,000	+8,796,000
Salaries and expenses (special foreign currency program).....	2,856,000	4,000,000	+1,144,000
Total, Foreign Agricultural Service.....	15,901,000	25,841,000	+9,940,000
Commodity exchange authority.....	1,007,000	1,022,000	15,000
Agricultural Stabilization and Conservation Service:			
Acreage allotments and marketing quotas.....	44,098,000	44,181,000	+83,000
Sugar Act program.....	78,000,000	80,000,000	+2,000,000
Agricultural conservation program.....	238,000,000	244,500,000	+6,500,000
Emergency conservation measures.....	5,000,000		-5,000,000
Conservation reserve program.....	312,000,000	323,000,000	+11,000,000
Special agricultural conservation and adjustment programs.....	18,500,000	18,500,000	
Total, Agricultural Stabilization and Conservation Service.....	695,598,000	710,181,000	+14,583,000
Office of the General Counsel.....	3,645,000	3,800,000	+155,000
Office of Information.....	1,590,500	1,610,000	+19,500
Centennial observance of agriculture.....	100,000		-100,000
National Agricultural Library.....	1,028,500	1,220,000	+191,500
General administration.....	3,096,000	3,698,000	+602,000
Total, title I, general activities.....	1,353,524,500	1,508,569,000	+155,044,500

¹ In addition, \$45,000,000 transferred from sec. 32 funds.² In addition, \$3,117,000 transferred from sec. 32 funds.

TITLE II.—Credit agencies

Item	Appropriations, 1962	Budget estimates, 1963	Budget estimates, 1963, compared with appropriations, 1962
Rural Electrification Administration:			
Loan authorizations:			
Electrification.....	¹ (\$245,000,000)	(\$345,000,000)	(+\$100,000,000)
Telephone.....	² (162,500,000)	(135,000,000)	(-27,500,000)
Total, loan authorizations.....	(407,500,000)	(480,000,000)	(+72,500,000)
Salaries and expenses.....	10,024,000	10,324,000	+300,000
Total, Rural Electrification Administration.....	10,024,000	10,324,000	+300,000
Farmers Home Administration:			
Rural housing grants and loans.....	10,000,000	10,000,000	
Direct loan account:			
Real estate loans.....	³ (51,000,000)	(50,000,000)	(-1,000,000)
Operating loans.....	⁴ (275,000,000)	(275,000,000)	
Total, direct loan account.....	(326,000,000)	(325,000,000)	(-1,000,000)
Salaries and expenses.....	34,382,000	35,000,000	+618,000
Total, Farmers Home Administration.....	44,382,000	45,000,000	+618,000
Total, title II, credit agencies:			
Loan authorizations.....	(733,500,000)	(805,000,000)	(+71,500,000)
Direct appropriation.....	54,406,000	55,324,000	+918,000

¹ Includes \$70,000,000 contingency authorization.² Includes \$30,000,000 contingency authorization.³ Includes \$40,000,000 for farm ownership loans and \$11,000,000 for soil and water conservation loans.⁴ Includes \$37,600,000 of contingency authorization.

TITLE III.—Corporations

Item	Appropriations, 1962	Budget estimates, 1963	Budget estimates, 1963, compared with appropriations, 1962
Federal Crop Insurance Corporation:			
Administrative and operating expenses:			
Appropriation.....	\$6,549,000	\$7,500,000	+\$951,000
Premium income.....	(2,830,000)	(2,830,000)	-----
Total, Federal Crop Insurance Corporation.....	6,549,000	7,500,000	+951,000
Commodity Credit Corporation:			
Reimbursement for net realized losses.....	1,017,610,000	2,489,955,000	+1,472,345,000
Reimbursements for special activities:			
International Wheat Agreement.....	88,790,000	-----	-88,790,000
Emergency famine relief.....	255,685,000	-----	-255,685,000
Sales for local currencies (Public Law 480).....	1,353,000,000	-----	-1,353,000,000
Migratory waterfowl feed.....	13,000	-----	-13,000
Bartered materials for stockpile.....	163,163,000	-----	-163,163,000
Grading and classing activities.....	1,264,000	-----	-1,264,000
Total, reimbursements for special activities.....	1,861,915,000	-----	-1,861,915,000
Reimbursement for special milk program.....	90,000,000	105,000,000	+15,000,000
Limitation on administrative expenses.....	(47,916,000)	(48,000,000)	(+84,000)
Total, Commodity Credit Corporation.....	2,969,525,000	2,594,955,000	-374,570,000
Total, title III, corporations.....	2,976,074,000	2,602,455,000	-373,619,000

TITLE IV.—Foreign assistance programs

Item	Appropriations, 1962	Budget estimates, 1963	Budget estimates, 1963, compared with appropriations, 1962
Public Law 480:			
Sales for local currency.....	\$1,250,451,000	\$1,293,000,000	+\$42,549,000
Emergency famine relief.....	140,868,000	364,000,000	+223,132,000
Long-term supply contracts.....	13,000,000	90,000,000	+77,000,000
Total, Public Law 480.....	1,404,319,000	1,747,000,000	+342,681,000
International Wheat Agreement.....	70,681,000	96,868,000	+26,187,000
Bartered materials for supplemental stockpile.....	125,000,000	343,067,000	+218,067,000
Total, title IV, foreign assistance program.....	1,600,000,000	2,186,935,000	+586,935,000

TITLE V.—Related agencies

Item	Appropriations, 1962	Budget estimates, 1963	Budget estimates, 1963, compared with appropriations, 1962
Farm Credit Administration: Limitation on administrative expenses.....			
	(\$2,590,000)	(\$2,565,000)	(-\$25,000)
Interior Department: Grain for migratory waterfowl.....			
	35,000	-----	-35,000
Total, title V, related agencies.....	35,000	-----	-35,000
Total appropriations:			
Title I—General activities.....	1,353,524,500	1,508,569,000	+155,044,500
Title II—Credit agencies.....	54,406,000	55,324,000	+918,000
Title III—Corporations.....	2,976,074,000	2,602,455,000	-373,619,000
Title IV—Foreign assistance programs.....	1,600,000,000	2,186,935,000	+586,935,000
Title V—Related agencies.....	35,000	-----	-35,000
Grand total.....	5,984,039,500	6,353,283,000	+369,243,500

Permanent appropriations

Item	Appropriations, 1962	Budget estimates, 1963	Budget estimates, 1963, compared with appropriations, 1962
Agricultural Marketing Service:			
Perishable Agricultural Commodities Act fund.....	\$693, 210	\$693, 210	-----
Removal of surplus agricultural commodities (sec. 32).....	325, 826, 750	324, 000, 000	-\$1, 826, 750
Total, Agricultural Marketing Service.....	326, 519, 960	324, 693, 210	-1, 826, 750
Commodity Stabilization Service: National Wool Act..	75, 277, 593	65, 000, 000	-10, 277, 593
Total, permanent appropriations.....	401, 797, 553	389, 693, 210	-12, 104, 343

GENERAL STATEMENT

Mr. GRANT. Thank you, Mr. Chairman.

I have made available to the members of the committee a summary table which we refer to as table 1, which reflects the budget estimates for the Department in 1963 compared with 1962. There are some attachments to this table which I will refer to as I go along.

The first category, called "General activities," there is a total annual appropriation for 1963 of \$1,731 million, which is an increase of \$169 million above 1962.

AGRICULTURAL RESEARCH SERVICE

The first item is Agricultural Research Service: For research, there is an increase of \$1,009,000. This increase is all for staffing new laboratories or facilities which have been authorized in the past year or so; primarily the National Animal Disease Laboratory at Ames, Iowa, the Cotton Insects Laboratory at State College, Mississippi, the Southern Grain Insects Laboratory at Tifton, Ga., the Northern Grain Insects Laboratory at Brookings, S. Dak., the Shade Tree Laboratory at Delaware, Ohio, and the National Arboretum in Washington, D.C.

The second item is an increase of \$3,572,000 for plant and animal disease and pest control. The major part of this is for the initiation of a hog cholera eradication program which was authorized by the Congress during the closing days of the last session.

Next is an increase of \$1,030,000 for meat inspection, primarily to provide for the increased workload.

Under construction of facilities, there is a net increase of \$880,000. The estimate would provide a total of \$1,680,000 in 1963 for construction or improvement of facilities at six installations: the avian leukosis laboratory at East Lansing, Mich., the soil laboratory at Sidney, Mont., three livestock inspection facilities at the Canadian border, and the renovation of facilities at Beltsville, Md.

COOPERATIVE STATE EXPERIMENT STATION SERVICE

Last August the Secretary established the Cooperative State Experiment Station Service as a separate organizational unit in the Department, and the 1963 budget reflects the estimates for activities administered by this agency as a separate item.

This organizational change was for the purpose of strengthening relationships between the Department and the State Experiment Stations. The increase of \$2 million is broken into two parts, \$1 million for payments to States, and \$1 million for grants to institutions, educational institutions, for basic research in agriculture. This involves a new approach for agricultural research that we have not heretofore followed.

The Extension Service has an increase of \$1,605,000. The major item is an increase of \$1 million for payments to States to provide increased support to the rural areas development program.

SOIL CONSERVATION SERVICE

The next item is an increase of \$1,089,000 for the Soil Conservation Service appropriation for conservation operations. This includes \$900,000 to strengthen and improve soil surveys and accelerate the work; and \$189,000 to increase the work on snow surveys.

Mr. WHITTEN. Mr. Grant, you are handling this in accordance with the way we have always asked for you to do it. But I think for the record I should mention that the reason the committee is not going into these matters in detail at this time is because those who will justify these estimates are to come later.

Mr. GRANT. Yes.

Mr. WHITTEN. You will merely call attention to the figures, with the justification to follow later.

You might proceed, Mr. Grant.

Mr. GRANT. Thank you, sir. I am sure the representatives of the various agencies will be glad to go into such detail as you wish.

The next item under the Soil Conservation Service is watershed protection, an increase of \$5,889,000. This will enable us to start construction work on about 60 additional watersheds in 1963.

There is a decrease of \$1 million for flood prevention, from \$25 to \$24 million, a \$999,000 reduction, as a matter of fact, primarily to reflect the rate projected in last year's budget.

The next item is the Great Plains conservation program, where there is an increase of \$2,833,000 for assistance to farmers in the Great Plains in installing conservation measures under the program.

Mr. WHITTEN. Mr. Grant, recently the President delivered to the Congress his new farm program. The figures that have been submitted here have no connection with that.

Mr. GRANT. No, sir.

Mr. WHITTEN. These are all for the purpose of carrying out existing laws during the coming fiscal year.

Mr. GRANT. Yes. If the new legislation should be enacted, it is possible there would be some amendments to this budget. That would depend upon what legislation is enacted.

Mr. WHITTEN. Of course, we understand that. Proceed, Mr. Grant.

ECONOMIC RESEARCH SERVICE

Mr. GRANT. For the Economic Research Service the total estimate is \$10,440,000, an increase of \$1,030,000.

Mr. HORAN. Is it my understanding that the Economic Research Service is now completely divorced from the Agricultural Research Service?

Mr. GRANT. Yes, sir. The Economic Research Service includes work formerly done in the Agricultural Marketing Service, the Agricultural Research Service, and the Foreign Agricultural Service. All of this economics work has been placed in one agency.

Mr. HORAN. My reason for raising this at this time—Mr. Chairman I don't want to take too much time—we were promised by last June the research on 35 or 36 projects which would reflect the Department's studies that would comprise what constitutes economic entities in farming as applied to 35 different types of commodity productions. That was promised at least by last June. To my knowledge that study has not been produced yet.

Mr. GRANT. I will have to look into this to get the answer to your question.

Mr. HORAN. That was a followup on research done in 1957, which I think only comprised about six separate economic unit research projects.

Mr. GRANT. I will check the status of this matter.

Mr. HORAN. I mention that at this time because we will go into it more fully later. I have been anxious to see that because it is one of the things I think that is very vital to any consideration of where we are and what is wrong with American agriculture to know what constitutes an economic unit in any kind of production. I understand we are even going to have five separate cotton production studies. If we could have those before the committee, it might help us when we consider some of the programs that Mr. Freeman may want to propose to the Congress and which will have to be funded by this subcommittee later on.

So I think that comprehensive study of what constitutes an economic unit in agriculture would be vital to the consideration of this subcommittee as we look at all of these programs.

Mr. GRANT. Right. I will look into it and see that you are informed.

Mr. HORAN. Dr. Shaw, who still had economics in his department, assured me by letter about a year ago that those would be ready by June, and they are not here yet.

Mr. GRANT. I will see that you get an immediate report. The increase for the Economic Research Service covers a number of items, including economic studies with respect to rural development, the analysis of the effect of land and water conservation and development, studies as to farm size and number of farms, and studies related to the foreign development programs.

STATISTICAL REPORTING SERVICE

For the Statistical Reporting Service the estimate for next year is \$9,693,000, an increase of \$935,000. Of this, \$760,000 is for continuation of the program initiated at the request of this committee to step up the crop and livestock estimates work and to improve this work.

AGRICULTURAL MARKETING SERVICE

In the Agricultural Marketing Service there is an increase for marketing research and service of \$2,065,500. The major portion of this, nearly a million dollars, is for the poultry inspection work, where

the volume of mandatory inspection under the Poultry Products Inspection Act is increasing. Because of the increase which has already occurred this year the budget indicates that a supplemental of \$450,000 will be necessary in 1962. If that additional amount is made available in 1962, the increase for poultry inspection in 1963 will be only \$520,000.

The remainder of the increase is for intensifying the work under the Packers' Stockyards Act, primarily in investigations; for strengthening the grain standards inspection activities; for the market news service; for quality standards and specification work; and for needed increases in inspections under the Warehouse Act.

The next item provides \$1,600,000 for the construction of a facility for marketing research, primarily on peanuts, at Dawson, Ga. This is to provide the construction funds for the laboratory. Planning funds were provided in the 1962 appropriation act.

The next item is payments to State departments of agriculture: \$1,325,000, no change from 1962.

Next is the proposed appropriation of \$105 million for the special milk program. No change in the levels of this program is proposed. An increase of \$105 million in appropriations is reflected in the budget. Heretofore this program has been financed from Commodity Credit Corporation funds. The Congress, in extending the law last year for 5 more years, provided that in 1962 it would be financed from CCC funds, but that beginning in 1963 the program should be financed by direct appropriation.

For the school lunch program there is an estimate of \$125 million plus a transfer of \$45 million from section 32 funds. The total amount of \$170 million is the same as the amount available in 1962. Within the total, however, there is a proposed shift of \$10 million from commodity procurement under section 6 of the act to cash payments to States. This is proposed in order to provide cash payments to especially needy schools. Last year the Department made a similar proposal.

Congress provided part of this amount—\$2.5 million—but in terms of commodity distribution to these needy schools rather than as cash payments. This has created a number of administrative problems.

FOREIGN AGRICULTURAL SERVICE

For salaries and expenses of the Foreign Agricultural Service there is an estimate of \$21,841,000, an apparent increase of \$8,796,000. I stress the word "apparent" because in the past part of the work of Foreign Agricultural Service has been financed by transfer from section 32 funds. This transfer was \$3,117,000 in 1962. The budget proposes to include that amount in the direct appropriation, so that the increase is, on a comparable basis, only \$5,679,000.

Mr. HORAN. Mr. Chairman, may I ask a question?

Mr. WHITTEN. Surely.

Mr. HORAN. These foreign currencies are a continuing problem. I made a little study of my own and talked to men in the budget about where we are going with all these foreign currencies. Now we are appropriating dollars to buy them, and that is a credit to the Commodity Credit Corporation but it is an outlay of dollars just the same.

Mr. GRANT. Yes, sir.

Mr. HORAN. What are we going to do with those foreign currencies? We have them running out of our ears.

Mr. GRANT. I don't know, Mr. Horan. There is a shortage of currencies in all countries except nine. The currencies of those nine countries account for most of the foreign currencies owned by our Government.

Mr. HORAN. And those are the countries that will never be able to repay any portion of the loan now assigned to them, isn't that true?

Mr. GRANT. I would not say they will never repay any portion. The countries are Burma, India, Indonesia, Israel, Pakistan, Poland, Syria, Egypt, and Yugoslavia.

I would imagine the loan repayments will run over a long period of time

Mr. HORAN. Make a note that when we get those groups before us, we would like to go into that and have their best thinking about the problem involved in these foreign currencies. It is my own conviction that we are going to be pressured by the countries who own those currencies to burn them or something.

Actually, when we get all of our commitments before us from India, we will have enough of India's soft currencies on a comparable basis, it would be like some foreign country owning a \$35 billion mortgage against the United States, and already it is my understanding that there is unrest among those who handle the financial problems of India and that there is some talk of continued discussions to find out how we are going to solve this soft currency business.

At an appropriate time I would like to have a full discussion of that so we know where we are.

Mr. GRANT. We will see that the Foreign Agricultural Service is prepared to give you the full story on that.

Mr. HORAN. That is all, Mr. Chairman. I do think we have a problem here and would like to go into it fully later on.

Mr. GRANT. The major portion of the increase for the Foreign Agricultural Service, as I indicated, is for market development projects abroad.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

Proceeding to the Agricultural Stabilization and Conservation Service, under the Sugar Act there is an increase of \$2 million. The increase of \$2 million represents our best estimate at the present time of the needs to meet mandatory payments under the act. However, the law expires June 30, and if legislation is enacted which would have the effect of further increasing 1962 production, or if actual production shows that the amount included in this estimate is insufficient, additional funds may need to be provided for the fiscal year 1963.

Mr. HORAN. This is the outgrowth of the Cuban embargo, is it?

Mr. GRANT. Yes, I think you might say it originally started with that. As a result of that situation there has been a substantial increase in domestic production in the sugar areas which require additional payments to producers, although there has been some increase offshore also.

AGRICULTURAL CONSERVATION PROGRAM

The next item is the agricultural conservation program, \$244,500,000, an increase of \$6,500,000. That is to make the payments under the 1962 program of \$250 million, which was authorized in the 1962 Appropriation Act.

Mr. ANDERSEN. Mr. Grant, the 1963 budget estimates proposed an advance authorization of \$150 million for the 1963 crop year. How does that jibe with the proposed Kennedy farm program which was announced recently?

This proposed program it seems to me, is built around conservation and the Green Acres plan, and laudably so. But here we are, in my opinion, practically destroying the very worthwhile ACP program that means so much to many parts of our country. How would you say that dovetails with Mr. Kennedy's new farm program?

Mr. GRANT. Mr. Andersen, the budget estimates were developed before this legislative program was fully formulated. As I indicated earlier, should the legislation be enacted, consideration will have to be given to some amendments to the budget for 1963.

To my knowledge there has been no focusing on this particular item for ACP in relation to the new farm legislative proposals. That is something that will have to be developed at a later date.

Mr. ANDERSEN. Mr. Grant, I have agreed with our good chairman over the years, that in this particular program, the ACP, we perhaps get more value received in the form of conservation than from almost any other thing we do with our appropriations. To me it is shortsighted, especially after seeing this subcommittee battle through the years to hold this at the \$250 million level. It is my hope that the administration will decide that perhaps they had best either keep this program at a reasonable level—and I call \$250 million reasonable—or else do away with it entirely. On the basis of a \$150 million budget, too large a proportion of that money would have to go for administrative purposes. As a result we would get much less in the way of conservation practices than we do now from the present program.

I notice you do show an increased request for the Great Plains program amounting to \$2,833,000. I wonder if the Great Plains need more conservation than we do in Minnesota or the other States to the east of that Great Plains area. They want to increase conservation practices in one part of the country, and then at the same time knock the bottom out of the ACP the program that we on this subcommittee have found to be very useful. I think there is some mistake along the line somewhere.

Mr. WHITTEN. I am in accord with the gentleman from Minnesota on this. Did the Department ask for the \$250 million announcement?

Mr. GRANT. Yes, it did.

Mr. ANDERSEN. I am glad to hear that.

We should ask, Mr. Grant, that your people be prepared to defend their proposed cut. I hope when this specific item comes before this committee that they can tell us exactly what they propose to gain by squeezing the little fellow who is carrying on good conservation practices nationwide under the ACP program while at the same time they propose something vast along so-called conservation lines that as far as I have been able to determine is rather nebulous.

I can see the good that this ACP has done. I can see the benefits all over my counties. Bill Natcher testifies to it in Kentucky.

Mr. NATCHER. Will you yield?

Mr. ANDERSEN. I will be glad to yield.

Mr. NATCHER. I would like to agree with your statement and with the statement made by our Chairman, Mr. Whitten. The small farmer receives more benefit here than any other place in the bill.

Mr. ANDERSEN. I think that right here in the ACP program we get more benefits for a dollar spent for conservation than almost any other place.

Mr. WHITTEN. It has been the view of the majority of this committee that not only is there value here in the amount that is involved in the Federal contribution, but also in the extra amounts that are spent in this program by about a million people each year.

Further, it has been my belief that this program contributes greatly to the total benefit that comes from Soil Conservation Service and from the Extension Service. If you spend all that money on the Extension Service and the Soil Conservation Service, I think it follows that this program contributes greatly to the success of the work of those two Services.

EMERGENCY CONSERVATION MEASURES

Mr. GRANT. The next item is "Emergency conservation measures." Last year the Congress provided a \$5 million supplemental appropriation for assistance to farmers to restore lands damaged by hurricanes, floods, and other natural disasters. No provision is made in the budget for this. This is an item that carries forward. Should there be emergencies for which we cannot provide within the amount available we may have to request additional funds.

Mr. HORAN. You have a balance then?

Mr. GRANT. Yes. On June 30, 1960, it was \$11,737,909. The \$5 million was merged with the prior appropriations and the balance carried forward. This accounts for the amount of more than \$11 million.

CONSERVATION RESERVE PROGRAM

The next item is "Conservation reserve program," an estimate of \$323 million. That is an increase of \$11 million. This, however, does not represent an increase in payments. There was a balance carried forward from the 1961 fiscal year to 1962 of \$34,425,328. Therefore, the 1963 estimate provides a reduction in available funds of \$23,425,328.

SPECIAL AGRICULTURAL CONSERVATION AND ADJUSTMENT PROGRAMS

The item for "Special agricultural conservation and adjustment programs," which is for administering the feed grain program and the wheat stabilization program is at the same level, \$18.5 million.

OFFICE OF GENERAL COUNSEL

The Office of General Counsel reflects an increase of \$155,000 for legal services in connection with the marketing and regulatory programs, and for the Commodity Credit Corporation program.

NATIONAL AGRICULTURAL LIBRARY

Next is the item "National Agricultural Library," an increase of \$191,500. I call your attention to the change in the title. Heretofore we called this item "The Library," but because the library is one of the three national libraries, the Secretary is changing the name to National Agricultural Library. The other two National libraries are the Library of Congress and the National Medical Library.

Mr. WHITTEN. And it costs us \$191,500 to change the name?

Mr. GRANT. No; it doesn't cost us anything. The change in name is not involved in the increase. The increase of \$191,500 is for additional scientific literature, and the cataloging and bibliographical work necessary to make the publications usable.

The library is unable to keep up with the vast amount of literature in the field of agriculture that is being published today, and to supply fully the need for access to that literature by the scientists. This increase is to help improve this situation.

GENERAL ADMINISTRATION

The next item is "General administration," an appropriation of \$3,698,000, an increase of \$602,000.

This appropriation has formerly been called the "Office of the Secretary." It is our feeling that this is misleading. It leaves people with the impression that this is just the Secretary's immediate office.

Mr. WHITTEN. Could you detail for the record what is involved in this? Through the years we have acted in good faith and I rather think wisely. Some Members of Congress are of the opinion that you should be very tight on what can be spent in Washington.

But a study of the matter will show that, if you have work to be done in Washington, you can assign somebody from the field and it costs more to keep them detailed in Washington than if they were located here. In my opinion, where you handle as big programs as you have here, proper supervision is a sound investment.

Where between those two the figure should be is the thing that the committee has tried to find. We should recognize that a big program requires quite a bit of real effort to properly supervise and control it. Since you have made this change in name from the Office of Secretary, I wish you would tell us here just what is involved in this item.

Mr. GRANT. All right, sir. Incidentally, this is set out in detail on page 50 of part 3 of the explanatory notes.

Mr. WHITTEN. We will get to this thoroughly later.

Mr. GRANT. This includes the Office of the Secretary and the Under Secretary, \$525,100, an increase of \$118,100. For assistance for the Assistant Secretaries, \$331,800.

RURAL AREAS DEVELOPMENT PROGRAM

It also includes \$100,000 for a new office for overall direction and supervision of the rural areas development program. This new Office of Rural Areas Development is under the direction of Mr. John Baker, Director of Agricultural Credit, and is responsible for coordinating all of the work in this area.

Mr. WHITTEN. Are there any funds in this budget request to be appropriated directly to the Department of Agriculture for this purpose in the coming year, or is that to appear in the request for the Department of Commerce?

Mr. GRANT. Mr. Chairman, there is money in this budget for rural areas development. But that program is larger than that financed by transfers from the Area Redevelopment Administration under the Department of Commerce. So the Department's program is financed from both sources.

There are funds in this budget under various agencies for the rural areas development activities. In addition, there is in the budget under the Department of Commerce, \$1,850,000 to be transferred to the Department of Agriculture for operating funds.

In addition, there will be an amount transferred for technical assistance. This amount has not been determined, since it will depend upon the specific projects developed.

Mr. WHITTEN. Is this rural development under the existing Rural Development Act for which these funds are requested, or is any of this contingent on passage of any new legislation?

Mr. GRANT. No, sir; it is all under existing legislation. Most of it is a matter of carrying out work under the program authorities of the various agencies, such as the Extension Service, for instance, under the Smith-Lever Act.

Mr. WHITTEN. Since this seems to be scattered about through the bill, I want to be certain that we discuss it each time that any segment of this appears.

Mr. Horan?

Mr. HORAN. That is along the line that I would request, that when we get rural redevelopment before us, that all of the increases—now you have an increase of \$260,000 for the Extension Service, which, at least up to now, has been charged with the field operations of this program.

Mr. GRANT. Yes.

Mr. HORAN. I think we ought to have all our sheep in one pen so we can look at them when we have this item before us.

Mr. GRANT. I want to make one point clear concerning the Extension Service. There is an increase of a million dollars for payments to States under section 3(d) of the Smith-Lever Act, which means without regard to the formula. It will be allocated to the States on the basis of particular needs for rural development. The \$260,000 is for strengthening the Federal Extension Service, and only part of that is for rural development, not all of it.

Mr. HORAN. We would like to know in detail what is involved as far as rural redevelopment. It is my understanding on this matter of area redevelopment that is before the Commerce Appropriations Committee right now, in fact, that they are digging into this so that we know the relationships and the right hand knows what the left hand is doing. I think the Department should be able to indicate just what is rural and what might be in suburban influences that might affect this item. That is so that this subcommittee, as well as other subcommittees of the Congress, can better coordinate their judgments as to this budget before us.

Mr. WHITTEN. In that connection we might have the table put into the record, showing specifically what increases are requested for

rural development for the coming fiscal year, broken down by the various activities to which assigned, and the transfers, from Department of Commerce.

(The table referred to follows:)

APPROPRIATION INCREASES REQUESTED SPECIFICALLY FOR RURAL AREAS DEVELOPMENT, FISCAL YEAR 1963 AND TRANSFERS FROM THE DEPARTMENT OF COMMERCE, AREA REDEVELOPMENT ADMINISTRATION, FOR ASSISTANCE TO RURAL AREAS

A major share of the Department's activities are directed primarily toward rural areas development. This involves, primarily, a coordination of existing programs to achieve more effective results in improving economic conditions in rural areas. This effort includes the creating of maximum opportunities for the best use of human resources—so as to stimulate a higher level of income for farm and nonfarm rural people. This work is carried out through the cooperative assistance of Federal, State and local governments and rural people for the general betterment of living in rural areas. The following table reflects the specific increases requested for rural areas development:

<i>Agency and item</i>	<i>Increase</i>
Extension Service:	
Cooperative extension work, payments and expenses, for payments under sec. 3(d) of Smith-Lever Act to support rural areas development.....	\$1, 000, 000
Federal share of retirement costs for cooperative extension agents.....	52, 000
Federal Extension Service.....	44, 000
Subtotal.....	1, 096, 000
Economic Research Service: Salaries and expenses, to strengthen economic studies on rural development.....	170, 000
General administration, for overall program planning, coordination and direction.....	100, 000
Total.....	1, 366, 000

	Available, fiscal year 1962	Estimates, fiscal year 1963
In addition to resources of the Department of Agriculture used for rural areas development, funds are received from the Area Redevelopment Administration, Department of Commerce, for assistance on overall economic development programs and related activities in rural communities. Loan and grant funds are administered directly by the Area Redevelopment Administration. Funds are transferred to the Department of Agriculture for administrative and technical assistance in carrying out Area Redevelopment Act programs in rural areas, as follows:		
Operating expenses for carrying out delegated functions under Area Redevelopment Act funds transferred from Department of Commerce.....	\$775, 000	\$1, 850, 000
Estimated transfer from Department of Commerce for technical assistance on special Area Redevelopment Act projects.....	250, 000	(1)
Total, allocations from Department of Commerce.....	1, 025, 000	1, 850, 000

¹ Not yet determined.

Mr. GRANT. Continuing with the items under "General administration," there is the Office of Personnel, which has a budget of \$816,182, an increase of \$39,500; the Office of Budget and Finance, an estimate of \$845,868, which is an increase of \$133,000; the Office of Plant and Operations, \$749,550; a new Office of Management Appraisals and Systems Development, \$124,000, and an item of \$178,500 for regulatory hearings and decisions. This is the hearings clerk and the judicial officer.

Mr. MICHEL. What was the name before that?

Mr. GRANT. Management Appraisals and Systems Development. This is a new office that was established in early December under Mr. Robertson's direction to give intensive consideration to management improvement work in the Department and to systems development. This is a relatively small office. There are nine people, I believe, who will give leadership to these activities throughout the Department in a rather intensive way.

The last item under "General administration" is the expenses of the National Agricultural Advisory Commission, \$27,000.

This budget includes a total of \$222,900,000, or an increase of \$14,131,000 for the Forest Service. Of course, that is included in the Department of the Interior and related agencies bill, but is included in our total here so that you can get a view of the entire Department of Agriculture.

In connection with the Forest Service it is significant to note that the operations of this agency give rise to substantial receipts to the U.S. Treasury, primarily from timber sales and grazing fees. It is estimated that Forest Service receipts in the fiscal year 1963 will amount to more than \$135 million. Table 6 on page 248 shows receipts to the Treasury from Department of Agriculture operations, including the Forest Service and other agencies of the Department.

That brings us down to the total for general activities. Before I leave it I would like to mention two things.

EMPLOYEES COMPENSATION COSTS

Public Law 86-767, approved September 13, 1960, requires each agency to include in its appropriation request each year funds for reimbursing the employees' compensation fund in the Department of Labor. The amounts to be included each year represent the compensation paid from the employees' compensation fund for employees of each agency who were injured during the preceding year.

For the 1963 estimates there is a total of \$78,191 in our budget. The amounts which make up this total are in the estimates of the various agencies concerned. The preface to the justifications includes a summary of these estimates. We have a short statement of explanation and a summary of the amounts in case you wish to put them in the record.

Mr. WHITTEN. I think it well to have them included at this point, so they will fit in with the other budget figures that you have given us here.

(The statement follows:)

EMPLOYEES' COMPENSATION COSTS

The budget estimates for 1963 include funds for reimbursing the Employees' Compensation Fund for compensation benefit payments from that fund on account of employees of the Department who were injured while in the performance of duty subsequent to December 1, 1960. Public Law 86-767 enacted September 13, 1960, provides, in part, as follows:

"Each agency shall include in its annual budget estimates for the next fiscal year a request for an appropriation in an amount equal to such costs. Sums appropriated pursuant to such request shall within 30 days after they become available, be deposited in the Treasury to the credit of the Employees' Compensation Fund."

Each year the Secretary of Labor furnishes this Department with a report identifying by agency the direct cost of benefits and payments made on behalf of

USDA employees in the preceding fiscal year (the first such report covers only the 7 months from December 1, 1960 through June 30, 1961). Agencies are informed of the amount of such payments made by the fund and are instructed to provide for these costs within their annual budget estimates.

The following tabulation identifies by agency the amounts included in the 1963 budget estimates for reimbursement to the Employees' Compensation Fund:

Agricultural Research Service).....	\$18,021.00
Extension Service.....	937.00
Forest Service.....	28,728.00
Soil Conservation Service.....	8,883.00
Agricultural Marketing Service.....	2,306.00
Agricultural Stabilization and Conservation Service.....	17,378.00
Commodity Credit Corporation.....	38.16
Federal Crop Insurance Corporation.....	6.36
Farmers Home Administration.....	1,759.00
National Agricultural Library.....	80.00
General Administration.....	55.00
Total	78,191.52
Deduct Forest Service.....	-28,728.00
Total (excluding Forest Service)	49,463.52

NOTE.—Government corporations are also charged a "fair share" of the cost of the administration of the fund. These charges are based on 6 percent of the payments made on behalf of employees of the corporation and are to be paid into miscellaneous receipts of the Treasury. The amounts for administration to be paid by CCC and FCIC are \$2.16 and \$0.36 respectively for fiscal year 1961 costs and are included in the above tabulation.

CIVIL DEFENSE FUNCTIONS

Mr. GRANT. One other matter I want to call to your attention, because the amounts are interspersed through various items, is the matter of civil defense planning. For some years the Department has been cooperating with other Government agencies in planning for emergencies. Some of this work has been financed with our available funds. To a considerable extent it has been financed by transfers from the former Office of Civil and Defense Mobilization. With the elimination of that agency and the creation of the Office of Emergency Planning, most of the civilian defense functions were transferred to the Department of Defense.

However, there are certain responsibilities delegated to the Secretary of Agriculture by the President by Executive order, including radiological monitoring, rural information with respect to civilian defense work, planning for food production and distribution in the event of an emergency, and so forth.

There is in this budget a total increase of \$305,000 for this purpose. So that these estimates may be brought together in one place, you may wish to put this summary in the record. This will indicate where the increases are, and you can discuss them in detail as the agencies appear for their hearing.

Mr. WHITTEN. We will be glad to have that included in the record at this point.

(The table follows:)

Appropriations specifically requested for civil defense planning, fiscal year 1963¹

<i>Appropriation item</i>	<i>Budget estimate</i>
Agricultural Research Service: Salaries and expenses, meat inspection.....	+\$30,000
Extension Service: Cooperative extension work, payments and expenses, Federal Extension Service.....	+60,000
Economic Research Service: Salaries and expenses.....	+30,000
Agricultural Marketing Service: Marketing research and service.....	+50,000
Agricultural Stabilization and Conservation Service: Acreage allotments and marketing quotas.....	+83,000
General administration: Salaries and expenses.....	+52,000
Total	+305,000

¹ In addition to the amounts shown in this table, the agencies listed as well as other Department agencies, participate in civil defense planning as an integral part of their regular program activities to the extent possible within their overall objectives and the funds available for carrying them out.

Mr. WHITTEN. Mr. Grant, will these funds be used to pay personnel whose prime duty it is to look after the civilian defense duties of the Department? Or are they just a contribution to the common fund, so to speak, for use by regular employees who do the civilian defense work incidental to their regular activities?

Mr. GRANT. This will be used, Mr. Chairman, to employ, or to continue, I should say, specific personnel for these civil defense activities, because we are now doing this work by transfers from the Office of Emergency Planning and the Department of Defense, and we have the people on the rolls now. So it represents a change in the method in which the money is appropriated.

Mr. WHITTEN. How many people do you have and what is their average rate of pay? Do they limit themselves entirely to this duty, or are they agriculturists who perform other duties?

Mr. GRANT. I will have to insert that in the record, Mr. Chairman. I can give you the amounts of money, but I do not have the numbers of people. I can get it for the record.

Mr. WHITTEN. I would be glad to have you do that. When money comes from a variety of sources, and when one person has part of his time charged up to one source of funds and part to another, it makes it extremely difficult for the committee and the Congress and you folks to keep it straight.

(The information requested follows:)

Number and average salaries of persons engaged full time on civil defense activities

Agency and position title	Number of persons	Grade	Average salary
Federal Extension Service:			
Program leader.....	1	GS-15.....	\$15,030
Information specialist.....	1	GS-13.....	11,935
Secretary.....	1	GS-7.....	6,180
Agricultural Marketing Service:			
Administrative officer.....	1	GS-14.....	12,730
Do.....	2	GS-13.....	11,415
Secretary.....	1	GS-5.....	4,345
Agricultural Stabilization and Conservation Service:			
Regional liaison representative.....	4	GS-14.....	12,470
Secretary.....	4	GS-5.....	5,170
General administration:			
Special assistant to the Secretary.....	1	GS-15.....	13,730
Administrative officer.....	1	GS-15.....	13,730
Secretary.....	2	GS-7.....	5,355
Total	19		

Mr. WHITTEN. Mr. Santangelo?

Mr. SANTANGELO. Do you have any funds to determine the effect of strontium 90 in the atmosphere on the agricultural products?

Mr. GRANT. That is financed from our regular funds. The work contemplated for 1963 is included in this budget. I do not have the amount here, but I can get it.

Mr. SANTANGELO. Are they doing some research in that area?

Mr. GRANT. Yes, sir; a considerable amount of work.

I seem to recall that about a year ago the amount was about \$200,000. I don't know whether it is still that amount or not. I can check.

(NOTE.—Estimated obligations in 1962 are \$217,000.)

Mr. SANTANGELO. That is not within this amount?

Mr. GRANT. It is not within these transferred funds; no, sir.

RURAL ELECTRIFICATION ADMINISTRATION

Mr. GRANT. The next item is Rural Electrification Administration. There is attached to your table an exhibit 1 which summarizes the situation with respect to electrification loans and telephone loans.

(This exhibit is as follows:)

EXHIBIT 1.—*Rural Electrification Administration loans*

Loan program	1961 actual	1962 estimate	1963 estimate
Electrification loans:			
New loan authorization:			
Regular authorization.....	\$110,000,000	\$175,000,000	\$345,000,000
Reserve authorization.....	60,000,000	70,000,000	
Carryover from prior year.....	135,602,537	34,171,880	171,880
Rescissions of prior loans.....	3,076,561	3,000,000	
Total, loan funds available.....	308,679,098	282,171,880	345,171,880
Less:			
Loans made.....	274,507,218	232,000,000	345,000,000
Reserve authorization not used.....		50,000,000	
Balance carried forward to next year.....	34,171,880	171,880	171,880
Telephone loans:			
New loan authorization:			
Regular authorization.....	80,000,000	132,500,000	135,000,000
Reserve authorization.....	60,000,000	30,000,000	
Carryover from prior year.....	26,481	979,026	479,026
Rescissions of prior loans.....	3,347,545	2,000,000	
Total, loan funds available.....	143,374,026	165,479,026	135,479,026
Less:			
Loans made.....	142,395,000	135,000,000	135,000,000
Reserve authorization not used.....		30,000,000	
Balance carried forward to next year.....	979,026	479,026	479,026

There would be an increase of \$100 million in the electrification loan authorizations. It involves an increase of \$113 million in the actual loan obligations. This increase is primarily for generation and transmission loans to meet the increasing requirements for power by electric co-ops.

In the telephone loan program, while the new loan authorization is down \$27,500,000, it does continue the loan level at \$135 million, the same as estimated in 1962.

Mr. HORAN. Mr. Chairman, that is back-door financing?

Mr. GRANT. Mr. Horan, I am not quite clear in my own mind as to what is back-door financing in some instances. Being authorized and handled through the Appropriations Committee perhaps means that these authorizations are not back-door financing, although they are not direct appropriations in the usual sense.

Mr. HORAN. We have allowed them to go direct to the Treasury, to the extent this committee authorized.

Mr. WHITTEN. Here is the situation as I understand it.

Heretofore, the Congress has, on the recommendation of this committee, authorized so much in loans and so much in contingency funds.

Within the limits of what was authorized, the REA could go directly to the Treasury and secure the money but, as a matter of fact, did so only as the money was loaned out. In other words, they never borrowed money until they let the cooperative have it, which in turn signed notes to pay it back with interest. Each year REA showed how much the loans were but not necessarily how much collections had been made from prior loans.

With a revolving fund, the fund is credited with its collections so that what actually shows is the amount which is loaned over and above the amount that is collected. That is my understanding of it.

FHA has already done this, and that is what you are proposing for REA.

Mr. GRANT. That is correct. It is in the new agricultural bill.

Mr. WHITTEN. The proposal that you have made, as far as REA is concerned, is subject entirely to the approval of the Congress before the money can be loaned?

Mr. GRANT. Yes; through this Appropriations Committee, just like a regular appropriation, and subject to the same kind of control.

Mr. HORAN. Mr. Chairman, I think your explanation should be enlarged when we get to REA, and some of these credit agencies, because they don't show as a part of our total appropriation.

Mr. GRANT. That is correct, sir.

Mr. HORAN. To that extent I think the taxpayers of the Nation are entitled to a full explanation of everything, including income, Mr. Chairman, so that it balances off.

Mr. WHITTEN. I certainly think so. However, you will recall that in the last several years some folks have questioned our tables because we carried loan authorizations in a separate category.

I personally don't think that the loans of a bank, which are sound and which are secured and which will be repaid with interest, should be lumped in as a part of the cost of operating the bank. Also, I don't think that the amount of money you loan out through an agency which will be repaid should be lumped in with the cost of carrying on the regular activities of the Department. I think it should be in the same report where anyone can see how much money you lend. That is the policy we have tried to follow.

Mr. GRANT. The next item under REA is "Salaries and expenses," an increase of \$300,000; \$200,000 for the electrification program and \$100,000 for the telephone program, to meet increased needs for lending and management activities.

Mr. WHITTEN. Mr. Grant, this Committee last year recommended that REA should set up some type of guidelines in connection with loans to give some attention to how much reserves were sufficient and how much ought to be reflected in reduced rates to the consumer. I am sure we will go into that in greater detail with the REA people when they are before us.

Has any progress been made?

Mr. GRANT. Yes, sir. I have seen a draft report on this. I am not sure whether it has been sent to you or not. If it hasn't been, it will be available by the time REA comes up. I will see that you get it a few days beforehand.

Mr. WHITTEN. They will be prepared to discuss it when they come before us?

Mr. GRANT. Yes, sir.

FARMERS HOME ADMINISTRATION

Mr. GRANT. With respect to the Farmers Home Administration, the first item indicated, "Rural housing grants and loans," an item of \$10 million, was first made available in the Supplemental Appropriation Act of 1962 and is continued in the 1963 budget at this level. Under the Housing Act passed by Congress last year this item is for rural housing development loans and grants.

Mr. HORAN. This item is important. As we attempt to assist the small farmer it may become necessary for him to build chicken houses or milk houses or something like that. Without this housing item, it is my understanding that we are unable to assist him. It is a key item.

Mr. GRANT. The next item is real estate and operating loans. The estimate for 1963 is \$325 million, a decrease of \$1 million from 1962.

The handling of this item does represent a change. This results from legislation enacted in the Agricultural Act of 1961, establishing a direct loan account for farm ownership loans, for farm operating loans, and for soil- and water-conservation loans. The loan authorizations approved in the 1962 appropriation act, and the collections of principal and interest, have been deposited into this fund. Each year the Congress will be asked to approve the amount for loans which can be made out of the fund. This will reduce the new appropriations to the Department, and it will reduce expenditures charged to the Department. The Congress—

Mr. WHITTEN. On an annual basis?

Mr. GRANT. On an annual basis.

The committee and the Congress will have the same control and the same responsibilities with respect to determining the level of programs as in the past.

Exhibit 2 reflects the funds available and funds used under the direct loan account in 1962 and 1963.

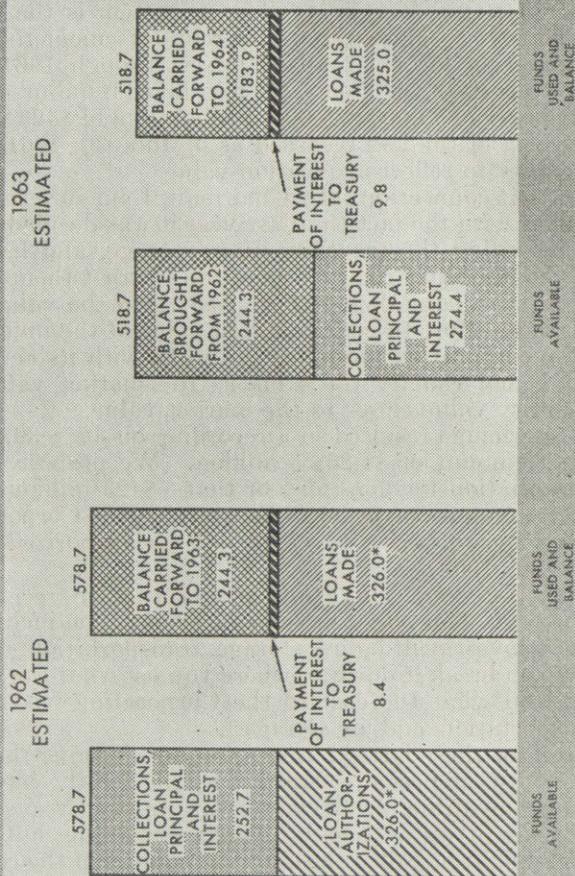
(This exhibit follows:)

EXHIBIT 2

UNITED STATES DEPARTMENT OF AGRICULTURE

FARMERS HOME ADMINISTRATION, DIRECT LOAN ACCOUNT
 FUNDS AVAILABLE, FUNDS USED AND BALANCES
 FISCAL YEARS 1962 ESTIMATED AND 1963 ESTIMATED

millions of dollars



*Includes loans made under authorizations prior to establishment of direct loan account, October 16, 1961.

FEDERAL CROP INSURANCE CORPORATION

Mr. GRANT. The next item is Federal Crop Insurance Corporation, with an increase of \$951,000 for operating expenses. This is to enable the Corporation to continue to expand its operations. It is proposed to go into about 100 additional counties in 1963.

Mr. WHITTEN. That is in line with the urging of this committee.

COMMODITY CREDIT CORPORATION

Mr. GRANT. Yes, it is. The next item is the Commodity Credit Corporation. The estimate for reimbursement to Commodity Credit Corporation for net realized losses through 1961 is \$2,489,955,000. This consists of two items, the first being reimbursement for the actual 1961 losses of \$2,066,955,000, and an item of \$423 million representing one-third of the loss recorded as of June 30, 1961, for revaluation of inventory to reflect acquisition value.

In that connection, Mr. Chairman, I am sure that most of you are familiar with the fact that last year it was decided to change the basis for recording the transportation, storage, and handling expenses of the Commodity Credit Corporation to treat them as current expenses rather than capitalizing those costs into the value of the inventory. This is an effort to get the stated value of the inventory on the books of the corporation more nearly in line with its actual value.

It is not exactly the same as the market value, but it gets the inventory value closer to the market value.

This change resulted in a recording on June 30, 1961, of such costs in the amount of \$1,268.5 million. We propose, in 1963, to get an appropriation for one-third of that—\$423 million, and it is included in this amount—in order to be sure that the Corporation has adequate borrowing authority to carry out its authorized programs through June 30, 1963.

Mr. WHITTEN. Do I understand that in recent years, whatever commodity you might have had on hand, you included in the Government's investment figure, storage, transportation, and all the rest of it. Now you break it down to where you list what the original investment was, and what the cost to the Corporation has been in the way of transportation and in storage.

And for these latter 2 items you are charging them off, so to speak, over a 3-year period. You are asking for the money now to restore capital impairment, instead of waiting until you sell that commodity and show it up as a loss. You are charging out these other things which might be called the carrying charges of the commodity on which you have made either a Government loan or Government purchase?

Mr. GRANT. That is quite right.

Mr. WHITTEN. Are you asking that these funds be restored merely to balance out this charge or is there need for further capital restoration so the Corporation can discharge its responsibilities under the law?

Mr. GRANT. There is a need for at least one-third of this amount.

Mr. WHITTEN. Of the total.

Mr. GRANT. Of the total adjustment of \$1,268.5 million. There is a need for one-third of it in order to be sure that the Corporation will have adequate borrowing authority to finance its authorized programs through June 30, 1963. If the new legislation is enacted, that will have a bearing on it and could, if enacted as proposed, make it possible to reduce this estimate.

Mr. WHITTEN. Would you recommend that this committee wait and see whether Congress passes that legislation? Or do you think we ought to go ahead?

Mr. GRANT. I think you ought to go ahead and approve this estimate. If legislation is enacted, reducing CCC expenditures and costs, the Corporation's losses will have been restored and the additional expenditures will not be incurred.

Mr. WHITTEN. Under present conditions you do feel that this cushion is essential?

Mr. GRANT. Yes, sir.

Mr. WHITTEN. I am sure that members of this subcommittee know this, but for the record I would recall that we have this kind of a situation with regard to the Commodity Credit Corporation. In years past we have had some pretty tough situations to face. On the one hand the Corporation is directed by law to do certain things. But if they do them without having the funds with which to do them, they violate still other laws.

There have been several times where the Corporation has had to borrow money from private sources and pay higher rates of interest because of the debt ceilings. So there is a combination of factors involved here, which leaves us with the obligation to be sure that there is a sufficient cushion to keep from violating one law to carry out the other.

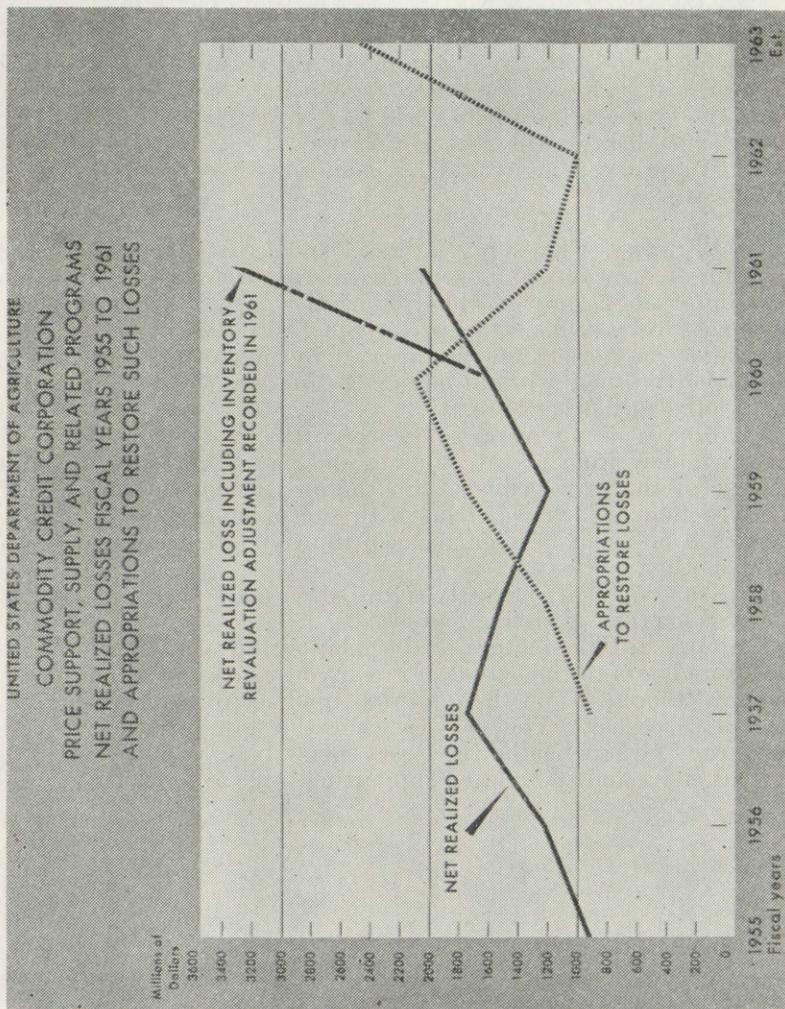
Mr. GRANT. That is exactly right, sir.

Mr. WHITTEN. You might proceed.

Mr. GRANT. This picture of the relationship of the appropriations to restore losses to the actual net realized losses is reflected in a chart marked "Exhibit 3" in the material supplied to each member of the committee earlier. You can see that the appropriation to restore losses runs 2 years behind the losses themselves.

(This chart and the related supporting table follow:)

EXHIBIT 3



Net realized losses of Commodity Credit Corporation, fiscal years 1959 to 1961, and appropriations to restore such losses

[Millions of dollars]

Fiscal years	Net realized losses	Appropriations to restore losses	Remarks
1955.....	\$929.3	-----	
1956.....	1,239.8		
1957.....	1,760.4	\$929.3	
1958.....	1,535.4	1,239.8	
1959.....	1,207.0	1,760.4	
		1,435.4	To restore part of 1958 loss.
		675.0	To restore balance of 1958 loss, \$100,000,000; and part of 1959 loss, \$575,000,000.
1960.....	1,612.1	2,110.4	
	2,067.0		To restore balance of 1959 loss, \$632,000,000; and part of 1960 loss, \$594,500,000.
	¹ 1,268.5	1,226.5	
1961.....	3,335.5		To restore balance of 1960 loss.
1962.....		1,017.6	To restore 1961 loss of \$2,067,000,000 and 1/2 of inventory revaluation adjustment, \$423,000,000. Remainder of inventory adjustment, \$845,500,000 to be requested in future years.
1963 estimate.		2,490.0	
Total.	11,619.5	10,774.0	

¹ Inventory revaluation adjustment made as of June 30, 1961.

SPECIAL EXPORT PROGRAMS (FOREIGN ASSISTANCE)

Next is the appropriation to reimburse the Corporation for special activities. This is the appropriation made in 1962 to cover 1961 costs of Public Law 480, the barter programs, and International Wheat Agreement.

These same programs are involved in the next item "Special export programs (foreign assistance)." The Congress also appropriated in 1962 a total of \$1,600 million to cover the 1962 costs of these programs. In 1962, therefore, there were two appropriations, one to cover 1961 costs and the other for 1962 costs. This was an effort to get these activities on what is in effect a current financing basis.

The 1963 budget continues this approach with an estimate of \$2,186,935,000 for 1963 estimated costs. This is reflected in exhibit 4 which shows that in the past there have been rather sizable variations in the appropriations from the actual cost of the programs in several years because formerly the appropriations were made to reimburse CCC for costs incurred in a prior year or in prior years.

The estimates are now on the basis of keeping the appropriations for these export programs current with the cost of those programs as nearly as possible.

The 1963 estimate of \$2,186,935,000 includes a total of \$385 million which, if appropriated under the language recommended, would become a 1962 appropriation because on the basis of the present outlook the 1962 appropriation would fall that much short of the cost of the programs in that year.

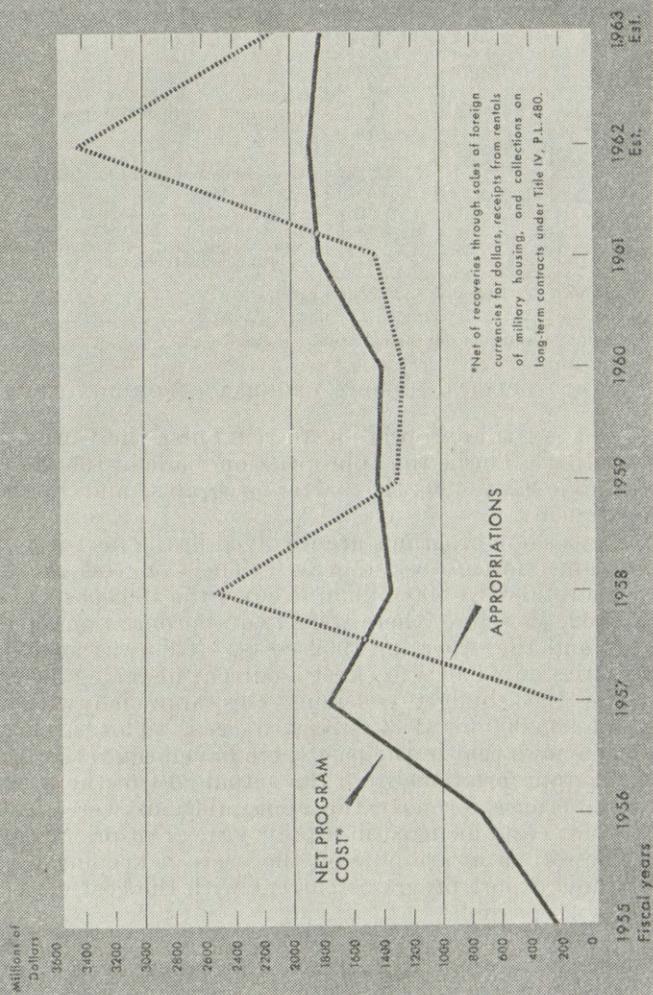
This excess of costs above the 1962 appropriation is being financed from CCC funds.

The \$385 million when appropriated, would be used to repay the Corporation for the unreimbursed 1962 costs of Public Law 480 and the other special export programs.

(Exhibit 4 and the related table follow:)

EXHIBIT 4

UNITED STATES DEPARTMENT OF AGRICULTURE

SPECIAL EXPORT PROGRAMS (FOREIGN ASSISTANCE)
NET PROGRAM COST FISCAL YEARS 1955 TO 1961 AND ESTIMATED 1962 AND 1963,
AND APPROPRIATIONS FOR THESE PROGRAMS

Special export programs (foreign assistance)—Net program cost, fiscal years 1955-61 and estimated 1962 and 1963, and appropriations for these programs

[Millions of dollars]

	1955	1956	1957	1958	1959	1960	1961	1962 estimate	1963 estimate	Total
NET PROGRAM COST										
Public Law 480:										
Sales of surplus agricultural commodities for foreign currencies.....	64.9	555.1	1,338.9	1,058.5	979.5	1,058.0	1,355.7	1,283.1	1,080.6	8,774.3
Commodities disposed of for emergency famine relief to friendly peoples.....	86.9	93.6	124.9	121.5	97.9	93.5	281.5	13.0	300.0	1,400.4
Long-term supply contracts.....	90.3	92.2	90.0	82.4	48.3	66.3	76.5	81.4	81.2	103.0
International Wheat Agreement.....	-----	218.9	218.9	82.3	314.7	192.4	200.5	225.3	250.2	717.6
Bartered materials for supplemental stockpile.....	-----	-----	-----	-----	-----	-----	-----	-----	-----	1,454.3
Total, net program cost.....	251.1	740.9	1,772.7	1,344.7	1,440.4	1,412.2	1,831.3	1,884.3	1,802.0	12,479.6
APPROPRIATIONS										
Public Law 480:										
Sales of surplus agricultural commodities for foreign currencies.....	-----	-----	67.5	¹ 637.0 ² 1,290.8	1,033.5	968.0	881.0	³ 1,353.0 ⁴ 1,250.5	1,293.0	8,774.3
Commodities disposed of for emergency famine relief to friendly peoples.....	-----	-----	88.6	¹ 927.8 ² 94.5 ³ 125.8	119.3	104.5	107.1	³ 255.7 ⁴ 140.9	364.0	1,400.4
Long-term supply contracts.....	-----	-----	-----	220.3	-----	-----	-----	³ 396.6 ⁴ 13.0	90.0	103.0
International Wheat Agreement.....	-----	-----	101.1	¹ 92.9 ² 90.0	80.8	63.9	32.6	³ 88.8 ⁴ 70.6	96.9	717.6
Bartered materials for supplemental stockpile.....	-----	-----	-----	182.9	82.3	129.0	422.9	³ 159.4 ⁴ 163.1 ⁴ 125.0	343.1	1,454.3
Total appropriations.....	-----	-----	257.2	2,549.9	1,315.9	1,265.4	1,443.6	288.1	2,187.0	12,479.6

¹ Total of \$824,400,000 for 1956 programs.

² Total of \$1,725,600,000 for 1957 programs.

³ Total of \$1,860,600,000 for 1961 programs.

⁴ Total of \$1,600,000,000 for estimated 1962 programs.

⁵ Includes \$855,000,000 applicable to 1962 program costs.

I believe, Mr. Chairman, that covers the major items in the Department's budget. Under permanent appropriations, the major item is section 32. The appropriation is down slightly but the estimate of obligations is projected at \$225 million for both 1962 and 1963.

GENERAL BUDGETARY TABLES

I would like, Mr. Chairman, if it meets with your approval, to insert in the record our usual tables which summarize appropriations and expenditures and information with respect to average annual positions.

Mr. WHITTEN. We will be glad to have that included in the record. (The documents follow:)

TABLE 1.—Budget estimates, 1963, compared with appropriations and REA and FHA loan authorizations, 1962

[NOTE.—Amounts for 1962 include all supplemental appropriations to date and are adjusted for comparability with the appropriation structure proposed in the 1963 budget estimates. Amounts in brackets are not included in totals]

Agency or item	Appropriations and loan authorizations, 1962	Budget estimates, 1963 ¹	Increase (+) or decrease (-)
GENERAL ACTIVITIES			
Agricultural Research Service:			
Salaries and expenses:			
Research.....	\$76,973,000	\$77,982,000	+\$1,009,000
Plant and animal disease and pest control.....	55,330,500	58,902,500	+3,572,000
Meat inspection.....	24,211,000	25,241,000	+1,030,000
Total, salaries and expenses.....	156,514,500	162,125,500	+5,611,000
Salaries and expenses (special foreign currency program).....	5,265,000	5,265,000	-----
Construction of facilities.....	800,000	1,680,000	+880,000
Total, Agricultural Research Service.....	162,579,500	169,070,500	+6,491,000
Cooperative State Experiment Station Service (principally payments to States).....	36,207,000	38,207,000	+2,000,000
Extension Service (principally payments to States).....	70,804,500	72,409,500	+1,605,000
Farmer Cooperative Service.....	657,000	757,000	+100,000
Soil Conservation Service:			
Conservation operations.....	89,636,000	90,725,000	+1,089,000
Watershed protection.....	53,746,000	59,635,000	+5,889,000
Flood prevention.....	24,999,000	24,000,000	-999,000
Great Plains conservation program.....	10,167,000	13,000,000	+2,833,000
Total, Soil Conservation Service.....	178,548,000	187,360,000	+8,812,000
Economic Research Service:			
Farm economics.....	3,312,200	3,907,200	+595,000
Marketing economics.....	3,439,000	3,439,000	-----
Domestic and foreign economic analysis.....	2,658,800	3,093,800	+435,000
Total, Economic Research Service.....	9,410,000	10,440,000	+1,030,000
Statistical Reporting Service.....	8,758,000	9,693,000	+935,000
Agricultural Marketing Service:			
Marketing research and service.....	38,269,500	40,335,000	+2,065,500
Construction of facilities.....		1,600,000	+1,600,000
Payments to States.....	1,325,000	1,325,000	-----
Special milk program.....		105,000,000	+105,000,000
School lunch program ²	125,000,000	125,000,000	-----
Total, Agricultural Marketing Service.....	164,594,500	273,260,000	+108,665,500
Foreign Agricultural Service:			
Salaries and expenses.....	13,045,000	21,841,000	+8,796,000
Salaries and expenses (special foreign currency program).....	2,856,000	4,000,000	+1,144,000
Total, Foreign Agricultural Service.....	15,901,000	25,841,000	+9,940,000

See footnotes at end of table, p. 226.

TABLE 1.—Budget estimates, 1963, compared with appropriations and REA and FHA loan authorizations, 1962—Continued

Agency or item	Appropriations and loan authorizations, 1962	Budget estimates, 1963 ¹	Increase (+) or decrease (-)
GENERAL ACTIVITIES—continued			
Commodity Exchange Authority.....	\$1,007,000	\$1,022,000	+\$15,000
Agricultural Stabilization and Conservation Service:			
Acreage allotments and marketing quotas.....	44,098,000	44,181,000	+83,000
Sugar Act program.....	78,000,000	80,000,000	+2,000,000
Agricultural conservation program.....	238,000,000	\$ 244,500,000	+6,500,000
Emergency conservation measures.....	5,000,000		-5,000,000
Conservation reserve program.....	312,000,000	323,000,000	+11,000,000
Special agricultural conservation and adjustment programs.....	18,500,000	18,500,000	
Total, Agricultural Stabilization and Conservation Service.....	695,598,000	710,181,000	+14,583,000
Office of the General Counsel.....	3,645,000	3,800,000	+155,000
Office of Information.....	1,590,500	1,610,000	+19,500
Centennial observance of agriculture.....	100,000		-100,000
National Agricultural Library.....	1,028,500	1,220,000	+191,500
General administration.....	3,096,000	3,698,000	+602,000
Forest Service.....	208,769,000	222,900,000	+14,131,000
Total, annual appropriations for general activities.....	1,562,293,500	1,731,469,000	+169,175,500
Deduct amount for Forest Service.....	-208,769,000	-222,900,000	-14,131,000
Total, annual appropriations for general activities from general fund of Treasury as shown in subcommittee print.....	1,353,524,500	1,508,569,000	+155,044,500
CREDIT AGENCIES			
Rural Electrification Administration:			
Rural electrification loans ⁶	[245,000,000]	[345,000,000]	[+100,000,000]
Rural telephone loans ⁷	[162,500,000]	[135,000,000]	[-27,500,000]
Total, Rural Electrification Administration loans (authorizations to borrow from Treasury).....	⁸ [407,500,000]	⁸ [480,000,000]	[+72,500,000]
Salaries and expenses.....	10,024,000	10,324,000	+300,000
Total, Rural Electrification Administration.....	10,024,000	10,324,000	+300,000
Farmers Home Administration:			
Rural housing grants and loans.....	10,000,000	10,000,000	
Real estate and operating loans (limitation on loans made from receipts deposited in loan account).....	⁸ [326,000,000]	⁹ [325,000,000]	[-1,000,000]
Salaries and expenses.....	34,382,000	35,000,000	+618,000
Total, Farmers Home Administration.....	44,382,000	45,000,000	+618,000
Total, credit agencies as shown in subcommittee print:			
Loan authorizations.....	[733,500,000]	[805,000,000]	[+71,500,000]
Appropriations.....	54,406,000	55,324,000	+918,000
CORPORATIONS			
Federal Crop Insurance Corporation:			
Operating and administrative expenses.....	6,549,000	7,500,000	+951,000
Federal crop insurance fund (operating expense payable from premium income).....	[2,830,000]	[2,830,000]	
Total, Federal Crop Insurance Corporation.....	6,549,000	7,500,000	+951,000

See footnotes at end of table, p. 226.

TABLE 1.—Budget estimates, 1963, compared with appropriations and REA and FHA loan authorizations, 1962—Continued

Agency or item	Appropriations and loan authorizations, 1962	Budget estimates, 1963 ¹	Increase (+) or decrease (-)
CORPORATIONS—continued			
Commodity Credit Corporation:			
Reimbursement for net realized losses through June 30, 1961.....	\$1,017,610,000	\$2,489,955,000	+\$1,472,345,000
Reimbursement to Commodity Credit Corporation for costs of foreign assistance and other special activities (for unrecovered costs through June 30, 1961):			
For special commodity disposal programs:			
Sales of surplus agricultural commodities for foreign currencies (Public Law 480).....	1,353,000,000	-----	-1,353,000,000
Other (international wheat, emergency famine relief, grain for migratory waterfowl, and bartered materials for supplemental stockpile).....	507,651,000	-----	-507,651,000
Grading and classing activities.....	1,264,000	-----	-1,264,000
Reimbursement for costs of special milk program (1961 and 1962 costs).....	90,000,000	¹⁰ 105,000,000	+15,000,000
Limitation on administrative expenses.....	[47,916,000]	[48,000,000]	[+84,000]
Total, Commodity Credit Corporation.....	2,969,525,000	2,594,955,000	-374,570,000
Total, corporations.....	2,976,074,000	2,602,455,000	-373,619,000
SPECIAL EXPORT PROGRAMS (FOREIGN ASSISTANCE)			
Public Law 480:			
Sale of surplus agricultural commodities for foreign currencies.....	1,250,451,000	1,293,000,000	+42,549,000
Commodities disposed of for emergency famine relief to friendly peoples.....	140,868,000	364,000,000	+223,132,000
Long-term supply contracts.....	13,000,000	90,000,000	+77,000,000
Total, Public Law 480.....	1,404,319,000	¹¹ 1,747,000,000	+342,681,000
International Wheat Agreement.....	70,681,000	¹² 96,868,000	+26,187,000
Bartered materials for supplemental stockpile.....	125,000,000	¹³ 343,067,000	+218,067,000
Total, special export programs (foreign assistance).....	1,600,000,000	2,186,935,000	+586,935,000
PERMANENT APPROPRIATIONS			
Removal of surplus agricultural commodities (sec. 32)....	325,826,750	324,000,000	-1,826,750
National Wool Act.....	75,277,593	65,000,000	-10,277,593
All other permanent appropriations.....	45,621,710	51,172,510	+5,550,800
Total, permanent appropriations.....	446,726,053	440,172,510	-6,553,543
Deduct permanent appropriations for the Forest Service.....	-44,928,500	-50,479,300	-5,550,800
Total, permanent appropriations in subcommittee print.....	401,797,553	389,693,210	-12,104,343

¹ The amounts shown in this table represent estimates based on existing legislation. If proposed new legislation is enacted it would affect the 1963 estimates, as follows: REA—Proposed direct loan account into which collections would be deposited, —\$135,800,000; proposals for feed grains, wheat, and dairy products, —\$423,000,000.

² This program was financed in 1962 from Commodity Credit Corporation funds at the same level proposed in the 1963 budget estimates.

³ In addition, the 1962 appropriation act authorized and the 1963 budget estimates propose the transfer of \$45,000,000 from sec. 32 funds for the purchase of agricultural commodities for distribution to schools.

⁴ In addition, the 1962 appropriation act authorized the transfer of \$3,117,000 from sec. 32 funds to be merged with this appropriation.

⁵ The 1963 budget estimates propose an advance authorization of \$150,000,000 for the 1963 crop year.

⁶ Includes reserve authorization of \$70,000,000 in 1962. It is estimated that loans totaling \$232,000,000 will be approved in 1962 and \$345,000,000 in 1963.

⁷ Includes reserve authorization of \$30,000,000 in 1962. It is estimated that loans totaling \$135,000,000 will be approved in 1962 and 1963.

⁸ Represents authorization to borrow from Treasury.

⁹ Represents limitation on proposed loans which would be financed from funds available in the direct loan account. No new authorization to borrow from Treasury is required for 1963 under Public Law 87-128.

¹⁰ Proposed in the 1963 budget as an amount to be available in 1962.

¹¹ The 1963 budget estimates propose that \$276,368,000 of this amount representing unrecovered costs incurred prior to 1963 be available in 1962.

¹² The 1963 budget estimates propose that \$15,650,000 of this amount representing unrecovered costs incurred prior to 1963 be available in 1962.

¹³ The 1963 budget estimates propose that \$92,867,000 of this amount representing unrecovered costs incurred prior to 1963 be available in 1962.

TABLE 2.—Subappropriations—Appropriations and REA and FHA loan authorizations, 1961, 1962, and budget estimates, 1963

[NOTE.—Amounts for 1961 and 1962 include all supplemental appropriations to date and are adjusted for comparability with the appropriation structure proposed in the 1963 budget estimates. Amounts in brackets not included in totals.]

Agency or item	Appropriations and loan authorizations, 1961 ¹	Appropriations and loan authorizations, 1962	Budget estimates, 1963	Change, budget estimates, 1963, compared with 1962
GENERAL ACTIVITIES				
Agricultural Research Service:				
Salaries and expenses:				
Research.....	\$ 70,859,616	\$76,973,000	\$77,982,000	+\$1,009,000
Plant and animal disease and pest control ³	53,970,000	53,350,500	58,902,500	+3,572,000
Meat inspection.....	23,126,000	24,211,000	25,241,000	+1,030,000
Total, salaries and expenses ⁴	147,955,616	156,514,500	162,125,500	+5,611,000
Salaries and expenses (special foreign currency program).....	15,731,000	5,265,000	5,265,000	-----
Construction of facilities.....	1,750,000	800,000	1,680,000	-\$80,000
Total, Agricultural Research Service.....	170,836,616	162,579,500	169,070,500	+\$6,491,000
Cooperative State Experiment Station Service: Payments and expenses:				
Payments to agricultural experiment stations.....	32,553,000	35,553,000	36,553,000	+1,000,000
Grants for basic research.....	250,000	250,000	950,000	+700,000
Penalty mail.....	389,330	404,000	250,000	-\$150,000
Federal administration.....			454,000	+454,000
Total, Cooperative State Experiment Station Service.....	33,192,330	36,207,000	38,207,000	+2,000,000
Extension Service: Cooperative extension work, payments and expenses:				
Payments to States and Puerto Rico.....	56,715,000	59,590,000	60,590,000	+1,000,000
Retirement costs for extension agents.....	5,961,000	6,260,000	6,605,000	+345,000
Penalty mail.....	2,490,000	2,490,000	2,490,000	-----
Federal Extension Service.....	2,265,000	2,464,500	2,724,500	+260,000
Total, Extension Service.....	67,431,000	70,804,500	72,409,500	+1,605,000
Farmer Cooperative Service.....	657,000	657,000	757,000	+100,000
Soil Conservation Service:				
Conservation operations.....	688,604,000	89,636,000	90,725,000	+1,089,000
Watershed protection ⁵	836,754,313	53,745,000	59,635,000	+5,880,000
Flood prevention ⁶	19,570,000	24,999,000	24,000,000	-\$999,000
Great Plains conservation program ⁷	10,168,000	10,167,000	13,000,000	+2,833,000
Total, Soil Conservation Service.....	155,096,313	178,548,000	187,360,000	+8,812,000

See footnotes at end of table, p. 231.

TABLE 2.—Subappropriations—Appropriations and REA and FHA loan authorizations, 1961, 1962, and budget estimates, 1963—Continued

[NOTE.—Amounts for 1961 and 1962 include all supplemental appropriations to date and are adjusted for comparability with the appropriation structure proposed in the 1963 budget estimates. Amounts in brackets not included in totals.]

Agency or item	Appropriations and loan authorizations, 1961 ¹	Appropriations and loan authorizations, 1962	Budget estimates, 1963	Change, budget estimates, 1963, compared with 1962
GENERAL ACTIVITIES—Continued				
Economic Research Service:				
Farm economies.....	\$3,175,254	\$3,312,200	\$3,907,200	+\$595,000
Marketing economies.....	3,362,444	3,439,000	3,439,000	—
Domestic and foreign economic analysis.....	2,459,756	2,658,800	3,093,800	+435,000
Total, Economic Research Service.....	8,997,454	9,410,000	10,440,000	+1,030,000
Special milk program.....	8,101,405	8,758,000	9,693,000	+935,000
School lunch program ²				
Total, Agricultural Marketing Service.....	10 34,034,065	38,269,500	40,335,000	+2,065,500
Agricultural Marketing Service:				
Marketing research and service.....			1,600,000	+1,600,000
Construction of facilities.....			1,325,000	—
Payments to States and possessions.....	1,195,000	1,325,000	1,325,000	—
Special milk program.....	(11)	(11)	105,000,000	+105,000,000
School lunch program ²	110,000,000	125,900,000	125,000,000	—
Total, Agricultural Marketing Service.....	145,229,065	164,594,500	273,260,000	108,665,500
Foreign Agricultural Service:				
Salaries and expenses ³	15,275,530	13,045,000	21,841,000	+8,796,000
Salaries and expenses (special foreign currency program).....	2,169,769	2,856,000	4,000,000	+1,144,000
Total, Foreign Agricultural Service.....	17,445,299	15,901,000	25,841,000	+9,940,000
Commodity Exchange Authority.....	960,000	1,007,000	1,022,000	+15,000
Agricultural Stabilization and Conservation Service:				
Acreage allotments and marketing quotas.....	43,598,000	44,098,000	44,181,000	+83,000
Sugar Act program.....	74,500,000	78,000,000	80,000,000	+2,000,000
Agricultural conservation program.....	242,000,000	238,000,000	244,500,000	+6,500,000
Emergency conservation measures.....		16 5,000,000	5,000,000	—
Conservation reserve program ⁴	330,000,000	312,000,000	323,000,000	+11,000,000
Special agricultural conservation and adjustment programs.....		18,500,000	18,500,000	—
Total, Agricultural Stabilization and Conservation Service.....	690,098,000	695,598,000	710,181,000	+14,583,000
Office of the General Counsel.....	3,595,087	3,645,000	3,800,000	+155,000
Office of Information.....	1,548,000	1,590,500	1,610,000	+19,500
Centennial observance of agriculture.....		100,000	—	-100,000
National Agricultural Library.....	951,000	1,028,500	1,220,000	+191,500
General administration.....	3,089,500	3,096,000	3,698,000	+602,000

Forest Service:			
Forest protection and utilization:			
Forest land management ¹⁸	127,641,000	140,740,000	+13,099,000
Forest research	23,150,000	23,150,000	-3,218,000
State and private forestry cooperation	12,408,800	15,800,000	
Total, forest protection and utilization	169,809,000	179,690,000	+9,881,000
Forest roads and trails	30,000,000	37,500,000	+2,500,000
Access roads	1,000,000	2,000,000	
Acquisition of lands for national forests:			
Superior national forest	750,000	2,000,000	+1,750,000
Special acts	10,000	10,000	
Cooperative range improvements	700,000	700,000	
Acquisition of lands, Klamath Indians	21,687,717,000		
Assistance to States for tree planting	1,000,000	1,000,000	
Total, Forest Service	290,853,500	298,769,000	+14,131,000
Total, general activities	1,568,103,169	1,731,469,000	+169,175,500
Deduct amount for Forest Service	-200,853,500	-222,900,000	-14,131,000
Net adjustment to reflect comparative transfers	1,295,431		
Total, general activities from general fund of Treasury as shown in subcommittee print	1,308,545,100	1,508,569,000	+155,044,500
CREDIT AGENCIES			
Rural Electrification Administration:			
Loan authorizations:			
Rural electrification ²⁰	[170,000,000]	[245,000,000]	[+100,000,000]
Rural telephone ²¹	[140,000,000]	[162,500,000]	[+27,500,000]
Total (authorizations to borrow from Treasury)	[310,000,000]	[407,500,000]	[+72,500,000]
Salaries and expenses	10,024,000	10,324,000	+300,000
Total, Rural Electrification Administration	10,024,000	10,324,000	+300,000
Farmers Home Administration:			
Rural housing:			
Grants and loans (appropriation)	[200,000,000]	10,000,000	
Building loans (authorization to borrow from Treasury)			
Real estate and operating loans (limitation on loans made from receipts deposited in loan account): ²²			
Real estate loans	[34,900,000]	[50,000,000]	[+1,000,000]
Operating loans	[232,100,000]	[275,000,000]	[+42,900,000]
Total, real estate and operating loans	[267,000,000]	[325,000,000]	[+58,000,000]
Salaries and expenses	467,000,000	325,000,000	[-1,000,000]
Total, loan authorizations	33,017,000	35,000,000	+618,000
Total, Farmers Home Administration	33,017,000	45,000,000	+618,000
Total, credit agencies as shown in subcommittee print:			
Loan authorizations	[777,000,000]	[805,000,000]	[+71,500,000]
Appropriations	43,041,000	83,324,000	+918,000

See footnotes at end of table, p. 231.

TABLE 2.—Subappropriations—Appropriations and REA and FHA loan authorizations, 1961, 1962, and budget estimates, 1963—Continued

(NOTE.—Amounts for 1961 and 1962 include all supplemental appropriations to date and are adjusted for comparability with the appropriation structure proposed in the 1963 budget estimates. Amounts in brackets not included in totals.)

Agency or item	Appropriations and loan authorizations, 1961 ¹	Appropriations authorizations, 1962	Budget estimates, 1963	Change, budget estimates 1963, compared with 1962
CORPORATIONS				
Federal Crop Insurance Corporation:				
Operating and administrative expenses.....	\$6,561,000	\$6,549,000	\$7,500,000	+\$851,000
Federal Crop Insurance Corporation fund (operating expenses payable from premium income).....	[2,630,000]	[2,830,000]	[2,830,000]	
Total, Federal Crop Insurance Corporation.....	6,561,000	6,549,000	7,500,000	+951,000
Commodity Credit Corporation:				
Reimbursement for net realized losses.....	1,226,500,000	1,017,610,000	2,489,955,000	+1,472,345,000
Reimbursement to Commodity Credit Corporation for costs of foreign assistance and other special activities (for unrecovered costs through June 30, 1961):				
International Wheat Agreement.....	32,572,000	88,790,000	88,790,000	-88,790,000
Emergency famine relief to friendly peoples.....	107,094,000	255,685,000	255,685,000	-255,685,000
Sales of surplus agricultural commodities for foreign currencies (Public Law 480).....	881,000,000	1,353,000,000	1,353,000,000	-1,353,000,000
Waterfowl feed program.....	18,000	13,000	13,000	-13,000
Transfer of bartered materials to supplemental stockpile.....	422,950,000	163,163,000	163,163,000	-163,163,000
Grading and classing activities.....		1,264,000	1,264,000	-1,264,000
Total, reimbursement to Commodity Credit Corporation for costs of foreign assistance and other special activities.....	1,443,634,000	1,861,915,000	1,861,915,000	-1,861,915,000
Reimbursement for costs of special milk program (1961 and 1962 costs).....	90,000,000	90,000,000	90,000,000	+15,000,000
Limitation on administrative expenses ²	[45,726,000]	[47,916,000]	[48,000,000]	[+84,000]
Total, Commodity Credit Corporation.....	2,670,134,000	2,969,525,000	2,594,955,000	-374,570,000
Total, corporations.....	2,676,695,000	2,976,074,000	2,602,455,000	-373,619,000
SPECIAL EXPORT PROGRAMS (FOREIGN ASSISTANCE)				
Public Law 480:				
Sale of surplus agricultural commodities for foreign currencies.....	1,250,451,000	1,250,451,000	1,283,000,000	+42,549,000
Commodities disposed of for emergency famine relief to friendly peoples.....	140,868,000	140,868,000	364,000,000	+223,132,000
Long-term supply contracts.....	13,000,000	13,000,000	90,000,000	+77,000,000
Total, Public Law 480.....	1,404,319,000	1,404,319,000	1,747,000,000	+342,681,000
International Wheat Agreement.....		70,681,000	39,96,868,000	+26,187,000

Bartered materials for supplemental stockpile.....				\$ 343, 067, 000	+218, 067, 000
Total, special export programs (foreign assistance).....			1, 000, 000, 000	2, 186, 835, 000	+586, 935, 000
PERMANENT APPROPRIATIONS					
General fund appropriations:					
Removal of surplus agricultural commodities (sec. 32) ²	319, 960, 723		325, 820, 750	324, 000, 000	-1, 820, 750
National Wool Act, agriculture.....	67, 189, 909		75, 277, 593	65, 000, 000	-10, 277, 593
Payments to school funds, Arizona and New Mexico, national forests receipts.....	139, 726		99, 200	115, 000	+15, 800
Total.....	387, 290, 358		401, 200, 543	389, 115, 000	-12, 088, 543
Appropriations from special sources:					
Establishment of an entomology research laboratory.....	400, 000		693, 210	693, 210	
Perishable Agricultural Commodities Act fund (special receipt fund) ²	693, 185		10, 020, 000	11, 600, 000	+1, 580, 000
Roads and trails for States, national forests receipts.....	14, 165, 322		9, 000, 000	9, 000, 000	
Expenses, brush disposal, Forest Service (special receipt fund) ²	6, 762, 081		20, 000	20, 000	
Forest fire prevention ²	22, 303		126, 000	126, 000	
Restoration of forest lands and improvements.....	5		123, 300	123, 300	
Payment to Minnesota (Cook, Lake, and St. Louis Counties) from national forest receipts.....	123, 279		425, 000	423, 500	
Payments to counties, national grasslands.....	391, 857		25, 045, 000	29, 000, 000	+3, 955, 000
Payments to States, national forests fund.....	35, 408, 615				
Total.....	57, 972, 244		45, 522, 510	51, 057, 510	+5, 535, 000
Total, permanent appropriations.....	445, 262, 602		446, 726, 053	440, 172, 510	-6, 553, 543
Deduct, permanent appropriations for the Forest Service.....	-97, 018, 785		-44, 928, 500	-50, 473, 300	-5, 550, 800
Total, permanent appropriations in subcommittee print.....	388, 243, 817		401, 797, 553	389, 699, 210	-12, 104, 343

¹ Includes amounts provided in the 3d Supplemental Appropriation Act, 1961, for increased pay costs.

² Includes \$1,500,000 provided by the Supplemental Appropriation Act, 1961.

³ Includes contingency funds of \$1,500,000 for use to the extent necessary to meet emergency outbreaks of insects and plant diseases.

⁴ In addition, appropriation acts for 1961 and 1962 and budget estimates for 1963 include a reappropriation of \$1,000,000 of prior-year funds to provide for additional labor to be employed to strengthen work at research installations in the field.

⁵ Includes \$5,200,000 provided by the Supplemental Appropriation Act, 1961.

⁶ In addition, 1961 appropriation authorizes reappropriation of \$600,000 of prior-year funds to employ conservation aids and other nonprofessional personnel on a part-time or contract basis.

⁷ In addition, prior-year balances available.

⁸ Includes \$1,800,000 provided by the Supplemental Appropriation Act, 1961.

⁹ Includes \$1,570,000 provided by the Supplemental Appropriation Act, 1961.

¹⁰ Includes \$1,350,000 provided by the Supplemental Appropriation Act, 1961.

¹¹ This activity was financed by advances from the Commodity Credit Corporation in fiscal years 1961 and 1962. The budget estimates for 1963 propose financing by means of a direct appropriation to the Agricultural Marketing Service.

¹² In addition, appropriation acts for 1961 and 1962 authorized and the 1963 budget estimate proposes a transfer of \$45,000,000 from sec. 32 funds for purchase of agricultural commodities for distribution to schools.

¹³ In addition, \$3,117,000 was available in 1961 and 1962 from sec. 32 funds.

¹⁴ Includes \$137,500 provided by the 2d Supplemental Appropriation Act, 1961.

¹⁵ The budget estimate proposes an advance authorization of \$150,000,000 for the 1963 crop year program for which an appropriation will be requested in 1964.

¹⁶ Appropriated in the Supplemental Appropriation Act, 1962.

¹⁷ In addition, prior year balances were available.

¹⁸ Includes contingency funds for use to the extent necessary as follows: (1) \$5,000,000 for emergency firefighting; and (2) \$1,910,000 for insect and disease control.

¹⁹ Includes \$750,000 provided by the 2d Supplemental Appropriation Act, 1961, and \$31,500,000 provided by the 3d Supplemental Appropriation Act, 1961.

²⁰ Includes \$500,000 provided by the 2d Supplemental Appropriation Act, 1961.

²¹ Appropriation in the 3d Supplemental Appropriation Act, 1961.

²² Amounts include reserve authorizations of \$60,000,000 in 1961 and \$70,000,000 in 1962. Estimated carryover funds, loans totaling \$274,507,218 were approved in 1961, and are estimated at \$232,000,000 in 1962 and \$345,000,000 in 1963.

²³ Legislation will be proposed in 1962 for the establishment of a "Rural Electrification

Administration loan account" which will reflect the net cost of loan programs in relation to receipts on loans previously made.

²⁴ Amounts include reserve authorizations of \$60,000,000 in 1961 and \$30,000,000 in 1962. Including carryover funds and rescissions of prior year loans, loans totaling \$142,395,000 were approved in 1961, and \$135,000,000 are estimated in 1962 and 1963.

²⁵ This account, into which collections of principal and interest on loans are deposited, was established on Oct. 16, 1961, pursuant to the Consolidated Farmers Home Administration Act of 1961. Amounts for 1961 and 1962 reflect authorizations to borrow from the Treasury, including contingency reserves, provided in the 1961 and 1962 appropriation acts for the account "Farmers Home Administration loans." Amounts for 1963 represent limitations on the amounts of loans from the account, as proposed in the 1963 budget. No new authorization to borrow from Treasury is required for 1963 under Public Law 87-128, since sufficient funds will be available in the direct loan account.

²⁶ Includes \$37,500,000 contingency authorization.

²⁷ Proposed in the 1963 budget as an amount to be available in 1962.

²⁸ Appropriation acts and budget estimates provide that not less than 7 percent of the limitation shall be placed in reserve for use only as necessary to carry out program operations.

²⁹ The 1963 budget estimates propose that \$276,368,000 of this amount representing unrecovered costs of the Commodity Credit Corporation incurred prior to 1963 would be available in fiscal year 1962.

³⁰ The 1963 budget estimates propose that \$15,650,000 of this amount representing unrecovered costs of the Commodity Credit Corporation incurred prior to 1963 would be available in fiscal year 1962.

³¹ The 1963 budget estimates propose that \$92,867,000 of this amount representing unrecovered costs of the Commodity Credit Corporation incurred prior to 1963 would be available in fiscal year 1962.

³² In addition, prior year balances available.

TABLE 3.—Statement of increases and decreases, budget estimates, 1963, compared with appropriations and REA and FHA loan authorizations, 1962

[Based on 1962 appropriations as adjusted for comparability with the appropriation structure proposed in the budget estimates for 1963]

GENERAL ACTIVITIES		
Total appropriations, 1962	-----	\$1,562,293,500
Budget estimates, 1963	-----	1,731,469,000
Net increase, 1963	-----	<u>+169,175,500</u>
Agricultural Research Service:		
Salaries and expenses:		
Research: For staffing and operating laboratories recently authorized by Congress	-----	+1,009,000
Plant and animal disease and pest control:		
To strengthen the inspection staffs at ports of entry:		
Plant pest control	-----	+\$200,000
Animal disease control	-----	+122,000
Hog cholera eradication program	-----	+3,000,000
Federal Insecticide, Fungicide, and Rodenticide Act	-----	+250,000
Increase, plant and animal disease and pest control	-----	+3,572,000
Meat inspection:		
Additional meat inspection	-----	+\$1,000,000
Training for radiological monitoring services	-----	+30,000
Increase, meat inspection	-----	+1,030,000
Salaries and expenses (special foreign currency programs):		
Market development research	-----	-\$1,237,945
Agricultural and forestry research	-----	+1,237,945
Net change, salaries and expenses	-----	0
Construction of facilities:		
Addition to Avian Leukosis Laboratory, East Lansing, Mich.	-----	+\$735,000
Soil and water research facility, Sidney, Mont.	-----	+395,000
Livestock inspection facilities at Portal, N. Dak., Blaine, Wash., and Houlton, Maine	-----	+150,000
Renovation and improvement of facilities at Beltsville, Md.	-----	+400,000
Elimination of funds provided in 1962 appropriation act for construction of facilities at Columbia, Mo., and Florence, S. C.	-----	-800,000
Net increase, construction of facilities	-----	+880,000
Cooperative State Experiment Station Service:		
To strengthen research programs at agricultural experiment stations	-----	+\$1,000,000
For grants for support of basic scientific research	-----	+1,000,000
Increase, Cooperative State Experiment Station Service	-----	+2,000,000
Extension Service:		
For payments under sec. 3(d) of the Smith-Lever Act to support the rural areas development program	-----	+\$1,000,000
For retirement costs for extension agents	-----	+345,000
To strengthen the Federal Extension Service	-----	+260,000
Increase, Extension Service	-----	+1,605,000
Farmer Cooperative Service: To strengthen research and technical assistance for farmers cooperatives		
	-----	+100,000
Soil Conservation Service:		
Conservation operations:		
To accelerate soil surveys and the publishing of reports	-----	+\$900,000
To expand snow surveys and to improve equipment	-----	+189,000
Increase, conservation operations	-----	+1,089,000
Watershed protection		
(Including fund carryovers into fiscal year 1962, there will be a net increase of \$3,376,665 in 1963 funds available consisting of (1) a decrease of \$1,736,450 in the installation of works of improvement in the pilot watersheds; (2) an increase of \$5,592,671 in the installation of works of improvement in Public Law 566 watershed projects; (3) a decrease of \$644,556 in loans and related expenses; and (4) an increase of \$165,000 for surveys and investigations of water resources programs.)		
Flood prevention	-----	-999,000
(Including fund carryovers into fiscal year 1962, there will be a decrease of \$3,632,310 in 1963 in funds available for works of improvement in authorized flood prevention watersheds.)		
Great Plains conservation program	-----	+2,833,000
(Including fund carryover into fiscal year 1962, there will be a net increase of \$2,576,031 in 1963 in funds available consisting of (1) an increase of \$2,376,031 for cost-sharing assistance to farmers and ranchers for installing soil and water conservation practices; and (2) an increase of \$200,000 for technical services and operating expenses.)		

TABLE 3.—Statement of increases and decreases, budget estimates, 1963, compared with appropriations and REA and FHA loan authorization, 1962—Continued

GENERAL ACTIVITIES—continued		
Economic Research Service:		
Salaries and expenses:		
To expand economic studies on rural development and on problems relating to the civil defense program.....	+\$190,000	
To strengthen economic analysis of land and water conservation and development.....	+280,000	
To expand studies on the economics of farm size and prospective number of farms under alternative conditions.....	+125,000	
To expand domestic agricultural economic and statistical analysis, particularly research on how to improve commodity and outlook situation reports.....	+185,000	
To strengthen foreign economic development research and expand analyses of supply, demand and foreign trade in U.S. farm products.....	+250,000	
Increase, Economic Research Service.....		+\$1,030,000
Statistical Reporting Service:		
Salaries and expenses:		
To extend to additional states the first phase of the long-range crop and livestock estimates program.....	+\$760,000	
To develop improved automatic data processing systems and expand research on statistical techniques and methods.....	+175,000	
Increase, Statistical Reporting Service.....		+935,000
Agricultural Marketing Service:		
Marketing research and service:		
For extended coverage, modernizing operations, and strengthening the Market News Service.....	+\$232,500	
For taking corrective steps to strengthen supervision of grain grading under the U.S. Grain Standards Act.....	+165,000	
For developing new and revising existing standards and specifications for agricultural commodities.....	+168,700	
To provide for the expected workload of mandatory poultry inspection.....	+970,000	
For reimbursing the Federal employees' compensation fund.....	+2,300	
For limited expansion of present food management and related civil defense activities.....	+50,000	
To carry into operation the action planned by the Department to provide more aggressive administration of the Packers and Stockyards Act.....	+370,000	
To step up the frequency of examination of an increasing number of licensed warehouses.....	+60,000	
For strengthening testing of seed as to variety labeling as required by the Federal Seed Act and for more adequate Federal contribution to the Federal-State laboratory at Sacramento, Calif.....	+47,000	
Increase, marketing research and service.....		+2,065,500
Construction of facilities: For construction of a research facility at Dawson, Ga., primarily for marketing research on peanuts.....		+1,600,000
Special milk program: To place the special milk program on a direct appropriation basis in lieu of financing from CCC funds.....		+105,000,000
School lunch program:		
Increase for cash payments to States to provide special assistance to needy schools.....	+\$10,000,000	
Decrease in commodity procurement under sec. 6.....	-10,000,000	
Net change, school lunch program.....		0
Foreign Agricultural Service:		
Salaries and expenses.....		
(Including fund carryovers into fiscal year 1962 and the \$3,117,000 transferred from sec. 32, there will be an increase of \$2,712,771 in 1963 in funds available consisting of (1) an increase of \$21,000 to plan and coordinate agricultural activities involving international organizations; (2) an increase of \$61,000 to strengthen the Department's representation on interdepartmental trade agreements, trade policy, and general agreement on tariff and trade; (3) an increase of \$26,000 to analyze developments in foreign affairs affecting U.S. agriculture and develop policies relating thereto; (4) an increase of \$400,000 to provide for the opening of 3 new attaché posts, the strengthening of existing posts, and the assigning of marketing specialists to selected overseas posts; (5) an increase of \$147,000 to provide necessary support in the commodity divisions for the expanding overseas market-development program, intensifying the analysis of competition in the marketplace, and analysis and interpretation of significant commodity developments in foreign areas; (6) an increase of \$30,000 to meet increased responsibilities on sugar and tropical products; (7) an increase of \$24,000 to provide necessary service on projects with cooperating trade groups who are operating market development projects overseas; (8) an increase of \$39,000 to provide servicing and necessary participation in trade fairs, including trade center exhibits and mobile exhibits; and (9) an increase of \$1,964,771 to finance market-development activities abroad.)	+1,144,000	
Salaries and expenses (special foreign currency program).....		
(Including fund carryover into fiscal year 1962, there will be a net decrease of \$705,481 in funds available in 1963 for market development projects in excess currency countries under sec. 104(a) of Public Law 480.)		
Commodity Exchange Authority:		
Salaries and expenses: To provide funds for mandatory within-grade salary advancements.....		
		+15,000

TABLE 3.—Statement of increases and decreases, budget estimates, 1963, compared with appropriations and REA and FHA loan authorizations, 1962—Continued

GENERAL ACTIVITIES—continued	
Agricultural Stabilization and Conservation Service:	
Acreage allotments and marketing quotas: An increase to provide funds for activities previously financed by transfer from the Office of Civil and Defense Mobilization..	+\$83,000
Sugar Act program:	
Payments to domestic sugarbeet producers.....	+\$650,791
Payments to domestic sugarcane producers.....	+2,630,350
Payments to offshore sugarcane producers.....	-1,281,141
Net increase, Sugar Act program.....	+2,000,000
Agricultural conservation program: For carrying out the 1962 program.....	+6,500,000
(The proposed 1963 appropriation of \$244,500,000, together with \$5,500,000 from underearnings on the 1960 program, will provide the \$250,000,000 authorized for the 1962 program. A decrease of \$100,000,000 is proposed in the advance authorization for the 1963 program.)	
Emergency conservation measures: Elimination of supplemental appropriation provided in 1962.....	-5,000,000
Conservation reserve program.....	+11,000,000
(Including carryover funds into fiscal year 1962, there will be a decrease of \$23,425,328 in funds available in 1963 consisting of (1) a decrease of \$21,229,328 in the requirements for program payments to producers under the 1962 program; and (2) a decrease of \$2,196,000 in operating expenses.)	
Office of the General Counsel:	
Salaries and expenses: For legal services incident to—	
Credit, conservation, research, and staff legal services.....	+\$80,000
Marketing and regulatory activities.....	+75,000
Increase, Office of the General Counsel.....	+155,000
Office of Information:	
Salaries and expenses:	
To provide modern control system filing and mailing list index equipment.....	+\$12,000
To provide multiple radio tape duplication.....	+7,500
Increase, Office of Information.....	+19,500
Centennial observance of Agriculture: Elimination of nonrecurring appropriation.....	-100,000
National Agricultural Library:	
Salaries and expenses:	
To improve documentation of scientific literature.....	+\$63,500
To expand specialized individual services to scientists.....	+53,000
To select, acquire, and preserve publications.....	+75,000
Increase, National Agricultural Library.....	+191,500
General administration:	
Salaries and expenses:	
For increased assistance to the Secretary and Under Secretary.....	+\$118,100
For increased assistance to the Assistant Secretaries and directors.....	+87,400
For coordination and direction of the rural areas development program.....	+100,000
For work surveys and reviews of personnel procedures to improve manpower utilization.....	+39,500
For more comprehensive and detailed examination of budgetary proposals and effectiveness of the use of funds.....	+133,000
To establish a staff for management appraisal and systems development.....	+124,000
Increase, general administration.....	+602,000
Forest Service:	
Forest protection and utilization: For the development program for the national forests:	
Forest land management:	
For national forest protection and management.....	+\$11,499,000
For insect and disease control.....	+1,400,000
For acquisition of land (Weeks Act).....	+200,000
Increase, forest land management.....	+13,099,000
Forest research: Net decrease resulting from nonrecurring forest research construction in 1962.....	-3,218,000
Forest roads and trails: To liquidate maturing obligations incurred under contract authorization.....	+2,500,000
Acquisition of lands for Superior National Forest: Increase in land purchase program to complete purchase in Wilderness Canoe Area.....	+1,750,000
Net increase for general activities.....	+169,175,500
Deduct net increase for Forest Service.....	-14,131,000
Net increase for general activities as shown in subcommittee print.....	+155,044,500

TABLE 3.—Statement of increases and decreases, budget estimates, 1963, compared with appropriations and REA and FHA loan authorizations, 1962—Continued

CREDIT AGENCIES	
Rural Electrification Administration:	
Loans (authorization to borrow from Treasury):	
Rural electrification loans.....	[+\$100,000,000]
Rural telephone loans.....	[-27,500,000]
Net increase, loan authorizations.....	[+\$72,500,000]
Salaries and expenses:	
Rural electrification program:	
For lending and management activities in critically understaffed areas.....	+\$86,000
For engineering activities related to power supply and other vital engineering problems.....	+114,000
Rural telephone program:	
For lending and management activities related to loan security and efficient operation of borrowers.....	+72,000
For engineering activities related to regular field work and highly specialized work on difficult problems.....	+28,000
Increase, salaries and expenses.....	+300,000
Farmers Home Administration:	
Real estate and operating loans (limitation on loans made from receipts deposited in loan account): Decrease in real estate loans for soil and water conservation.....	[-1,000,000]
Salaries and expenses: To provide for servicing additional loans outstanding and for additional county committeemen compensation.....	+618,000
Net increase, credit agencies:	
Loan authorizations.....	[+71,500,000]
Appropriations.....	+918,000
CORPORATIONS	
Federal Crop Insurance Corporation:	
Operating and administrative expense:	
For underwriting and actuarial analysis.....	+\$94,000
For contract sales and servicing.....	+765,000
For crop inspections and loss adjustments.....	+92,000
Increase, operating and administrative expense.....	+\$951,000
Commodity Credit Corporation:	
Reimbursement for net realized losses.....	+1,472,345,000
(The 1963 estimate of \$2,489,955,000 consists of (1) a decrease of \$936,428,838 due to completion of restoration of 1960 actual capital impairment; (2) an increase of \$2,067,328,818 to provide reimbursement for 1961 realized losses; (3) an increase of \$423,000,000 to provide reimbursement of 1/4 of the 1961 realized losses resulting from the inventory revaluation adjustment recorded in 1961; (4) a decrease of \$81,554,452 due to completion of restoration of 1960 actual capital impairment resulting from special milk program; and (5) a decrease of \$528 to reflect rounding of the appropriation.)	
Reimbursement to Commodity Credit Corporation for costs of foreign assistance and other special activities (for unrecovered costs through June 30, 1961):	
Sales of surplus agricultural commodities (Public Law 480).....	-\$1,353,000,000
Emergency famine relief to friendly peoples.....	-255,685,000
International Wheat Agreement.....	-88,790,000
Grain for migratory waterfowl.....	-13,000
Bartered material for supplemental stockpile.....	-163,163,000
Grading tobacco and classing cotton.....	-1,264,000
Decrease, reimbursements to CCC for costs of foreign assistance and other special activities.....	-1,861,915,000
Reimbursement to Commodity Credit Corporation for costs of special milk program... (The budget proposal for reimbursement to CCC for 1962 costs of the special milk program would make these funds available in 1962. The 1963 costs, on a direct appropriation basis, are shown in the appropriation to the Agricultural Marketing Service.)	+15,000,000
Administrative expense limitation.....	[+84,000]
(The net increase of \$84,000 is composed of (1) a \$21,000 increase in estimated price support and related operations; (2) \$800,000 decrease due to a direct appropriation for 1963 costs of special milk program; and (3) an increase of \$863,000 to provide a contingency reserve to enable the Corporation to meet unforeseeable workload increase.)	
Net decrease, corporations.....	-373,619,000

TABLE 3—Statement of increases and decreases, budget estimates, 1963, compared with appropriations and REA and FHA loan authorizations, 1962—Continued

SPECIAL EXPORT PROGRAMS (FOREIGN ASSISTANCE)	
Public Law 480:	
Sales of surplus agricultural commodities for foreign currencies.....	+\$42,549,000
(Budget estimate proposes that \$212,368,000 of this appropriation, representing unrecovered costs incurred prior to 1963, be available in 1962.)	
Emergency famine relief for friendly peoples.....	+223,132,000
(Budget estimate proposes that \$64,000,000 of this appropriation, representing unrecovered costs incurred prior to 1963, be available in 1962.)	
Long-term supply contracts.....	+77,000,000
Increase, Public Law 480.....	+342,681,000
International Wheat Agreement.....	+26,187,000
(Budget estimate proposes that \$15,650,000 of the total appropriation of \$96,868,000, representing unrecovered costs incurred prior to 1963 be available in 1962.)	
Bartered materials for supplemental stockpile.....	+218,067,000
(Budget estimate proposes that \$92,867,000 of total appropriation of \$343,067,000, representing unrecovered costs incurred prior to 1963, be available in 1962.)	
Total, special export programs (foreign assistance).....	<u>+586,935,000</u>
PERMANENT APPROPRIATIONS	
Agricultural Marketing Service:	
Removal of surplus agricultural commodities (sec. 32): Decrease in the annual permanent appropriation based on 30 percent of the 1961 calendar year customs receipts.....	-1,826,750
Agricultural Stabilization and Conservation Service:	
National Wool Act: Decrease in reimbursements to Commodity Credit Corporation for costs incurred under the National Wool Act.....	-10,277,593
Forest Service:	
Roads and trails for States: Increase due to estimated increase in national forest receipts in fiscal year 1962.....	+1,580,000
Payments to school funds, Arizona and New Mexico: Increase due to estimated increase in national forest receipts in fiscal year 1962.....	+15,800
Payments to States, national forest fund: Increase due to estimated increase in national forest receipts.....	<u>+3,955,000</u>
Net decrease, permanent appropriations.....	-6,553,543
Deduct increase in Forest Service permanent appropriations.....	<u>+5,550,800</u>
Net decrease, permanent appropriations in subcommittee print.....	<u><u>-12,104,343</u></u>

TABLE 4.—Appropriations and REA and FHA loan authorizations, fiscal years 1954 through 1962 and budget estimates, 1963

[NOTE.—Amounts for 1954 through 1962 are adjusted for comparability with the appropriation structure proposed in the 1963 budget estimates. Amounts in parentheses are not included in totals]

[Millions of dollars]

	1954	1955	1956	1957	1958	1959	1960	1961	1962	Budget estimates, 1963
GENERAL ACTIVITIES										
Agricultural Research Service:										
Salaries and expenses:										
Research:	32.4	37.1	40.1	51.1	56.4	59.7	64.5	70.9	77.0	78.0
Plant and animal disease and pest control:	17.9	18.3	20.7	29.7	30.1	32.9	49.8	54.0	55.3	58.9
Meat inspection:	14.2	14.7	15.4	15.7	17.8	20.8	21.3	23.1	24.2	25.2
Total salaries and expenses:	64.5	70.1	76.2	96.5	104.3	133.4	135.6	148.0	156.5	162.1
Salaries and expenses (special foreign currency program):					4.4	37.6	11.0	15.1	5.3	5.3
Construction of facilities:								7.8	.8	1.7
Animal disease laboratory facilities (Ames, Iowa):			.3	16.3						
Cooperative State Experiment Station Service:										
Payments and expenses:										
Payments to agricultural experiment stations:	13.5	19.1	24.3	28.9	29.7	30.8	30.8	31.8	34.7	35.7
Other (grants for basic research, penalty, mail, and Federal administration):	.4	.5	.7	1.1	1.2	1.3	1.3	1.4	1.5	2.5
Extension Service:										
Cooperative extension work, payments and expenses:										
Payments to States and Puerto Rico:	32.3	39.7	45.5	49.9	50.7	53.7	53.7	56.7	59.6	60.6
Other (retirement costs and penalty mail for extension agents, and Federal Extension Service):	3.0	3.9	3.6	4.2	9.6	10.2	10.4	10.7	11.2	11.8
Farmer Cooperative Service:	.4	.4	.4	.6	.6	.6	.6	.7	.7	.8
Soil Conservation Service:										
Conservation operations:	57.4	58.3	62.9	67.5	75.0	80.9	82.3	88.6	89.6	90.7
Watershed protection:	5.0	7.2	12.0	17.5	25.5	25.5	22.8	36.8	53.7	59.6
Flood prevention:	8.8	9.1	10.0	12.0	13.2	18.0	18.0	19.6	25.0	24.0
Great Plains conservation program:					10.0	10.0	10.0	10.2	10.2	13.0
Water conservation and utilization projects:	.7	.5	(4)	.2	4.4	.3	1	(4)	(4)	(4)
Economic Research Service:	4.2	4.9	6.1	7.5	8.1	8.4	8.3	9.0	9.4	10.4
Statistical Reporting Service:	4.2	4.7	5.1	5.5	6.2	6.6	6.6	8.1	8.8	9.7
Agricultural Marketing Service:										
Marketing research and service:	14.5	14.8	15.4	16.8	20.9	28.0	31.7	34.0	39.5	40.3
Construction of facilities:										
Payments to States and possessions:	.6	.9	1.0	1.2	1.2	1.2	1.2	1.2	1.3	1.6
Special milk program:		(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	1.3
School lunch program:	83.2	83.2	83.2	100.0	100.0	110.0	110.0	110.0	125.0	105.0
Foreign Agricultural Service:										
Salaries and expenses:	2.1	2.2	13.8	6.8	9.6	7.7	6.7	15.3	13.0	21.8
Salaries and expenses (special foreign currency program):			.5	3.4	1.0	1.4	2.0	2.2	2.9	4.0

	.7	.7	.8	.8	.9	.9	.9	.9	1.0	1.0	1.0
Commodity Exchange Authority.....											
Agricultural Stabilization and Conservation Service:											
Acreage allotments and marketing quotas.....	43.3	41.0	38.9	41.0	40.8	41.7	40.5	43.6	44.1	44.2	
Sugar Act program.....	59.6	59.6	59.6	67.6	67.6	76.0	71.5	74.5	78.0	80.0	
Agricultural conservation program.....	212.0	191.7	214.5	212.0	212.0	235.0	241.5	242.0	238.0	244.5	
Emergency conservation measures.....	15.0			4.0	20.0	(¹⁰)	(⁹)	(⁹)	4.5	(⁹)	
Conservation reserve program.....					162.9	609.5	335.0	330.0	312.0	323.0	
Acreage reserve program.....					600.3						
Special agricultural conservation and adjustment programs.....	2.6	2.4	2.7	2.8	3.0	3.2	3.2	3.6	3.6	3.8	18.7
Office of the General Counsel.....	1.3	1.2	1.3	1.3	1.4	1.4	1.4	1.5	1.1	1.0	
Centennial observance of Agriculture.....											
National Agricultural Library.....	2.3	2.3	2.5	.7	2.8	.8	8	1.0	1.0	1.2	
General administration.....	.6	.6	.6	2.5	2.5	2.9	2.9	3.1	3.1	3.7	
Forest Service:											
Forest protection and utilization.....	63.3	62.5	74.5	84.2	99.8	117.2	120.1	159.7	169.8	179.7	
Forest roads and trails.....	14.4	22.5	24.0	24.0	24.3	26.0	11.28	11.30	11.35	11.35	
Access roads.....		(¹)	.7	.6	.6	.1	1.0	1.0	2.0	2.0	
Acquisition of lands for national forests.....											
Cooperative range improvements.....											
Acquisition of lands, Klamath Indians.....											
Assistance to States for tree planting.....											
Deduct amounts included in above figures transferred for pay act and other costs.....	.5	.4	.7	.7	.7	.7	.7	.8	.3	2.0	
Total, general activities.....	710.5	701.7	780.1	886.2	1,696.1	1,822.1	1,399.9	1,568.1	1,563.6	1,731.5	
CREDIT AGENCIES											
Rural Electrification Administration:											
Loan authorizations:											
Rural electrification ¹³	(173.0)	(170.0)	(160.0)	(414.0)	(179.0)	(317.0)	(136.0)	(170.0)	(245.0)	(345.0)	
Rural telephone ¹⁴	(67.5)	(75.0)	(75.0)	(100.0)	(60.0)	(92.5)	(104.0)	(140.0)	(162.5)	(135.0)	
Total (authorizations to borrow from Treasury).....	(240.5)	(245.0)	(235.0)	(514.0)	(239.0)	(409.5)	(240.0)	(310.0)	(407.5)	(480.0)	
Salaries and expenses.....	7.6	7.4	8.1	8.6	9.1	9.6	9.6	10.0	10.0	10.3	
Total, Rural Electrification Administration.....	7.6	7.4	8.1	8.6	9.1	9.6	9.6	10.0	10.0	10.3	
Farmers Home Administration:											
Rural housing:											
Grants and loans.....	(16.5)		(5.0)						10.0	10.0	
Building loans (authorization to borrow from Treasury).....									(200.0)		
Real estate and operating loans (loan authorizations) ¹⁶	(165.5)	(163.0)	(168.0)	(235.5)	(209.5)	(221.5)	(235.0)	(287.0)	(326.0)	(325.0)	
Total, loan authorizations.....	(182.0)	(163.0)	(173.0)	(885.5)	(209.5)	(221.5)	(226.0)	(467.0)	(326.0)	(325.0)	
Salaries and expenses.....	26.7	23.9	26.3	27.8	30.2	31.2	30.7	33.0	34.4	35.0	
Total, Farmers Home Administration.....	26.7	23.9	26.3	27.8	30.2	31.2	30.7	33.0	44.4	45.0	

See footnotes on p. 242.

TABLE 4.—Appropriations and REA and FHA loan authorizations, fiscal years 1954 through 1962 and budget estimates, 1963—Continued
 [NOTE.—Amounts for 1964 through 1962 are adjusted for comparability with the appropriation structure proposed in the 1963 budget estimates. Amounts in parentheses are not included in totals]
 [Millions of dollars]

	1954	1955	1956	1957	1958	1959	1960	1961	1962	Budget estimates, 1963
CREDIT AGENCIES—continued										
Emergency credit revolving fund: Assistance to farmers and stockmen in disaster areas.....	130.0									
Total, credit agencies:										
Loan authorizations.....	(422.5)	(398.0)	(408.0)	(1, 196.5)	(448.5)	(631.0)	(466.0)	(777.0)	(733.5)	(805.0)
Appropriations.....	164.3	31.3	34.4	36.4	39.3	40.8	40.3	43.0	54.4	55.3
CORPORATIONS										
Federal Crop Insurance Corporation:										
Operating and administrative expenses.....	7.5	6.0	6.2	6.2	6.4	6.4	6.4	6.6	6.5	7.5
Federal Crop Insurance Corporation fund (operating expenses payable from premium income).....			(1.5)	(2.0)	(2.0)	(2.3)	(2.3)	(2.6)	(2.8)	(2.8)
Subscription to capital stock.....				13.0						
Total, Federal Crop Insurance Corporation.....	7.5	6.0	6.2	19.2	6.4	6.4	6.4	6.6	6.5	7.5
Commodity Credit Corporation:										
Reimbursement for net realized losses:										
Cancellation notes.....	96.2	550.2								
Appropriations:										
Price support, supply and related activities.....			1.6	906.9	1, 194.2	1, 703.4	2, 043.7	1, 151.8	936.4	2, 490.0
Special milk program.....				22.4	45.6	57.0	66.7	74.7	81.2	
Total, reimbursement for net realized losses.....	96.2	550.2	1.6	929.3	1, 239.8	1, 760.4	2, 110.4	2, 1, 226.5	2, 1, 017.6	2, 490.0
Reimbursement to Commodity Credit Corporation for special activities:										
Transfer of hay and pasture seeds.....				.2						
Emergency feed assistance in disaster areas.....			42.1							
Transfer of wheat to Pakistan.....			69.4							
Eradication of foot-and-mouth disease and vesicular exanthema in swine.....	7.1	2.1	5.8	1.3	3.2	1.3	1.1			
Eradication of brucellosis in cattle.....				11.8	34.3	18.1				
Soil bank programs.....					2, 567.5					
Total, reimbursement to Commodity Credit Corporation for special activities.....	7.1	2.1	117.3	13.2	605.0	19.4	1.1			

Reimbursement for costs of special milk program.....	(20.0)	(25.3)	(30.8)	(33.0)	(35.4)	(39.6)	23 (42.4)	25 (45.7)	26 (47.9)	24 105.0 (48.0)
Limitation on administrative expenses.....	103.3	552.2	118.9	942.5	1,844.8	1,779.8	2,111.5	1,226.5	1,107.6	2,595.0
Total, Commodity Credit Corporation.....	110.7	558.2	125.1	961.7	1,851.2	1,786.2	2,117.9	1,233.1	1,114.2	2,602.5
Total, corporations.....										
SPECIAL EXPORT PROGRAMS (FOREIGN ASSISTANCE)										
Public Law 480:										
Sale of surplus agricultural commodities for foreign currencies.....				67.5	1,927.8	1,033.5	968.0	881.0	2,603.5	1,263.0
Commodities disposed of for emergency famine relief to friendly peoples.....			9.5	88.6	220.2	119.3	104.5	107.1	396.6	364.0
Long-term supply contracts.....									13.0	90.0
Total, Public Law 480.....			9.5	156.1	2,148.1	1,152.8	1,072.5	988.1	3,013.0	1,747.0
International Wheat Agreement.....	171.7	129.6	57.4	101.1	182.9	80.8	63.9	32.6	159.5	169.9
Bartered materials for supplemental stockpile.....					218.9	82.3	129.0	423.0	288.2	343.1
Total, special export programs (foreign assistance).....	171.7	129.6	66.9	257.2	2,550.0	1,315.8	1,265.4	1,443.6	3,460.6	2,186.9
PERMANENT APPROPRIATIONS										
General fund appropriations:										
Removal of surplus agricultural commodities (30 percent of customs receipts).....	172.4	180.1	166.8	200.0	220.9	235.9	251.4	320.0	325.8	324.0
National Wool Act, agriculture.....			.2	2.0	29.7	24.5	50.1	67.2	75.3	65.0
Payments to school funds, Arizona and New Mexico, national forest receipts.....	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
Deduct amounts included in above figures transferred for pay act costs.....		13 -- 2								
Total.....	172.5	179.9	167.1	202.1	250.7	260.5	301.6	387.3	401.2	389.1
Appropriations from special sources:										
Establishment of an entomology research laboratory.....										.4
Perishable Agricultural Commodities Act, fund (special receipt fund).....	.4	.4	.4	.5	.7	.7	.7	.7	.7	.7
Roads and trails for States, national forest receipts.....	7.5	6.5	7.8	11.4	10.8	8.9	11.9	14.2	10.0	11.5
Expenses, brush disposal, Forest Service (special receipt fund).....	2.9	3.9	3.4	2.9	3.8	5.8	7.2	6.8	9.0	9.0
Forest fire prevention.....	.1									
Restoration of forest lands and improvements.....		.4	.5	.5	.6	.5	.5	.4	.2	.2
Payments to counties, national grasslands.....										.4
Payments to States, national forests fund, including payments to Minnesota (Cook, Lake, and St. Louis Counties).....	18.7	16.4	19.4	28.6	27.0	22.3	29.8	35.5	25.2	29.1
Total.....	30.1	27.8	31.5	43.8	42.8	38.1	50.1	58.0	45.7	51.1
Total, permanent appropriations.....	202.6	207.7	198.7	246.0	293.5	298.6	351.7	445.3	446.7	440.2

See footnotes at end of table, p. 242.

that portion of the contingency or reserve authorization utilized during each fiscal year. The figures shown do not necessarily represent the amount of loans actually approved in each fiscal year, since loan funds carried over from prior years together with resissions from previously approved loans were also available.

⁴ Legislation will be proposed in 1962 for the establishment of a "Rural Electrification Administration loan account," which will reflect the net cost of loan programs in relation to receipts on loans previously made.

⁵ Includes \$450,000,000 authorized in Public Law 1020, approved August 7, 1956, for farm housing loans for use during fiscal years 1957 to 1961, inclusive.

⁶ This account, into which collections of principal and interest on loans are deposited, was established on October 16, 1961, pursuant to the Consolidated Farmers Home Administration Act of 1961. Amounts for 1954 through 1962 reflect authorization for loans from the Treasury, including contingency reserves, provided in the appropriation acts for the account "Farmers Home Administration loans." No new authorization to borrow from Treasury is required for 1963 under Public Law 87-128, since sufficient funds will be available in the direct loan account. Amounts for 1963 represent limitation on the amounts of loans from the account as proposed in the 1963 budget.

⁷ In addition, contingency fund of \$20,000,000 is available, of which not to exceed \$5,000,000 may be used for farm ownership loans and the balance for farm operating loans. ⁸ Includes use of reserve authorization of \$20,000,000 as follows: \$2,900,000 for farm ownership loans and \$17,100,000 for farm operating loans.

⁹ Includes \$37,500,000 contingency authorization for operating loans. ¹⁰ Includes \$675,000,000 provided by the 2d Supplemental Appropriation Act, 1960: \$100,000,000 to complete restoration of 1958 realized losses; and \$575,000,000 for partial restoration of 1959 realized losses. The remaining \$1,435,424,413, included in the regular 1960 Appropriation Act, was for partial restoration of 1958 realized losses.

¹¹ Consists of \$632,900,994 to complete restoration of 1959 realized losses and \$594,499,006 for partial restoration of 1960 realized losses.

¹² To complete restoration of 1960 realized losses. ¹³ Includes \$78,000,000 authorized transfer from the 1968 appropriation for "Acreage reserve program."

¹⁴ Proposed in the 1963 budget as an amount to be available in 1962.

¹⁵ Appropriation acts and budget estimate provide that not less than 7 percent of the limitation shall be placed in reserve for use only as necessary to carry out program operations.

¹⁶ The 1963 budget estimates propose that amounts representing unrecovered costs of the Commodity Credit Corporation incurred prior to 1963 would be available in fiscal year 1962, as follows: Public Law 480, \$276,368,000; International Wheat Agreement, \$15,650,000; and bartered materials for supplemental stockpile, \$92,867,000.

NOTE.—Detail may not add to totals shown due to rounding.

¹ In addition, the 1960, 1961, and 1962 appropriation acts and budget estimate for 1963 include a reappropriation of \$1,000,000 of prior year funds to provide for additional labor to be employed to strengthen work at research installations in the field.

² Represents that portion of the allocations by the Budget Bureau of foreign currencies accruing from sales of agricultural commodities under Title I of the Agricultural Trade Development and Assistance Act of 1954, as amended (Public Law 480), which are generated in countries where the currencies becoming available are either excess to the normal requirements of the United States or limited by the terms of the sales agreement to specific uses.

³ In addition, 1961 appropriation act authorizes reappropriation of \$600,000 of prior year funds to employ conservation aides and other non-professional personnel on a part-time or contract basis.

⁴ Prior-year balances available.

⁵ This activity was financed by advances from the Commodity Credit Corporation in fiscal years 1955 through 1962. The budget estimate for 1963 proposes financing by means of a direct appropriation.

⁶ In addition, appropriation acts authorize and budget estimate proposes that the following amounts be transferred from sec. 32 funds for purchase of agricultural commodities for distribution to schools: 1959, \$35,000,000; 1960, \$43,657,248; 1961, \$45,000,000; 1962, \$45,000,000; 1963, \$45,000,000.

⁷ Includes, in addition to annual appropriations, that portion of the allocations by the Budget Bureau of foreign currencies accruing from sales of agricultural commodities under Title I of the Agricultural Trade Development and Assistance Act of 1954, as amended (Public Law 480), which are generated in countries where the currencies becoming available are not excess to the normal requirements of the United States.

⁸ In addition, appropriation acts authorize that the following amounts be transferred from sec. 32 funds and merged with the appropriation: 1960, \$2,745,709; 1961, \$3,117,000; 1962, \$3,177,000.

⁹ The budget estimate proposes an advance authorization of \$150,000,000 for the 1963 crop year program for which an appropriation will be requested in 1964.

¹⁰ The Supplemental Appropriation Act, 1960, provided that the unexpended balance (\$18,077,749) of Title 36, 1958, of the appropriations previously made for this purpose remain available until expended.

¹¹ Amounts indicated are the appropriations required to liquidate obligations pursuant to authorizations contained in the Federal Highway Acts of 1958 and 1960. The authorized program (obligations) under these authorizations is \$37,500,000 in 1963; comparable obligations in 1961 were \$29,300,377, as estimated at \$35,000,000 in 1962.

¹² Transferred from appropriations in the totals made to the Department and shown as deductions to avoid duplications in the totals for these years.

¹³ The amounts shown reflect not only the regular authorization to borrow from the Secretary of the Treasury as set forth in the annual appropriation acts, but also includes

TABLE 5.—Budget expenditures from appropriations, REA and FHA loan authorizations, and corporation and other revolving funds, fiscal years 1954 through 1961, and estimated 1962 and 1963

[NOTE.—Amounts reported are based on expenditures for the Department of Agriculture as shown in the budget. Figures are adjusted for comparability with the appropriation structure in the 1963 budget]

[Millions of dollars]

	1954	1955	1956	1957	1958	1959	1960	1961	Esti- mated, 1962	Esti- mated, 1963
GENERAL ACTIVITIES										
Agricultural Research Service:	70.4	79.1	96.9	106.2	116.5	136.3	129.2	144.0	153.5	160.3
Salaries and expenses.....		3.0	4.9	1.1	1.0	3.7	8.2	1.6	3.1	6.1
Salaries and expenses (special foreign currency program).....								3.6	3.6	5.7
Construction of facilities.....	.5									
Cooperative State Experiment Station Service (principally payments to States).....	13.9	19.5	24.7	29.5	31.0	32.1	32.0	33.1	35.8	38.2
Extension Service (principally payments to States).....	34.6	42.1	47.6	51.9	58.8	63.2	63.7	67.3	70.5	72.4
Farmers Cooperative Service.....	.4	.4	.4	.5	.6	.6	.6	.7	.7	.7
Soil Conservation Service:										
Conservation operations.....	56.6	58.9	63.2	65.9	71.7	84.4	79.3	86.9	88.3	89.9
Watershed protection.....	2.1	6.2	9.6	11.3	13.8	19.6	27.0	32.6	45.5	55.7
Flood control.....	8.4	8.7	9.8	10.6	12.1	15.6	16.8	17.5	21.4	24.0
Goat Plains conservation program.....					1.6	5.4	7.9	8.6	9.3	11.4
Water conservation and utilization projects.....	4	3	4	3	1.4	3.3	1			
Economic Research Service:	4.2	4.9	6.1	7.5	8.1	8.4	8.4	8.8	8.9	10.5
Statistical Reporting Service.....	4.2	4.7	5.1	5.5	6.2	6.7	6.7	8.0	8.6	10.0
Agricultural Marketing Service:										
Marketing research and service.....	12.5	13.8	15.5	16.4	18.7	28.0	27.9	34.2	37.9	40.4
Construction of facilities.....									1.6	1.6
Payments to States and possessions.....	.6	1.0	1.0	1.2	1.2	1.2	1.2	1.2	1.3	1.3
Special milk program.....										
School lunch program.....	83.5	83.1	82.7	99.2	100.0	143.8	152.8	154.4	169.5	170.0
Foreign Agricultural Service:										
Salaries and expenses.....	2.7	2.7	4.8	4.8	5.4	6.0	5.6	6.5	9.1	13.3
Salaries and expenses (special foreign currency program).....	.7	.7	.8	.8	.8	.9	.9	1.0	1.0	1.0
Commodity Exchange Authority.....										
Agricultural Stabilization and Conservation Service:										
Acquire allotments and marketing quotas.....	41.2	39.6	39.0	40.3	40.6	41.8	40.5	43.5	44.1	44.2
Sugar Act program.....	66.5	69.7	65.4	67.0	69.6	67.3	74.0	72.2	82.2	86.9
Agricultural conservation program.....	171.3	235.1	215.2	262.0	213.8	239.3	237.0	250.3	249.0	262.0
Conservation reserve program.....				37.2	112.7	175.1	323.8	363.2	346.3	323.1
Acquire reserve program.....			3.6	343.5	620.0	672.6	.2			
Special agricultural conservation and adjustment programs.....									17.5	18.5
Office of the General Counsel.....	2.1	2.1	2.2	2.7	2.9	3.3	3.1	3.4	3.6	3.8
Office of Information.....	1.0	1.5	1.1	1.6	1.4	1.5	1.3	1.6	1.6	1.6
Centennial observance of Agriculture.....										.1

See footnotes on p. 246.

TABLE 5.—Budget expenditures from appropriations, REA and FHA loan authorizations, and corporation and other revolving funds, fiscal years 1954 through 1961, and estimated 1962 and 1963—Continued

[NOTE.—Amounts reported are based on expenditures for the Department of Agriculture as shown in the budget. Figures are adjusted for comparability with the appropriation structure in the 1963 budget.]

	1954	1955	1956	1957	1958	1959	1960	1961	Esti- mated, 1962	Esti- mated, 1963
GENERAL ACTIVITIES—Continued										
National Agricultural Library.....	.6	.6	.7	.7	.7	.8	.8	.9	1.0	1.2
General administration.....	2.2	2.2	2.4	2.4	2.6	2.9	2.8	3.0	3.1	3.7
Forest Service:										
Forest protection and utilization.....	64.2	60.6	74.2	83.3	95.7	116.8	130.2	156.4	198.0	183.0
Forest roads and trails.....	16.4	18.1	24.1	26.5	20.9	35.5	27.8	31.1	36.0	37.8
Access roads.....						.6	.1	1.8	.7	2.0
Acquisition of lands for national forests.....		.1		.2	.3				.5	1.3
Assistance to States for tree planting.....					.1	.4		68.7		
Other (principally working capital funds).....	-6.8	-3.8	1.8	-5.9	.1	-3.2	-1.2	-3.5	.6	1.0
Total, general activities.....	654.4	754.9	803.4	1,274.2	1,628.3	1,910.9	1,408.7	1,609.0	1,661.6	1,790.5
CREDIT AGENCIES										
Rural Electrification Administration:										
Electrification and telephone loans.....	210.0	196.5	208.7	258.9	288.2	305.0	321.0	291.5	320.0	360.0
Salaries and expenses.....	7.3	7.5	8.1	8.3	8.7	9.9	9.4	9.9	10.0	10.3
Farmers Home Administration:										
Rural housing grants and loans.....	16.0		0.9	20.9	30.2	60.5	43.3	57.7	91.0	89.0
Real estate and operating loans.....	164.8	145.4	157.5	211.0	223.1	218.5	229.1	267.2	331.6	358.9
Emergency credit revolving fund.....	96.5	10.7	2.8	9.7	-4.7	-31.1	-17.8	1.5	16.4	15.2
Agricultural credit insurance fund.....	.1		1.4	6.9	-6.1	26.2	6.8	-6.1	-15.5	.3
Salaries and expenses.....	26.6	24.1	26.5	27.5	28.7	32.3	30.6	32.6	34.4	35.1
Total, credit agencies.....	521.1	384.2	405.9	543.2	569.1	621.3	622.4	654.3	487.9	598.8
CORPORATIONS (NET)										
Federal Crop Insurance Corporation:										
Operative and administrative expenses.....	5.4	5.1	6.7	6.2	6.4	6.4	6.4	6.6	5.2	7.7
Federal Crop Insurance Corporation Fund.....	5.0	7.2	3.2	7.4	-4.9	-14.5	-2.4	-6.8	0.2	0.9
Commodity Credit Corporation:										
Price support, supply, and related programs ¹	1,334.1	3,074.9	2,803.8	1,086.8	986.8	2,774.9	1,480.2	1,330.6	2,466.8	2,515.5
Special milk program, and related programs.....		22.4	45.6	57.0	66.7	74.7	81.2	87.0	105.0	
Special activities financed from C.C.C. funds.....										
Loans to Secretary of Agriculture for conservation purposes.....	11.7	-18.7	6.5	-13.0	21.5	7.0	-3	1.0	6.5	-4.7

¹ Exclusive of U.S. dollar equivalent of foreign currencies generated in countries where the currencies were excess to the normal requirements of the United States or limited by the terms of the sales agreements to specific U.S. uses, expended as follows:

	[Millions of dollars]		
	Agricultural Research Service	Foreign Agricultural Service	Commodity Credit Corporation
1956
1957	1	.....
19582	.....
1959	1.5	.....
1960	1.1	.....
2	.....
7	.....
	2.5	.....

² Exclusive of U.S. dollar equivalent of foreign currencies generated in countries where the currencies were not excess to the normal requirements of the United States, expended as follows:

	Foreign Agricultural Service:	Millions of dollars
1956	0.5
1957	1.8
1958	3.1
1959	3.5
1960	4.7

³ Reduced expenditures in fiscal years 1962 and 1963 reflect establishment of a direct loan account in 1962 pursuant to sec. 338(c) of the Consolidated Farmers Home Administration Act of 1961. Under this act, collections of principal and interest on loans are deposited into the direct loan account, thereby reducing expenditures.

NOTE.—Details may not add to totals shown due to rounding. Minus (-) figures indicate excess of collections over expenditures.

TABLE 6.—Receipts to U.S. Treasury arising from Department of Agriculture activities, fiscal year 1961 and estimated fiscal years 1962 and 1963 [Thousands]

Classification and source	Fiscal year 1961—Actual			Fiscal year 1962—Estimated			Fiscal year 1963—Estimated		
	General 1	Special 2	Total	General 1	Special 2	Total	General 1	Special 2	Total
Loan programs:									
Farmers Home Administration:									
Collections of principal:									
Real estate loans:									
Farm ownership loans.....	\$16,469		\$16,469						
Soil and water conservation loans.....	2,961		2,961						
Farm operating loans.....	181,351		181,351						
Rural housing loans.....	14,310		14,310	\$19,500		\$19,500	\$22,100		\$22,100
Total, collections of principal.....	215,091		215,091	19,500		19,500	22,100		22,100
Collections of interest:									
Real estate loans:									
Farm ownership loans.....	10,920		10,920						
Soil and water conservation loans.....	962		962						
Farm operating loans.....	17,365		17,365						
Rural housing loans.....	7,533		7,533	9,500		9,500	12,150		12,150
Total, collections of interest.....	36,780		36,780	9,500		9,500	12,150		12,150

TABLE 6.—Receipts to U.S. Treasury arising from Department of Agriculture activities, fiscal year 1961 and estimated fiscal years 1962 and 1963—Continued

[Thousands]

Classification and source	Fiscal year 1961—Actual			Fiscal year 1962—Estimated			Fiscal year 1963—Estimated		
	General ¹	Special ²	Total	General ¹	Special ²	Total	General ¹	Special ²	Total
	Trust fund receipts: ⁹								
Contributions from private cooperators for various activities on national and private forest lands.....			\$20,757			\$21,500			\$22,000
Fees received for inspection and grading of farm products upon application of interested parties.....			18,685			19,341			20,129
State rural rehabilitation funds.....			9,658			10,577			8,116
Receipts for miscellaneous special services.....			2,749			2,201			2,182
Total.....			51,849			53,619			52,427
Other receipts:									
Interest paid to Treasury on CCC borrowings.....	\$406,075		406,075	\$343,875		343,875	\$346,875		346,875
Interest paid to Treasury on CCC capital stock.....	3,500		3,500	3,125		3,125	3,125		3,125
Total.....	409,575		409,575	347,000		347,000	350,000		350,000
Grand total.....	933,433	\$48,787	1,034,069	663,465	\$56,319	1,077,403	737,462	\$59,078	1,084,967

¹ Revenue and nonrevenue receipts available to the Treasury for general expenditures of the Government.

² Revenue and nonrevenue receipts deposited in the Treasury for specific purposes, pursuant to various legislative authorizations.

³ Beginning in fiscal year 1962, and pursuant to sec. 338(c) of the Consolidated Farmers Home Administration Act of 1961, the collections of principal and interest on real estate and operating loans are deposited into a loan account as credits against expenditures for new loans and for interest costs.

⁴ Beginning in fiscal year 1963, under proposed legislation, collections of principal and interest on electric and telephone loans would be deposited into a loan account as credits against expenditures for new loans and for interest costs.

⁵ Represents the portion of the total receipts from national forests available for (1) 25-percent fund for payments to States for benefit of roads and schools, (2) 10-percent fund for construction and maintenance of roads and trails in States from which proceeds are

derived, and (3) appropriations from forest receipts for acquisition of lands, cooperative range improvements, and special payments to Minnesota counties in which Superior National Forest lands are located.

⁶ Amounts shown represent 65 percent of the receipts from the Tongass National Forest. The remaining 35 percent of these receipts are distributed to Alaska (25 percent) and to the fund for construction and maintenance of roads and trails (10 percent) in accordance with Public Law 758, 84th Cong.

⁷ For payment to counties in which such lands are located.

⁸ Estimate based on proposed legislation under which a fee equal to the difference between the domestic and world price of sugar would be levied on imports of sugar.

⁹ Receipts deposited in trust in the Treasury for expenditure by the Department, as trustee, for specified purposes.

¹⁰ Includes trust fund receipts as well as general and special fund receipts.

TABLE 7.—Appropriations for research and education, fiscal years 1954 through 1962, and budget estimates, 1963¹
 [Thousands of dollars]

Agency or activity	1964	1965	1966	1967	1968	1969	1960	1961	1962	Budget estimates, 1963	Increase (+) or decrease (-), 1963 compared with 1962
RESEARCH											
Agricultural Research Service.....	32,357	36,967	40,138	50,155	56,426	59,692	64,467	70,800	76,973	77,982	+1,009
Special foreign currency program.....					400	7,596	11,025	15,131	5,265	5,265	
Construction of research facilities (separate appropriations specifically for construction).....		3 200		3 13,000				7,750	800	1,530	+730
Cooperative State Experiment Station Service: Payments to agricultural experiment stations for research under the Hatch Act as amended by the act of Aug. 11, 1955, and under sec. 204(b) of the Agricultural Marketing Act of 1946.....	13,542	19,109	24,250	28,857	29,669	30,846	30,846	31,815	34,725	35,695	+970
Grants for basic research.....										850	+80
Federal administration of payments to State agricultural experiment stations.....	377	486	661	857	937	1,040	1,035	1,127	1,312	1,312	
Penalty mail.....				230	250	250	250	250	250	250	
Farmer Cooperative Service.....	265	265	278	380	404	427	425	453	453	453	
Economic Research Service.....	4,231	4,892	6,147	7,526	8,114	8,445	8,348	8,997	9,410	10,440	+1,030
Statistical Reporting Service.....	283	494	587	511	587	539	398	476	476	515	+40
Agricultural Marketing Service.....	2,013	2,550	2,749	3,259	3,735	3,865	4,027	4,339	4,759	4,759	
Construction of research facilities (separate appropriation specifically for construction).....											
National Agricultural Library.....	172	185	194	210	226	245	270	305	383	1,600	+1,000
Forest Service.....	6,235	7,296	8,411	10,174	12,283	16,545	14,545	18,778	26,368	23,150	-3,218
Total, research.....	59,476	72,244	83,568	115,185	113,039	129,493	135,636	160,282	161,094	164,554	+3,460
EDUCATION											
Extension service: Cooperative extension work payments and expenses: Payments to States and Puerto Rico.....	32,256	39,475	44,490	49,101	50,715	53,498	53,715	56,578	59,590	60,590	+1,000
Retirement costs for extension agents.....					5,196	5,479	5,674	5,961	6,260	6,605	+345
Penalty mail.....	1,685	1,646	1,850	2,164	2,164	2,491	2,491	2,491	2,490	2,490	
Federal Extension Service.....	1,349	1,639	1,980	2,000	2,161	2,251	2,243	2,402	2,465	2,725	+260
Total, education.....	35,290	42,757	48,120	53,265	60,236	63,719	64,123	67,431	70,805	72,410	+1,605
Total, research and education.....	94,766	115,001	131,688	168,450	173,275	193,212	199,760	227,713	231,898	236,963	+5,065

¹ Amounts adjusted for comparability with the appropriation structure in the 1963 budget.
² In addition, \$62,000 was available for research by transfer from other appropriations under authority of sec. 702(b) of the Department of Agriculture Organic Act of 1944. Of this sum, \$50,000 was for research on catarrhus disease and insect problems in the Southwest, and \$12,000 for research to support the vesicular exanthema eradication program.
³ Represents 80 percent of amounts appropriated for construction of National Animal Disease Laboratory at Ames, Iowa (\$250,000 in 1956 and \$16,250,000 in 1957). The remaining 20 percent represents that portion of this laboratory which is used for animal disease control work.
 NOTE.—Details may not add to totals shown due to rounding.

TABLE 8.—Average annual positions in appropriations and other funds, fiscal years 1961, 1962, and 1963

[Based on 1963 Budget estimates and adjusted for comparability with the 1963 appropriation structure. This table reflects the average annual positions under the appropriations and funds indicated, including those applicable to transfers, allocations or allotments to organizations other than the agency receiving the appropriation]

	1961	1962 estimated	1963 estimated	Increase (+) or decrease (-), 1963 compared with 1962
Agricultural Research Service:				
Salaries and expenses:				
Research.....	7,088	7,687	7,927	+240
Plant and animal disease and pest control.....	4,935	5,225	5,434	+209
Meat inspection.....	3,120	3,233	3,346	+113
Special fund.....	92	105	105	-----
Total, salaries and expenses.....	15,235	16,250	16,812	+562
Salaries and expenses (special foreign currency program).....	6	11	14	+3
Other funds.....	1,027	1,011	998	-13
Total.....	16,268	17,272	17,824	+552
Cooperative State Experiment Station Service.....	104	115	118	+3
Extension Service:				
Federal Extension Service.....	225	232	248	+16
Other funds.....	17	24	21	-3
Total.....	242	256	269	+13
Farmer Cooperative Service:				
Annual appropriation.....	65	66	75	+9
Other funds.....	44	43	43	-----
Total.....	109	109	118	+9
Soil Conservation Service:				
Conservation operations.....	12,422	12,552	12,662	+110
Watershed protection.....	2,066	2,583	2,800	+217
Flood prevention.....	1,240	1,390	1,345	-45
Great Plains conservation program.....	388	357	391	+34
Water conservation and utilization projects.....	1	1	1	-----
Other funds.....	262	307	311	+4
Total.....	16,379	17,189	17,509	+320
Economic Research Service:				
Annual appropriation.....	912	950	1,053	+103
Other funds.....	53	56	56	-----
Total.....	965	1,006	1,109	+103
Statistical Reporting Service:				
Annual appropriation.....	937	1,067	1,202	+135
Other funds.....	58	186	91	-95
Total.....	995	1,253	1,293	+40
Agricultural Marketing Service:				
Marketing research and service.....	4,403	4,537	4,740	+203
School lunch program.....	187	228	228	-----
Special milk program.....	66	89	89	-----
Other funds, including permanent appropriations.....	3,145	3,528	3,658	+130
Total.....	7,801	8,382	8,715	+333
Foreign Agricultural Service:				
Salaries and expenses.....	622	685	756	+71
Salaries and expenses (special foreign currency program).....	20	22	22	-----
Other funds.....	81	88	88	-----
Total.....	723	795	866	+71
Commodity Exchange Authority: Annual appropriation.....	122	126	126	-----

TABLE 8.—Average annual positions in appropriations and other funds, fiscal years 1961, 1962, and 1963—Continued

	1961	1962 estimated	1963 estimated	Increase (+) or decrease (-), 1963 compared with 1962
Agricultural Stabilization and Conservation Service:				
Acreage allotments and marketing quotas.....	849	883	891	+8
Sugar Act program.....	177	184	184	-----
Agricultural conservation program.....	793	812	812	-----
Conservation reserve program.....	253	233	232	-1
Special agricultural conservation and adjustment programs:				
Direct appropriation.....		237	316	+79
CCC funds.....	117	245	-----	-245
Commodity Credit Corporation (limitation on administrative expenses).....	5, 071	5, 336	5, 305	-31
Other funds, including permanent appropriation.....	495	500	489	-11
Total.....	7, 755	8, 430	8, 229	-201
Federal Crop Insurance Corporation:				
Operating and administrative expenses.....	696	740	800	+60
Capital and insurance fund.....	80	175	163	-12
Other funds.....	1	1	1	-----
Total.....	777	916	964	+48
Rural Electrification Administration:				
Annual appropriation.....	964	952	973	+21
Other funds.....	1	15	-----	-15
Total.....	965	967	973	+6
Farmers Home Administration:				
Salaries and expenses.....	4, 719	4, 855	4, 883	+28
Other funds.....	374	456	433	-23
Total.....	5, 093	5, 311	5, 316	+5
Office of the General Counsel:				
Annual appropriation.....	392	402	420	+18
Other funds.....	1	-----	-----	-----
Total.....	393	402	420	+18
Office of Information:				
Annual appropriation.....	121	127	126	-1
Other funds.....	14	13	11	-2
Total.....	135	140	137	-3
Centennial Observance of Agriculture.....				
		3	1	-2
National Agricultural Library:				
Annual appropriation.....	132	134	152	+18
Other funds.....	17	20	18	-2
Total.....	149	154	170	+16
General administration:				
Annual appropriation.....	308	316	359	+43
Working capital fund.....	267	265	265	-----
Other funds.....	1	21	22	+1
Total.....	576	602	646	+44
Total, above items, Department of Agriculture.....	59, 551	63, 428	64, 803	+1, 375
Forest Service:				
Forest protection and utilization:				
Forest land management.....	13, 935	14, 111	15, 522	+1, 411
Forest research.....	1, 910	2, 218	2, 338	+120
State and private forestry cooperation.....	136	148	148	-----
Total, forest protection and utilization.....	15, 981	16, 477	18, 008	+1, 531
Forest roads and trails.....	4, 326	4, 763	4, 815	+52
Acquisition of lands for national forests.....	3	3	3	-----
Assistance to States for tree planting.....		6	6	-----
Other funds, including permanent appropriations.....	5, 490	5, 949	6, 136	+187
Total.....	25, 800	27, 198	28, 968	+1, 770
Total, average annual positions under all funds available to U.S. Department of Agriculture.....	85, 351	90, 626	93, 771	+3, 145

TABLE 8.—Average annual positions in appropriations and other funds, fiscal years 1961, 1962, and 1963—Continued

	1961	1962 estimated	1963 estimated	Increase (+) or decrease (-), 1963 compared with 1962
Deduct: Average annual positions included above representing employment in other departments under allocations from U.S. Department of Agriculture funds.....	113	125	136	+11
Total, average annual positions for U.S. Department of Agriculture personnel.....	85,238	90,501	93,635	+3,134
Recapitulation:				
Included in budget under U.S. Department of Agriculture:				
Total annual appropriations.....	68,735	72,387	75,662	+3,275
Limitation on administrative expenses.....	5,071	5,336	5,305	-31
Permanent appropriations.....	1,736	2,168	2,286	+118
Other funds.....	9,577	10,485	10,278	-207
Included in budget under other departments and agencies:				
Other funds.....	232	250	240	-10
Total.....	85,351	90,626	93,771	+3,145
Deduct: Average annual positions included above representing employment in other Departments under allocations from U.S. Department of Agriculture funds.....	113	125	136	+11
Total, average annual positions for U.S. Department of Agriculture personnel.....	85,238	90,501	93,635	+3,134

TABLE 9.—Increases and decreases in average annual positions in appropriations and other funds, budget estimates, 1963 compared with 1962

Total average annual positions:			
Estimated, 1962.....			90,501
Budget estimates, 1963.....			93,635
Net increase.....			+3,134
AGRICULTURAL RESEARCH SERVICE			
Salaries and expenses:			Increase (+) or decrease (-)
Research: For staffing laboratories recently authorized by Congress:			
From increase in appropriation proposed for 1963.....			+89
From increases provided in 1962 which were used in that year for equipment, supplies, and similar needs of the research program, but will be required for personal services in 1963.....			+151
Plant and animal disease and pest control:			
To strengthen the inspection staffs at ports of entry where danger of foreign plant pest entry is most critical due to increasing volume of foreign travel and commerce.....			+14
To provide inspection needed to prevent the introduction and dissemination of foreign animal disease.....			+16
Hog cholera eradication program.....			+164
For expanded registration activities required under the Federal Insecticide, Fungicide, and Rodenticide Act.....			+15
Meat inspection.....			+113
Total, salaries and expenses.....			+562
Salaries and expenses (special foreign currency program): Establishment of regional office in India and employment of consultants with foreign language qualifications.....			+3
Reimbursable services performed for other agencies and work under trust funds.....			-13
Total, Agricultural Research Service.....			+552
COOPERATIVE STATE EXPERIMENT STATION SERVICE			
Additional staff to supervise new grant program for basic research and expanded grant program under Hatch Act of 1887, as amended.....			+3
EXTENSION SERVICE			
To strengthen the staff of the Federal Extension Service to meet increased responsibilities resulting from intensified extension programs and to provide national leadership in subject-matter areas not now covered.....			+16
Reimbursable services performed for other agencies.....			-3
Total, Extension Service.....			+13

TABLE 9.—Increases and decreases in average annual positions in appropriations and other funds, budget estimates, 1963 compared with 1962—Continued

	Increase (+) or decrease (-)
FARMER COOPERATIVE SERVICE	
To strengthen research and technical assistance for farmer cooperatives.....	+9
SOIL CONSERVATION SERVICE	
Conservation operations:	
To accelerate soil surveys and the publishing of reports.....	+90
To expand snow survey.....	+20
Total, conservation operations.....	+110
Watershed protection:	
Decrease in the installation of works of improvement in the pilot watersheds.....	-59
For installation of works of improvement in Public Law 566 watershed projects.....	+263
Investigations and planning, Public Law 566 projects.....	-1
For surveys and investigations of water resources programs.....	+14
Total, watershed protection.....	+217
Flood prevention: Decrease in the rate of installation of works of improvement in the 11 authorized flood prevention watersheds.....	-45
Great Plains conservation program: For technical services and operating expenses.....	+34
Reimbursable services performed for other agencies and work under trust funds.....	+4
Total, Soil Conservation Service.....	+320
ECONOMIC RESEARCH SERVICE	
Salaries and expenses:	
To expand economic studies on rural development and on problems relating to the civil defense program.....	+19
To strengthen economic analysis of land and water conservation and development.....	+28
To expand studies on the economics of farm size and prospective number of farms under alternative conditions.....	+12
To expand domestic agricultural economic and statistical analysis, particularly research on how to improve commodity and outlook situation reports.....	+19
To strengthen foreign economic development research and expand analyses of supply, demand and foreign trade in U.S. farm products.....	+25
Total, Economic Research Service.....	+103
STATISTICAL REPORTING SERVICE	
Salaries and expenses:	
To extend to additional States the long-range crop and livestock estimates program.....	+108
To develop improved automatic data processing systems and expand research on statistical techniques and methods.....	+27
Reimbursable services performed for other agencies.....	-95
Total, Statistical Reporting Service.....	+40
AGRICULTURAL MARKETING SERVICE	
Marketing research and service:	
For extended coverage, modernizing operations and strengthening the Market News Service.....	+7
For taking corrective steps to strengthen supervision of grain grading under the U.S. Grain Standards Act.....	+18
For developing new and revising existing standards and specifications for agricultural commodities.....	+16
To provide for the increased workload of mandatory poultry inspection.....	+122
For limited expansion of present food management and related civil defense activities.....	+4
To carry into operation the action planned by the Department to provide more aggressive administration of the Packers and Stockyards Act.....	+26
To step up the frequency of examination of an increasing number of licensed warehouses.....	+6
For strengthening testing of seed under the Federal Seed Act and for more adequate Federal participation in the Federal-State laboratory at Sacramento, Calif.....	+4
Total, marketing research and service.....	+203
Removal of surplus agricultural commodities:	
For expansion of the food stamp program.....	+36
For marketing agreements and orders:	
Fruit and vegetable.....	+8
Milk orders.....	+8
New orders under Agricultural Act of 1961.....	+17
Decrease, principally in referendum costs.....	-16
For other surplus removal operations.....	+1
Total, removal of surplus agricultural commodities.....	+54
Perishable Agricultural Commodities Act fund: To bring the level of program activities within the funds available.....	-9
Reimbursable services performed for other agencies and work under trust funds.....	+85
Total, Agricultural Marketing Service.....	+333

TABLE 9.—Increases and decreases in average annual positions in appropriations and other funds, budget estimates, 1963 compared with 1962—Continued

	Increase (+) or decrease (-)
FOREIGN AGRICULTURAL SERVICE	
Salaries and expenses:	
To plan and coordinate agricultural activities involving international organizations.....	+2
To strengthen the Department's representation on interdepartmental trade agreements and trade policy committees, and supporting services to General Agreement on Tariff and Trade (GATT).....	+6
To analyze developments in foreign affairs affecting U.S. agriculture and develop policies relating thereto.....	+3
To provide for the opening of 3 new attaché posts, the strengthening of existing posts, and the assigning of marketing specialists to selected oversea posts.....	+30
To provide necessary support in the commodity divisions for the expanding oversea market development program, intensifying the analysis of competition in the marketplace, and analysis and interpretation of significant commodity developments in foreign areas.....	+20
To meet increased needs for analyzing the production and trade of sugar and tropical products.....	+4
To provide necessary service on projects with cooperating trade groups who are operating market development projects overseas.....	+2
To provide servicing and necessary participation in trade fairs, including trade center exhibits and mobile exhibits.....	+4
Total, Foreign Agricultural Service.....	+71
AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE	
Acreage allotments and marketing quotas: For civil defense liaison activities previously financed by transfer from the Office of Civil and Defense Mobilization.....	+8
Conservation reserve program: Decrease in volume of cases handled by Office of General Counsel.....	-1
Special agricultural conservation and adjustment programs:	
For operating costs in completing the 1962 crop wheat stabilization program.....	+79
CCC funds used in 1962 to administer 1st 6 months of 1962 feed grain and wheat programs.....	-245
Commodity Credit Corporation (limitation on administrative expenses):	
For sales expansion program under Foreign Agricultural Service.....	+14
Decrease in program operations.....	-56
For formulation and development of self-help stabilization programs.....	+11
Total, limitation on administrative expenses.....	-31
Reimbursable services performed for other agencies and accounts.....	-11
Total, Agricultural Stabilization and Conservation Service.....	-201
FEDERAL CROP INSURANCE CORPORATION	
Operating and administrative expenses:	
For underwriting and actuarial analysis.....	+6
For contract sales and servicing.....	+46
For crop inspections and loss adjustments.....	+8
Federal Crop Insurance Corporation fund.....	-12
Total, Federal Crop Insurance Corporation.....	+48
RURAL ELECTRIFICATION ADMINISTRATION	
Salaries and expenses:	
Rural electrification program:	
For lending and management activities in critically understaffed areas.....	+6
For engineering activities related to power supply and other vital engineering problems.....	+8
Rural telephone program:	
For lending and management activities related to loan security and efficient operation of borrowers.....	+5
For engineering activities related to regular fieldwork and highly specialized work on difficult problems.....	+2
Reimbursable services performed for other agencies.....	-15
Total, Rural Electrification Administration.....	+6
FARMERS HOME ADMINISTRATION	
Salaries and expenses: To maintain current level of geographical coverage and loan servicing by the county offices.....	+28
Emergency credit revolving fund.....	-6
Reimbursable services performed for other agencies.....	-17
Total, Farmers Home Administration.....	+5
OFFICE OF THE GENERAL COUNSEL	
Salaries and expenses:	
For legal services incident to—	
Credit, conservation, research and staff legal services.....	+10
Marketing regulatory activities:	
Packers and Stockyard Act.....	+5
Marketing orders and agreements.....	+3
Total, Office of the General Counsel.....	+18

TABLE 9.—Increases and decreases in average annual positions in appropriations and other funds, budget estimates, 1963 compared with 1962—Continued

	<i>Increase (+) or decrease (-)</i>
OFFICE OF INFORMATION	
Salaries and expenses.....	-1
Reimbursable services performed for other agencies.....	-2
Total, Office of Information.....	-3
CENTENNIAL OBSERVANCE OF AGRICULTURE	
Activities will terminate as of Dec. 31, 1962.....	-2
NATIONAL AGRICULTURAL LIBRARY	
Salaries and expenses:	
To improve documentation of scientific literature.....	+8
To expand specialized individual services to scientists.....	+6
To select, acquire, and preserve publications.....	+4
Reimbursable services performed for other agencies and work under trust funds.....	-2
Total, National Agricultural Library.....	+16
GENERAL ADMINISTRATION	
Salaries and expenses:	
For increased assistance to the—	
Secretary and Under Secretary.....	+8
Assistant secretaries and directors.....	+6
For coordination and direction of the rural areas development program.....	+5
For work surveys and reviews of personnel procedures to improve manpower utilization.....	+4
For more comprehensive and detailed examination of budgetary proposals and effectiveness of the use of funds.....	+11
To establish a staff for management appraisal and systems development.....	+9
Reimbursable services performed for other agencies.....	+1
Total, General administration.....	+44
Total net increase, above items, Department of Agriculture.....	+1,375
FOREST SERVICE	
For the development program for the national forests:	
Forest protection and utilization:	
Forest land management:	
For national forest protection and management.....	+1,263
For insect and disease control.....	+148
Total, forest land management.....	+1,411
Forest research: For forestry research program.....	+120
Forest roads and trails: For an accelerated program.....	+52
Expenses, brush disposal: Increase in estimated deposits from timber sale operators.....	+73
Working capital fund.....	+51
Trust funds.....	+63
Total, Forest Service.....	+1,770
Total net increase under all funds available to the U.S. Department of Agriculture.....	+3,145
Deduct average annual positions included above representing employment in other departments under allocations from U.S. Department of Agriculture funds.....	11
Total net increase, U.S. Department of Agriculture personnel.....	+3,134

EMPLOYMENT

Mr. WHITTEN. How many additional positions do you contemplate in the budget request?

Mr. GRANT. For the total Department of Agriculture the budget proposes an increase of 3,145. Of that total, 1,770 are applicable to the Forest Service. For the items before this committee there is an increase of 1,375.

Mr. ANDERSEN. What is the overall figure for employment in the Department, without the Forest Service?

Mr. GRANT. The total, other than the Forest Service, is 64,803 average annual positions. The comparable figure for 1962 is 63,428. This is expressed in average annual positions because the month-to-month employment fluctuates considerably. I can give you actual employment figures if you prefer to have that.

Mr. ANDERSEN. Will you put that in the record?

Mr. GRANT. Yes.
(The information follows:)

Employment under appropriation and other funds, as of June 30, 1961, and estimated as of June 30, 1962 and 1963¹

[Based on 1963 budget schedules]

Agency or item	1961	1962 (estimated)	1963 (estimated)	Increase (+) or de- crease (-), 1963 com- pared with 1962
Agricultural Research Service:				
Salaries and expenses.....	17,263	18,316	18,700	+384
Salaries and expenses (special foreign cur- rency program).....	10	9	12	+3
Other funds.....	646	619	611	-8
Total.....	17,919	18,944	19,323	+379
Cooperative State Experiment Station Service:				
Total.....	104	115	118	+3
Extension Service:				
Cooperative extension work.....	229	239	257	+18
Other funds.....	15	25	20	-5
Total.....	244	264	277	+13
Farmer Cooperative Service:				
Salaries and expenses.....	63	66	76	+10
Other funds.....	44	44	44	-----
Total.....	107	110	120	+10
Soil Conservation Service:				
Conservation operations.....	14,609	14,534	14,669	+135
Watershed protection.....	2,269	2,068	2,904	+236
Flood prevention.....	1,200	1,265	1,225	-40
Great Plains conservation program.....	260	222	240	+18
Other funds.....	86	141	144	+3
Total.....	18,424	18,830	19,182	+352
Economic Research Service:				
Salaries and expenses.....	926	1,054	1,169	+115
Other funds.....	39	44	44	-----
Total.....	965	1,098	1,213	+115
Statistical Reporting Service:				
Salaries and expenses.....	1,372	1,833	1,983	+150
Other funds.....	33	53	44	-9
Total.....	1,405	1,886	2,027	+141
Agricultural Marketing Service:				
Marketing research and service.....	4,138	4,349	4,649	+300
School lunch program.....	160	197	197	-----
Special milk program.....	71	88	88	-----
Other funds, including permanent appro- priations.....	3,281	3,535	3,661	+126
Total.....	7,650	8,169	8,595	+426
Foreign Agricultural Service:				
Salaries and expenses.....	663	691	762	+71
Salaries and expenses (special foreign cur- rency program).....	19	22	22	-----
Other funds.....	86	95	95	-----
Total.....	768	808	879	+71
Commodity Exchange Authority	124	124	124	-----
Agricultural Stabilization and Conservation Service:				
Acreage allotments and marketing quotas.....	(²)	(²)	(²)	(²)
Sugar Act program.....	(²)	(²)	(²)	(²)
Agricultural conservation program.....	122	122	122	-----
Conservation reserve.....	³ 13	³ 20	³ 17	-3
Commodity Credit Corporation (limitation on administrative expenses).....	4,420	4,772	4,669	-103
Other funds (principally sec. 392).....	3,068	3,620	3,413	-207
Total.....	7,623	8,534	8,221	-313

See footnotes at end of table, p. 257.

Employment under appropriation and other funds, as of June 30, 1961, and estimated as of June 30, 1962 and 1963¹—Continued

[Based on 1963 budget schedules]

Agency or item	1961	1962 (estimated)	1963 (estimated)	Increase (+) or de- crease (-), 1963 compared with 1962
Federal Crop Insurance Corporation.....	1,124	1,325	1,400	+75
Rural Electrification Administration.....	987	990	1,010	+20
Farmers Home Administration:				
Salaries and expenses.....	9,277	9,440	9,490	+50
Other funds.....	362	450	427	-23
Total.....	9,639	9,890	9,917	+27
Office of the General Counsel.....	413	410	430	+20
Office of Information:				
Annual appropriation.....	137	144	144	
Other funds.....	10	14	11	-3
Total.....	147	158	155	-3
National Agricultural Library:				
Annual appropriation.....	138	150	173	+23
Other funds.....	15	22	16	-6
Total.....	153	172	189	+17
General administration:				
Annual appropriation.....	313	318	362	+44
Other funds.....	274	295	283	-12
Total.....	587	613	645	+32
Total, above items, Department of Agriculture.....	68,383	72,440	73,825	+1,385
Forest Service:				
Forest protection and utilization.....	21,792	25,437	29,168	+3,731
Forest roads and trails.....	5,223	5,491	5,551	+60
Acquisition of land for national forests.....	2	2	2	
Assistance to States for tree planting.....		4	4	
Other funds, including permanent appropriations.....	6,271	6,626	6,865	+239
Total.....	33,288	37,560	41,590	+4,030
Total employment under all funds available to the U.S. Department of Agriculture.....	101,671	110,000	115,415	+5,415
Deduct employment in other departments under allocations from U.S. Department of Agriculture funds.....	267	292	303	+11
Total Employment, U.S. Department of Agriculture Personnel.....	101,404	109,708	115,112	+5,404
Recapitulation:				
Included in budget under U.S. Department of Agriculture:				
Total annual appropriations.....	82,632	89,088	94,518	+5,430
Limitation on administrative expenses.....	4,420	4,772	4,669	-103
Total permanent appropriations.....	2,422	2,671	2,842	+171
Other funds.....	11,984	13,198	13,172	-26
Total.....	101,458	109,729	115,201	+5,472
Included in budget under other departments and agencies: Other funds.....	213	271	214	-57
Total.....	101,671	110,000	115,415	+5,415
Deduct employment in other departments under allocations from U.S. Department of Agriculture funds.....	267	292	303	+11
Total employment, U.S. Department of Agriculture Personnel.....	101,404	109,708	115,112	+5,404

¹ Represents the number of (1) full-time and regularly scheduled part-time employees in pay status on the last working day in June, and (2) intermittent employees who work at any time during June. This is the basis for reports to the Civil Service Commission.

² Included in "Agricultural Stabilization and Conservation Service, Other Funds."

³ Additional employment applicable to this program is included under "Agricultural Stabilization and Conservation Service, Other Funds."

Mr. WHITTEN. You show on table 8, I believe, where these additional positions are. The committee can recognize that there is more and more quarantine inspection required by reason of more transportation, more planes landing. We can recognize it takes more people there. We can further recognize that there are more and more packing plants requiring and entitled to meat inspection; that the very growth of the country increases and requires inspections in many more areas.

We also recognize that, when you are selling and moving out CCC stocks, it may take more to handle it than if you keep it in storage and just stand by.

I wish you would briefly tell us what the increases are. Does this indicate a change in approach, or new programs? Or does this by and large represent a growth in existing responsibilities?

Mr. GRANT. Mr. Chairman, it represents primarily growth in going programs. Some of the increase does result from new programs. We estimate that 497 of the 1963 increase results from new legislation.

Mr. WHITTEN. That includes new laboratories and other facilities?

Mr. GRANT. When I say new legislation, I am really thinking of legislation as enacted in recent years, such as poultry inspection and the feed grain program. I would say that about a third of the increase represents employment arising from new legislation, while about two-thirds arises out of intensification of going programs, such as meat inspection.

In terms of activities that are new in the bill for 1963, I can supply a list for the record.

(The list follows:)

The following increases in average annual positions proposed for 1963 represent increases for new activities in that year as distinguished from intensification of existing activities or programs:

Agricultural Research Service:	
Staffing of new laboratories.....	+ 89
Hog cholera eradication program.....	+ 164
General administration:	
Coordination and direction of rural areas development program.....	+ 5
Establish a staff for management appraisal and systems development..	+ 9
Civil defense planning activities (under funds proposed for inclusion in appropriations to the Department of Agriculture).....	+ 19
Total.....	+ 286

Mr. HORAN. Mr. Chairman, along that line I wonder if Mr. Grant or Mr. Robertson would alert those in charge of poultry and meat inspection to a protest that has come to my desk at least from the Association of State Agricultural Directors that full use is not being made of State facilities.

Mr. GRANT. I will alert them to this. I don't have any firsthand information on it, Mr. Horan.

Mr. HORAN. Just so they are prepared to answer that. Of course, we have had stuff in the report before requiring the Federal Department to pay some attention to what is going on in the States.

That is all, Mr. Chairman.

Mr. WHITTEN. Mr. Natcher, do you have any questions?

Mr. NATCHER. Mr. Chairman, I have been a member of this committee since 1955. I want you to know that I consider it a distinct honor and privilege to serve with you on this committee.

ACCOMPLISHMENTS OF SUBCOMMITTEE UNDER CHAIRMANSHIP OF
REPRESENTATIVE WHITTEN

I say advisedly and for the record that our chairman, Congressman Whitten of Mississippi, author of the annual Appropriation Act for the Department for 12 years, holds an important national position. Every dollar for every program affecting American agriculture is contained in this bill which carries his name.

During his period of 17 years of service on this committee, he initiated watershed and flood prevention funds, provided money for price supports, and actively supported all of these important agricultural programs extending from the State of Washington to Florida, from Maine to California, including my own State of Kentucky.

In these efforts he has had my support as well as the support of the majority of those of us on this committee and the support of a majority of the Congress.

Like most of us, however, he is hesitant to mention the part he has played in providing for these activities, with their benefits to all parts of the Nation.

I have prepared a brief résumé of some of the major accomplishments of our committee under our chairman's direction. With the indulgence of the committee, I would like to mention a few of them for the record.

For a number of years the Department of Agriculture refused to sell U.S. agricultural commodities competitively in world markets. Farm programs were endangered. In 1955, at the insistence of Jamie Whitten, supported by this committee, these commodities were offered for sale. Finally cotton was offered in world trade for dollars on a competitive basis. Since that date over 32 million bales of cotton have been sold abroad. Had it not been for the vigorous interest of Jamie Whitten in this matter, many of our cotton farmers would not be growing cotton today.

Our chairman has been a strong supporter of research. Since he became chairman of the committee, funds for agricultural research throughout the Nation have more than doubled. The people of my State and all other States have benefited. In the State of Mississippi alone, Federal appropriations for agricultural research have increased from \$523,000 in 1950 to nearly \$3.5 million in 1962.

Research facilities have been provided in many areas of the country, including the new Animal Disease Laboratory at Ames, Iowa, the Foot-and-Mouth Laboratory at Plum Island, N. Y., a Poultry Disease Laboratory at Athens, Ga., a Tobacco Research Laboratory in my home State of Kentucky, and many others.

In 1959, at Mr. Whitten's direction, \$25,000 was provided for planning a new Cotton Insect Research Laboratory. The following year we provided \$1.1 million for the construction of this important research institution, in a bill which carries his name and located such facility at Mississippi State University. During his service as chairman, the Sedimentation Laboratory was provided at Oxford, Miss., a Poultry Research Laboratory was approved for Mississippi State University. Annual appropriations for the Stoneville Laboratory in the Mississippi Delta have nearly tripled, from \$250,000 in 1950 to \$657,000 in 1961, in this bill which he handles.

All these are concrete and provable facts. What doesn't show perhaps is that the confidence the Members of Congress have in our chairman is a major factor in obtaining funds for agriculture and agricultural programs, so essential to farmers, but equally essential to the welfare of our 183 million Americans.

The American farmer has never had a better friend than the chairman of this committee.

Mr. Grant, I want to thank you for the fine statement which you made to our committee, and at the proper time I want to discuss some of these items with the different heads of the departments.

Thank you, Mr. Chairman.

Mr. WHITTEN. Needless to say, I greatly appreciate the statement of my colleague.

Mr. ANDERSEN. I am commencing my 20th year on this subcommittee. Of all the chairmen I have had the privilege of serving under I don't know of any who have done more for agriculture than has Chairman Whitten. I agree fully with what Mr. Natcher has stated here today.

Mr. WHITTEN. These statements are certainly appreciated. I want to say again that we on this subcommittee, all of us, have felt that dealing with the food and fiber for all America is much bigger and much broader than just dealing with those engaged in agriculture.

I think we have all become, with time, somewhat stricken with a zeal to work for the best interests of agriculture and thereby for the 183 million American consumers. But all of us have to strive to keep a sense of balance in these Government programs affecting agriculture. We have had the help of Mr. Grant and various others in the Department in this.

From time to time we have changed administrations and have changed the chairmanship between Mr. Andersen and myself. Some folks say that has never made any real differences in viewpoint regarding programs of the Department.

But with all the differences of viewpoint that I have had with preceding Secretaries of Agriculture about farm programs, I don't believe you could find any hundred people who would agree on just exactly what is the best answer. I don't think you can work with this subject of agriculture, which is responsible for the protection of the American people from pest, disease, pestilence, and maintaining the highest standard of living that any country has ever enjoyed in history, without developing a real appreciation of its importance to the American people.

I have been sitting in recent weeks in the hearings on the Department of Defense appropriations. Knowing that we were going to start hearings here, I brought together some figures which appear in this record earlier. These figures come from the hearings of the other committee and they are a matter of record in the President's budget.

Well over half of the Federal budget each year goes for national defense, international affairs, and space research and technology. About 63 percent of the entire expenditure budget of \$92.5 billion for fiscal year 1963 is proposed for these purposes, including \$52.7 billion for national defense, \$3 billion for international affairs, and \$2.4 billion for our space program.

In addition we are spending another \$2 billion or more each year for distribution of food abroad under Public Law 480 and similar foreign assistance programs.

In other words, the 1963 budget for national defense is 56.9 percent of the total Federal budget. And that with related programs constitutes 63 percent of the budget. We have been carrying on at this rate for a number of years.

In 1963 approximately 2.7 million people will be in the military service, and that includes two additional Regular Army divisions which are requested. There will be 1 million members of the military Reserves in a state of readiness. That does not include the millions and millions of Americans who are engaged in the manufacture of munitions and planes and other things.

The point I make, and I think it is well for me to repeat this, is that a nation that can stand up under that, economically, is remarkable.

I think that a great part of it comes because this is the only nation that ever existed where 10 per cent of the people could provide the fine food that we have.

It is our job on this committee to hold the costs down as best we know how and to keep these programs sound. But we must recognize that quarantine inspection of incoming planes and research on strains of wheat rust, and all the other things are required. I think it is up to us on this subcommittee to see that we don't fail to provide necessary funds for these purposes.

At the same time we need to see that we do not spend any money needlessly.

Mr. HORAN. Mr. Chairman, I think your total properly should include the cost of veterans, the cost of previous wars, too.

Mr. WHITTEN. That certainly is a factor in the overall cost. I brought those figures forward because a nation which can put 63 percent of its annual budget into defense and still maintain the standard of living we have, even though we are paying for it to some degree in inflation, is very fortunate indeed.

Mr. Santangelo?

Mr. SANTANGELO. Mr. Chairman, I have been on this subcommittee now for 5 years. When I was assigned to the subcommittee I suppose I had very little knowledge of the agriculture program. I think under the guidance, so to speak, of yourself and the senior members, I am beginning to understand the vastness and the effectiveness of this agricultural program.

I want to say for you, Mr. Grant, that this is the first time in the 5 years that I have had such an appreciation of the explanation of the budgetary items.

I don't know whether it is because I have learned a little more or whether you have done a little better job this year. Maybe it is a combination of both.

Mr. GRANT. I think I am still learning.

Mr. SANTANGELO. I want to thank you for an explanation of the highlights, where the rises and falls of the various appropriation items occur.

It was a clearcut presentation of what we are going to do in the forthcoming budget.

Mr. GRANT. Thank you.

Mr. WHITTEN. Mr. Andersen?

Mr. ANDERSEN. Mr. Grant has very ably presented to us today what the Department considers to be necessary for the upholding of all of these various programs having to do with agriculture. To me

we are dealing here with the most important economy of all, and that is agriculture, the producer of the raw material from which all wealth in this Nation flows. I am proud of the fact that I serve on this subcommittee.

There is one other thing in looking to the future. We have in this bill the provisions for the conservation of our soils and water. To me that is one of the most important matters facing our Nation today.

I want to thank you, Mr. Grant.

Mr. GRANT. Thank you, sir.

Mr. WHITTEN. Mr. Horan?

Mr. HORAN. Mr. Chairman, I want to join with my colleague from Minnesota in paying my respects to your judgment in the handling of this bill. Not all of the items in this bill are items that Mr. Whitten has voted for. I think he has been a friend of the farmer but he has tried to spend the agricultural dollar wisely.

We are somewhat the captives of legislation here. Some of these programs we have to appropriate for, although we may question the wisdom of the operation.

For one thing, I would like to know where the saving is that it was advertised we would have if we passed the feed grains bill last year.

Mr. GRANT. The report from the Department which indicated the savings that would come about from the feed grain program is based on the savings which will be realized through reduction in inventory as well as reduction in production. That is, the Government acquired less stocks under the price support program and disposed of some of its inventory, although expenditures did not go down appreciably in 1962.

The savings will be realized year by year through savings in storage, savings in interest, and other handling costs. So that over the period of time that these grains would otherwise be in inventory, the savings will be realized.

Mr. HORAN. I am one of those who thinks on balance that the Public Law 480 is a fine thing. We know it has reduced our storage in the Pacific Northwest to the place where we actually have empty elevators. But unless we can find some way to realize a valid profit or use for the soft currencies we are going to have a considerable writeoff staring us in the face one of these days.

I think, on balance, that it has been a good program. I think it has made us friends in a lot of these countries that might otherwise be within the boundaries of communism now, irrespective of what happens from day to day.

I was quite an admirer of Nehru for a while, but I have lost that since the invasion of Goa. I think probably the local politics dictated a portion of that. Certainly it was not a very good activity for a man of his character.

I do want to thank you for your presentation. I am looking forward to a very interesting set of hearings on this.

I hope we add more light than heat to the whole problem, because it is a definite problem.

Mr. WHITTEN. Mr. Michel?

COMPARISON OF 1963 BUDGET WITH 1962 APPROPRIATIONS

Mr. MICHEL. How does this budget compare with last year's, in figures?

Mr. GRANT. The total of all items?

Mr. MICHEL. Yes.

Mr. GRANT. The total of all items in terms of appropriations, excluding reductions which would be possible if the new legislation is enacted as reflected in the budget, shows an increase of \$369 million. In terms of net budget expenditures, and reflecting new legislation as presented in the budget, there is a reduction of \$468 million.

Mr. MICHEL. And last year did we not double up on the one item satisfying that obligation of foreign currencies?

Mr. GRANT. Yes, sir. There was a doubling up.

Mr. MICHEL. And if that figure is only for 1 year, last year, that would make a difference in those figures, would it not? In other words, the real reflection of a \$400 million reduction at the expenditure level is due mostly to the fact that last year we doubled up on the one item to satisfy that obligation on local currencies, foreign local currencies?

Mr. GRANT. There was the doubling up you mention. If I understand your question, you are asking "Why is the 1963 estimate as high as it is?" One reason is that there has been an increase in the export programs in 1962, and the 1963 estimate includes, as I indicated, \$385 million for this purpose, which is really applicable to 1962 operations. That accounts for nearly \$400 million.

Another major item that accounts for the increase in 1963 is the reimbursement to CCC for net realized losses on the price support program. The 1963 estimate covers the realized losses in 1961, and also one-third of the inventory evaluation adjustment I mentioned earlier. The total 1963 estimate is \$2,489,955,000. The 1962 appropriation was only \$1,017,610,000 and it covered realized losses for only a part of the fiscal year 1960. Some of the 1960 losses; namely, \$594,499,000 were restored in the 1961 Appropriation Act. So this accounts for a \$1,472,345,000 increase in 1963.

Mr. MICHEL. And there is nothing in this year's budget which would be comparable to that doubling up process that we used last year on that?

Mr. GRANT. There is the \$385 million which I just mentioned.

Mr. MICHEL. But the figure last year was what, on that doubling up figure?

Mr. SANTANGELO. Will the gentleman yield?

When you say the word "figure"—do you mean appropriations or expenditures?

Mr. MICHEL. What we actually appropriated last year.

Mr. GRANT. There was actually appropriated for these items \$1,861.9 million for the 1961 program cost and an additional \$1,600 million for estimated 1962 costs. Based on the present outlook, the \$1.6 billion was short by \$385 million, which makes a total of \$1.9 billion for 1962 costs.

Mr. MICHEL. At that rate, chances are next year it will be higher again?

Mr. GRANT. This depends on the level of shipments under titles I, II, and IV of Public Law 480.

These things are rather difficult to forecast with any degree of precision. We have agreements with various countries and new agreements are being signed from time to time.

Shipments are made of commodities as needed by those countries in accordance with those agreements. It is possible that it may be higher. This represents our best estimate now.

Mr. MICHEL. Do you suppose it will be shown that what we are having to pay to reimburse Commodity Credit for these foreign sales is going to exceed what we supposedly save in storage costs here at home?

In other words, from the figures at hand, I am just about willing to wager that while we talk about storage costs at home, in the net it will cost us more by selling abroad and reimbursing Commodity Credit Corporation for the loss in local currency sales.

So we have not netted a savings at all.

Mr. GRANT. To the extent that steps are taken to decrease production, however, there will be a net reduction in storage and handling costs, even compared with shipments abroad.

Mr. MICHEL. That is a very interesting subject and I suppose we won't get the real answer for several years hence until we see the proper reflection of decreased production.

Mr. GRANT. It will take some time.

Mr. MICHEL. On the face of it, it will take some good long time until we realize a net savings.

Mr. HORAN. Would you yield?

With the growth of the Common Market, and my understanding of the sufficiency in agriculture in Western Europe, it is moving in the direction of self-sufficiency there. We may meet ourselves coming back as we reduce acreage at home, and apparently encourage it all over the rest of the world.

I notice in the farm message a provision that I think has merit, that there is a cotton program, and there is another paragraph that will allow them to increase domestic acreage for foreign sales.

As far as wheat is concerned, we are continuing to move in the direction of reducing acreage here.

I also want the Foreign Agriculture Service to have a complete picture of world acreage as they can see them.

Mr. GRANT. Yes, sir.

Mr. HORAN. Include, if we can, with what we do know through intelligence of what is going on behind the Iron Curtain, which I understand is agriculturewise not too good, but for our own enlightenment I wish they would be prepared to really answer that question.

Mr. GRANT. All right.

Mr. SANTANGELO. Will Mr. Michel yield?

Mr. MICHEL. Yes.

AGRICULTURAL COMMODITIES IN STORAGE

Mr. SANTANGELO. While you are dealing with figures, I wonder if you would tell us what the volume of the commodities in storage were about a year ago today and what they are today, and what the increase has been since a year ago.

Mr. HORAN. And the cost, too.

Mr. SANTANGELO. Yes, what the cost would be.

I am trying to find out the total volume of commodities we had in storage, a year ago, and what we have today. And if you can give us a fair comparison between the costs then and now, that is what I would like, too.

Mr. GRANT. I wonder if I may insert that in the record, Mr. Santangelo. I don't believe I have the information with me on the basis of your request.

Mr. WHITTEN. Supply the figures for the record.
(The information requested follows:)

COMMODITY CREDIT CORPORATION

Comparative statement of inventory as of Dec. 31, 1961, and 1960¹

Program and commodity	Unit of measure	Dec. 31, 1961		Dec. 31, 1960 (revised)		Increase (+) or decrease (-)	
		Quantity	Value	Quantity	Value	Quantity	Value
Price-support program:							
Basic commodities:							
Cotton, extra-long staple.....	Bushel.....	1,412,192,984	\$1,782,775,539.71	1,471,276,965	\$2,040,519,394.63	-59,084,081	-\$257,743,854.82
Cotton, upland.....	Bale.....	18,343	5,082,744.21	58,843	16,233,982.42	-40,500	-11,151,238.21
Peanuts, farmers' stock.....	Pound.....	1,448,728	245,293,693.17	4,969,016	814,330,092.31	-3,520,288	-569,036,399.14
Peanuts, shelled.....	do.....	17,923	1,920.07	15,445,851	1,487,954.54	-15,427,928	-1,486,034.47
Rice, milled.....	Hundred-weight.....	13,650,246	2,180,778.57	61,834,005	8,768,175.29	-48,283,759	-6,582,396.72
Rice, rough.....	do.....	477,022	4,820,600.09	1,462,111	12,990,272.78	-985,059	-8,169,672.69
Wheat.....	Bushel.....	2,154,609	10,036,176.89	687,853	3,420,562.81	1,466,756	6,615,614.08
Wheat flour.....	Pound.....	1,130,279,687	2,236,970,947.35	1,132,960,901	2,314,915,820.97	-2,681,214	-77,944,873.62
Total, basic.....			4,287,162,400.06		5,212,653,219.61		-925,500,819.55
Designated nonbasic commodities:							
Barley.....	Bushel.....	39,503,176	34,561,845.87	56,017,791	52,465,774.89	-16,514,615	-17,963,929.02
Grain sorghums.....	Hundred-weight.....	341,404,047	651,626,952.89	311,965,117	630,076,754.14	29,438,930	20,950,198.75
Milk and butterfat:							
Butter.....	Pound.....	205,679,438	124,264,223.80	66,295,284	38,290,336.17	139,384,154	85,973,887.63
Cheese.....	do.....	59,709,137	22,740,177.88	59,709,137	22,740,177.88		
Milk, dried.....	do.....	354,917,176	57,562,680.55	279,836,322	37,105,568.65	75,080,854	20,457,111.90
Oats.....	Bushel.....	7,851,722	4,851,335.52	11,359,808	7,233,886.17	-3,508,086	-2,382,550.65
Rye.....	do.....	3,230,895	3,197,862.49	4,267,669	4,708,122.56	-1,036,774	-1,510,290.07
Tung oil.....	Pound.....	289,251	60,614.93	24,149,682	5,054,220.09	-23,860,431	-4,993,605.16
Total, designated nonbasic.....			898,865,693.93		775,634,662.67		123,231,031.26
Other nonbasic commodities:							
Beans, dry edible.....	Hundred-weight.....	402,692	2,549,503.18	5,704	9,096.67	386,988	2,540,406.51
Flaxseed.....	Bushel.....			198	583.04	-198	-583.04
Soybeans.....	do.....			4,492,485	8,934,946.10	-4,492,485	-8,934,946.10
Turpentine.....	Gallon.....	1,729,744	907,638.98	76,398	39,890.49	1,653,346	867,743.49
Total, other nonbasic.....			3,457,142.16		8,984,516.30		-5,527,374.14
Exchange commodities: Strategic and critical materials.....			58,990,791.43		81,901,228.97		-22,910,437.54
Total, price support.....			5,248,476,027.58		6,079,083,627.55		-830,607,599.97

Supply program: Seeds, foundation.....	Found.....	806,618	466,167.30	998,730	578,321.61	-187,112	-112,154.31
Other:	Bale.....	7,387	(2)	28,839	(2)	-21,452	(2)
Cotton, American-Egyptian 2.....	Found.....	565,075	103,539.69	-----	-----	565,075	103,539.69
Vegetable oil products.....	-----	-----	-----	-----	-----	-----	-----
Total, all programs.....	-----	-----	5,249,045,734.57	-----	6,079,661,949.16	-----	-830,616,214.59

¹ Based on revalued inventory; that is, the dollar amounts shown exclude storage, handling, transportation, and related expenses which were previously included as part of the inventory value but are now treated as current expenses.

² Transferred to CCC at no cost from national stockpile, pursuant to Public Law 85-96.

Mr. WHITTEN. Thank you, Mr. Grant. Your overall discussion of the 1963 budget has been very helpful.
Mr. GRANT. Thank you.

GENERAL AGRICULTURAL OUTLOOK

WITNESSES

DR. WILLARD W. COCHRANE, DIRECTOR, AGRICULTURAL ECONOMICS

NATHAN M. KOFFSKY, ADMINISTRATOR, ECONOMIC RESEARCH SERVICE

C. KYLE RANDALL, CHIEF, FARM INCOME BRANCH, ECONOMIC AND STATISTICAL ANALYSIS DIVISION, ECONOMIC RESEARCH SERVICE

CHARLES F. KIEFER, EXECUTIVE DIRECTOR, MANAGEMENT OPERATIONS STAFF, AGRICULTURAL ECONOMICS

CHARLES L. GRANT, DIRECTOR OF FINANCE AND BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

Mr. WHITTEN. The committee will come to order.

We are glad to have with us Dr. Willard W. Cochrane, Director, Agricultural Economics. Dr. Cochrane, we are very pleased to have you before the committee, along with your associates, Mr. Koffsky, Mr. Randall, Mr. Kiefer, Mr. Grant, and Mr. Robertson.

We look forward with a great deal of interest to your presentation this year. We all recall that last year at this time you and your associates had just taken over at the Department. In view of that, the committee felt that it was not the appropriate time to ask too many questions. With a year's experience we feel that you are more familiar now with the operation of the Department, so we will listen with more than usual interest to your presentation.

We shall be glad to have any general statement you care to make.

Dr. COCHRANE. Thank you, Mr. Chairman.

We are passing around some packets that have a general statement attached to them, and a set of charts.

What I would like to do with your permission is read a 2-page statement and then if you have any questions on that we can have them, or I will proceed to the charts and we will go through those.

Mr. WHITTEN. I think it well for you to make your statement and then proceed with your charts.

AGRICULTURAL OUTLOOK AS OF NOVEMBER 1961

Dr. COCHRANE. I would like to present some economic and statistical data which show the principal forces that are affecting the current and prospective level of farm prices and income. As an aid in this presentation, we have prepared a series of charts and tables, many of which you will recognize as those developed by Mr. O. V. Wells in his presentations to this committee over the last several years.

Before turning specifically to the charts, I think that the farm outlook situation presented at the annual Outlook Conference last November will serve as an appropriate starting point for this discussion. The excerpts that I will read are from the summary statement prepared by the professional economists of the Department.

In the fall of 1960—

the supply, demand, and price-support outlook indicated that cash receipts from farm marketings and the realized net income of farm operators would not change much from 1960 to 1961.

However, a combination of record marketings of farm products, higher price supports for major crops, and increased Government payments under the feed grain and wheat programs has brought about a marked improvement in the farm income situation. The effect of these influences has been the addition of about \$1½ billion to the \$38.1 billion of gross farm income reported for 1960. Although production expenses have absorbed about a third of this gain, it appears that the realized net income of farm operators in 1961 will be about a billion dollars higher than the \$11.7 billion received last year.

We expect that the income gains registered for 1961 will be maintained in 1962 with little overall change in the realized net income of farm operators, total volume of farm marketings, or average prices received by farmers.

What are the main elements in this appraisal?

On the output side, it is anticipated that the total volume of agricultural production and total marketings of farm products in 1962 will be about the same as this year. With average growing conditions and an effective feed grain and wheat program, production and marketing of crops should be smaller in 1962, but this will probably be about offset by the continued upward trend in livestock production, accompanied by a further rise in marketings, particularly of hogs, cattle, and dairy products.

On the domestic demand side, we expect an appreciable rise in consumer income and spending. In response to higher incomes, expenditures for farm produced foods this year are running somewhat better than 3 percent above 1960, and will probably show some further increase next year.

On the foreign side, export outlets will continue large. For the year ending next June, it is estimated that the value of agricultural exports will total about \$5 billion, slightly above the record of 1960-61. Aggregate volume is also expected to set a new record in this period. Strong economic activity in Western Europe and Japan, record gold and dollar holdings in many countries trading with the United States, and the accelerated food for peace program will all be contributing factors.

Now I would be happy to entertain any questions you have on that. If there are none, I will go on to the charts.

Mr. WHITTEN. I think some of the questions that we would have on your original statement may be answered by the charts. I believe if questions follow the showing of the charts, it might be better; but I don't want to foreclose anybody from asking questions.

Mr. HORAN. I have just one question.

On page 2, your next to the last paragraph, how do you balance out that with the report we have had that the cost of living index has been dropping for the last couple of months?

INCREASE OF SALES VOLUME OF FOOD PRODUCTS

Dr. COCHRANE. Our estimates indicate that expenditures for farm food products because of the larger volume involved were 3 percent higher in 1961 than in 1960. In other words, it is primarily an expansion in volume of products moving through the marketing system.

Mr. HORAN. They sell for less, but we sell so much of it that we keep going; is that it?

Dr. COCHRANE. Actually prices received by farmers in 1961 are up just a little bit.

Retail food prices have declined a little in recent months but the average for 1961 is slightly higher than for 1960.

Mr. HORAN. I am happy to see farm income go up, but I am afraid that I have to fall afoul of the logic of the fact that if a farmer is getting his full share of the income, probably the cost of living index would reflect it.

Dr. COCHRANE. That might be true. What this refers to is consumer expenditures for farm food products. Our Department figures show an increase. I know it is primarily due to increased volume.

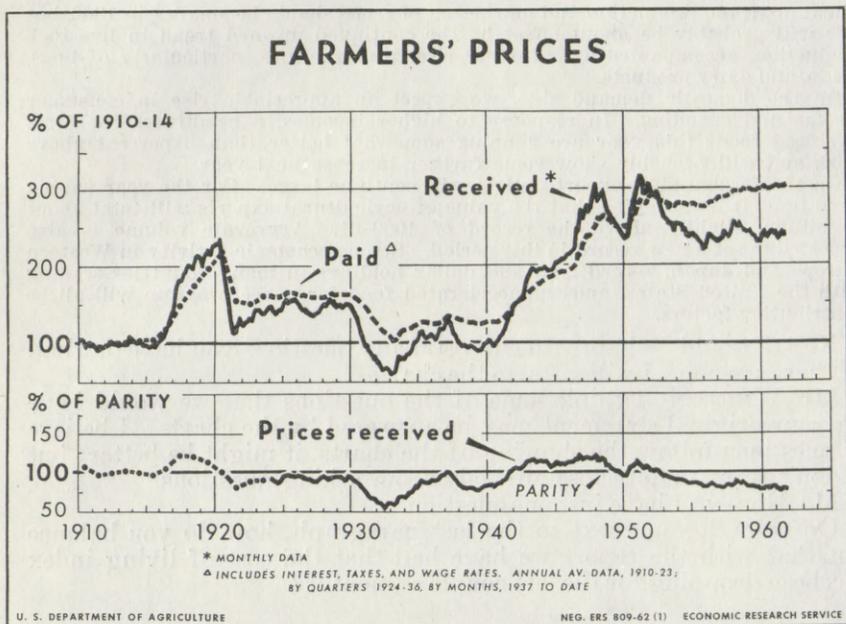
Mr. HORAN. That is all, Mr. Chairman.

Mr. WHITTEN. You may proceed with your charts, Dr. Cochrane.

FARMERS' PRICES

Dr. COCHRANE. This first chart I am sure you gentlemen recognize. It describes the behavior of farm prices received and farm prices paid over the long period 1910 to 1960.

(The chart referred to follows:)



FARMERS' PRICES

Prices of farm products in 1961 at 240 (1910-14=100) averaged a little less than 1 percent higher than in 1960. Prices received for crops at 226 were up a little over 2 percent. Prices received for livestock and products were down nearly 1 percent.

On the crop side, changes for the various groups were relatively small except for oil-bearing crops which were up 20 percent and the potatoes, sweetpotatoes, and dry beans group which was down 21 percent.

Prices received for meat animals were up 1 percent and dairy products averaged the same as 1960. Prices of poultry and eggs were down 9 percent.

The parity index, prices paid by farmers, interest, taxes, and farm wage rates averaged 301 in 1961, up two-thirds of 1 percent from 1960. Increases in interest, taxes, and wages accounted for one point of the two-point rise and prices paid for commodities accounted for the other one point.

The parity ratio at 80 was the same as in 1960.

Prices received in 1962 are expected to average about the same as 1961.

The persistent rise in average prices paid by farmers for production, goods, and services purchased from the nonfarm sector is likely to continue in 1962. Interest, taxes, and farm wage rates are also likely to average higher.

Dr. COCHRANE. What I would like to point out is that for the period from about 1954 to 1961, prices received by farmers fluctuated some, but the level held fairly constant. At the same time prices paid by farmers have moved up gradually and persistently over this same period.

So the cost-price squeeze which began very seriously in the early 1950's, resulting from the very sharp decline in prices received by farmers, has continued on into the late 1950's and early 1960's by reason of the fact that prices paid have increased.

What we have for 1961 is a modest increase in prices paid, and a modest increase in prices received; thus the parity ratio for 1961 holds constant at 80 percent.

Our best judgment as to what might happen in 1962 is that there will be some further modest increase in prices paid. We are already seeing a little of this in January of this year.

On the prices received side, we would expect prices received for crops to hold constant or rise a little bit, with much of any increase being attributable to the higher wheat prices this year.

The animal product picture is a little more difficult to see through. It is possible that hog prices might decline this fall. On the other hand, it is not unlikely that poultry and turkey prices will be up some. My best judgment is that animal product prices will hold about even.

PRICE-INCOME PICTURE IN 1962

So the picture I am presenting is a modest rise in prices paid. Prices received by farmers for farm products to remain constant or go up a little bit, and again in 1962 we might well see the ratio of prices received to prices paid at about 80, or possibly down slightly.

That is the way the picture looks to me for 1962. There is nothing contemplated that I know of that is going to change the price-income developments greatly in 1962.

Mr. WHITTEN. Dr. Cochrane, we all have been in Congress long enough to know that nobody can anticipate what Congress might do about proposed legislation. Whatever the merits or demerits may be of the proposal by the Department now before the Congress, you feel that whatever is passed by the Congress will not have any appreciable effect upon the present year?

Dr. COCHRANE. In 1962, no.

Mr. WHITTEN. I wanted the record to show that.

Dr. COCHRANE. It is conceivable that if the dairy program, which has been recommended by the President, were passed that there might be some change. And what happens to the joint resolution now before Congress will have some influence in dairy prices.

In the main the legislation will take hold in 1963 with respect to prices and programs.

Mr. SANTANGELO. I assume that the prices refer to all the commodities that the farmers pay for and sell?

Dr. COCHRANE. That is right.

Mr. SANTANGELO. This does not represent the situation as to a particular commodity, but just the overall?

Dr. COCHRANE. Just the overall index. The solid line is a weighted index of the prices of all the products that farmers sell. The dashed

line is the weighted index of prices of items, both production and living, that farmers buy.

MR. SANTANGELO. I note that he has paid more than he has received. I see that the broken line represents what he paid out, and the line below it is what he has received.

DR. COCHRANE. Yes, that is per unit.

This is a measure of the disparity. This line indicates that the prices received are at 80 percent of the level of prices paid. But this, as the chairman has indicated numerous times, does not describe volume; this is simply price per unit of all products sold and price of a weighted unit of all items bought.

MR. SANTANGELO. According to that chart, the farmers are receiving less than they are paying out; is that correct?

MR. WHITTEN. I don't mean to put words in the gentleman's mouth, but I am sure my colleague won't mind my making this point for what it is worth.

If I understand it correctly, Dr. Cochrane has reference to units. The farmer's income may be up a little this year because he has more units to sell. The cost of tractors is up to a considerable degree. So he does without buying a tractor. The price per unit of things that he buys is higher, but he may take up the slack by doing without the unit, or he may make up the slack by having more units to sell.

DR. COCHRANE. That is correct. Except the farmer is at a disadvantage when we have this situation. These two indexes are measures of prices which were in a certain relation level to each other back in this base period. Since then you can observe that on occasion the prices the farmers received have moved up more rapidly than the prices they had to pay, particularly in war periods. Prices received fell rapidly after World War I. Things he bought didn't fall as rapidly, so the price he received fell relative to the prices he paid.

You might visualize these as two price levels, one of a price level of all the things he buys, and the other a price level of all the things he sells. Sometimes one is higher than the other. This is what we have had in the 1950's—the prices of the things he sold fell more rapidly than the prices of the things he purchased. In fact, prices paid fell only for a brief period and then they have gone up.

As the chairman has said, whether a farmer is in a good position or not depends on the volume of things he had to buy and the volume of things he sells. But it is difficult for him to be in a good position when the terms of trade are running against him. And that is what has happened since 1950. On the average the prices of the things he had to sell have fallen relative to the prices of the things he had to buy.

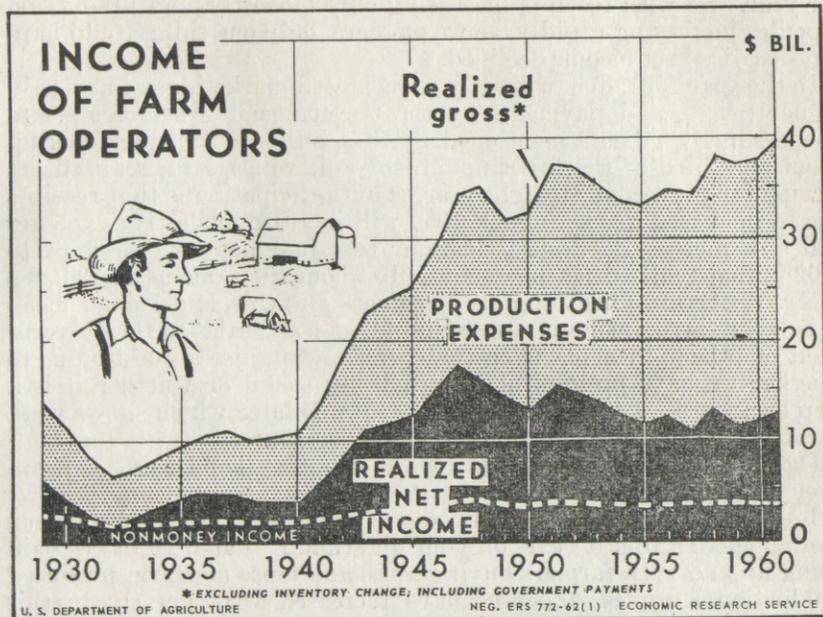
Does that answer your questions?

MR. SANTANGELO. No, it doesn't answer my question as I anticipate it. But let's proceed. Maybe it will clear up a little later.

FARM INCOME

MR. HORAN. Mr. Chairman, in connection with the next chart I would like to ask Mr. Cochrane some questions.

(The chart referred to follows:)



INCOME OF FARM OPERATORS

Realized net income of farm operators in 1961 is currently estimated at \$12.7 billion, up \$1 billion from 1960 and the highest since 1953. Gross farm income is estimated at about \$39.6 billion, up \$1½ billion from 1960. Higher cash receipts from marketings account for about half the increase and an increase of a like amount in Government payments accounts for the other half.

Production expenses estimated at \$26.9 billion in 1961 are up about one-half billion dollars from 1960.

The increase of a little more than 2 percent in cash receipts resulted from an increase of a little more than 1 percent in the volume of marketings and a little less than 1 percent in the average level of prices received. Cash receipts from soybeans and hogs showed the largest increases. Cash receipts from cotton lint and seed, cattle and calves, and oranges were also up from 1960.

The increase in Government payments resulted from payments to farmers who participated in the 1961 feed-grain program and advance payments to wheat farmers who have signed up to participate in the 1962 wheat program.

The improved farm income situation of 1961 is expected to continue this year with little overall change in the realized net income of farm operators. Some rise in production expenses is likely to offset any improvement in gross income. These expectations assume present programs and price supports, average growing conditions, some expansion in the demand for farm products, and no major change in the international situation.

Dr. COCHRANE. This again is a chart that you gentlemen have seen many times. I would like to call your attention particularly to the developments from 1940 on. You see that gross farm income rose very rapidly during the 1940's, and farmers' production expense increased some, but not too much. And as a result, the realized net income to farmers increased very rapidly during the 1940's.

From the late 1940's on, gross receipts to farmers have continued to move up, but at a relatively modest rate. What has happened is that his expenses have increased very greatly. To cite you one figure, from 1955 to 1960, production expenses increased at a rate of \$900 million

per year. So with receipts increasing only modestly, and production expenses increasing rapidly, as we see here, only one thing could happen—realized net income declined.

In the year 1961, due primarily to increased marketings at modestly higher prices, and payments by the Government, gross receipts to farmers increased, as I mentioned, by \$1½ billion. Expenses took up about one-third of the full amount, so we have a rise in realized net income for the second straight year. Our anticipation is that receipts due to increased marketings in 1962 will increase modestly; expenses will also increase modestly, thus our best judgment with regard to 1962 is that realized net income will be about the same as in 1961.

Mr. WHITTEN. One thing always enters into this, and I don't mean to belabor the point here. In my mind, at least, sales to the Government or other payments from the Government raise a question as to whether we have progressed toward being sound or whether it is a step backward. I trust that you have a table later which shows what part comes from Government or other various sources.

Dr. COCHRANE. We have some of the material that I think will answer your question.

I think the big picture that we see from here, and Congressman Santangelo, I think it bears on your question, is that with prices paid going up and with farmers buying more and more nonfarm produced production supplies, expenses have increased very greatly in this period, and even though gross receipts have increased, realized net income has trended downward over the whole period 1947-60. However we have had increases in realized net income in 1960 and again in 1961.

(The material referred to follows:)

Government payments to farmers, 1939 and 1946-61

[In millions of dollars]

Year	Conser- vation program	Sugar Act	Wool program	Soil bank program	Other	Great Plains conser- vation	Total
1939.....	526	28	-----	-----	¹ 209	-----	763
1946.....	285	31	-----	-----	² 456	-----	772
1947.....	277	37	-----	-----	-----	-----	314
1948.....	218	39	-----	-----	-----	-----	257
1949.....	155	30	-----	-----	-----	-----	185
1950.....	246	37	-----	-----	-----	-----	283
1951.....	246	40	-----	-----	-----	-----	286
1952.....	242	33	-----	-----	-----	-----	275
1953.....	181	32	-----	-----	-----	-----	213
1954.....	217	40	-----	-----	-----	-----	257
1955.....	188	41	-----	-----	-----	-----	229
1956.....	220	37	54	243	-----	-----	554
1957.....	230	32	53	700	-----	-----	1, 015
1958.....	214	44	14	815	-----	1	³ 1, 089
1959.....	228	44	82	323	-----	5	682
1960.....	217	50	51	370	-----	5	693
1961.....	230	45	56	334	⁴ 813	6	1, 484

¹ Price Adjustment Act of 1938, 291; cotton price adjustment, \$8,000,000.

² Production payments: dairy: 401; beef, 22; sheep and lambs, \$33,000,000.

³ Figures do not add due to rounding.

⁴ Includes \$767,000,000 under 1961 feed grain program, \$4,000,000 under 1962 feed grain program, and \$42,000,000 under 1962 wheat program.

Source: Economic Research Service.

Mr. HORAN. In the light of increased reduction in acreage, the farmers out my way, particularly the wheat farmers, they have to be tooled up pretty much for the handling of their entire acreage. But as we reduce the acreage that they can sell on the market, we tend to cut down on their ability to have realized net income unless, as the chairman has indicated, we make up for it by greater governmental allocations to them.

Dr. COCHRANE. You are certainly right; that is a very difficult problem.

Mr. HORAN. Yes. I am a fruit rancher. We have just one revolution after another, all requiring new equipment such as forklifts, now tote bins, or precoolers, new packinghouse equipment, new cold storage, all of that, and of course we are not on an acreage restriction basis. Even so, the chances of the young fellow buying a fruit ranch have been reduced.

Among my wheat growing friends they say we are the biggest body of nonowner residents here that you can imagine, because their margin of income is not such that they are able to purchase the wheat farm that they are operating. And as we continually reduce the acreage upon which they might produce, it seems to me that we tend to reduce their ability to become actual owners of the units that they are operating.

NEED FOR LARGER WHEAT MARKET

Dr. COCHRANE. Congressman Horan, I think we would all like to see a larger market for wheat. Our capacity to produce wheat, particularly in terms of yields per acre has increased very greatly in the past 15 years, and consumers in the United States don't eat much more bread as they get richer.

Therefore, we have had a decline in the per capita bread consumption which has about offset the rise in population. This trend runs head on into rising yields. We are all familiar with the troubles of wheat producers in the last 20 years.

Mr. HORAN. You realize right now we are distributing seed wheat on a county basis all over the State of Washington, seed wheat that gives promise of greatly increasing bushels to the acre.

Dr. COCHRANE. I would rather not think about it.

Mr. HORAN. We are moving into the field where we are going to have it generally distributed over the wheat-producing area, and they tell me it is a fairly good wheat.

Dr. COCHRANE. I am aware of this.

Mr. HORAN. That will pose additional problems. And I don't know whether we can keep on reducing acreage and dipping into the Federal Treasury to make up for that difficulty. We reduced cotton acreage by over 10 million acres and we saw Mexico, for instance, increase theirs by about five times in the same period.

COTTON ACREAGE

I notice that you have a little item in there that will give the cotton farmers pretty good support on their present acreage, and that you are going to allow them to increase their acreage by about 30 percent for export sales?

Dr. COCHRANE. Yes.

Mr. SANTANGELO. Will my colleague yield before you answer the question?

Mr. HORAN. I would like to have his answer first and then you may inquire.

Dr. COCHRANE. You are referring to the 1962 program?

Mr. HORAN. The program which just came up to the Congress. I haven't seen the details of the legislation you are proposing. I was rather intrigued with that suggestion.

Dr. COCHRANE. I would prefer not to spend too much time on those programs. There has been no cotton program come up to my knowledge.

Mr. HORAN. It is in the President's program. I read it.

Dr. COCHRANE. It was in his message but not in the bill.

Mr. HORAN. What is this?

Dr. COCHRANE. There was no cotton program in the—

Mr. HORAN. Yes, there was. If it isn't in the bill, why was it in the President's message? You are going to give him support up to, I believe, 90 percent on the present acreage and then allow him to increase the acreage 30 percent for sales at world prices, which means exports?

Dr. COCHRANE. Yes, that was in the President's message.

PROBLEMS FACING AMERICAN AGRICULTURE

Mr. HORAN. That is right. I think perhaps that is a step in the right direction. I am of the feeling that we can't encourage the whole world to increase its production, or allow it—because we have no control over their acreages—and continuously, with the help of the Treasury, reduce acreages here at home until we have an ever-normal granary because with the average farmer, if he is any good and he is progressive, he has to tool up for the potential of production on his entire acreage.

Even so, he remains almost condemned to the tenant farmer status because he can't buy the property he is on.

Dr. COCHRANE. I agree it is a difficult problem.

Mr. HORAN. I join with my chairman on what we thought were pretty good ideas in greatly liberalizing the Farmers Home Administration activities because our farmer who is worth his salt does face these problems and has to have credit sources if he got in trouble that were adequate to the present day.

I don't want to belabor this. It seems to me that what I am talking about is valid.

Mr. WHITTEN. I think, Mr. Horan, what you are digging into is important. Some of us have been here on the committee during the periods of service of Secretary Wickard, Secretary Anderson, Secretary Brannan, Secretary Benson, and now Secretary Freeman. There have been plenty of times that I have felt that this subcommittee has taken issue with these men to keep them from hurting themselves and American agriculture.

That is a matter of opinion. I don't question the sincerity of the viewpoint of those men, but after all members of this subcommittee, whichever side of the aisle we may happen to sit on, consider agriculture basic. We have some difference of opinion as to how to do these things, but there is no difference among members of this committee about what the objective is.

I have not been too disturbed by the cost of price supports when compared to the price of various other laws we have. The essential point is to keep the retail dollar in balance between industry, labor, and agriculture.

The record needs to show what part of the cost is for price supports and what part is for Public Law 480, food for peace and similar foreign assistance-type programs. That is one side.

The other thing that always indicates whether a given industry is healthy is who goes in it. Last year we showed that very few students were going to agricultural colleges and that very few of those who were intended to make their living on the farm. Also, we showed that the average farmer is about 58 years old. These facts certainly indicate that farming is not considered by our young people to be a desirable occupation to enter.

Americans are intelligent, and sometimes a person is forced into something he doesn't want. But the very fact that so few are going into it, and the fact that those in it are getting older and older, is sufficient warning to us that whatever we have been doing hasn't been enough to make agriculture an attractive occupation.

Listening to my colleagues I think many of them have the same worry about this. I mention this at this point so that you may touch on these things as fully as possible.

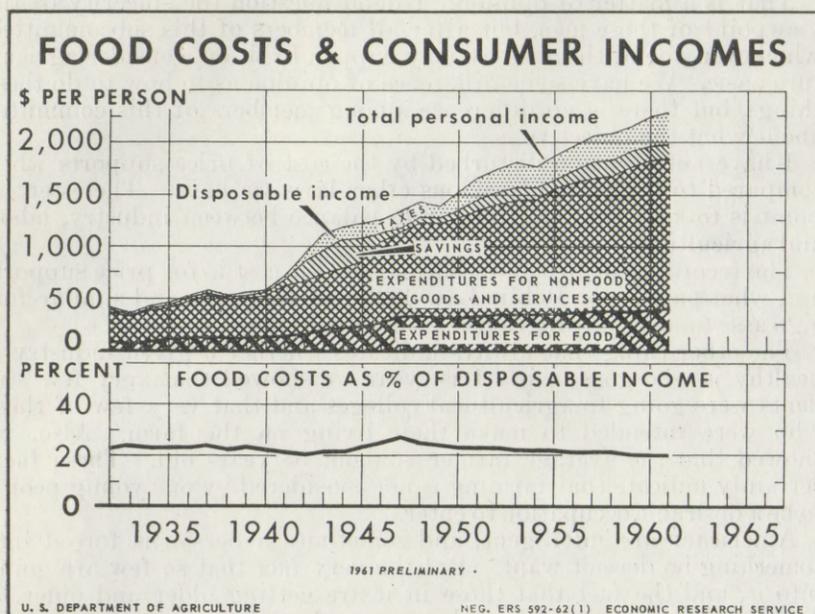
Mr. HORAN. We appreciate having you fellows here. If we appear to be frank, that is just to try to understand for one thing and to point up if we can some of the difficulties that we do face in the Nation.

Dr. COCHRANE. If I may make an observation, I agree with you that the long decline from 1947 on, in realized net income, is a symbol of the unhappy situation in agriculture.

The first two charts provide a summary picture of what has happened to prices, and next, what has happened to farm income. We begin here to see some of the forces that are at work to make those prices and incomes such as they are.

CONSUMER INCOMES

(The chart on food costs and consumer incomes follows.)



FOOD COSTS AND CONSUMER INCOMES

The flow of income to consumers has increased almost steadily since the early thirties. In 1961 income after taxes averaged \$1,985 per person, compared with an average of \$514 in 1935-39 and \$1,248 in 1947-49. In recent years, American consumers have spent around 20 percent of their income for food. In 1935-39 the percentage spent was 23, and in 1947-49 it was 27 percent.

If people bought exactly the same quantities and kinds of food, along with the same services now, as in the late thirties, food expenditures per person would account for about 14 percent of income rather than the 20 percent actually spent. This difference measures the effect of the shift in our food consumption away from potatoes and cereals to higher cost meats as well as an increase in the demand for marketing services.

Dr. COCHRANE. I would like to direct your attention to the fact that in the two decades, 1940 through 1960, we see that personal income of consumers in the United States has increased in an almost uninterrupted fashion. There are a couple of years when there are declines but there is a very steady upward march of consumer income.

We observe that during the first part of the decade of the forties expenditures for food moved up rather significantly, but from about 1947 on, expenditures for food increased rather slowly despite a further rise in consumer's income.

In 1961, we see that expenditures for food increased only modestly. You can see this relationship on this lower chart more clearly.

Incomes rose rapidly in the immediate postwar period, and expenditures for food rose even faster. The percentage of per capita disposable income spent for food went up. The average consumer spent 27 percent of his income for food in 1947.

Since 1947 and with a continued rise in personal income, and only a very slow increase in expenditures for food, the percentage of his income that the average consumer spent for food has declined, and

in 1961 the consumer spent only 20 percent of his disposable income for food.

Mr. ANDERSEN. In short, the average consumer today pays less for food and has a better bargain than he has ever had.

Dr. COCHRANE. That is right; in this country or any place else in the world. Relatively speaking, consumers in the United States spend less of their income for food than they have any time in history, and less than any place else in the world.

Mr. WHITTEN. Do these expenditures for nonfood goods and services include any prepackaging and freezing?

Dr. COCHRANE. No. All of the expenditures for food are in this. The expenditures for food include not only what the farmer puts into it but all the marketing services as well. This area of nonfood goods and services includes expenditures for items such as clothes, vacations, education, medical care and what have you.

RELATIVE DECLINE IN CONSUMER FOOD COSTS SINCE 1947

Mr. WHITTEN. So for the period of 1947-61, notwithstanding all these built-in services and prepackaging, the total cost percentage for food has decreased from 27 to 20 percent?

Dr. COCHRANE. That is right.

Mr. HORAN. And you should follow that up. All of the processing, like TV dinners and all that, that cuts down, does it not, on what is net to the producing firms?

Dr. COCHRANE. I am not sure whether it does or not. Insofar as TV dinners and the like, move more expensive foods into the diet, I don't believe it will.

It does cut into the farmer's share of the consumer dollar.

Mr. HORAN. If you include all of that and the expenditures for food, this superduper food we are getting, like instant mashed potatoes and all that, that cuts down on what the potato producer gets to spend as a farmer, doesn't it?

You have figures some place that show that there are about 2½ people working on food off the farm to every one who is working on food on the farm.

Dr. COCHRANE. There is no question but when you add processing to what the farmer produces, that this takes up a share of what the consumer has to spend. There is a question in my mind, however, whether that cuts into the farmer's income, because you can have a great deal of processing attached to a food where the price is still good.

I think in the case of oranges, the consumption of frozen orange juice, the data would show that the returns to orange producers have not declined as a result of moving away from fresh consumption and to processed consumption.

Mr. HORAN. That would take some explaining because the expenditures for food there presumably, what you are saying, is that if it is processed the market will allow a higher price per unit at the marketplace in the supermarket.

Dr. COCHRANE. I am saying that if it is processed the consumer may want to use it where she would not otherwise have used it.

Mr. HORAN. And pay more for it?

Dr. COCHRANE. In total, yes. But in this chart what we are saying is that the percent of income allocated to expenditures of food actually declines as consumer incomes increase. We do see that there has been a gradual increase in the total expenditures for food.

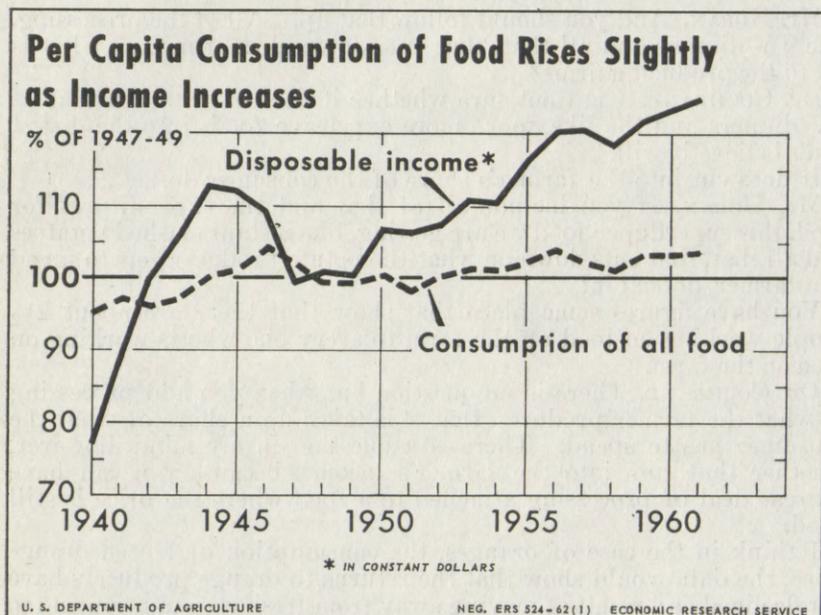
This is not a happy situation. But the point I am trying to make is that a set of producers may be better off by the processing of their commodity. The consumer seems to want highly processed foods and a commodity that resists this may be pushed out of the market as the consumer moves in the direction of highly prepared foods.

Mr. WHITTEN. If in 1947 the consumer spent 27 percent of his income for the food of that day, and today he spends 20 percent of his income for food, including all the increased processing that goes into it, it follows that the farmer's percentage has to be less and less. That is very evident.

Dr. COCHRANE. That is right.

PER CAPITA CONSUMPTION OF FOOD

This next chart is really an amplification of the last chart and shows what has happened to real disposable income on a per capita basis. (The chart referred to follows:)



PER CAPITA CONSUMPTION OF FOOD

Some increase in domestic use of farm products is expected in 1962 primarily as a result of population growth. Per capita consumption of food in 1962 is expected to be about the same as in other recent years, about 3 percent above the 1947-49 average. In the postwar period, this index has moved within a narrow range.

Although per capita use of farm foods in total exhibits remarkable stability, the relative amounts of the different foods changed substantially. Consumption of meat and poultry has increased sharply. The increase in broilers accompanied

a very substantial reduction in the relative price of broilers. The uptrend in red meat is mainly the result of increased consumption of beef.

Trends in per capita consumption of dairy products have been mixed with sharp declines in butter, cream, and evaporated milk, a slight decline in fluid whole milk and increases in cheese, ice cream, and nonfat dry milk.

Per capita consumption of potatoes and cereals have declined sharply over the past two decades and consumption of eggs is down also.

Dr. COCHRANE. I would like to direct your attention to developments after 1947. We observe that real per capita income has increased significantly over this period, at the same time the best measure we have of food consumption holds almost constant.

Another way of saying this is that in an economy such as the United States we are reaching the stage where rising consumer incomes seem to have little influence on the total consumption of food. This is a total concept, and there have been changes within the total. As per capita incomes have risen, consumers have consumed more red meats, more broilers, and more of some fruits and vegetables. On the other hand, consumers have decreased their consumption of almost all cereal products, potatoes, eggs, and several dairy products—butter and more recently fluid whole milk. The changes are largely offsetting so that total consumption per capita has held just about constant, and has not been increased by rising real consumer incomes.

Mr. HORAN. I suppose calories and cholesterol account for some of that?

Dr. COCHRANE. There are numerous things in it. But certainly leading more sedentary lives has a bearing on this.

Mr. SANTANGELO. And 4-hour days.

Dr. COCHRANE. Sure.

The average consumer keeps his house warmer, he is less active physically, and simply requires less calories.

Mr. SANTANGELO. The inference is that he ate plenty when he got out of the service, but now he doesn't.

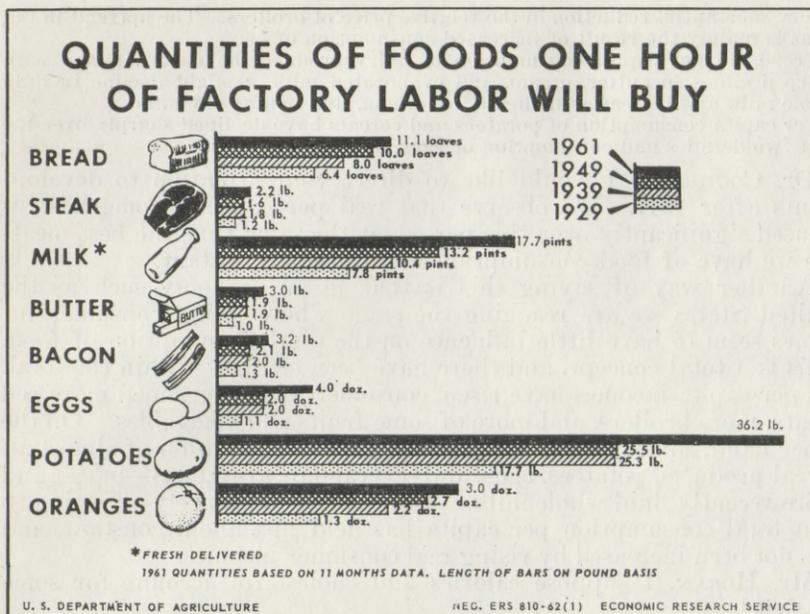
Dr. COCHRANE. Mr. Chairman, do you have any more questions on this chart?

Mr. WHITTEN. I believe not. You might proceed.

QUANTITIES OF FOODS 1 HOUR OF FACTORY LABOR WILL BUY

Dr. COCHRANE. Here is a chart that I think you gentlemen have seen in the past. It describes how the purchasing power of an hour of factory labor has increased with respect to food for specified years from 1929 to 1961.

(The chart referred to follows:)



QUANTITIES OF FOODS 1 HOUR OF FACTORY LABOR WILL BUY

This chart measures the increase in the real wages of factory workers in terms of specific foods. These increases are due largely to gains in the productivity of agriculture.

The purchasing power of an hour's factory labor was greater in 1939 than in 1929 for each of these foods, equal to or greater in 1949 than in 1939 for each food except round steak, and greater in 1961 than in 1949 for each food.

Dr. COCHRANE. In other words, because of increased labor productivity on the nonfarm side and the rising wages that have gone with it, and increased productivity on the farm side and the increased production that has gone with it, an hour of factory labor in 1961 will buy a great deal more food than it would in 1929.

In the case of bread, an hour of factory labor moved up from 6.4 loaves of bread in 1929 to where it will buy 11.1 loaves of bread in 1961.

It shows about the same doubling for steak and milk, and we see that the purchasing power of an hour of factory labor has tripled in butter, almost tripled in bacon, more than tripled in eggs, just about tripled in oranges.

This is a description of how the real income, the ability of Americans to buy food, has increased over this 30-year period.

Mr. SANTANGELO. Do you have any charts showing the quantity of food 1 hour of nonfactory labor will buy?

NONFARM FOOD BUYING COMPARED WITH FARMERS' PURCHASES

Dr. COCHRANE. Mr. Wells had something in the record on that last year. We don't have a chart. I would say factory labor receives typically a higher wage than all nonfarm labor. So what you would find is, that the amount that an hour of average nonfarm labor would

buy would be reduced because the wage rate is less, but the pattern of increase will be much the same.

In other words, what I am saying is that if nonfactory labor on the average received wages two-thirds the rate of factory labor, they would be able to purchase only two-thirds of the amount shown here for factory labor. But the improvement in their real purchasing power over time would be similar to that of factory labor.

Mr. SANTANGELO. It wouldn't be as marked because you are taking the two extremes. The factory laborer is making maybe \$2.65 an hour or better, or even if you take the skilled laborers making a higher rate per hour than the nonskilled laborer. I think the test of farmers is determined by what the nonfactory labor and nonskilled labor is making, what proportion there would be between what he can buy now and what he could buy in 1949. This chart doesn't mean anything to me.

Of course, we know that wages have risen in certain highly unionized industries, and they have gotten more money out of the economy than some of the farmers have. But the question is, What is the relationship between the hourly wage of the nonfactory worker and the amount of food he can buy? There are quite a few people who are not in highly unionized industries and who are not protected by minimum wages.

What is the relationship between what they can buy now and what they could buy in yesteryear?

Mr. WHITTEN. I think the point Mr. Santangelo makes is well taken.

I wonder, Doctor, would it be possible to prepare a chart in line with what Mr. Santangelo has pointed out?

Dr. COCHRANE. I think we can do it.

Mr. WHITTEN. This first volume will not be printed until after the Secretary has made his appearance before the two legislative committees. So we doubtless will have some little time in which to have such a chart prepared for inclusion in this record.

Dr. COCHRANE. Do you want it for all nonfarm labor or some particular category of nonfarm labor?

Mr. SANTANGELO. I would like to exclude the factory labor and the highly skilled labor, who we know are making sufficient money, higher than the average. The great complaint about farm prices and food prices today comes from those who are not as fortunate as the factory laborer.

I think in appraising whether or not the farmer is responsible for the high cost of food, the comparison should be between the wages of those who are not getting an extra-high salary and farm prices today.

Mr. HORAN. Do you mean white collar and blue collar?

Mr. SANTANGELO. White collar and blue collar are better off even than the service trades, and those people who are menial employees, what are they getting compared with what they have to buy? These are the ones who utter the biggest complaints.

(The information requested follows:)

Quantities of foods equal in value to 1 hour of labor in specified trades

Item	Unit	1939	1949	1959	1961
Bread:					
Factory worker.....	Pound.....	7.9	9.8	11.1	11.1
Retail trade.....	do.....	6.1	7.2	8.0	¹ 8.0
Hotels, motels, and tourist courts ²	do.....			5.4	5.5
Laundries, cleaning and dyeing plants ³	do.....			6.1	6.1
Round steak:					
Factory worker.....	do.....	1.7	1.6	2.0	2.2
Retail trade.....	do.....	1.3	1.2	1.5	¹ 1.6
Hotels, motels, and tourist courts ²	do.....			1.0	1.1
Laundries, cleaning and dyeing plants ³	do.....			1.1	1.2
Milk:					
Factory worker.....	Pint.....	10.2	13.0	17.4	17.7
Retail trade.....	do.....	7.9	9.6	12.5	¹ 12.8
Hotels, motels, and tourist courts ²	do.....			8.4	8.8
Laundries, cleaning and dyeing plants ³	do.....			9.5	9.7
Butter:					
Factory worker.....	Pound.....	1.9	1.9	2.9	3.0
Retail trade.....	do.....	1.5	1.4	2.1	¹ 2.2
Hotels, motels, and tourist courts ²	do.....			1.4	1.5
Laundries, cleaning and dyeing plants ³	do.....			1.6	1.7
Bacon:					
Factory worker.....	do.....	2.0	2.1	3.3	3.3
Retail trade.....	do.....	1.5	1.5	2.4	¹ 2.3
Hotels, motels, and tourist courts ²	do.....			1.6	1.6
Laundries, cleaning and dyeing plants ³	do.....			1.8	1.8
Eggs:					
Factory worker.....	Dozen.....	2.0	2.0	4.1	4.0
Retail trade.....	do.....	1.5	1.5	3.0	¹ 2.9
Hotels, motels, and tourist courts ²	do.....			2.0	2.0
Laundries, cleaning and dyeing plants ³	do.....			2.3	2.2
Potatoes:					
Factory worker.....	Pound.....	25.1	25.1	34.8	36.8
Retail trade.....	do.....	19.4	18.5	24.9	¹ 26.2
Hotels, motels, and tourist courts ²	do.....			16.8	18.3
Laundries, cleaning and dyeing plants ³	do.....			19.0	20.2
Oranges:					
Factory worker.....	Dozen.....	2.2	2.7	3.3	3.0
Retail trade.....	do.....	1.7	2.0	2.4	¹ 2.2
Hotels, motels, and tourist courts ²	do.....			1.6	1.5
Laundries, cleaning and dyeing plants ³	do.....			1.8	1.6

¹ January–November average.² Nonsupervisory workers.³ Production workers.

Source: Based on urban retail prices and average hourly earnings compiled from reports of the Bureau of Labor Statistics.

HOURLY EARNINGS OF WORKERS IN SERVICE TRADES

Only very limited information is available on the average hourly earnings of workers in service trades. The table below includes information on average hourly earnings of factory workers and workers in retail trades for 1939, 1949, and 1958–61. Average hourly earnings of workers in the hotels, tourist courts, and motels category and workers in laundries, cleaning and dyeing plants are included for the years 1958–61. Comparable data on hourly earnings of workers in these trades for earlier years are not available. The data in the table were compiled from reports of the Bureau of Labor Statistics.

Average hourly earnings in specified trades, 1939, 1949, and 1958–61

Trades	1939	1949	1958	1959	1960	1961
Factory workers in manufacturing.....	\$0.627	\$1.378	\$2.11	\$2.19	\$2.26	\$2.32
Workers in retail trade ¹.....	.484	1.015	1.52	1.57	1.62	² 1.68
Workers in hotels, tourist courts, and motels (nonsupervisory) ³ ⁴			1.03	1.06	1.10	1.15
Workers in laundries, cleaning and dyeing plants (production workers) ⁴			1.17	1.20	1.24	1.27

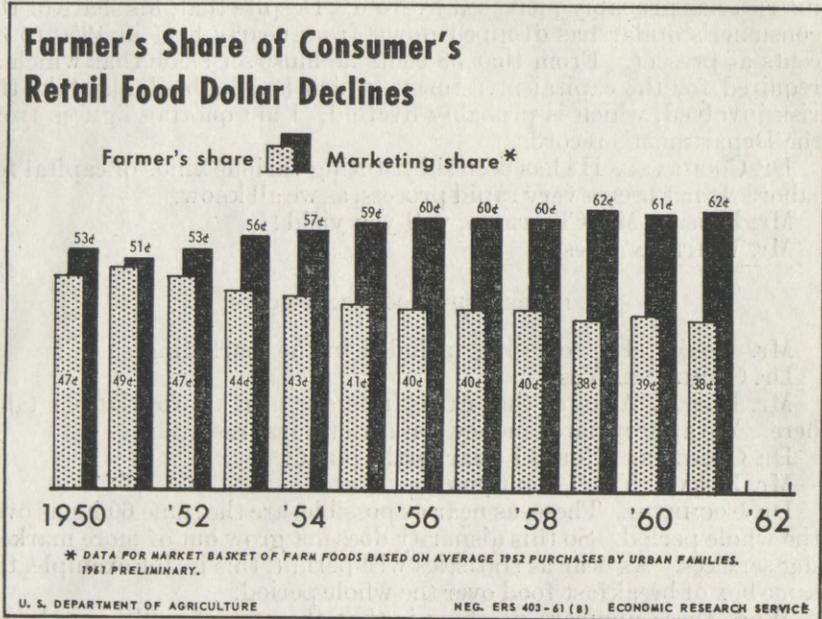
¹ Excludes eating and drinking places.² January–November average.³ Money payments only; additional value of board, room, uniforms, and tips not included.⁴ Series begins in 1958.

Mr. WHITTEN. You may proceed, Dr. Cochrane.

FARMER'S SHARE OF THE RETAIL FOOD DOLLAR

Dr. COCHRANE. This chart describes clearly what has been happening to the farmer's share of the retail dollar.

(The chart referred to follows:)



MARKETING MARGIN AND FARMER'S SHARE OF RETAIL FOOD DOLLAR

A steady increase in marketing margins during the 1950's combined with a downtrend in prices received by farmers for food products culminated in the farmer's share of the retail food dollar being only 38 cents in 1961. This was the same as in 1959 but otherwise the lowest since 1947.

All the major components of the marketing margin—labor costs, transportation charges, and "other" costs are higher than a decade ago. By contrast, prices farmers get for their food commodities, under pressure of continuing large supplies, are well below the levels of the early 1950's.

Marketing charges per unit of farm food products marketed will probably average slightly higher in 1962 than last year.

Dr. COCHRANE. What is involved here is that we price a given basket of food items over this period. It is the same items over the full period, some 60 items. Each one of those items involves both products that the farmer has produced and the marketing services attached to them. The prices of the farm products used in these food items has gone down, while the cost of the marketing services involved in these food items has gone up. So with the prices of the marketing services going up, and the prices of the farm product component going down, the farmer's share was roughly half—49 percent—of the consumer's food dollar in 1951 and in 1961 the farmer's share was only 38 cents of the consumer's dollar.

FARMER'S INVESTMENT

Mr. WHITEN. As I have often said, we can't serve on this committee without becoming students of applied economics. The thing that

is disturbing to me, far beyond that drop in the percentage the farmer gets, is the fact that in the process he has been required to substitute for farm labor, which has been reasonably priced, very expensive machinery, chemicals, and everything else.

In other words, the farmer's investment per farm has doubled, and his risk has probably increased fivefold. Despite that, his share of the consumer's dollar has dropped down from nearly half in 1950 to 38 cents at present. From that 38 cents he must set aside that which is required for the capital investment, which has doubled, and take the risk involved, which is probably fivefold. I am quoting figures from the Department's records.

Dr. COCHRANE. He has been substituting various kinds of capital for labor. It has been a very rapid process, as we all know.

Mr. HORAN. Mr. Chairman, will you yield?

Mr. WHITTEN. Yes.

INCREASED PROCESSING COSTS

Mr. HORAN. Is processing included in the marketing share?

Dr. COCHRANE. Yes.

Mr. HORAN. A lot of that came from our own appropriations table here. We appropriated money for agricultural research.

Dr. COCHRANE. Could I clear up the point?

Mr. HORAN. Yes, I want you to.

Dr. COCHRANE. These, as near as possible, are the same 60 items over the whole period. So this disparity does not grow out of more marketing services. As near as statistics will permit, this is, for example, the same box of breakfast food over the whole period.

What these numbers do show is that the cost of milling and pre-cooking and boxing that package has gone up, and the price of the wheat that is in the box has gone down. As nearly as possible, these are the same 60 items with the same amount of food and the same amount of processing all the way through.

This chart simply tries to show the disparity or shift in what the farmer gets because of price changes resulting on the same fixed market basket of food.

Mr. HORAN. If you were to have the same chart for textiles, for instance, the disparity would be greater, wouldn't it?

Dr. COCHRANE. Mr. Koffsky, can you help me?

Mr. KOFFSKY. The disparity would be greater, yes. You would have a smaller proportion for the farmer's share of the total consumer dollar for textiles.

Mr. SANTANGELO. Would you yield?

I was going to ask tomorrow, but maybe you can get the information by tomorrow. When I was with the agricultural service group in Paris I asked this question of some of the representatives: What percentage of the consumer dollar does the farmer get? They didn't know how to compute it. They weren't able to figure it out.

COMPUTING FARMERS' SHARE OF CONSUMER DOLLAR

That leads to the question: What is the basis of these percentages? What items do you consider in arriving at what the farmer gets? What do you compare it with? In other words, I would like to come

to the method whereby you come to these percentages. You don't have to answer that today.

Dr. COCHRANE. We will have a statement for you tomorrow.

Mr. SANTANGELO. I always quoted these figures and said the farmer was in desperate plight, getting 38 percent of the consumer's dollar. When they asked how do you arrive at it, I just didn't know the answer. Can you enlighten us?

Dr. COCHRANE. We will have a statement prepared which I can either give to you or read, depending on your wishes.

TUESDAY, FEBRUARY 6, 1962.

Mr. WHITTEN. The committee will come to order.

Doctor, yesterday you were presenting to us the various charts. Unless you have something different, we shall proceed where you left off with the charts.

Dr. COCHRANE. All right, Mr. Chairman.

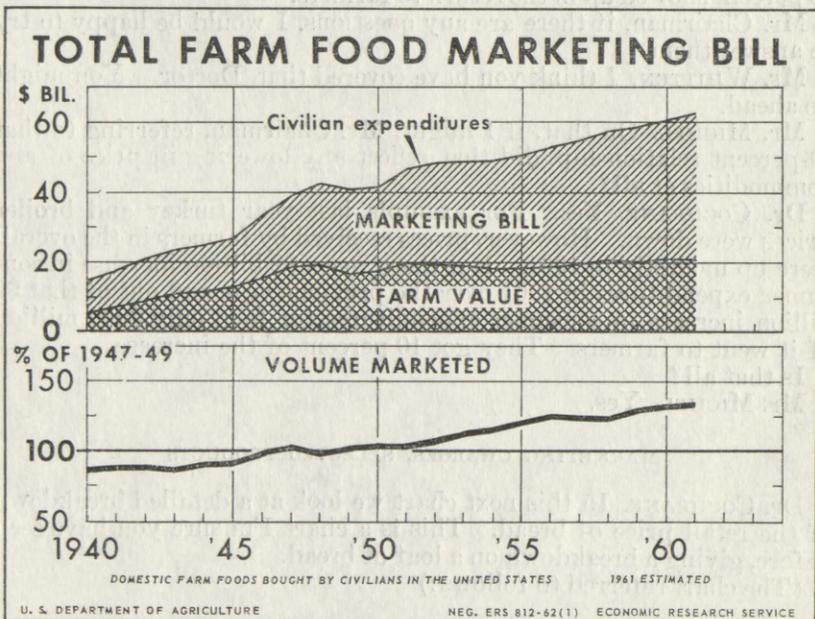
On this chart Mr. Santangelo asked us to prepare a statement for him. We are working on it and will have it put in the record. If he would like to discuss it any further, we can.

Mr. WHITTEN. Well, you might proceed and we will come back to that.

TOTAL MARKETING BILL

Dr. COCHRANE. This is another chart describing the marketing of farm food products.

(The chart referred to follows:)



TOTAL FARM FOOD MARKETING BILL

Consumer expenditures for U.S. farm foods are estimated at \$62.2 billion in 1961. This was an increase of \$2 billion from 1960. The farm value of these foods increased only slightly from \$20.7 billion to \$20.9 billion. The volume of farm food marketed increased about 2 percent.

Compared to the 1947-49 average, the farm value is up \$2.6 billion or 14 percent; consumer expenditures were up \$21.4 billion or 52 percent, and the total marketing bill increased \$18.8 billion or 84 percent. The volume of marketings rose 34 percent. Higher cost levels, additional volume of food marketed and additional services are the items that account for the increase in the marketing bill.

Consumer expenditures for U.S. food include expenditures for food and accompanying services away from home as well as food purchased for consumption at home. Nonfarm foods, such as fish, and imported foods are not included.

Dr. COCHRANE. Here we have a description of the total farm food marketing bill. On the previous chart we were pricing a fixed bill of goods and seeing how the farmer's share changed over the year. Here we have a measure of the total marketing bill.

I would like to direct your attention first to the bottom part of the chart where the solid black line indicates that the volume marketed has increased regularly year after year as our farm production has increased and as our population and exports have increased.

Total civilian expenditures for farm food products, you will also observe, has moved up in a parallel fashion.

But we see in this chart how the farm value, after about 1947, holds almost constant. The return to farmers for that increasing volume of foods marketed holds almost constant.

In 1961, total civilian expenditures for farm foods increased \$2 billion. The increased farm value out of that was only \$200 million. So, out of the increase in total consumer expenditures last year, only 10 percent showed up in the return to farmers.

Mr. Chairman, if there are any questions, I would be happy to try to answer them.

Mr. WHITTEN. I think you have covered that, Doctor. You might go ahead.

Mr. MICHEL. On that, if I might, Mr. Chairman, referring to that 10-percent relationship, did that reflect any lowering in price of any commodities at all?

Dr. COCHRANE. Yes. For example last year turkey and broiler prices were down. However, prices received by farmers in the overall were up modestly in 1961. But there was a \$2 billion increase in consumer expenditures in 1961 over the previous year and out of that \$2 billion increase in consumer expenditures for food only \$200 million of it went to farmers. They got 10 percent of the increase.

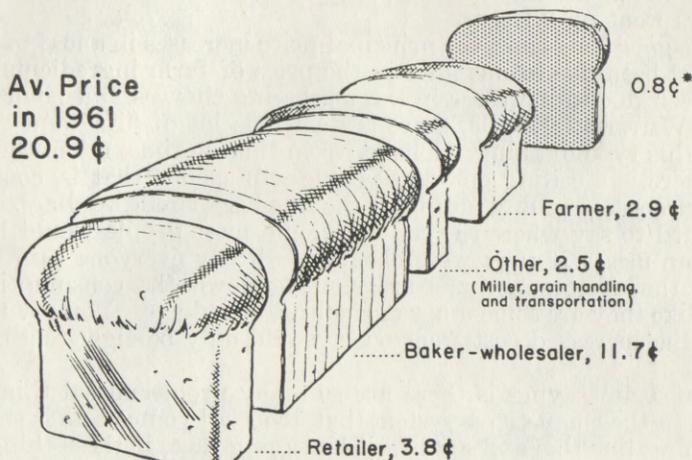
Is that all?

Mr. MICHEL. Yes.

MARKETING CHARGES, SELECTED PRODUCTS

Dr. COCHRANE. In this next chart we look at a detailed breakdown of the retail price of bread. This is a chart I'm sure you have seen before, giving a breakdown on a loaf of bread.

(The chart referred to follows:)

Where It Goes**CONSUMER'S BREAD PRICE**

* AT PARITY PRICE OF \$2.38 PER BU. WHEAT FARMERS WOULD HAVE RECEIVED AN ADDITIONAL 0.8¢ THIS ADDITION WOULD HAVE RAISED THE RETAIL PRICE TO 21.7¢

U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 828-42(1) ECONOMIC RESEARCH SERVICE

CONSUMER'S BREAD PRICE

Urban consumers paid an average of 20.9 cents per pound loaf of white bread in 1961. For the wheat and other farm produced ingredients used farmers received about 2.9 cents or about 14 percent of the retail price. Compared to 1950 the retail price increased from 14.3 cents to 20.9 cents per pound loaf—46 percent. The 2.9 cents the farmer received was slightly less than the 3 cents he received in 1950.

Dr. COCHRANE. The average price of a loaf of bread in 1961 was 20.9 cents. The farmer received 2.9 cents for all farm ingredients that went into bread. This is mostly flour, but includes some other ingredients. The baker-wholesaler, as you see, was the largest single recipient, getting 11.7 cents.

There is a dotted slice up here at the top with 0.8 cent next to it. The slice indicates how much more would be added to the price of a loaf of bread if the price of wheat were at parity, namely, \$2.38 per bushel. If farmers were receiving \$2.38 and there was no other change in costs the price of a loaf of bread would be 0.8 cent higher.

For your information, under the 1962 program the support price of wheat is \$2 per bushel. That is an increase from \$1.79 for the 1961 crop. This could have the effect of raising the price of a loaf of bread by about 0.3 cent, again if all other costs held constant.

We see here the very small share that goes to the farmer in the process of getting a loaf of bread to the consumer.

Mr. MICHEL. If there is going to be an increase of 0.3 cent on a loaf of bread has there been any computation made of the number of loaves of bread sold throughout the country and what the overall increase in cost to the consumer is going to be for that?

Dr. COCHRANE. We have not made it. It could be made.

Mr. MICHEL. It could be easily attained, couldn't it?

Dr. COCHRANE. I would like to point out, however, Mr. Chairman, that the price of bread went up from 20.3 cents to 20.9 from 1960 to 1961; the farmer's share went up from 2.8 cents to 2.9. In other words, the price of a loaf of bread went up 0.6 cent; the return or the share to farmers went up 0.1 cent.

For a good long time, the principal price increases in a loaf of bread have not been due to increases in the price of farm ingredients; they have been due to increases in the marketing charges and labor costs.

Mr. WHITTEN. Doctor, there are a whole lot of "ifs" and "ands" about this type of thing. I have, from time to time, taken the view that there is a ceiling on what people will spend; that is, consumer resistance sets a ceiling on top of the number of retail dollars. Now, it is hard to say where the ceiling is, and most people would like to eat more meats if they were cheaper. Nearly everyone eats bread, except the doctors perhaps are slowing down the consumption of bread like they are some other agricultural products. You say that if all of the increased cost went on it would only be eight-tenths of 1 cent.

What I am saying is there are so many problematical things involved in the competitive system that about all you can do is show us something like this and qualify it by saying that, if these things are handled in a certain way, it will end up that way.

Dr. COCHRANE. That is right.

Mr. WHITTEN. The reason I always try to point this side out is, once you folks leave and we write up this bill and take it to the whole committee and the floor, then we have to defend it as you do.

The other thing that we might say right here is that, if the farmer gave his wheat away and the others got the same price, it would bring the price of bread down only 2.9 cents.

Dr. COCHRANE. That is right. And, as I indicated earlier, the main increase in the cost of bread in the past decade has been due to increases in marketing charges not increases in the price of the farm ingredients.

Mr. WHITTEN. There a lot of things involved in it. The markup of various people in handling the bread as well as everything else depends on general conditions. Under our system, where you sell for what the traffic will bear, if you have a traffic that will bear a good deal, it usually gets charged, and if the conditions get pretty tough a person has to scale down. So all those uncertain factors creep into this.

I think it is significant, and we have pointed out from time to time on the floor that, if the farmer gave his whole product away at the point where it is produced, I doubt that the cost of living would go down very much.

Dr. COCHRANE. It certainly wouldn't in bread or in the cotton we are going to look at next. Should we go on to cotton?

Mr. WHITTEN. Yes, go right ahead. I think it is a fact that needs to be constantly put in the record.

Dr. COCHRANE. Cotton is another commodity where a great deal of processing is associated with the retail product. In 1961, the average price of a shirt at retail was \$4.24. The farmer received 27 cents out of that \$4.24.

(The chart on cotton business shirts follows:)



WHAT THE FARMER GETS FOR A COTTON BUSINESS SHIRT

A typical cotton business shirt sold for around \$4.24 in 1961. The farm value of the amount of cotton required to make this shirt was about 27 cents, less than 6½ percent of the retail price. Compared to 1960, the retail is up 11 cents, nearly 3 percent. The farm value of the cotton is the same.

These data are averages for the first 9 months of 1961.

Mr. WHITTEN. To make my point once again: If the farmer gave his cotton away and if that were reflected, which it would not be, since the shirt manufacturers and retailers set their price at what the traffic will bear, the \$4.24 shirt would sell for \$3.97, wouldn't it?

Dr. COCHRANE. Right.

Mr. WHITTEN. If they passed that benefit on.

All right, proceed.

Mr. SANTANGELO. May I ask one question, Mr. Chairman?

Mr. WHITTEN. Yes.

FARMER'S SHARE OF RETAIL DOLLAR

Mr. SANTANGELO. In the previous chart you indicated that the farmer's share of the consumer's dollar was about 38 percent.

Taking the item of wheat and bread and also taking the item of cotton, we find that the percentage is much lower.

Apparently from the chart the farmer gets just a little, about 14 percent of the consumer dollar spend for bread, and on the shirt apparently he is getting about 6 percent of the consumer dollar which

leads me to believe that there are certain items the farmer is getting much more than 38 percent of the consumer dollar.

Dr. COCHRANE. That is correct.

Mr. SANTANGELO. Could you tell us, in view of the terrible disparity between what the farmer gets and the consumer pays in these two items, upon which items do the farmers receive a high percentage so that the farmer's take averages about 38 percent? It is apparent that to get an average of 38 percent of the consumer dollar the farmer must receive on certain commodities about 70 or 75 percent of the consumer dollar.

Dr. COCHRANE. Mr. Koffsky has some of those numbers right there. Could you read Mr. Santangelo some of them?

Mr. KOFFSKY. Yes. I think the big items are meat products, for example. The farmer's share in the third quarter of 1961 was 51 percent; for dairy products, 44 percent; for poultry and eggs, 59 percent.

For the bakery and the cereal products all together the farmer's share was 18 percent. For fruits and vegetables it runs 30 percent, fats and oil, 29 percent.

Mr. SANTANGELO. May I ask, Mr. Chairman, that these figures be set forth in the record as part of the explanation?

(The information requested follows:)

Farm-retail spreads and farmer's share for selected farm products, annual 1961¹

Product	Retail unit	Retail price	Net farm value	Farm-retail spread ²
		<i>Cents</i>	<i>Cents</i>	<i>Cents</i>
Bread, white.....	Pound.....	20.9	2.9	18.0
Corn flakes.....	12 ounces.....	26.4	2.6	23.8
Peaches, canned.....	No. 2½ can.....	33.2	5.7	27.5
Corn, canned.....	No. 303 can.....	20.6	2.3	18.3
Peas, frozen.....	10 ounces.....	20.7	3.0	17.7
Corn sirup.....	24 ounces.....	27.0	2.7	24.3
Cigarettes, regular length.....	Package.....	27.2	4.0	23.2
		<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>
Cotton items:				
Business shirt.....	1.....	4.24	.27	3.97
Work shirt.....	1.....	1.74	.25	1.49
Sheet, muslin.....	81 by 99 inches.....	2.23	.70	1.53

¹ Data from "The Marketing and Transportation Situation", February 1962, except data on cotton articles, which are preliminary figures in the Marketing Economics Division and have not yet been released.

² This would be the price to consumers if the farm products were furnished free and marketing costs were unchanged.

HOW THE FARMER'S SHARE OF THE RETAIL FOOD DOLLAR IS CALCULATED

The farmer's share is calculated by comparing the retail cost of the farm food market basket to the farm value of the foods in that basket. The market basket consists of the average quantities of farm foods purchased by urban wage earner and clerical worker families in 1952. There are 60 individual food items. The cost of the fixed market basket at retail in 1961 was \$1,060.22. The net farm value of the food products included in the market basket was \$403.94. Thus, the farmer's share is 38 percent of the retail value of the market basket.

The difference between the retail price and the price received by the farmer for the quantity of product equivalent to the unit sold at retail is calculated for each food item. The retail prices are those published by the Bureau of Labor Statistics.

The retail values for groups of related items such as meat products, dairy products, etc., are obtained by multiplying the quantities in the market basket by the retail prices of the same products. Similarly, the farm values are the result of multiplying the equivalent quantity of farm products by prices received by farmers.

The retail value of the market basket is the sum of the retail values for the seven food groups and the farm value is the sum of the farm values.

The farmer's share for the market basket is the farm value expressed as a percentage of the retail value. The farmer's share for food groups and for individual foods is calculated in the same way.

The retail cost, farm value, farm-retail spread, and the farmer's share of the retail cost for calendar year 1961 are shown in the following table. Data are given for the total market basket, for the groups of related commodities and for individual foods.

Farm food products: Retail cost, farm value of equivalent quantities sold by producers, byproduct allowance, farm-retail spread, and farmer's share of retail cost, annual 1961¹

Product ²	Farm equivalent	Retail unit	Retail cost	Gross farm value	Byproduct allowance	Net farm value	Farm-retail spread	Farmer's share
Market basket ³			\$1,060.22			\$403.04	\$656.28	Percent
Meat products.....			277.00			140.07	136.93	35
Dairy products.....			201.97			89.46	112.51	31
Poultry and eggs.....			86.76			32.07	54.69	44
Bakery and cereal products:								
All ingredients.....	Farm produce equivalent to products bought by urban families.	Average quantities purchased per urban wage-earner and clerical-worker family in 1962.	107.69	\$24.78	\$2.78	29.85	137.84	18
Grain.....			227.01			72.00	166.79	13
All fruits and vegetables:			140.29			48.01	91.38	30
Fresh fruits and vegetables.....			180.23			20.65	47.48	35
Fresh vegetables.....			97.62			22.21	75.41	30
Pressed fruits and vegetables.....			43.41			13.63	29.78	23
Fats and oils.....			44.88			7.14	37.74	31
Miscellaneous products.....								16
Beef (Choice grade).....	2.16 pounds Choice grade cattle	Pound.....	79.2	Cents		44.5	34.7	56
Lamb (Choice grade).....	2.37 pounds lamb	do.....	65.9	48.9		31.4	34.5	48
Pork (retail cuts).....	2.13 pounds hogs	do.....	59.2	37.7		31.4	27.8	48
Butter.....	Cream and whole milk	do.....	76.3	36.4		53.8	22.5	53
Cheese, American process.....	Milk for American cheese	do.....	36.4			15.1	21.3	71
Ice cream.....	Cream and milk	1/2 gallon.....	86.4			42.3	44.1	41
Milk, evaporated.....	Milk for evaporating	14 1/2-ounce can.....	15.9			6.5	9.4	27
Milk, fluid.....	Wholesale fluid milk	Quart.....	25.4			10.9	14.5	41
Chickens, frying, ready-to-cook.....	1.37-pound broilers	Pound.....	38.5			19.4	19.1	43
Eggs.....	1.03 dozen	Dozen.....	54.9			36.4	18.5	50
Bread, white.....	Wheat and other ingredients	Pound.....	20.9			2.9	18.0	14
Wheat.....	882 pound wheat	do.....	2.4	2.6		2.4		11
Crackers, soda.....	1.38 pound wheat	do.....	2.4		.2	3.7	25.7	13
Corn flakes.....	1.57 pound white corn	do.....	26.4		.5	2.6	23.8	10
Cornmeal.....	1.34 pound white corn	do.....	13.3		.9	2.7	10.6	20
Flour, white.....	6.9 pounds wheat	Pound.....	56.0		.2	18.5	37.5	33
Rolled oats.....	2.31 pounds oats	5 pounds.....	22.4	20.8	2.3	3.8	18.6	17
Apples.....	1.08 pounds apples	Pound.....	17.3		.6	6.2	11.1	36
Grapefruit.....	1.04 pounds grapefruit	Each.....	13.5			2.3	11.2	17
Lemons.....	1.04 dozens lemons	Dozen.....	19.8			4.8	15.0	24
Oranges.....	1.04 dozens oranges	Dozen.....	77.7			27.1	50.6	35
Beans, green.....	1.09 pounds snap beans	do.....	24.3			10.0	14.3	41
Cabbage.....	1.10 pounds cabbage	Pound.....	15.8			2.1	6.8	24
Carrots.....	1.06 pounds carrots	do.....	13.4			3.8	9.6	28
Celery.....	1.11 pounds celery	do.....	16.6			3.8	11.7	26
Lettuce.....	1.41 pounds lettuce	Head.....				5.0	11.6	30

Onions.....	1.06 pounds onions.....	Pound.....	3.4	6.9	33
Potatoes.....	10.42 pounds potatoes.....	10 pounds.....	16.8	46.1	27
Sweetpotatoes ¹	1.12 pounds sweetpotatoes.....	Pound.....	5.8	10.3	36
Tomatoes.....	1.18 pounds tomatoes.....	do.....	9.6	19.1	33
Orange juice, canned.....	5.88 pounds Florida oranges for can- ning.....	46-ounce can.....	18.8	29.5	39
Peaches, canned.....	1.89 pounds California cling.....	No. 2½ can.....	5.7	27.5	17
Beans with pork, canned.....	0.35 pound Michigan dry beans.....	16-ounce can.....	2.1	12.8	14
Corn, canned.....	2.49 pounds sweet corn.....	No. 303 can.....	2.3	18.3	11
Peas, canned.....	0.69 pound peas for canning.....	do.....	3.0	19.0	16
Tomatoes, canned.....	1.84 pounds tomatoes for processing.....	do.....	2.5	13.5	14
Orange juice concentrate, frozen.....	3.05 pounds Florida oranges for frozen concentrated juice.....	6-ounce can.....	11.2	13.4	46
Strawberries, frozen.....	0.51 pound strawberries for processing.....	10 ounces.....	6.8	20.2	25
Beans, green, frozen.....	0.71 pound beans for processing.....	9 ounces.....	4.3	18.6	19
Peas, frozen.....	0.70 pound peas for freezing.....	10 ounces.....	3.0	17.7	14
Dried beans (navy).....	1 pound Michigan dry beans.....	Pound.....	5.9	11.1	35
Dried prunes.....	0.87 pound dried prunes.....	do.....	18.4	23.2	44
Margarine, colored.....	Soybeans, cottonseed, and milk.....	do.....	9.1	19.5	32
Peanut butter.....	1.77 pounds peanuts.....	do.....	19.1	36.7	34
Salad dressing.....	Cottonseed, soybeans, sugar, and eggs.....	Pint.....	7.5	29.9	20
Vegetable shortening.....	Soybeans and cottonseed.....	3 pounds.....	32.2	57.8	36
Corn sirup.....	1.80 pounds corn.....	24 ounces.....	2.7	24.3	10
Sugar.....	36.13 pounds sugarbeets.....	5 pounds.....	6 19.8	6 39.1	6 34

¹ The methods of calculation and the sources of price data are given in pt. II of "Farm-Retail Spreads for Food Products," U. S. Department of Agriculture, Miscellaneous Publication 741, 1957.

² Product groups include more items than those listed in this table. For example, the meat products group includes veal and lower grades of beef in addition to carcass beef of Choice grade, lamb, and pork.

³ Market basket total may differ from sum of product group totals because of rounding of averages.

⁴ Farm value of cream and milk only.

⁵ 11-month average.

⁶ Net farm value adjusted for Government payments to producer was 24 cents, farm-retail spread adjusted for Government processor tax was 36.4 cents, and farmer's share of retail cost based on adjusted farm value was 41 percent.

NOTE.—Preliminary estimates.

Mr. WHITTEN. If I might interpret this statement. The amount of processing that has to go into a given commodity is a factor. The closer the product is to the point of being in condition to be consumed, the more the farmer receives of the total cost of the goods to the consumer.

Dr. COCHRANE. Eggs are a commodity for which the farmer gets a high share because there is very little processing.

Mr. SANTANGELO. What percentage does the farmer get with respect to eggs?

Mr. KOFFSKY. I'll see if I have that separately.

Mr. ANDERSEN. Poultry products, 59 percent.

Dr. COCHRANE. I think it would be higher than 59 for eggs alone.

Mr. MICHEL. Specifically.

Dr. COCHRANE. But poultry will pull it down—

Mr. KOFFSKY. Sixty-six percent on eggs.

I will say this on the cotton, the last figure we have is something like 15 percent.

Mr. SANTANGELO. Thank you, Mr. Chairman.

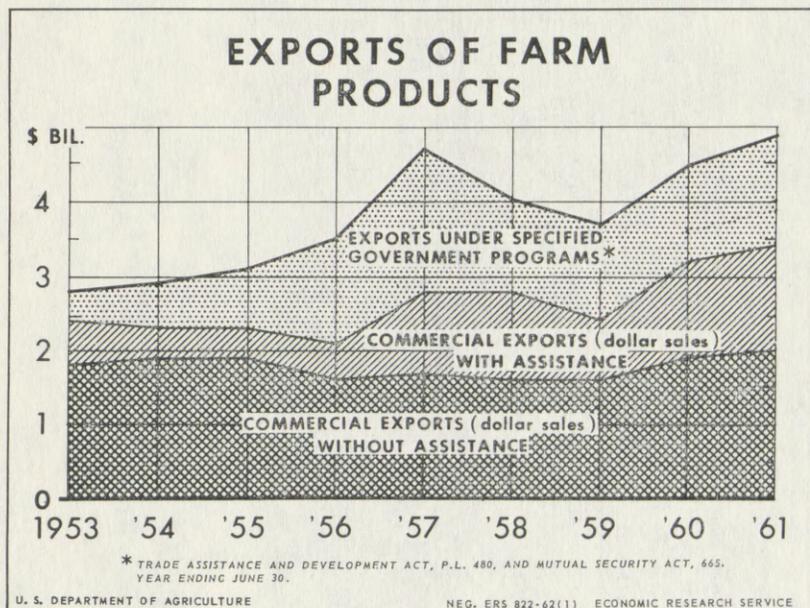
Mr. WHITTEN. You may proceed.

Dr. COCHRANE. Now I would like to turn from the domestic scene to the foreign market and the next several charts will be concerned with exports.

EXPORTS OF FARM PRODUCTS

This chart describes what has happened to total farm exports from 1953 to 1961.

(The chart referred to follows:)



EXPORTS OF FARM PRODUCTS

Both value and volume of U.S. agricultural exports reached alltime highs in fiscal year 1961, and are expected to continue large in the fiscal year ending June 30, 1962. The \$4.9 billion value was 9 percent above a year earlier and 4 percent above the previous record of 1957.

Of the \$4.9 billion worth of U.S. agricultural exports in fiscal 1961, \$3.4 billion were commercial sales, and \$1.5 billion moved under Government programs (foreign currency sales, donations, and barter).

In order for major products such as wheat, cotton, and feed grains to compete in world markets, CCC made export payments in cash or in kind or sold stocks at less than domestic market prices. An estimated \$2.3 billion of agricultural exports moved this way—\$1.3 billion as commercial sales and \$1 billion under Government programs.

Dr. COCHRANE. The total value of agricultural exports increased from slightly under \$3 billion in 1953 to slightly under \$5 billion in 1961. We expect that the value of exports in fiscal 1962 will be right at or possibly a little above \$5 billion.

I would call to your attention the lower part of the chart, which shows that commercial exports without any assistance have held reasonably constant over the whole period dipping down a little bit in the midfifties and then rising again in 1960 and 1961.

Two things have expanded total farm exports over this period. First is the assistance we have given to commercial exports, particularly wheat and cotton, to enable them to move at competitive world prices. Since that program has been in effect you can observe that commercial exports with assistance have increased.

Further, the top part of the diagram—

Mr. HORAN. Doctor, will you yield at that point?

It was largely due to the good work of our chairman back around 1958 that he persuaded the Department of Agriculture that we could export cotton and wheat under the basic law to sell at competitive prices abroad. So when you see that break upward in exports in 1959, we can attribute that almost entirely to the work of Chairman Whitten of the subcommittee who is continuously pounding at the Department, why don't you get in there and sell competitively.

Mr. WHITTEN. I appreciate that statement. I happened to be presiding as chairman, but the whole committee supported this effort. I think the records will show that this right to sell competitively in world markets had fallen in disuse to the point that according to the hearings few people were aware that you had that right.

May I say that we convinced the Congress, and I think the Department, that if you don't have your price competitive you don't sell. So you are not really on the market if your price is not competitive.

Secondly, if we don't sell competitively then American financial interests will just go abroad and produce the same thing and sell at world prices anyway. So I have the utmost sympathy for our textile mills and some of the problems they have, as well as others.

For us to try to protect the world market by what we do with what we produce, simply won't work. It will just hold an umbrella over the increased production which the record shows springs up somewhere else.

EXPANDING COMMERCIAL EXPORTS

Dr. COCHRANE. I would like to point out that this administration is vigorously pursuing the chairman's policy and I believe that we can

further expand those commercial exports where we are able to price them competitively.

Mr. WHITTEN. That is the only solid market that you have. Whatever the benefits of these other Government export programs in the areas of our national and international interests, sales for dollars are where you really maintain sold markets.

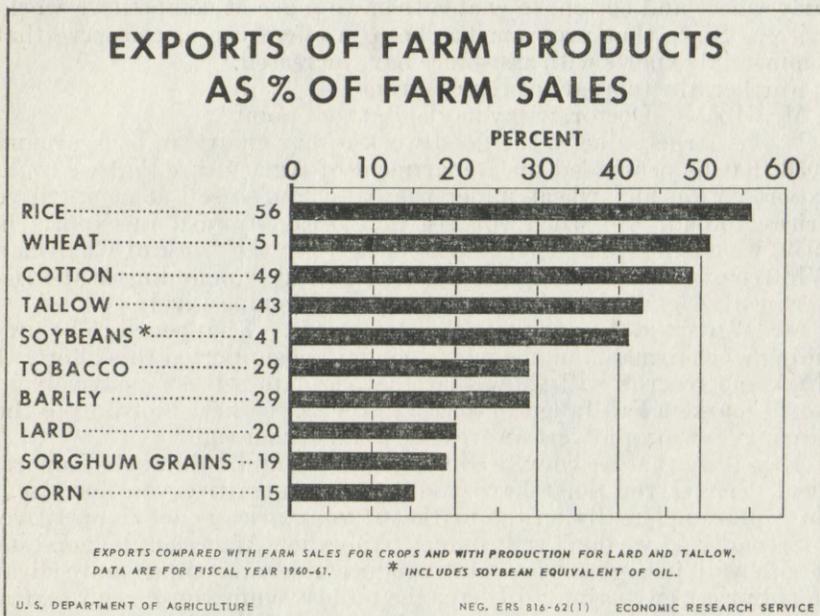
Dr. COCHRANE. I think we do have to recognize, however, from the top of the chart, that as exports have expanded, a factor in this expansion has been exports under specified Government programs, particularly under Public Law 480 and mutual security.

There is a new factor in Public Law 480, title IV. This is sales for long-term credits which we hope will become more important as the years progress. I think this chart demonstrates that we have to get into the concessional markets and we have to price our commodities competitively if we are going to move our farm commodities overseas.

One more number I think is interesting—out of our total crop production you can figure that 1 acre out of 6 moves in the export market. So this is a substantial market that we are talking about.

Here on the next chart we have some breakdown on the overall export picture.

(The chart referred to follows:)



EXPORTS OF FARM PRODUCTS AS PERCENTAGE OF FARM SALES

Exports provide an outlet for large shares of production of some agricultural commodities. In the 1960-61 marketing year exports accounted for 56 percent of the rice sold by farmers, half of the wheat and cotton, nearly a third of the tobacco and barley, one-fourth of the soybeans, one-fifth of the sorghum grain, and 15 percent of the corn. Exports accounted for 43 percent of the tallow and 20 percent of the lard produced in the fiscal year 1960-61.

Dr. COCHRANE. We see which are important export crops. For rice the export market is vital, since some 56 percent of total farm sales moves in export.

For cotton and wheat, about 50 percent moves into export. For tallow and soybeans, including the soybean equivalent of soybean oil, a little over 40 percent moves into export. For tobacco and barley, almost 30 percent.

So, the export market is crucial for a number of farm commodities.

Mr. NATCHER. Mr. Chairman, right at that point I would like for the members of the committee to know that the Department of Agriculture, under the leadership of our new Secretary, is certainly watching carefully the export program as far as agricultural commodities are concerned.

Recently a 6-percent increase was granted for burley tobacco. The burley tobacco program was in considerable difficulty abroad by virtue of a shortage of burley tobacco. We were no longer able to fulfill our commitments, we had an insufficiency of burley tobacco to export, and there were substitutions being made to take the place of burley tobacco, and in announcing the acreage allotment for the calendar year of 1962, the crop year of 1962, a 6-percent increase was announced by the Secretary. That announcement had to be made before February 1.

So it simply means this, Mr. Chairman, the tobacco program has been a successful program all down through the years by virtue of the fact that this committee, the Committee on Agriculture, and the Department of Agriculture and the tobacco producers generally have worked in complete harmony.

In order to alleviate a dangerous condition that has arisen in the burley tobacco program a 6-percent increase was granted and it certainly means a lot to the tobacco producer of this country.

Mr. WHITTEN. Thank you, Mr. Natcher.

I think it might be well to point out for the record, that, in those areas where historically the producer has been dependent upon exporting a large share of his production, you are faced with the fact that you can't increase the price by a shortage in production, because in the process you just move the production overseas.

Isn't that one of the most complicating factors you have in working out any simple solution?

EFFECTS OF PRICES ON EXPORTS

Dr. COCHRANE. That is right, particularly for wheat and cotton, we have to be very careful in the pricing policies so that we don't end up cutting ourselves out of vital oversea markets. I do believe that with our present export policy we are counteracting that problem and we are moving wheat and cotton competitively at the present time.

Mr. WHITTEN. I am sure you are. What I am trying to say is that any proposal that the Department has in connection with any commodity which historically has had to export a large share of the production is one of the toughest things you have to deal with in any legislation that you might propose.

Dr. COCHRANE. That is correct.

Mr. SANTANGELO. Will the chairman yield?

Mr. WHITTEN. I yield.

EXPORTS TO COMMON MARKET COUNTRIES

Mr. SANTANGELO. Doctor, while it is pertinent to the subject it may not be directly related. As you are aware, we have this problem of the Common Market and the President's recommendations of a grant of power to raise or lower tariffs in connection with extension of trade agreement. I wonder if it is possible to prepare for us and insert in the record a chart with respect to these commodities which you have set forth on this particular chart and show the amount of exports to the Common Market countries?

Dr. COCHRANE. We can insert a table which contains that information.

Mr. SANTANGELO. So that we can get an idea as to how we would be affected by the Common Market.

Dr. COCHRANE. We can do that.

Mr. SANTANGELO. And so we can better understand the relationship to the extension of the Trade Agreement Act.

Dr. COCHRANE. I will have a few remarks on this in just a moment, but we can do it in detail and get it in the record.

Mr. WHITTEN. It was suggested that you could show the effect now and the effect if Great Britain goes into it.

Dr. COCHRANE. Can I make a comment on that?

Mr. WHITTEN. Yes.

Dr. COCHRANE. It is awfully difficult to estimate what will be the effect because I think as you gentlemen are aware, the member countries themselves have not yet developed a common agricultural policy. You have a high-priced Germany and reasonably low-priced France, and the Common Market internal agricultural policy is still to be worked out. It will take place, I understand, over the next several years. So although we can do a good job of telling you exactly what we are moving in now, anything about what will happen is extremely conjectural considering changes that can occur in economic conditions in those countries and what the common agricultural policy will turn out to be and whether England comes in. We don't know for the agricultural commodities, particularly the grains, whether they are going to stick with a tariff or whether they are going to move toward a variable fee. This is what the Secretary has been over there three times about, and it is a very knotty question indeed. Therefore, anything we can say about what will happen would be extremely conjectural, Mr. Chairman.

Mr. WHITTEN. I am sure that the gentleman from New York certainly doesn't want to jeopardize anything that we might do to protect ourselves in connection with it. So I would trust that with his approval that you wouldn't conjecture in such a way as to lessen our chances to work it out.

I think the situation is very, very serious for the future. I would like for you to put in the record the total amount of exports that we now make to those countries so that we know what we are working against.

(The information requested follows:)

United States agricultural exports: Value of shipments to the European Economic Community and the United Kingdom, fiscal year 1961

Commodity	European Economic Community ¹		United Kingdom		Other countries		Total value
	Value	Share of total	Value	Share of total	Value	Share of total	
	<i>Million dollars</i>	<i>Percent</i>	<i>Million dollars</i>	<i>Percent</i>	<i>Million dollars</i>	<i>Percent</i>		Million dollars
Rice, milled.....	11	9	3	3	102	88	116
Wheat and flour.....	120	11	30	3	932	86	1,082
Feed grains.....	197	37	106	20	227	43	530
Dairy products.....	2	2	1	1	86	97	89
Cattle and beef.....	3	13	6	26	14	61	23
Hogs and pork.....	1	5	(²)	(²)	21	95	22
Poultry and eggs.....	36	42	2	2	49	56	87
Fruits and vegetables.....	60	16	39	10	282	74	381
Lard and tallow.....	31	20	33	21	92	59	156
Cotton, unmanufactured.....	270	29	59	6	617	65	946
Tobacco, unmanufactured.....	87	23	138	36	160	41	385
Soybeans.....	118	34	12	4	214	62	344
Vegetable oils.....	30	17	(²)	4	139	80	173
Food for relief and charity.....	18	12	(²)	(²)	131	88	149
Other.....	117	25	34	7	312	68	463
Total.....	1,101	22	467	10	3,378	68	4,946

¹ European Economic Community includes the Netherlands, Belgium, Luxembourg, West Germany, France, and Italy.

² Less than \$500,000.

TECHNOLOGICAL CHANGES AND AGRICULTURAL DEVELOPMENTS IN COMMON MARKET COUNTRIES

Mr. SANTANGELO. Doctor, may I ask you another question?

Mr. HORAN. Would you include anything you have on land reform and mechanization in these countries?

Dr. COCHRANE. In the Common Market?

Mr. HORAN. Yes.

Dr. COCHRANE. We do have material on those countries. I think you may want us to limit how much we put in but we will put in some and check it with you.

Mr. HORAN. It is my understanding that we are making some headway in both of those fields.

Dr. COCHRANE. Yes, I think in France and the low countries, agriculture is moving through the same sort of technological revolution that we are. They are not up to where we are, but in terms of mechanization, new varieties, new species, new fertilizer applications, they are moving very rapidly, too.

Mr. HORAN. Are they making any headway on the fragmentation of what has happened to so many of the farms over the centuries?

Dr. COCHRANE. I can't say. I will supply an answer for the record. (The information requested follows:)

TECHNOLOGICAL CHANGES AND AGRICULTURAL DEVELOPMENTS DURING THE 1950'S IN THE COUNTRIES OF THE EUROPEAN ECONOMIC COMMUNITY

There are about 9 million farms in the six EEC countries with a total area of about 190 million acres. There are about 2.2 million farms with an area of 2.5 acres or less. Average size of all farms is approximately 21 acres and average size of all farms larger than one hectare (2.5 acres) is about 28 acres. The agricultural labor force, including owner operators, ranges as high as 34 to 35 percent of total labor force (Italy) and is about 22 to 24 percent of the

total labor force in France, the major agricultural producer of the six EEC countries.

Common Market agriculture is characterized in the main by mixed farming although there are important specialty enterprises such as: fruits, vegetables, and wine production. Grain production is widely dispersed and grain prices are a key factor in the level of agricultural income. Livestock production accounts for around 70 percent of the total value of agricultural production in the six countries. The production of bread grains, feed grains, including potatoes, sugarbeets, and forage and root crops, take up between 90 and 92 percent of total cultivated acreage in the Common Market. Substantial quantities of feed grains are imported. Between 9 and 11 million tons of feed grains were imported annually by the six countries during the last few years. Livestock production is growing and is expected to continue to grow, thus increasing the need for livestock feed.

Total agricultural output has increased less rapidly in these countries from prewar to the average of the past several years than it has in the United States. From prewar to 1959-61 total U.S. agricultural output increased almost 70 percent. During this same period the increase in agricultural output for the individual countries excluding production from imported feeds, ranged from 40 to close to 60 percent.

The less rapid increase in agricultural output in the EEC during this period was primarily associated with wartime and early postwar disruptions and scarcities. From the early 1950's to the past several years the increase in agricultural output has been substantially the same in the individual countries of the EEC as in the United States.

Agricultural developments in the EEC countries since about 1950 to the present have considerable resemblance to agricultural developments which began in the United States about a decade earlier. Among the major developments was the widespread substitution of tractor power for draft animal power. The number of tractors in the EEC increased from 357,000 in 1950 to 1,805,000 by 1959. During this same period the number of tractors per 1,000 hectares of cultivated land increased from an average of 8.4 to 42.4.

The number of other major agricultural machines, particularly grain combines and milking machines, increased rapidly. Data are partly estimated, but from 1950 to 1959 the number of combines increased from less than 8,000 to about 90,000, and the number of milking machines (excluding Italy) increased from about 62,000 to around 375,000.

The increase in other agricultural implements, such as planters, cultivators, harrows, etc., was far less rapid because much of the existing stock of these implements (which were designed for use with animal draft power) was adaptable to use with tractors.

Data concerning the size and number of farms are not complete for all EEC countries, but it appears that there is a trend toward fewer farms. For example, in West Germany the number of farms declined from 1,653,000 in 1949 to 1,477,000 in 1959, a decline of 11 percent. In the Netherlands the number of farms declined 5 percent from 1950 to 1959.

Increased mechanization has been associated with a considerable decline in the use of agricultural labor, but this movement out of agriculture was also encouraged by the availability of jobs in nonagricultural employment. The estimated indexes of agricultural labor inputs for the EEC (excluding Luxembourg) are as follows (1950=100):¹

	1950	1953	1956	1959
Belgium.....	100	89	80	72
France.....	100	95	90	86
West Germany.....	100	89	76	67
Netherlands.....	100	95	90	85
Italy.....	100	97	93	89

The consumption of fertilizer, which was already relatively high prewar, increased very rapidly beginning with the early 1950's. For the EEC as a whole,

¹ These estimates are not necessarily comparable among all countries, but the indexes for a given country are comparable for the years shown.

the estimated consumption of nitrogenous, phosphate, and potash fertilizers, all in terms of 1,000 metric tons of plant nutrients, was as follows:

	Prewar	1950-51	1955-56	1959-60 (provisional)
Nitrogen.....	772	1,015	1,383	1,800
Phosphate.....	1,231	1,374	1,846	2,200
Potash.....	1,026	1,383	1,808	2,156
Total.....	3,029	3,772	5,037	6,156

The contribution of plant breeding and the control of plant diseases and pests by chemicals is difficult to appraise, but considerable progress has been made. Among these have been the discovery of DDT in Switzerland, of benzene hexachloride in France, and 2,4-D in the United Kingdom. These, among others, have been widely applied, and their use is expanding. Various hybrid plants have been developed, and their use is expanding rapidly. Considerable progress has also been made in livestock breeding.

Increasing mechanization, use of fertilizers, etc., in agriculture have resulted in current operating expenses increasing relative to gross output. From 1950-52 to 1959 this increase (at constant prices) ranged between 10 and 31 percent for the individual EEC countries (excluding Luxembourg). Data are available for estimated investments in machinery and equipment for three of the major agricultural countries of the EEC for the years 1953-55 and 1956-58. They show that such investments (at constant prices) increased 60, 31, and 22 percent, respectively, for France, West Germany, and the Netherlands between these two periods.

Gross output per unit of labor in agriculture has shown very sharp increases over the past 10 years as shown below:

Indices of gross labor product per labor input

	1950-52	1953-55	1956-58	1959 (provisional)
Belgium:				
Agriculture.....	100	120	145	174
Industry.....	100	112	131	141
France:				
Agriculture.....	100	124	162	191
Industry.....	100	(¹)	(¹)	(¹)
West Germany:				
Agriculture.....	100	127	175	205
Industry.....	100	120	140	158
Italy:				
Agriculture.....	100	123	135	144
Industry.....	100	122	144	162
Netherlands:				
Agriculture.....	100	114	145	160
Industry.....	100	129	163	186

¹ Not available.

STATUS OF COLONIES IN THE COMMON MARKET PICTURE

Mr. SANTANGELO. Doctor, could you tell us whether the agreement between the Common Market countries applies strictly to the six countries in Europe, or does it also include their possessions and their colonies?

Is Algeria included as part of the Common Market agreement with France?

Dr. COCHRANE. I can't answer that right now but will supply it for the record.

Mr. SANTANGELO. I was wondering, because if the possessions and the colonies are included then I would like information with respect to these countries. I do know that in the case of the United Kingdom, one of the very important questions being negotiated before the United Kingdom is invited to join the Common Market countries is whether the colonies or possessions obtain the tariff advantages. I know the preferential treatment for the colonies is a very vital negotiating problem in England's joining the Common Market, but just what is the relation of colonies or possessions of the Common Market countries in the whole set I do not know. Specifically how does Algeria or other French colonies fit into the Common Market picture?

The genesis of my question was the fact that England was talking about taking in its whole kingdom, its sprawling empire as part of the Common Market; so if they are considering their possessions the thought occurred to me that these other six countries in the Common Market want to have their possessions and their colonies to share in the preferential treatment.

Dr. COCHRANE. Well, negotiations between the United Kingdom and the Common Market are going on. Some countries like New Zealand don't want to be in, but they do want to hold on to the preferential treatment they have with the United Kingdom. How they are going to work out that situation I don't know.

(The information requested follows:)

STATEMENT ON STATUS OF ASSOCIATED OVERSEA COUNTRIES AND TERRITORIES IN
RELATION TO THE EUROPEAN ECONOMIC COMMUNITY

There is included in the Rome Treaty a Convention of Association which governs commercial relations of the Associated Overseas Countries and Territories to the member states of the Community. This convention will expire December 31, 1962. Negotiations are now in process on the form and substance of a new Convention of Association.

Thus far the Associated Overseas Countries and Territories have the same privileges with respect to export trade as the member countries themselves. For the underdeveloped countries this involves primarily raw materials and agricultural commodities. With respect to their imports, the oversea countries and territories may maintain their structure of tariffs and import quotas to protect their industry.

OVERSEA COUNTRIES AND TERRITORIES TO WHICH THE PROVISIONS OF THE CON-
VENTION OF ASSOCIATION APPLIES

French west Africa, including: Senegal, the Sudan, Guinea, the Ivory Coast, Dahomey, Mauretania, the Niger, and the Upper Volta; French equatorial Africa, including: the middle Congo, Ubangi-Shari, Chad, and Gaboon; St. Pierre and Miquelon, the Comoro Archipelago, Madagascar and dependencies, the French Somali coast, New Caledonia and dependencies, the French settlements in Oceania, the southern and Antarctic territories; The autonomous Republic of Togoland; The French trusteeship territory in the Cameroons; The Belgian Congo and Ruanda-Urundi; The Italian trusteeship territory in Somaliland; and Netherlands New Guinea.

Since the Common Market Treaty was signed, 16 African countries associated with the Community have achieved independence; the Republics of Senegal, Mali, the Ivory Coast, Dahomey, Mauritania, Niger, Upper Volta, the Congo (Brazzaville), the Central African Republic, Chad, Gaboon, Madagascar, Togo, Cameroon, Congo (Leopoldville), and Somalia (which is composed of the former British Somaliland and the former Italian trusteeship territory of Somalia).

COMMERCIAL EXPORTS AS PERCENTAGE OF TOTAL FOR SELECTED
COMMODITIES, 1961

Mr. MICHEL. On that particular chart, what percentage of rice sales are for dollars?

Dr. COCHRANE. I would have to—

Mr. MICHEL. Would you supply for the record the percentage of sales for dollars for each one of those commodities?

Mr. COCHRANE. Yes. I don't think we have any difficulty in presenting that.

Mr. MICHEL. The reason I asked that is because of the total of nearly \$5 billion in agricultural exports, one-third go with some kind of assistance, and if there would not be that assistance chances are there would be a third less sales abroad, and when we say "assistance," that is a real glamor title, because what it actually is, is simply a giveaway. Call it a long-term credit or an unrepayable or a repayable loan, but it is a giveaway, and we cannot be patting ourselves on the back for thinking we are exporting when we are actually giving it away. I believe soybeans you will find will probably be one of the better commodities so far as dollar return is concerned.

Mr. COCHRANE. That is right.

Mr. MICHEL. Percentagewise.

Dr. COCHRANE. That is right.

We will put that in the record.

(The information requested follows:)

U.S. agricultural exports: Commercial exports as percentage of total for selected commodities, fiscal year 1961

Commodity	Exports			Commercial exports as percent of total
	Commercial (for dollars) (million units)	Government program (million units)	Total (million units)	
Rice, milled.....hundredweight..	6.7	14.5	21.2	32
Wheat.....bushels..	200	461	661	30
Cotton.....bales..	5.2	1.8	7.0	74
Tallow.....pounds..	1,573	87	1,660	95
Tobacco.....do..	451	118	568	79
Barley.....bushels..	30	53	83	36
Soybeans ¹.....do..	167	62	229	73
Lard.....pounds..	490	0	490	100
Sorghum grains.....bushels..	67	19	86	78
Corn, including cornmeal.....do..	199	62	261	76

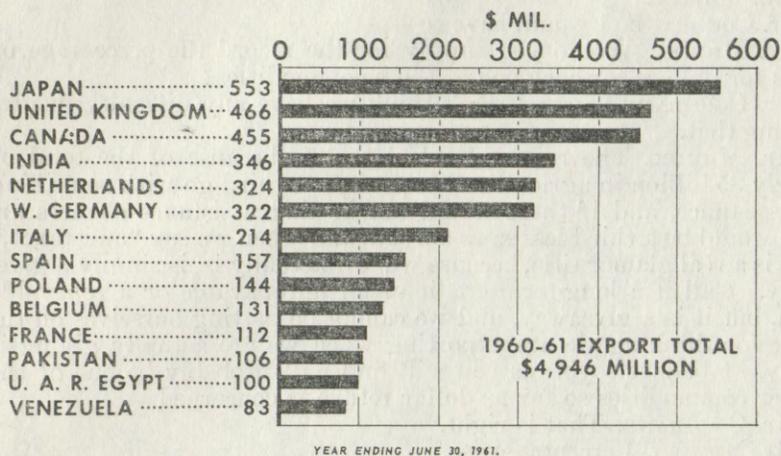
¹ Includes bean equivalent of soybean oil. For soybeans alone the figures are as follows: Soybeans, commercial, 136; Government programs, 7 total 143; percent 95.

EXPORTS BY COUNTRIES

Dr. COCHRANE. This next chart gives us a breakdown by countries and shows us where our exports are going. For the first time in a half a dozen years Japan has moved into the No. 1 position.

(The chart referred to follows:)

EXPORTS OF FARM PRODUCTS, BY COUNTRIES



U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 817-62(1) ECONOMIC RESEARCH SERVICE

EXPORTS OF FARM PRODUCTS BY COUNTRIES

Although this country shipped farm products to over 125 countries, 71 percent of the total went to the 14 countries indicated in the chart. Japan displaced the United Kingdom as the No. 1 market in 1961. The United Kingdom had been the largest foreign market for U.S. farm products in each of the 5 immediately preceding years. The \$553 million worth of farm products sent to Japan was the largest for any country in the postwar preceding years.

Increased shipments to India under title I of Public Law 480 raised that country to fourth place in 1961 from sixth place in 1960. Other newly developed countries have become bigger outlets for U.S. farm products because of Public Law 480.

The six countries included in the European Economic Community (Netherlands, West Germany, Italy, France, Belgium, and Luxembourg) took nearly one-fourth of the total value of our agricultural exports. Total exports to Europe were a little less than half of the total value of farm exports, those to Asia nearly one-third, and exports to Western Hemisphere countries nearly a fifth of the total.

Dr. COCHRANE. We exported \$553 million worth of farm commodities to Japan in fiscal 1961. Those in large measure are in three commodities: cotton, soybeans, and wheat. These are the three most important farm commodities exported to Japan.

The United Kingdom is traditionally one of our largest export markets and usually the No. 1 market. You see we exported \$466 million worth of farm products to the United Kingdom. The big items there are tobacco, which is important to you, Mr. Natcher; corn and other feed grain, and cotton.

In line with your observations, Congressman Michel, India has in recent years moved up to become an important receiver of our commodities; that, however, is primarily due to shipments under Public Law 480.

The six countries making up the Common Market, the Netherlands, Germany, Italy, Belgium, France, and Luxembourg, which is one not

shown on the chart constitute a market of roughly one-quarter of our total farm exports. If you add in the United Kingdom, in the fiscal year 1960-61, total farm exports into the six Common Market countries plus the United Kingdom ran to about \$1½ billion. That is our big commercial export market—Western Europe.

Mr. SANTANGELO. Doctor, in connection with India to which you referred, we had an agreement under title I of Public Law 480, entered into about 1960, concerning the shipment of wheat and rice. Payment was for local currency. I have here a letter from your Department dated January 12, which indicates that about \$297 million worth of wheat had been shipped and about \$42 million worth of rice had been shipped under that agreement which brings it about \$337 million.

Would you say then that there would be about \$9 million of farm products which are being shipped for dollars and all the rest for local currency?

Dr. COCHRANE. That might not be for—that might not be for exactly the same period. I can't be sure.

Mr. SANTANGELO. The letter does not give specifically the period.

Dr. COCHRANE. I can't imagine that those two commodities would take up all but \$7 million of that because I am sure there is some cotton going to India and some other commodities.

I would guess, although I cannot be sure, that the values there are for longer than one fiscal period.

Mr. SANTANGELO. Well, the agreement took place in December of 1960?

Dr. COCHRANE. Well, it could be for a year and a half then.

Mr. SANTANGELO. Would you say therefore then that most of the shipments to India are for some of the currency rather than for dollars?

Dr. COCHRANE. I would have to check, but I believe it is more than half, and I think it is a good deal more than half. I do not have the numbers right on the tip of my tongue, but we can put in the record what proportion of the exports to India are under Public Law 480.

Mr. SANTANGELO. I would appreciate that if you would. Thank you, Doctor.

(The information requested follows:)

For the calendar year 1960, the total value of agricultural exports to India was \$425 million. Of this total \$388 million or 91 percent were exported under Government programs. Commercial exports amounted to \$37 million or 9 percent of the total. The figures in the letter of January 12, 1962, refer to the value of shipments for a period longer than a year.

Mr. MICHEL. In keeping with that, why not make the same kind of breakdown of all these countries here, as I asked for in the specific commodities.

Would that be possible?

Mr. SANTANGELO. I think so.

Mr. MICHEL. Then you have a complete one of record?

Dr. COCHRANE. I think so.

Mr. SANTANGELO. Specific commodities or you are asking for countries alone?

Mr. MICHEL. Countries alone. In the chart before I asked for the figures by commodities, the ones that he showed there; so this would be just very simple.

Dr. COCHRANE. If I get your request it is what proportion of these exports in each country are Public Law 480?

Mr. MICHEL. Well, all right; sales with some kind of assistance.

I was going to put it in the positive. What percentage of them are in terms of dollar sales?

Dr. COCHRANE. Dollar sales. We can do it that way.

Mr. MICHEL. Which means that anything that is other than dollar sales is getting some kind of assistance.

Dr. COCHRANE. All right.

(The information requested follows:)

U.S. agricultural exports: Value of commercial and Government program shipments to 14 leading markets, calendar year 1960

[Dollars in millions]

Country	Commercial ¹		Government programs ²		Total value
	Value	Share of total	Value	Share of total	
		<i>Percent</i>		<i>Percent</i>	
United Kingdom.....	\$476	93	\$34	7	\$510
Japan.....	463	95	22	5	485
Canada.....	432	100	0	0	432
India.....	37	9	388	91	425
West Germany.....	332	94	23	6	355
Netherlands.....	316	99	4	1	320
Italy (including Trieste).....	138	85	24	15	162
Belgium.....	134	98	3	2	137
Poland.....	0	0	131	100	131
France.....	112	88	16	12	128
Spain.....	24	21	89	79	113
United Arab Republic, Egypt region.....	13	13	86	87	99
Pakistan.....	6	6	93	94	99
Venezuela.....	92	100	(³)	(³)	92
Other.....	780	58	556	42	1,336
Total.....	3,355	70	1,469	30	4,824

¹ Includes, in addition to unassisted commercial transactions, shipments of some commodities with governmental assistance in the form of (1) extension of credit for relatively short periods, (2) sales of Government-owned commodities at less than domestic market prices, and (3) export payments in cash or kind.

² Includes Public Law 480 and Public Law 665 shipments.

³ Less than half a unit.

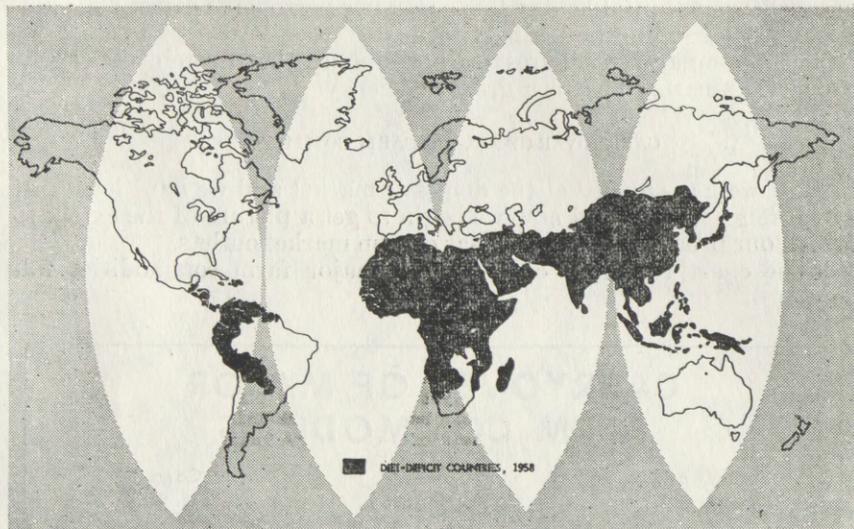
DIET-DEFICIT COUNTRIES

Mr. SANTANGELO. All right, Doctor, proceed.

Dr. COCHRANE. This is a chart that I believe is new to you gentlemen, it describes graphically where the food-deficit areas of the world are.

(The chart referred to follows:)

DIET-DEFICIT COUNTRIES, 1958



DIET-DEFICIT COUNTRIES

For most of the 70 less-developed countries in semitropical and tropical southern areas, diets are nutritionally inadequate, with shortages in proteins, fat, and calories. Over 1.9 billion people live in these countries. In most of them, population is expanding rapidly, malnutrition is widespread and persistent, and there is no likelihood that the food problem will be solved soon.

The world food problem centers primarily in the Far East and Communist Asia where the dense and growing population is pressing increasingly on the food supply. The Far East, excluding Communist China, has about 60 percent of the projected malnutritional gap for 1962. Communist China has nearly 25 percent.

Three of the major problems involved in attaining increased production in this area are low income per capita, high ratio of population to land, and lack of chemical fertilizer.

Dr. COCHRANE. You note that they tend to be in the southern hemisphere and associated primarily with tropical countries.

The deficits in almost every case involve protein—in most cases there are also deficits in calories and in fats.

In terms of numbers of people the great hunger area of the world is the India-China-Indonesia area.

There are not too many people involved in either the north African or the South American areas. I believe this is all I will say unless there are some questions.

Mr. WHITTEN. We shall continue because you can spend the rest of the week on the whys and wherefores and the possibilities.

Dr. COCHRANE. The deficits are figured on the basis of whether there are sufficient food supplies in an area to provide everyone with a minimum nutritional diet providing it were properly distributed. You do not know whether anybody particularly goes to bed hungry or not.

So that you could have hungry people in the United States even though we have enough supplies for them not to be hungry.

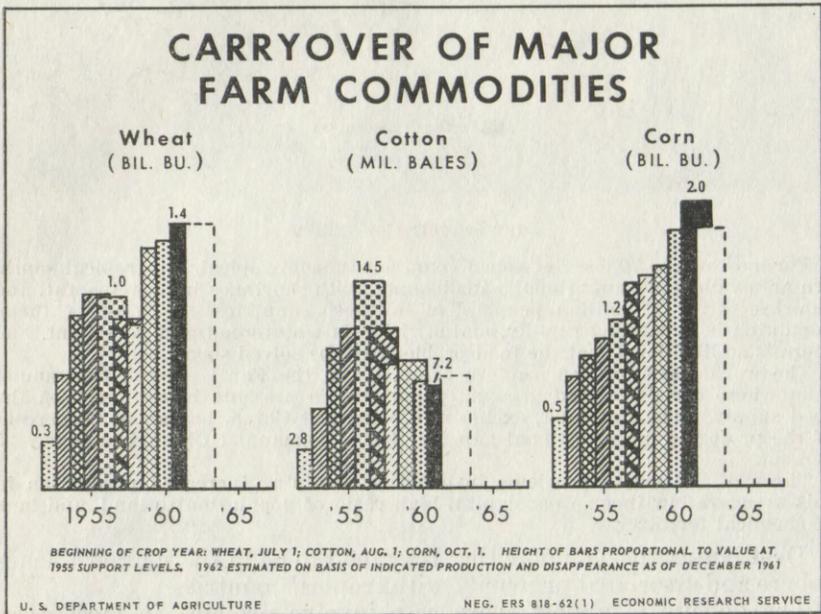
Mr. MICHEL. I think in several of the African countries in which several members of this subcommittee visited, the normal protein intake is something like 3 grams a day per person as against 60 grams a day per person in the United States.

These comparative figures really point up that protein deficiency. Dr. COCHRANE. That is a great deficiency.

CARRYOVER OF MAJOR FARM COMMODITIES

Now we have looked at the domestic market and we have looked at the foreign market and now we begin to get a picture of the extent to which our productive capacity has outrun market outlets.

(The chart reflecting carryover of major farm commodities follows:)



CARRYOVER OF MAJOR FARM COMMODITIES

The most persistent carryover problems of the 1950's were in wheat and corn. Stocks of both mounted after 1952 when they had been reduced by the heavy demands of the Korean war period. Corn carryover at the beginning of the 1961 marketing year was 2 billion bushels. As a result of the 1961 feed grain program, total utilization will exceed production and stocks at the beginning of the 1962 crop marketing year are expected to be around 200 million bushels lower than a year earlier. Wheat carryover was 1.4 billion bushels on July 1, 1961. Production of spring wheat in 1961 was limited by adverse weather. This, together with an expected record volume of wheat exports this year, is likely to prevent any further increase in wheat carryover by the end of this crop year. Stocks of cotton climbed rapidly from 1952 to 1956 but by August 1, 1961, had been reduced to about half the peak carryover of 14.5 million bales in 1956. Currently, there are indications that carryover stocks of cotton may increase several hundred thousand bales by August 1, 1962.

Dr. COCHRANE. These are the three great commodities: wheat, corn, cotton. In the case of wheat in almost every year from 1952 on we have had a buildup in the carryover of wheat. Carryover was 300 million bushels in 1952, it stood at 1,400 million bushels on July 1 of 1961.

It is not a perfect staircase chart in this case because there was a reduction in carryover in the 2 soil-bank years, but there was a pretty steady buildup during the entire period.

The carryover on July 1, 1962, is expected to be about the same as in 1961, 1.4 billion bushels. The fact that it is not expected to increase in this fiscal year is due primarily to two factors; one is the poor spring wheat crop of last year because of drought in the Northern Great Plains, and the other is the fact that wheat exports are at an alltime high in the present marketing year. For those reasons the carryover of wheat next July 1 should be about the same as last July 1.

In the case of cotton, we observe that carryover built up in the early fifties and then declined in the late fifties and early sixties. This is due in part to the policy advocated by your chairman of moving cotton at competitive prices. It is due also to some decline in the planted acreage as we will see on the next chart.

Our estimate of the cotton carryover on August 1, 1962, is for a modest buildup in cotton carryover to probably around 7.9 million bales.

The reason for that is that our exports of cotton this year have slackened off considerably. We do not know all the reasons for this, but mill activity in foreign countries seems to be down; also mills around the world seem to be working down their stocks and this has had a dampening influence on our exports of cotton.

Mr. WHITTEN. There is another factor that has been brought out to me. The announcement of higher prices for this present year's crop, not only here but in certain other areas, caused something of a run on your supplies in the preceding year. This meant that lots of folks might have build up their supplies in anticipation of having to pay a higher price. Now, of course, having that on hand, it creates a little bit tougher situation.

Dr. COCHRANE. That is right. Those last 2 years might have been about even if they had not had that development.

The case of corn it seems to me is the clearest case of persistently producing more than we can use and there is an almost perfect staircase increase in corn carryover from about 500 million bushels in 1952 up to 2 billion bushels as of October 1, 1961.

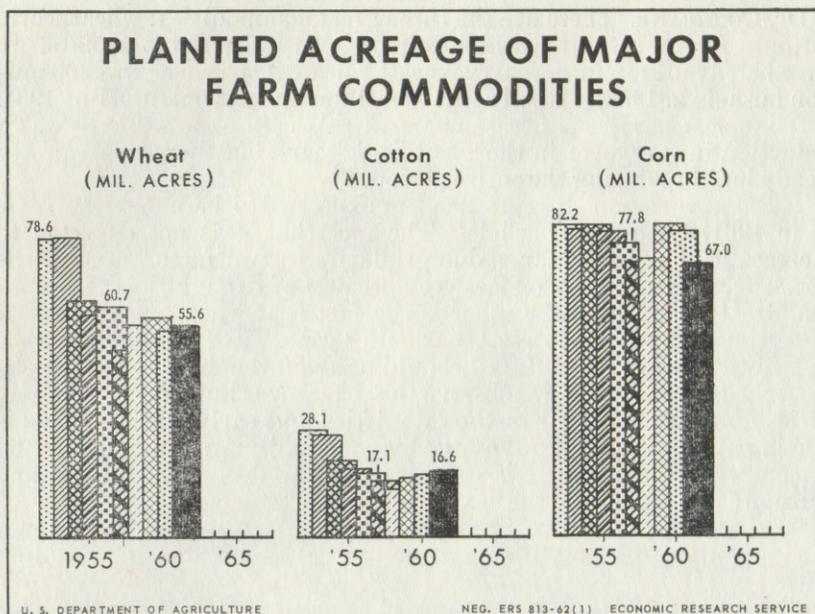
We estimate that the carryover of corn will be down 200 million bushels on October 1, 1962. This results from the fact that utilization is up a little bit and production is down some with the emergency feed grain program and we expect to get an actual decline in the carryover of corn for the first time in 9 years.

Mr. WHITTEN. You may proceed, Doctor.

PLANTED ACREAGE OF MAJOR FARM COMMODITIES

Dr. COCHRANE. This next chart is a pictorial description of the planted acreage of these same three crops.

(The chart referred to follows:)



PLANTED ACREAGE OF MAJOR FARM COMMODITIES

The total acreage planted to wheat, corn, and cotton in 1961 was 139.2 million acres. This was 13.5 million acres below 1960. Acreage planted to corn was down 14.7 million acres as a result of participation in the feed grain program. There were small increases in both wheat and cotton.

Compared to the 188.9 million acres planted to these three crops in 1952, the 1961 figure is down nearly 50 million acres or 26 percent.

Over the period 1952-60, acreage planted to cotton declined from 28.1 to 16.6 million or 41 percent, and acreage planted to wheat declined from 78.6 to 55.6 million or 29 percent. Acreage allotments and marketing quotas were in effect for both of these commodities in 1961 but not in 1952.

Acreage planted to corn in 1961 was 66,965,000. This was down 15.3 million acres or 19 percent from 1952. Practically all of this decline resulted from the 1961 feed grain program.

Dr. COCHRANE. There is one thing that is abundantly clear from this chart; this is that the increases in carryovers which we observed did not result from increasing planted acreage.

The planted acreage of wheat fell from over 78 million acres in 1952 to around 55 million acres in 1961.

The big decline is in 1954 when acreage and marketing quotas were reimposed. Since 1958, the changes have been rather modest.

In the case of cotton I have already observed that reduced acreage is one of the reasons for the decline in the carryover. The reimposition of acreage allotment and marketing quotas in 1954 accounted for the sharp drop at that time. We have had a modest increase in the late fifties and the early sixties.

We started out the period with some 82 million acres planted to corn and it has held about constant with the exception of the soil bank period when acreage went down in 1957 and 1958. The acreage planted went down again in 1961, under the emergency feed grain program.

Clearly our high level of production has not been the result of increased acreage.

POSSIBLE INCREASES IN FOREIGN ACREAGE AND PRODUCTION

Mr. HORAN. Mr. Chairman, I wonder if Dr. Cochrane would like to comment on the possibility of increased acreage and productions in other countries? It would appear that as we reduce acreages of American production it does not have a direct effect upon our carryover.

Dr. COCHRANE. First let me say that we are aware that there has been some increased acreage in tobacco and cotton around the world.

We recognize that for the last 2 or 3 years at least we have priced cotton and wheat at competitive prices and that the last administration and this administration are moving these commodities as hard as they can.

In the case of wheat there are problems besides price, I would say.

First, there is the Common Market and the tariff policies of Western Europe. These have served to impede both the movement of wheat and other grains.

There are many places in the world, including Western Europe where countries are pursuing agricultural policies of price supports and tariff and quota protection that make it exceedingly difficult to gain access to those markets.

Mr. WHITTEN. Several of us visited Denmark a few years ago. Denmark back through the years, along with Holland, has been noted for the freedom of its markets. They both got along by being competitive in world trade and open to most anybody that wanted to trade with them. But in both countries, particularly in Denmark, the agricultural production was in serious straits while we were there.

I have not followed it too closely since, though I have noted from time to time in the papers that Denmark is still wrestling with the problem and has had to set up some type of farm program to assure reasonable income and some degree of protection. So it looks like those countries that have historically been different are having to come around to doing something along the price-support line.

Dr. COCHRANE. That is correct; almost all the countries of Western Europe have price-support policies and many of them have quite strict quota limitations.

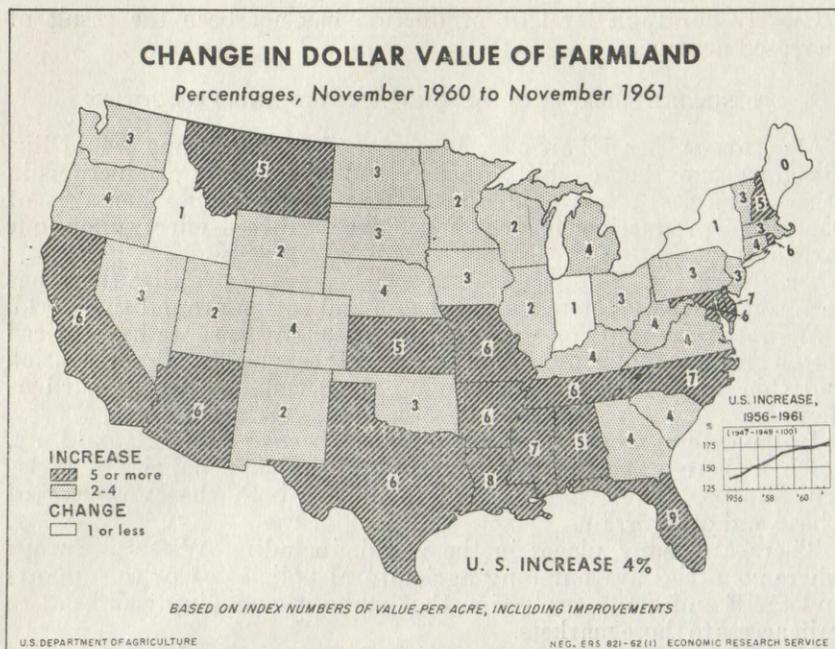
Mr. WHITTEN. Lots of them handle that quota importation by licensing, don't they, Doctor?

Dr. COCHRANE. Yes.

CHANGE IN VALUE OF FARMLAND

We now look at agriculture from the production side for a few charts and here we have a chart relating to the value of farmland.

(The chart referred to follows:)



CHANGE IN VALUE OF FARMLAND

Staging a brisk recovery after dipping slightly in 1960, the average market value of farmland per acre rose 4 percent in the year ended November 1, 1961. The national index advanced to 179 (1947-49=100) on that date, a record high. As a consequence, the total value of farm real estate rose \$5 billion. Demand for land by established farmers to expand their operations has been an important underlying factor in the general upward trend in market prices in recent years. The market supply of land continues at a low level.

Dollar value of farmland per acre increased in all but one of the 48 contiguous States in the year ended November 1. Maine, where values were unchanged, was the exception. The largest increase, 9 percent, was in Florida. Louisiana with an 8 percent increase ranked second. North Carolina, Mississippi, and Delaware reported gains of 7 percent. New York, Indiana, and Idaho reported the smallest gain, 1 percent.

Dr. COCHRANE. I think we are all familiar with the fact that for about the last 15 years the value of farmland has increased almost every year. The little insert on the righthand side of the chart shows what has happened to land values since 1956.

Mr. WHITTEN. Are those weighted figures or is that in actual dollars? I mean, do you make any allowance for depreciation of the value of the dollar?

Dr. COCHRANE. It is actual dollars in this chart.

Mr. WHITTEN. I just wanted to be sure.

Dr. COCHRANE. This is actual dollars.

We did get a little tapering off in the rise in land values in 1960. Then in 1961 land values have gone up again, and the big chart is the description of what happened between November 1960 and November 1961 by States.

Overall there was a 4 percent increase in land values in this period but it is not at all even across the Nation. The larger increases tend

to be in the South and the Southwest. The largest increase is in Florida. The next is in Louisiana, with an 8 percent increase. I have talked with my people in the ERS about this; we are not sure why the increases are larger in the South than elsewhere.

Mr. WHITTEN. I would take it that the rest of the Nation is just waking up to the fine climate, people, and land and all that. Coming from the South, that is the way I would figure it.

Dr. COCHRANE. Maybe that is part of it.

Mr. WHITTEN. I might be a little prejudiced, you know.

Dr. COCHRANE. But, in any event, your part of the country has seen the biggest increase.

Mr. ANDERSEN. I have found that the South's potential is just really opening up the last 10 years, both as to climate and productivity. They are rapidly catching up and I foresee that it won't be too many years, because of the influx of population, that they will be far outstripping us.

I believe, Doctor, that the 9 percent increase in Florida's land valuation represents the attraction of that particular State from a real estate development rather than from farming.

Dr. COCHRANE. I am sure that is true in Florida. That is also true, I believe, in Arizona and California to a large degree.

Mr. ANDERSEN. In the case of Mr. Whitten's State, I have personally observed over the last 20 years the development of livestock as compared to what it was in the twenties.

Mr. WHITTEN. Dairying and many other things have made a tremendous growth. One other thing that has entered into the value of land is the work of the Department of Agriculture developing a hybrid corn and many grasses suitable to the climate in that section.

Our situation as far as rainfall is excellent, but it frequently comes in 3 or 4 months, so you really have a wet season and quite a dry season, which has created some problems in connection with grasses and many other things incident to raising livestock.

Much of that has been whipped the last 20 or 25 years which have greatly increased our ability to go into dairying or livestock.

Mr. MICHEL. Mr. Chairman, might I just ask one question on this matter?

The figures for California, Arizona, and Florida, seem to be consistent with population shifts in the country, but for those other States, precisely the opposite is true. For example, Arkansas loses two Members to Congress because of a loss of population, Missouri one, Mississippi one, Alabama one, Kentucky one, Missouri one, Nebraska one. With a loss in population in these States an increase in farm values cannot be attributed to an increase in competition for the land because of the "growth" of population, it has to be something else.

Now, what is it?

RELATIONSHIP OF THE INCREASE IN FARM SIZE TO LAND VALUE

Dr. COCHRANE. Mr. Chairman, I think that purchases of farmland by nonfarm people is going on all over the Midwest. I know in Minnesota and Iowa with which I am quite familiar, there is a great deal of buying of farmland by nonfarm people.

I do think that perhaps the biggest single reason, in the trend toward increased land values is farm enlargement which grows in turn out of the ability of each farmer to handle more acres as he becomes more productive and there is a very great drive throughout the whole Midwest in this respect and I think it is true throughout the South, too.

Mr. WHITTEN. That drive to increase the size of your farm contributes, as you say to the high price.

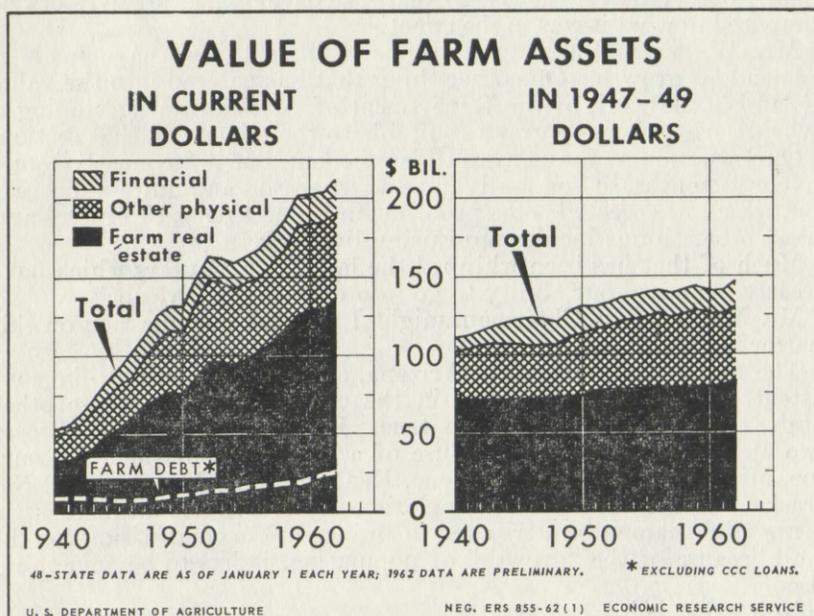
Farmland may bring in mighty slight return, but it does not have to bring in much of a return in the way of interest returns on money to remain attractive. The average farmer in that section is not in the stock market in any great degree.

Mr. HORAN. I think, though, the influence of the economic unit is felt greatly in this because it places a premium on adjacent land and, of course, that tends to put a premium on the price.

Dr. COCHRANE. That is right; it works all through the farming area.

CHANGES IN THE VALUE OF FARM ASSETS

The effect of these rising land values on the farm asset position in current values is demonstrated here in the left segment of the chart. (The chart referred to follows:)



VALUE OF FARM ASSETS

Throughout much of the country, the credit and financial situation improved in 1961. The improvement is expected to carry forward and possibly be increased somewhat in 1962.

Farm real estate values resumed the rise that came to a temporary halt in 1960. Chiefly because of this, the value of all farm assets attained a record high at the beginning of this year. Although farm debts also rose, the increase in dollar amount did not match the increase in the value of farm assets. Hence

the equities of farmers and other owners of farm property showed a substantial increase for the year.

Percentage-wise, farm debt increased more than farm assets, and debts approximated 13 percent of assets on January 1, 1962. This compares with about 19 percent in 1940 and a low of about 7.5 in 1941.

Dr. COCHRANE. We see that total farm assets have increased very greatly over this period and the biggest single component is the value of farm real estate measured in current dollars.

However, when we take the effect of rising land prices out and put land values in constant prices we see that the farm real estate has not grown much in a physical sense, so that the difference between the slopes of those black areas in the two segments of the chart gives you a good picture of the effect of rising land prices on the value of farm assets.

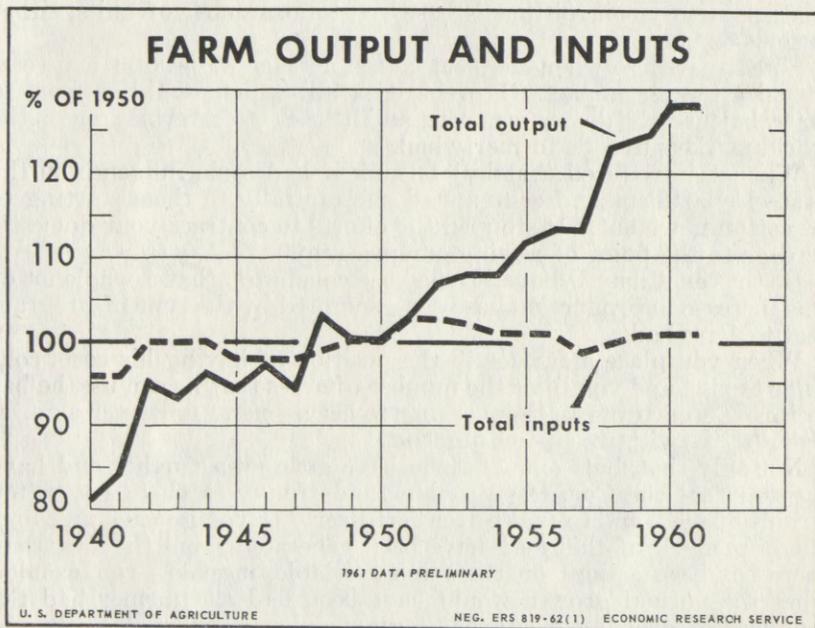
However, we observe that there has been a real increase in other physical assets, primarily machinery and livestock. You get an expansion in these in both current prices and in 1947-49 prices.

Mr. WHITTEN. Unless there are questions, you might proceed.

RELATIONSHIP OF FARM INPUT TO FARM OUTPUT

Dr. COCHRANE. This is a chart that I am not sure you have seen before. The solid line gives us a descriptive picture of what has happened to total farm output from 1940 to 1961, and the dashed line gives us a picture of the total resource inputs into agriculture.

(The chart referred to follows:)



FARM OUTPUT AND INPUTS

Farm output in 1961 equaled the 1960 record of 128 percent of the 1947-49 average. Since 1940, farm output has increased by 56 percent. Output of crops

in 1961 was down a little from 1960 but output of livestock and products increased. The large increase in farm output since 1940 has occurred with relatively little change in the total quantity of inputs used in farming. Thus there has been a substantial increase in output per unit of input. Although the quantity of total inputs has changed very little in the last decade, purchased inputs have increased by about a tenth while nonpurchased inputs have decreased.

Dr. COCHRANE. I would observe that farm output appears to be rising at an increasing rate, especially in the period of the 1950's and early 1960's. The picture is clear there.

Farm output has increased but total inputs of conventional resources—land, labor, and capital—have held almost constant.

Now, that increase, as I am sure we are all aware, did not happen by magic. It happened because as farmers replaced a tractor they got a better tractor; they have better seeds, they have better livestock, they have better managerial practices. All of these things have combined to make the farmer, each individual farmer, a much more productive operator and this, I would say, is as good a shorthand picture as one could get of the force of this technological revolution that is going on in agriculture.

Total inputs measured as they are here have held constant, but total farm output has risen about 27 percent in the last decade.

In terms of world history this is really a revolutionary development.

RESULT OF FARM PROGRAM ON OUTPUT

Mr. WHITTEN. Dr. Cochrane, we have pointed this out many, many times. I am certain that the farmers by and large prefer acreage controls to any control that is based on total number of units, either bushels or bales.

Some years ago when they cut cotton acreage 30 percent one year, it had a terrific impact. I prepared a bill which would support so many bales on the domestic market and let the cotton farmer regain the world markets that he formerly had.

When I introduced that bill I think it had some influence on the State Department and contributed substantially to them starting to let cotton move out. It stopped the efforts to contract your domestic acreage to the point of raising our price up.

Be that as it may, I have reached the conclusion that a whole lot of this increase in production has been generated by the type of program that we have had.

When you place a farmer in the position of having his costs continue to rise, and you limit the number of acres that he can use, he has to throw everything in there trying to get as many units per acre, in order to live with this increasing cost.

Not only that, but some of them have gone even further and have insisted that the Congress provide funds for research to get better strains of seed, and to find better fertilizer. If you go back and find out how much of this may have been generated from the fact that there has been a limit on the acres available, it makes you wonder what the normal growth would have been had the farmer had the privilege of growing whatever he grew as he preferred to, using as many acres as he wanted to.

Dr. COCHRANE. We have one little insight into that.

Corn had no controls on it in 1959 and 1960, and the rate of fertilizer increase was about the same as in the previous years. We do

not have all the data in on 1961 yet, but the main point I want to make is that the increased application of fertilizer in 1959 and 1960 followed the same trend as the earlier years, and also the increases in yields of corn in 1959 and 1960 were about the same.

Mr. WHITTEN. I don't mean to question your figures but I don't think they disprove the question that I raised. At that time you had price supports and no limits. So if your price supports are high enough to allow all this fertilizer per unit, he will go ahead and take full advantage of the fact that the string has been removed.

So I don't think your illustration there disproves or in any way conflicts with the point that some of this has been generated by the policies which we have followed.

There again I am not passing judgment on whether they have been sound or unsound at this point. They have been in existence and I do think that they serve as a tremendous incentive to increase the units per acre. It results in constant pressures to find out how we can even grow more and more blades of grass where one grew before, whether we need them or not.

Mr. SANTANGELO. Mr. Chairman. Coming from a city I look at it maybe with a clearer eye than some of these farmers, but the purpose of acreage reductions is to limit the production of the crop or the commodity.

Can you tell me why a program of limiting the production rather than the average will not work when we find out that even though we have reduced the amount of corn acreage we have an increase in corn?

Why could you not limit the production of corn?

Dr. COCHRANE. I am not sure I have your question. Limited you mean in terms of bushels or—

Mr. SANTANGELO. The purpose of this, as I understand it, is to limit the acreage so as to reduce the production of corn?

Dr. COCHRANE. That is right.

Mr. SANTANGELO. We find that last year even though we have reduced the acreage there has been more corn grown than before, and that you have a greater surplus in any event?

Dr. COCHRANE. No; I make two or three observations?

One, in spite of a very great increase in yield in 1961, actual production is down somewhat. I don't have the exact figures.

Could you give them to him?

Mr. KOFFSKY. Yes; production this year is 3,624 million bushels compared with 3,908 million last year.

Dr. COCHRANE. Now, one further comment on 1961. There has been recently a study at Iowa State College that documents the weather factor. We have been in a good weather cycle in the Corn Belt for the last 4 or 5 years, but 1961 was, I think most people agree, an unusually favorable growing season.

So we had not only the factor which the chairman brings to our attention that programs do tend to stimulate production to some extent but further, there has been what I would call a natural increase in cultural practices that would have occurred with or without programs, and third, we had unusually good weather.

So the three all interacted to give us higher yields than the previous year and higher than we anticipated, but nonetheless I would make two observations.

1. Actual production was down.
2. It is down considerably compared to what it would have been if those acres that were withdrawn had been in production with the very favorable growing conditions that we had last year.

UNIT CONTROLS ON PRODUCTION

Mr. SANTANGELO. It is a fact that your surplus in Commodity Credit Corporation has increased with respect to corn?

Dr. COCHRANE. Well, it increased as of October 1, 1961, but that is from the previous crop year.

The production in 1961 is utilized through a crop year beginning October 1, of 1961, and running through to October 1, 1962, and we expect the total carryover of corn to be down on October 1, 1962. We expect the total carryover of feed grains to be down some 5 million tons at the end of the 1961-62 crop year. This is a result of the program.

Mr. SANTANGELO. The point I was trying to make and I thought I had made it clear, is that for the past number of years this administration and the past administration, have been trying to reduce the production of the commodities by reducing the acreage.

It seems to me that this program has not succeeded. I see that within this last year you have a slight reduction in corn. The thought which occurs to me is if your purpose is to reduce the amount of production why don't you limit the amount of production rather than limiting the amount of acreage which seems not to bring about the desired result by reason of the fact that you have better machinery, you are intensifying your agricultural system, you are putting in more fertilizer and the funds which they get from price supports they are using for more fertilizer.

If the objective is to reduce the production why don't we meet the situation head on?

The question I asked is if the purpose is to reduce the production why don't we limit production directly instead of limiting acreage.

Dr. COCHRANE. I would say this about controlling or managing supplies in terms of production in bushels and pounds. First, weather is uncertain in agriculture and very often farmers get a lot more than they planned to produce and very often get lots less, so this puts the farmer in a very difficult position.

There are certain commodities that lend themselves readily to this type of management. I would say that dairy would be one, because the product goes through the market regularly and throughout the year. The farmer can, through his culling rates and so on, pretty well manage his flow of milk to market.

Wheat is planted once. You may get good weather or you may not get good weather and at the end you may get an amount of production which may bear no relationship to what you intended. Certain commodities don't lend themselves very well to a bushelage type of management.

Mr. SANTANGELO. When was the last time that wheat had a decline in bushelage, what year? How long ago?

Dr. COCHRANE. I have to look.

Mr. SANTANGELO. I think it is beyond the memory of any of us?

Dr. COCHRANE. I don't believe so.

Dr. COCHRANE. On the other hand, the usage of such things as tractors, fertilizers, and trucks per unit of output has gone up.

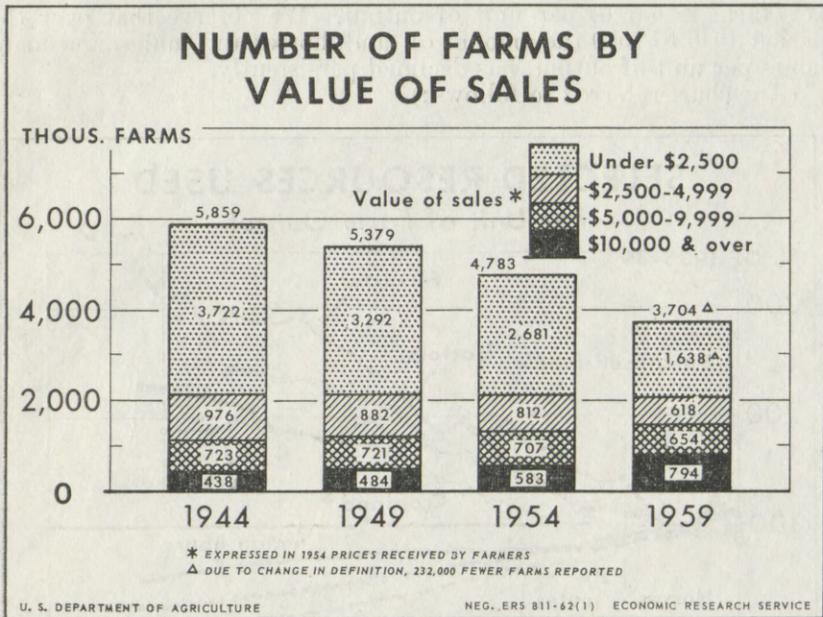
You remember the last chart showed total inputs holding fairly constant. Here we see that this happened because essentially declining use of labor, animal power, and land was offset by increased use of purchased machinery, fertilizer, and other nonfarm inputs. This is the way the farmers become more productive and those are the offsets that are involved wherein total farm inputs held constant.

I am ready to go to the next chart.

CHANGES IN THE NUMBER OF FARMS GROUPED BY VALUE OF SALE

This is the last chart that I have. It provides a picture of changes in the structure of farms in agriculture in the years 1944 to 1959.

(The chart referred to follows:)



NUMBER OF FARMS BY VALUE OF SALES

The number of farms as reported by the Census of Agriculture declined from 5,859,000 in 1944 to 3,704,000 in 1959. Of this decline of 2,155,000, a change in the definition of a farm used in the 1959 census accounted for 232,000.

Classifying farms into four groups according to the value of farm products sold, calls attention to the fact that the number of farms has declined in three of the four groups. The number of farms in the group with value of sales of less than \$2,500 declined 56 percent. The change in the definition of a farm accounted for a part of this change. For the \$2,500 to \$4,999 group, the decline was 37 percent. There was a decline of 10 percent in the \$5,000 to \$9,999 group. The number of farms with value of sales of \$10,000 or more increased by 81 percent.

Although farms are becoming larger and more specialized, they are still largely family farms. Future prospects are for family farms to continue to grow in average size and decrease in numbers.

For the purpose of this classification, value of sales were expressed in 1954 prices received by farmers. Prices in 1949, 1954, and 1959 were not significantly different.

Dr. COCHRANE. We observe that the number of farms was roughly 5,800,000 in 1944, and it has declined to 3,700,000 in 1959. Some 200,000 of the decline from 1954 to 1959 results from a change in definition, but the story is basically the same, a substantial decrease in the number of farms.

The greatest decreases occurred in the small farms that sell under \$2,500 worth of products. There were some 3,700,000 of those in 1944. By 1959 they had declined to 1,600,000. On the other hand, the number of farms that sell over \$10,000 per farm has actually increased over this period, rising from 438,000 to 794,000 over the period, so that while we had a decline in the number of small farms, there was an increase in the number of medium-sized to large farms.

These are census data.

Mr. WHITTEN. Thank you, Doctor. That pretty well covers your charts, I believe.

Dr. COCHRANE. Yes, there are three tables here on the back that you might want to look at. The first two tables show some of the key data associated with these charts that I think there would be no reason to discuss.

(The tables referred to follow:)

Selected data relating to farm prices and incomes, United States, 1939, 1944, and 1951-61

Year	Prices received and paid			Parity ratio ²	Food market basket ³		Total farm output 1947-49=100	Agricultural exports Millions of dollars	Sales, expenses, and realized income of farm operators from farming			Index of farmland values 1912-14=100	Total farm debt (excluding CCC) Jan. 1
	Prices received by farmers 1910-14=100	Prices paid or parity index ¹	Parity ratio ²		Farm value Dollars	Marketing margin Dollars			Cash receipts from sales ⁴	Production expenses ⁴	Realized net income ⁴		
1939	95	123	77	\$ 172	\$ 279	79	655	7.9	2	4	82	9.6	
1944	197	182	108	3 326	3 352	97	2,096	20.5	19.2	1.3	113	8.3	
1951	302	282	107	497	527	104	3,040	33.0	27.6	15.2	200	12.3	
1952	288	287	100	482	552	108	3,387	32.6	27.4	14.4	221	14.0	
1953	255	277	92	445	538	109	3,847	31.1	21.4	13.9	221	14.9	
1954	246	277	89	421	565	109	3,064	30.6	21.7	12.2	216	14.7	
1955	252	276	84	395	574	113	3,179	30.6	21.9	11.5	223	15.6	
1956	250	278	85	390	582	114	3,450	30.6	22.6	12.0	237	17.0	
1957	255	286	82	401	606	114	4,500	30.8	23.4	11.0	247	17.9	
1958	240	283	85	430	634	124	3,855	33.4	25.3	12.6	262	19.0	
1959	240	287	81	398	644	126	3,950	33.5	26.3	11.2	282	20.8	
1960	238	299	80	408	644	128	4,770	34.0	26.4	11.7	291	22.8	
1961 ⁶	240	301	80	405	690	128	5,010	34.8	26.9	12.7	294	24.1	
1st quarter	243	302	78	399	684	()	1,319	35.3	26.7	12.6	\$ 294	()	
2d quarter	256	301	78	399	684	()	1,138	34.0	26.7	12.5	()	()	
3d quarter	240	301	80	390	661	()	1,403	34.4	26.9	12.4	()	()	
4th quarter	239	301	79	398	651	()	1,459	35.5	27.2	13.4	10 302	()	

¹ Prices paid by farmers for goods used in farm family living and production, including allowances for taxes and mortgage interest paid per acre of farm real estate and for hired labor.

² Index of prices received expressed as a percentage of the index of prices paid.

³ The market basket includes intermediate quantities of U.S. grown foods purchased per urban worker family in 1952. 1939 and 1944 estimates based on same market basket as for 1947 to date.

⁴ Quarterly data are seasonally adjusted annual rates.

⁵ Dec. 31.

⁶ Preliminary.

⁷ Quarterly data not available.

⁸ Mar. 1.

⁹ July 1.

¹⁰ Nov. 1.

Source: Compiled from Economic Research Service and statistical reporting data.

Estimated return per hour to all farm labor

Year	Total realized return to all farm labor and capital ¹	Allowance for capital at 4¾ percent ²	Total return to labor and management ³	Total man-hours required for agricultural production ⁴	Realized return per hour to all farm labor and management ⁵
	(1)	(2)	(3)	(4)	(5)
	Million dollars	Million dollars	Million dollars	Million hours	Dollars
1929	8,982	2,997	5,985	23,158	0.258
1930	6,908	2,955	3,953	22,921	.172
1931	4,775	2,603	2,172	23,427	.093
1932	3,419	2,179	1,240	22,605	.055
1933	4,209	1,819	2,390	22,554	.106
1934	5,407	1,926	3,481	20,232	.172
1935	6,261	1,991	4,270	21,052	.203
1936	6,889	2,138	4,751	20,440	.232
1937	7,080	2,203	4,877	22,097	.221
1938	6,047	2,206	3,841	20,577	.187
1939	6,247	2,140	4,107	20,675	.199
1940	6,245	2,157	4,088	20,467	.200
1941	8,553	2,241	6,312	20,043	.315
1942	11,831	2,566	9,265	20,581	.450
1943	15,386	3,013	12,373	20,298	.610
1944	15,871	3,404	12,467	20,164	.618
1945	16,604	3,724	12,880	18,841	.684
1946	19,571	4,051	15,520	18,082	.858
1947	22,011	4,559	17,452	17,196	1.010
1948	20,956	5,046	15,910	16,833	.945
1949	18,306	5,304	13,002	16,201	.803
1950	17,703	5,203	12,500	15,137	.826
1951	20,022	6,062	13,960	15,170	.920
1952	19,413	6,729	12,684	14,425	.879
1953	18,696	6,546	12,150	13,897	.874
1954	16,884	6,327	10,557	13,107	.805
1955	16,118	6,507	9,611	12,751	.754
1956	16,795	6,619	10,176	12,132	.839
1957	15,814	6,988	8,826	11,379	.776
1958	17,758	7,419	10,339	11,103	.931
1959	16,391	8,141	8,250	10,789	.765
1960	16,977	8,184	8,793	10,310	.853
New basis: ⁶					
1960	16,977	8,448	8,529	10,310	.827
1961	18,128	8,525	9,603	10,136	.947

¹ Includes realized net income of farm operators, wages to hired farm labor, farm mortgage interest, rent to nonfarm landlords and short-term interest.

² 4¾ percent of current value of farm real estate, inventory value of crops and livestock, inventory value of motor vehicles and machinery, excluding 60 percent of the automobile, and an allowance for working capital. This rate approximates the interest rate on farm-mortgage debt in recent years.

³ Col. (1) minus col. (2).

⁴ Labor requirements in terms of the number of man-hours required for an average adult male worker to perform the various jobs. Revised beginning 1939.

⁵ Co. (3) divided by col. (4).

⁶ Capital values on a revised basis.

Dr. COCHRANE. The next table presents some new data that I don't believe you gentlemen have had the opportunity of looking at, namely, information about the income of operator families as of 1959. These data are based on the census. I would be happy to discuss this or not, depending on your wishes.

(The table referred to follows:)

Average net income of farm operator families by major economic classes, United States, 1959

Economic class of farm	Number of farms, 1959		Percent of sales of farm products	Average net income of farm operator families			
	Total	Percent of total		Net cash farm income ¹	Off-farm income	Total cash income	Total income including nonmoney income from farm food and housing
Commercial:							
Farms with sales:							
\$10,000 and over.....	795	21.5	71.9	\$6,636	\$1,978	\$8,614	\$9,960
\$5,000 to \$9,999.....	654	17.6	15.4	2,165	1,567	3,732	5,018
\$2,500 to \$4,999.....	618	16.7	7.4	1,288	2,077	3,365	4,572
\$50 to \$2,499.....	349	9.4	1.5	438	525	963	1,476
Other farms:							
Part-time ²	888	23.9	2.7	176	4,283	4,459	4,890
Part-retirement ³	404	10.9	1.1	116	1,846	1,962	2,363
All farms.....	3,708	100.0	100.0	2,115	2,247	4,362	5,275

¹ Cash receipts from farm marketings plus Government payments less production expenses.

² Value of sales less than \$2,500, operator under 65 years of age and either worked off farm 100 days or more or income of family from nonfarm sources greater than value of products sold.

³ Value of sales less than \$2,500, operator 65 years or older.

Mr. WHITTEN. We are glad to have this information and I would like to have those tables included in the record.

I have read the bill that has been introduced following the President's message. Prior to this bill's being introduced, I from time to time would hear of various discussions about compensatory payments, where the farmer would be paid so much to make the difference between what he actually earned and a reasonable return for his labor and so forth. Personally, I have always thought this was by far the poorest approach to solving the thing. Possibly, it is a matter of personal opinion.

First, having served for about 12 or 14 years as chairman of this committee I don't think we could get the money through the Congress for compensatory payments. Secondly, if we were to get the money approved, having observed the temper of Congress, there would quite soon be a limit placed on the payment per person. If such policy were followed as I have seen in other things such as the ACP program, it would tend to spilt up and divide up the various farms that we have now.

With the tremendous number of people that we have in the military service, and the 10 times that many or more that we have producing munitions of war and things of that sort, and with all the people we have following other activities, there just isn't labor to substitute for the machinery and equipment which we all know must have behind it a pretty good-sized farm.

There is another point that frightens me about compensatory payments. If there is a limit to the retail dollar, and of course there is, and if that ceiling is imposed by buyer resistance, and with the right under existing law to organize and to strike and to bargain and with the right of industry to mark up on top of the cost, once you start the producer of the raw material to looking to the Government, in the

natural order of things after a period of years the farmer would look to the Treasury entirely.

That is presuming that he could get the money from the Treasury, which I don't believe he could.

The other thing that disturbed me, Dr. Cochrane, were the reports and rumors around here that somebody in the Department had gone over the number of farmers and had given some thought as to just how high the payment had to be to reach the biggest percentage of farmers because they could vote.

Now, this is not made in the nature of a charge. I'm just telling you the reports and rumors around.

In a nutshell what basic changes in approach does the President propose. I am talking about in approach now, from the prior programs. Briefly what is included in the bill which was introduced at the request of the Department?

Could you describe that fairly briefly?

Dr. COCHRANE. Yes, I can.

PRESIDENT'S FARM PROGRAM

There are three commodity programs in the bill. One for wheat, one for feed grains, and one for dairy.

WHEAT AND FEED GRAINS

As far as the wheat and feed grain programs I would say that basically there is no new approach. Essentially what we are doing in these two commodities is what we have been pursuing in cotton and peanuts and tobacco. First we would estimate how much the market will take, both at home and abroad, including all the kinds of export sales we have discussed today, and then establish a marketing quota equal to that total amount.

That amount is spun out into a national acreage allotment, and is divided among States, counties and down to the farm on the basis of history.

As in the case of cotton and tobacco, there are price supports providing the farmers approve the program in referendum; if the farmers do not approve the program in referendum there would be neither price supports nor acreage allotments.

In broad outline there are acreage allotments which with expected yields would produce the amount that the market will take, although I should mention that it is the intention that the total acreage allotment would be smaller by the amount that we would hope to reduce carry-over each year, possibly reduce wheat carry-over by 100 million to 150 million bushels.

DAIRY PRODUCTS

The dairy program is, I would say, newer in concept. It is new in the sense of having a supply management program. I think we are aware that two things happened in 1961—production increased about 2 percent, which is about what it has been doing, and about what we thought it would do, but for the first time total consumption declined nearly 2 percent. The combination of these two things is making it necessary for the Department to purchase dairy products at an annual

rate of over \$500 million to hold the price support for milk for manufacturing at \$3.40 per 100 pounds.

The program that is recommended in this legislation would provide that every dairy farmer have a production base and a marketing allotment that is some percentage of that base. It might be 95 percent of the base. Since milk production cannot be turned off immediately, there is a provision in the legislation, permitting the producer to market over his base for a while on which he would pay penalty or a marketing fee on marketings over the base. That marketing fee plus a Federal expenditure of \$300 million a year, would be available to purchase dairy products and thereby hold the price at the defined fair price. In other words, each farmer has an allotment that is a percentage of his base and if he produces over it he pays a marketing fee which is used to help support the price of milk.

As in the other cases, that is the other two commodities, this program would be offered to farmers in referendum and if they disapproved, there would be no allotment and there would be no marketing fees, but it is still anticipated that the Government would spend up to \$300 million to buy surplus dairy products, and it is anticipated that any price support, which would be announced for dairy, would be considerably below the present price.

The figure that has been discussed if there were no program, and assuming there was a change in the present law, might be in the neighborhood of \$2.70 a hundred.

INCREASE DEMAND

The Secretary believes that, although these commodity programs can be useful and are necessary where we have this capacity to produce, we must also take action at two different levels. The first of these is to expand demand as much as we can. A great deal has been done on this front and it is not anticipated, at least in terms of the Public Law 480 markets or distribution at home, that this can be greatly expanded.

There is a recommendation for a new title V in Public Law 480 in the proposed legislation which would authorize the United States to join in a multilateral food-for-peace program. It is anticipated this would be a relatively small program, but we do need the authorization to do this.

LONG-TERM CHANGE IN LAND USE

The Secretary further believes that over the long period of the next two decades a great deal of the pressure can be removed from the individual commodity programs, if we can move some land now in production into less intensive uses; some land into grass perhaps, some land into trees, and he has great hopes that some productive land could be moved into open space or recreation.

In the proposed legislation we ask for amendments to present legislation such as the Soil Conservation and Domestic Allotment Act, the Bankhead-Jones Farm Tenant Act and the Watershed Protection and Flood Prevention Act, to permit the purchase of land and the extension of the provisions of these authorities to enable, say, a public

corporation, perhaps a town, perhaps the Boy Scouts, perhaps the Izaak Walton League, to enter into agreement with the Federal Government whereby that public corporation might manage the land over a long period of time to provide recreational use in terms of fishing, boating, swimming—also picnic areas and hunting.

In short, the Secretary visualizes that a very important part of the new program would be concerned with the gradual accumulation into less intensive uses of, some 50 million acres of land. The Secretary particularly wants to see this land not be held idle but be moved into uses that have a high priority in an increasingly urban society.

So the main features of the total program, hardly any of which is new as far as mechanics are concerned, are, first, try to expand the utilization of food and fiber where it can be done, recognizing, at least in terms of Government programs perhaps, the expansion possibilities here are not unlimited.

Next, try to move up to 50 million acres into productive nonfarm use over the next 20 years, emphasizing particularly open space and recreational use and thereby taking the pressure off of any commodity program.

And finally, where we have difficult commodity problems, as we foresee for at least the next 5 years, in the case of wheat, feed grains, and dairy that we try to adjust supplies to the concept of expanded demand using program devices that have been successfully used in other crops.

PERSONNEL INCREASE RELATED TO PROGRAM

Mr. WHITTEN. Doctor, in the years I have been here I have seen many agricultural bills introduced and I have seen them fail to pass. That has become rather usual, and I am not anticipating that this bill as it is written will pass, based on the past years. In case it should pass and become the law, what is your estimate as to how much policing or how much increased personnel would be required?

Dr. COCHRANE. In the areas I know best, the feed grain and the wheat programs, I don't see that there need to be any increase in personnel over what we are now using. We are proposing a program that certainly would take no more administration than at present.

With regard to the dairy program, it might take some more personnel to run such a program.

With regard to the expanding utilization, no more here.

With regard to this whole area of land use extensification, the Secretary hopes to move on a pilot basis if he gets the legislation—he proposes to move slowly in the next year or two so there would be very little additional personnel here. After that I really can't say because I never had any experience with such programs.

But I would say in the two commodity programs which I know best, wheat and feed grains, I don't think this should require any more personnel than what we have right now.

Mr. WHITTEN. Thank you, Dr. Cochrane.

Mr. Natcher?

Mr. NATCHER. Dr. Cochrane, I want to thank you and the members of your staff for a splendid presentation.

Dr. COCHRANE. Thank you.

Mr. NATCHER. I think it is all-important that we not only know but understand the reasons why our farm prices, and the income of the farmer generally, change from year to year.

As I pointed out shortly after you began your testimony to this committee, what transpired in the burley tobacco market is the best example that I could give you of knowing and understanding the export situation and doing something about it at the proper time. This was done and the amount that it will save the tobacco farmer of this country will more than offset the entire amount that is being requested for your Department.

Thank you, Mr. Chairman.

Mr. WHITTEN. Mr. Santangelo?

Mr. SANTANGELO. Thank you very much, Dr. Cochrane, for the information you have given me during the presentation of the charts. But there is a series of questions which I could ask, but I will limit myself to one or two.

BREAKDOWN OF AGRICULTURAL PRODUCTS SUBSIDIZED

I would like you to set forth in the record which agricultural commodities are directly subsidized and what is the amount of subsidy for each of these commodities.

Dr. COCHRANE. I would have to look it up.

Mr. SANTANGELO. Yes. Do you have the basic commodities and the others? I would also like a listing of the commodities which are subsidized and what the amount of each subsidy is, what the price supports for each of the items would be, and if it is not under price support in the form of a subsidy, an explanation of what the subsidy is.

Dr. COCHRANE. Is this for 1 year that you are thinking about?

Mr. SANTANGELO. Just for 1 year. I am mainly interested in a summary of what the price support for each commodity is, and what subsidies—

Mr. WHITTEN. Mr. Santangelo, I think you will find that almost every year we have had tables included in the record which could be brought forward to show the commodities under mandatory supports, and what the supports were, and at the end of the year what the losses were. So I think if they have such tables and brought them forward it would give a period of some several years. Is that agreeable to you?

Mr. SANTANGELO. It would be agreeable to me. You are going to put those in the record but, if you have it in advance, would you let me have a copy of it so I don't have to wait for the printed record? It might get lost in the shuffle.

Dr. COCHRANE. We will furnish what the chairman is referring to. It has been in the record before.

(The information requested follows:)

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE—COMMODITY CREDIT CORPORATION

Analysis of program results from Oct. 17, 1933, through June 30, 1961¹

[Realized gains and losses]

Program and commodity	Fiscal year ended June 30		Oct. 17, 1933, through June 30, 1961
	1959	1960	
Price-support program (CCC nonrecourse loan, purchase and payment programs): ¹			
Basic commodities:			
Corn.....	2 761,841,679	2 823,937,372	2 718,568,472
Commeal ²	2 48,956,854	2 22,479,611	2 20,323,942
Cotton:			
Extra-long staple.....	2 6,121,392	2 752,449	2 599,800
Upland.....	2 492,013,582	2 447,971	2 162,001,754
Cotton, export differential ⁴	2 41,361,218	2 100,803,441	2 41,361,218
Cotton, Puerto Rican.....	2 120,198		2 130,198
Cotton, rubber barrel.....	11 055,451		11 055,451
Peanuts.....	2 155,227,818	2 16,803,332	2 17,216,471
Peanut butter ³	2 93,380,368	2 31,502,546	2 202,016,597
Rice.....	2 4,543,040	2 654,222	2 1,685,623
Soybeans.....	2 1,803,146	2 27,837,626	2 2,794,631
Soybean oil.....	2 534,006,416	2 79,827,076	2 33,112,799
Wheat.....	2 121,837,171	2 78,806,441	2 184,833,339
Wheat flour ³			2 6,815,041
Total.....	2 2,248,764,290	2 567,155,378	2 1,364,186,108
Total.....			2 353,895,731
Designated nonbasic commodities:			
Milk and butterfat:			
Butter.....	2 444,221,130	2 40,971,855	2 534,745,095
Butter oil.....	2 121,193,381	1 847	2 121,190,468
Cheese.....	2 355,938,548	2 26,706,130	2 390,494,567
Milk dried.....	2 881,436,167	2 104,713,891	2 870,775,929
Milk, fluid (armed services and Veterans' Administration).....	2 58,325,681	2 23,035,784	2 130,210,716
Whey.....	2 3,384,209		2 3,584,209
Subtotal.....	2 1,564,699,116	2 195,425,813	2 2,051,000,984
Barley.....	2 124,871,367	2 7,310,011	2 182,188,001
Grain sorghum.....	2 198,633,514	2 26,394,056	2 533,833,535
Honey.....	2 868,646	2 17,987,821	2 288,144
Oats.....	2 76,256,613	2 9,731	2 881,441
Potatoes, Irish.....	2 78,582,600	2 4,174,551	2 98,677,991
Rye.....	2 19,147,383		2 478,582,600
Rye flour ³	7 080	2 185,510	2 23,274,130
Tung oil.....	2 1,064,052	2 1,596,508	2 4,983,977
Wool ⁵	2 241,561,202	2 86,290,110	2 440,601,979
Total.....	2 2,705,677,413	2 321,376,862	2 3,814,017,568

See footnotes at end of table, p. 334.

Analysis of program results from Oct. 17, 1933, through June 30, 1961 ¹—Continued

[Realized gains and losses]

Program and commodity	Fiscal year ended June 30			Oct. 17, 1933, through June 30, 1961
	1959	1960	1961	
Price-support program—Continued				
Other nonbasic commodities:				
Beans, dry edible.....	2 \$73,405,730	2 \$484,528	2 \$5,143,643	2 \$79,507,369
Castor beans.....	2 171,193	2 171,193	2 171,193	2 171,193
Cottonseed and products.....	2 116,818,054	2 794,755	193,061	2 117,419,748
Eggs.....	2 189,698,695	2 397,113	2 397,113	2 189,698,695
Flaxseed and linseed oil.....	2 165,870,202	2 1,927,222	2 1,325,513	2 168,853,613
Fruit, dried.....	2 14,882,320	2 1,732,374	2 1,732,374	2 14,882,320
Grapefruit juice.....	2 1,732,374	2 1,732,374	2 1,732,374	2 1,732,374
Hemp and hemp fiber.....	2 21,459,155	2 954,200	2 954,200	2 21,459,155
Hops.....	2 809,441	2 809,441	2 809,441	2 809,441
Naval stores.....	2 578,132	2 578,132	2 578,132	2 578,132
Olive oil.....	2 824,436	2 824,436	2 824,436	2 824,436
Peas, dry edible.....	2 3,751	2 3,751	2 3,751	2 3,751
Pecans.....	2 3,751	2 3,751	2 3,751	2 3,751
Seeds.....	2 38,705,428	2 8,840	2 8,840	2 38,717,268
Soybeans.....	2 2,142,806	2 5,666,801	2 10,344,222	2 24,895,109
Sugar, Puerto Rican and Virgin Island.....	2 23,830	2 23,830	2 23,830	2 23,830
Sugarbeets.....	2 16,517,269	2 16,517,269	2 16,517,269	2 16,517,269
Sweet potatoes.....	2 135,421	2 135,421	2 135,421	2 135,421
Turkeys.....	11,070	11,070	11,070	11,070
Vegetables, canned.....	11,942	11,942	11,942	11,942
Total.....	2 645,061,878	2 8,551,489	2 9,649,105	2 675,197,620
Exchange commodities:				
Strategic and critical materials.....	2 11,498,359	5,807,030	2 652,725	2 7,744,056
Other strategic materials.....	1,329	1,329	1,329	1,329
Total, exchange commodities.....	2 11,498,359	5,808,359	2 652,725	2 7,745,385
Emergency feed program.....	2 652,725	2 652,725	2 652,725	2 652,725
Total, price-support program.....	2 5,611,001,940	2 891,275,310	2 795,469,117	2 5,9,605,172,859
Special milk program for children.....	2 190,239,220	2 74,027,394	2 80,562,827	2 429,498,343
Supply program: 17				
Cotton and linters.....	1 876,199	1 876,199	1 876,199	1 876,199
General commodities purchase.....	193,640,427	266,056	300,655	198,140,506
Grains and seeds.....	73,807,017	41,583	27,853	75,869,838
			2 6,615	
			2 6,615	

Oils (bulk).....	973,708				973,708
Processed and packaged commodities ^a	39,224,437	1,766	788	39,102	39,217,869
Sugar, Puerto Rican raw.....	59,731				59,731
Tobacco.....	4,708,084				4,708,084
Other.....	2 3,413,871		13,498		2 3,400,373
Total, supply program.....	314,835,732	309,405	342,764	2,017,651	317,505,552
Foreign purchase program: 7 9					
Cotton.....	5,895,735				5,895,735
Fats and oils.....	38,915,698				38,915,698
Foodstuffs.....	3,706,276				3,706,276
Other.....	2 173,740				2 175,740
Total, foreign purchase program.....	50,341,879				50,341,879
Emergency feed program:					
Corn.....	2 16,988,110				2 16,988,110
Cottonseed meal.....	2 17,427,514				2 17,427,514
Oats.....	2 3,961,122				2 3,961,122
Wheat.....	2 3,539,053				2 3,539,053
Total, emergency feed program.....	2 41,915,799				2 41,915,799
Commodity export program:					
Butter and butter products.....	2 45,216	2 2,400			2 47,616
Milk, dried.....	2 1,632				2 1,632
Cotton.....	2 12,537,164				2 12,537,164
Cotton products.....	2 29,708,241		2 284,372,956	2 179,512,716	2 435,275,890
Citrus products.....		2 13,066,195	2 18,739,288	2 12,421,393	2 73,935,117
Fruits, canned.....		2 2,650	2 1,024		2 3,674
Meat products.....	2 6,550			2 467	2 497
Poultry products.....	2 718				2 6,530
Barley.....		2 2,524	2 8,189	2 32,429	2 43,860
Corn.....	2 510,844	2 11,997,520	2 3,741,911	2 5,392,172	2 21,131,603
Grain sorghum.....		2 14,552,495	2 8,088,488	2 7,775,356	2 30,927,183
Oats.....		2 11,092,809	2 3,773,155	2 3,339,206	2 18,205,170
Rice.....		2 3,345,314	2 2,303,039	2 1,944,458	2 7,592,811
Wheat.....		2 4,517,783	2 11,531,088	2 18,605,280	2 34,654,151
Wheat flour.....	2 317,550,440	2 1,136,043	2 1,055,827	2 1,797,910	2 3,989,780
	2 47,074,642	2 38,421,701	2 17,913,104	2 68,730,652	2 442,615,897
		2 25,443,327	2 9,581,537	2 5,590,504	2 87,690,010
Total, commodity export.....	2 407,435,427	2 132,433,815	2 311,104,606	2 305,142,573	2 1,156,121,421
Storage facilities program.....					
1961 feed grain program.....	2 12,496,796	2 39,156	51,112	2 43,624	2 12,528,464
Procurement and donation of vegetable oil products.....				2 333,222,606	2 333,222,606
Accounts and notes receivable (chargeoffs).....	2 7,901,180	2 620,756	2 922,839	2 4,601,024	2 4,601,024
				2 3,218,423	2 12,683,198

See footnotes at end of table, p. 334.

Analysis of program results from Oct. 17, 1933, through June 30, 1961 1—Continued

[Realized gains and losses]

Program and commodity	Oct. 17, 1933, through June 30, 1958	Fiscal year ended June 30		Oct. 17, 1933, through June 30, 1961
		1959	1960	1961
Recoverable by specific appropriations: ¹⁰				
National Wool Act payments.....	\$125,632,874	\$86,250,000	\$53,892,724	\$58,863,444 85,042,426
Special milk program for children.....				
Total.....	125,632,874	86,250,000	53,892,724	409,681,468
Total (excluding wartime consumer subsidy costs) ¹¹	2 5,780,179,877	2 1,011,837,026	2 1,133,777,789	2 10,818,194,815
Wartime consumer subsidy program.....	2 2,102,281,073			2 2,102,281,073
Grand total.....	2 7,882,460,950	2 1,011,837,026	2 1,133,777,789	2 12,920,475,888

¹ Allocation of losses and gains as between "price-support program" and "supply program" for the period prior to the fiscal year 1947 was made on the basis of an analysis completed in April 1949. Since accounting records maintained prior to July 1, 1946 did not provide for this segregation, it was necessary to analyze program results in detail and in some cases make an estimate of the distribution between "price support" and "supply" of the total operating result as shown by the accounting records. This analysis was based on all known factors concerning the operations with respect to each commodity.

² Denotes loss.
³ Acquired by exchange or processing of price-support commodities or by direct purchase.

⁴ Includes export differential on owned or pooled cotton only. Differential on exporters' cotton included under "commodity export program."

⁵ Incentive payments to wool producers are included in this schedule in order to reflect total price-support activity for wool. Since the Corporation is reimbursed for the incentive payments from special appropriations, the amounts of the incentive payments are separately reflected as recoveries.

⁶ Amounts recovered or to be recovered from appropriations authorized in certain acts of the Congress, as detailed on schedule 7a, are not reflected as losses.

⁷ Portion of overall supply and foreign purchase program effective July 1, 1952.

⁸ Activity under this program prior to July 1, 1950, was reported as general supply program.

⁹ Insofar as possible, operating results have been retroactively classified to correspond with current budgetary programs. In some instances, the accounts maintained prior to July 1, 1946, did not make possible a precise segregation of the results of foreign procurement operations.

¹⁰ Represents amounts of program costs included in this schedule for which the Corporation is reimbursed by specific appropriations.

¹¹ Includes losses totaling \$56,239,432 on price-support commodities disposed of in accordance with Public Laws 839 and 393, 80th Cong., i.e., transferred to foreign assistance outlets at a price equal to price of a quantity of wheat having equivalent caloric value. The Corporation was reimbursed for these losses by the Secretary of the Treasury. Also includes loss of \$41,915,799 on emergency feed program for which the Corporation was reimbursed by appropriation pursuant to Public Law 40, 84th Cong.

¹² Program loss for fiscal year 1961 includes \$1,288,546,877 representing costs removed from inventory value by revaluation adjustment made as of June 30, 1961, and \$80,908,876 representing resale loan storage costs applicable to commodities remaining under loans. (See notes C and D on pp. 17 and 18.)

COMMODITY CREDIT CORPORATION

Price support levels for 1961 and 1962 crops on which 1963 budget estimates are based compared with permissive levels

Commodity	1961 crops		1962 crops	
	Current support levels	Range in levels permissive under existing law	Estimated support levels	Range in levels permissive under existing law
PRICE SUPPORT PROGRAM				
Basic commodities:				
Corn.....	74.1	¹ 65	74.1	¹ 65
Cotton, extra long staple.....	65	60-75	65	60-75
Cotton, upland.....	82	70-90	82	65-90
Peanuts.....	85.7	75-90	85	75-90
Rice.....	78.5	70-90	78.5	65-90
Tobacco.....	⁸³⁻⁸⁶	(²)	⁸⁴⁻⁸⁶	(²)
Wheat.....	³ 75	75-90	⁴ 84.4	75-90
Mandatory nonbasic commodities:				
Honey.....	75	60-90	75	60-90
Milk and butterfat:				
Manufacturing milk.....	83	75-90	83	75-90
Butterfat.....	81	75-90	81	75-90
Mohair.....	72	(⁵)	71	(⁵)
Barley.....	⁶ 74.4	(⁷)	⁶ 74.4	(⁷)
Oats.....	⁶ 73.5	(⁷)	⁶ 73.8	(⁷)
Rye.....	⁶ 68.9	(⁷)	⁶ 69.3	(⁷)
Sorghums, grain.....	⁸ 77.8	(⁷)	⁸ 78.3	(⁷)
Tung nuts.....	82.9	⁹ 60-90	81.8	⁹ 60-90
Wool.....	84	^{10 11} 110	83	^{10 11} 110
Other nonbasic commodities: ¹²				
Almonds.....	29	0-90	-----	0-90
Beans, dry edible.....	70	0-90	70.2	0-90
Cottonseed ¹³	78	0-90	78	0-90
Flaxseed.....	73.5	0-90	73.9	0-90
Naval stores (crude gum).....	77	0-90	77	0-90
Soybeans ¹³	79.3	0-90	79.6	0-90

¹ Minimum.

² Support level determined by adjusting 1959-crop support level by multiplying it by the ratio of (1) the average of the index of prices paid by farmers, including wage rates, interest, and taxes, for the 3 calendar years immediately preceding the calendar year in which the marketing year begins to (2) the average index of such prices paid by farmers, including wage rates, interest, and taxes for the calendar year 1959 (Public Law 86-389).

³ Commercial area; support level outside commercial area is 75 percent of that in the commercial area.

⁴ Commercial area; no price support available to producers outside of the designated commercial wheat-producing area.

⁵ Legislation provides for a mohair support level as much as 15 percent above or below the comparable percent of parity at which shorn wool is supported.

⁶ Support level set directly at the feed value relationship to corn.

⁷ Price support is mandatory at such level of the parity price as the Secretary of Agriculture determines is fair and reasonable in relation to the level at which price support is made available for corn, taking into consideration the feeding value in relation to corn and other specified factors.

⁸ Support level set at 90 percent of the feed value of corn.

⁹ In any crop year in which the Secretary determines that the domestic production of tung oil will be less than anticipated domestic demand, the support level shall not be less than 65 percent of parity.

¹⁰ Maximum.

¹¹ Maximum permissible level for shorn wool to encourage production of 300,000,000 pounds. However, if the support level does not exceed 90 percent of parity, the Secretary may determine a level between 60 to 90 percent to encourage production of 360,000,000 pounds of shorn wool. The support price for pulled wool shall be established at such levels, in relationship to the support price for shorn wool, as the Secretary determines will maintain normal marketing practices.

¹² Shall include, insofar as feasible, any storable commodity not listed above for which a marketing quota or marketing agreement or order program is in effect, and may also include any other agricultural commodity. If a support program is announced for any of the commodities, the level of support shall not be above a minimum prescribed level between 75 and 90 percent of parity to be determined by consideration of the supply percentage of the commodity at the beginning of the marketing year. However, the Secretary may establish the level of support at less than the minimum prescribed level if he determines that a lower level is desirable after consideration of certain specified factors.

¹³ The law provides that whenever the price of either cottonseed or soybeans is supported, the support price of the other must be at a level which enables these commodities to compete on equal terms on the market.

Announced price support levels for 1961 and 1962 crops compared with permissive levels

Commodity	1961 crops		1962 crops	
	Support levels	Range in levels permissive under existing law	Support levels	Range in levels permissive under existing law
PRICE SUPPORT PROGRAM				
Basic commodities:				
Corn	74	¹ 65	74	¹ 65
Cotton, extra long staple	65	60-75	65	60-75
Cotton, upland	82	70-90	82	65-90
Peanuts	86	75-90	85	75-90
Rice	78	70-90	78	65-90
Tobacco	83-86	⁽²⁾	⁽³⁾	⁽²⁾
Wheat	4 75	75-90	3 84.4	75-90
Mandatory nonbasic commodities:				
Honey	75	60-90	74	60-90
Milk and butterfat:				
Manufacturing milk	83	75-90	⁽³⁾	75-90
Butterfat	81	75-90	⁽³⁾	75-90
Mohair	72	⁽⁶⁾	70	⁽⁶⁾
Barley	7 74	⁽⁸⁾	7 74	⁽⁸⁾
Oats	7 74	⁽⁸⁾	7 74	⁽⁸⁾
Rye	7 69	⁽⁸⁾	7 69	⁽⁸⁾
Sorghums, grain	9 78	⁽⁸⁾	9 78	⁽⁸⁾
Tung nuts	82.9	¹⁰ 60-90	⁽³⁾	¹⁰ 60-90
Wool	84	¹¹ 12 110	83	¹¹ 12 110
Other nonbasic commodities: ¹³				
Almonds	29	0-90	-----	0-90
Beans, dry edible	70	0-90	70	0-90
Cottonseed ¹⁴	78	0-90	76	0-90
Flaxseed	73.5	0-90	76	0-90
Naval stores (crude gum)	77	0-90	15 89	0-90
Soybeans ¹⁴	79	0-90	78	0-90

¹ Minimum.

² Support level determined by adjusting 1959 crop-support level by multiplying it by the ratio of (1) the average of the index of prices paid by farmers, including wage rates, interest, and taxes, for the 3 calendar years immediately preceding the calendar year in which the marketing year begins to (2) the average index of such prices paid by farmers, including wage rates, interest, and taxes for the calendar year 1959 (Public Law 86-389).

³ Not yet announced.

⁴ Commercial area; support level outside commercial area is 75 percent of that in the commercial area.

⁵ Commercial area; no price support available to producers outside of the designated commercial wheat-producing area.

⁶ Legislation provides for a mohair support level as much as 15 percent above or below the comparable percent-of-parity at which shorn wool is supported.

⁷ Support level set directly at the feed value relationship to corn.

⁸ Price support is mandatory at such level of the parity price as the Secretary of Agriculture determines is fair and reasonable in relation to the level at which price support is made available for corn, taking into consideration the feeding value in relation to corn and other specified factors.

⁹ Support level set at 90 percent of feed value of corn.

¹⁰ In any crop year in which the Secretary determines that the domestic production of tung oil will be less than anticipated domestic demand, the support level shall not be less than 65 percent of parity.

¹¹ Maximum.

¹² Maximum permissible level for shorn wool to encourage production of 300,000,000 pounds. However, if the support level does not exceed 90 percent of parity, the Secretary may determine a level between 60 to 90 percent to encourage production of 360,000,000 pounds of shorn wool. The support price for pulled wool shall be established at such levels, in relationship to the support price for shorn wool, as the Secretary determines will maintain normal marketing practices.

¹³ Shall include, insofar as feasible, any storable commodity not listed above for which a marketing quota or marketing agreement or order program is in effect, and may also include any other agricultural commodity. If a support program is announced for any of the commodities, the level of support shall not be above a minimum prescribed level between 75 and 90 percent of parity to be determined by consideration of the supply percentage of the commodity at the beginning of the marketing year. However, the Secretary may establish the level of support at less than the minimum prescribed level if he determines that a lower level is desirable after consideration of certain specified factors.

¹⁴ The law provides that whenever the price of either cottonseed or soybeans is supported, the support price of the other must be at a level which enables these commodities to compete on equal terms on the market.

¹⁵ Estimated.

Availability of price support—1962 crops

Commodity	Date of announcement	Support level		Average support price
		Percent of parity	Parity as of	
Basic commodities:				
Corn.....	Jan. 9, 1962.....	74	January 1962.....	\$1.20 bushel.
Cotton, upland.....	Jan. 8, 1962.....	82	do.....	\$0.3188 pound minimum (\$159.40 bale). ¹
Cotton, extra-long staple.....	do.....	65	do.....	\$0.5317 pound (\$265.85 bale).
American-Egyptian.....	Not yet announced.....			
Sea Island.....	do.....			
Sealand.....	Jan. 8, 1962.....	85	January 1962.....	\$221.00 ton minimum (11.05 cents pound).
Peanuts.....	Jan. 8, 1962.....	78	do.....	\$4.71 hundredweight minimum.
Rice.....				
Tobacco:				
Flue-cured, types 11-14.....				
Flue-cured, type 21.....				
Flue-cured, types 22-23.....				
Burley, type 31.....				
Maryland, type 32.....				
Dark air-cured, types 35-36.....				
Virginia sun-cured, type 37.....	Not yet announced ²			
Cigar binder, types 51-52.....				
Cigar filler and binder, types 42-44, 53-55.....				
Puerto Rican, type 46.....				
Wheat:				
Commercial area.....	Aug. 9, 1961.....	84.4	August 1961.....	\$2 bushel minimum.
Noncommercial area.....	do.....	(³)	do.....	
Mandatory nonbasic commodities:				
Honey, extracted.....	Jan. 8, 1962.....	74	January 1962.....	\$0.112 pound.
Milk and butterfat:				
Butterfat.....	Not yet announced.....			
Manufactured milk.....	do.....			
Barley.....	Jan. 9, 1962.....	74	January 1962.....	\$0.93 bushel.
Oats.....	do.....	74	do.....	\$0.62 bushel.
Rye.....	do.....	69	do.....	\$1.02 bushel.
Sorghums, grain.....	do.....	78	do.....	\$1.35 hundredweight (\$1.08 bushel).
Tung oil.....	do.....			
Wool.....	Not yet announced.....			
Wool.....	Oct. 6, 1961.....	83	October 1961.....	\$0.82 pound.
Mohair.....	do.....	70	do.....	\$0.74 pound.

See footnotes at end of table, p. 338.

Availability of price support—1962 crops—Continued

Commodity	Date of announcement	Support level		Average support price
		Percent of parity	Parity as of	
Other nonbasic commodities:				
Beans, dry edible.....	Jan. 8, 1962.....	70	January 1962.....	\$6.32 hundredweight.
Cottonseed.....	Jan. 9, 1962.....	76	do.....	\$48 ton loan; \$44 ton purchase.
Flaxseed.....	do.....	76	do.....	\$2.90 bushel.
Naval stores:				
Rosin.....	Dec. 26, 1961.....	4 89	April 1962.....	\$10.50 hundredweight.
Soybeans.....	Jan. 9, 1962.....	78	January 1962.....	\$2.25 bushel.

1 Average of the crop; when appropriate loan differentials are determined the average support price will be converted to a Middling 1-inch basis.

2 Pursuant to Public Law 86-389, the support level will be increased 1 percent over the 1961 level.

3 No price support available.

4 Estimated.

Mr. SLACK. I would like to take this opportunity to compliment Dr. Cochrane and Mr. Grant for their excellent presentations on the general summary of the agricultural outlook. I hope to be of value to this subcommittee as time goes on regarding this very complex subject.

Mr. WHITTEN. I would like to say for the record here that my colleague from New York, Mr. Santangelo, has been on the committee for a number of years, and Mr. Slack, from West Virginia, has been on here for 1 year. Their contributions have been very substantial, in my opinion, to the overall welfare of the American people.

I would like again to say that what we are dealing with here is the food and clothes for 180-some-odd million people. This is the source of it. So, in addition to maintaining a healthy financial and economic situation for those who produce this food and fiber for all of us, all of us have a deep interest in seeing that it is done on a sound basis. And it has become imperative, in my viewpoint, that those like our colleagues contribute here the things that they know for the overall benefit of all of us.

Mr. Andersen?

Mr. ANDERSEN. Thank you, Mr. Chairman.

Mr. Chairman, I first want to say that I am proud to serve on this subcommittee. I doubt if there is any subcommittee on appropriations which has a better balanced committee as far as the knowledge of the United States as a whole is concerned. We have gentlemen on this subcommittee conversant with conditions all over the Nation, and that is as it should be. We have gentlemen, and rightly so, on here who also represent consumers' interests, and that should be. We have some of the most able men in the Congress. It is an honor to be the ranking member of this subcommittee on appropriations for agriculture.

I wish to pay tribute to the colleagues on my side, Mr. Chairman, as well as on yours. Mr. Horan, Mr. Michel, our good friend Bill Natcher, Fred Santangelo, and John Slack—I am not saying anything about the chairman; I discuss him all the time anyhow. Each and every one of them are fine men.

Now, Dr. Cochrane, your discourse here is very important because you are discussing fundamentals of the economics of agriculture. I have found out through the years since I was a boy on the farm part of which I own today, that there is one major thing that we are always thinking about in our operations of a farm. That is, what are we going to secure for the crops that we produce? Will we have sufficient gross income to enable us to meet our bills and live the kind of life that the farmer is entitled to live, as well as his city cousins. The American farmer, as the chairman has often said in past years, is entitled to make sufficient profits from his long hours of work so that when the time comes to send his children to college he can afford to do so.

In a speech in New Orleans just 2 weeks ago, I brought out the fact that in my opinion the American farmer today is, unfortunately, becoming, in the minds of some people, a second-class citizen. He has been branded by this term "subsidy," which I abhor. A lot of people seem to think it is a horrible thing to try to help the farmer secure a fair price for what he produced in order to provide food for the 185 million people in this great Nation of ours.

I think that it is a shame that the farmer has not received through the years and does not receive now, what I term a fair price for his production. I have fought for parity all through these 24 years, and I don't apologize for so doing.

The big question it seems to me is, How are we going to secure a fair price for everybody concerned without gouging the consumer. We must make it possible for the farmers of the Nation to continue producing and enable them at the same time to maintain their farms from a conservation standpoint.

My partner and I, on our farm in Minnesota, would like to be able to buy a farm tractor that now costs \$5,000 or \$6,000, but we can't do that with 90-cent corn. We can't do that if our corn acreage is cut down to where we can only produce six or seven thousand bushels of corn. During the late 1940's and early 1950's we were producing about 12,000 bushels, and instead of receiving 90 cents we were getting \$1.25 or \$1.50 per bushel.

I am glad you are here, Dr. Cochrane, because I think that, next to the Secretary of Agriculture, you are the most important man we have to talk to; and I feel, too, that we are virtually speaking to the Secretary when we speak with you, Dr. Cochrane, because I think that he leans upon your advice considerably in deciding what approach he should take in the way of new farm programs.

COST OF FARM PROGRAM

I want to ask you a direct question. I have here a newspaper clipping from the Minneapolis Tribune, a newspaper with which you are well acquainted. In an editorial dated January 26, of this year, this newspaper states, and I quote:

The farm program so far—

they undoubtedly referred to last year's farm program—

has been a billion dollars more costly than forecast by Secretary Freeman and has had little success in reducing surpluses.

Now, will you tell me, Dr. Cochrane, do you agree with that statement?

Dr. COCHRANE. No, sir, I do not.

Mr. ANDERSEN. Now, Mr. Grant, I want to ask you, did this farm program as such cost an additional billion dollars?

Mr. GRANT. No, sir.

Mr. ANDERSEN. That statement then is incorrect?

Mr. GRANT. Yes, it is. Although I don't know the basis for the figures.

Mr. ANDERSEN. This is the kind of thing we hear and read frequently. We hear and read a great deal about the costs of farm programs and farm subsidies. Much of it comes from people who have no concrete knowledge about the subject. But in your opinion you would not agree that the farm program in 1961 has been a billion dollars more costly than the estimates, Mr. Grant?

Mr. GRANT. Are they comparing the cost for the crop year 1961 with the earlier estimate for that year?

Mr. ANDERSEN. I assume they are referring to that.

Mr. GRANT. When the President submitted his revised budget for 1962, nearly a year ago—

Dr. COCHRANE. Is this fiscal 1962?

Mr. GRANT. Yes, the fiscal year 1962 which includes for the most part expenditures for the crop year 1961, total expenditures for the Department of Agriculture were estimated at \$6,442 million. The latest estimate for 1962 now is \$7,177 million, an increase of \$735 million.

Mr. ANDERSEN. Mr. Grant, getting our thinking down to the farm program itself and not all these other extraneous fields such as the disposal of the accumulated surplus and so forth—

Mr. GRANT. Of course, the question is, Mr. Andersen, what is meant by the farm program?

Mr. ANDERSEN. Will you do this for me: Will you answer this question in the record for me the best you possibly can, sir?

Mr. GRANT. Yes, I will.

Mr. ANDERSEN. That is all I ask. I won't go any further right now.

Mr. GRANT. I will give you an itemized breakdown of expenditures for the record.

Mr. ANDERSEN. Please do that. In other words, Mr. Grant, you will help me to make clear to this subcommittee as to whether or not the cost of our farm program for 1961 did not come within a billion dollars of the estimate given by the Secretary?

Mr. GRANT. Yes, sir.

Mr. WHITTEN. Mr. Andersen, may I make this suggestion here. Mr. Grant is the budget officer.

Mr. ANDERSEN. That is why I put the question to him, Mr. Chairman.

Mr. WHITTEN. I am not trying to limit you, but may I offer this in the way of a suggestion. From Mr. Grant's standpoint, shouldn't he put the figures in for the 2 years and let the opinion as to what they mean come from some other source? The two figures will speak for themselves.

Mr. ANDERSEN. Mr. Chairman, I don't think the figure quoted here is correct. I don't think there has been that much difference and I want Mr. Grant to give us the figures to substantiate my line of thinking.

Mr. GRANT. I will supply a table showing expenditures as estimated for 1962 in the 1962 revised budget almost a year ago, and expenditures for 1962 as shown in the 1963 budget. This will be a factual listing of these expenditure figures.

Mr. ANDERSEN. Certainly, we want a factual breakdown, Mr. Grant.

Mr. GRANT. Yes, sir.

(The table referred to follows:)

Estimated expenditures, fiscal year 1962

[Millions of dollars]

	As shown in 1962 revised budget ¹	As shown in 1963 budget	Change
Agricultural Research Service	\$163.7	\$160.0	-\$3.7
Soil Conservation Service	168.3	164.5	-3.8
Agricultural conservation program	242.0	240.0	-2.0
Conservation reserve program	357.1	346.3	-10.8
Removal of surplus agricultural commodities (sec. 32)	260.0	225.0	-35.0
School lunch program	164.9	169.5	+4.6
Special milk program	104.4	105.0	+ .6
Rural Electrification Administration	355.0	350.0	-5.0
Farmers Home Administration	354.9	² 157.9	-197.0
Forest Service	245.3	279.4	+34.1
Commodity Credit Corporation:			
Price support program (including emergency feed grain and wheat program payments) ³	1,240.9	1,829.6	+588.7
Commodity export program	265.9	310.2	+44.3
Storage facilities program	15.5	13.6	-1.9
Supply and foreign purchase program	-.1	-1.1	-1.0
Other (principally interest costs)	348.1	344.5	-3.6
Total, Commodity Credit Corporation	1,870.3	2,496.8	+626.5
Special export programs (foreign assistance):			
Public Law 480:			
Sale of surplus agricultural commodities for foreign currencies	1,357.5	1,333.1	-24.4
Commodities disposed of for emergency famine relief to friendly peoples	140.9	281.5	+140.6
Long-term supply contracts	24.8	155.5	+130.7
International wheat agreement	70.7	81.4	+10.7
Bartered materials for supplemental stockpile	174.8	225.3	+50.5
Total, special export programs (foreign assistance)	1,768.7	2,076.8	+308.1
All other programs	386.8	405.4	+18.6
Total, Department of Agriculture	6,441.4	7,176.6	+735.2

¹ Submitted by President in March 1961.² Reflects the establishment of the direct loan account for real estate and operating loans, into which collections of principal and interest are deposited and are reflected as credits against expenditures.³ With respect to the emergency feed grain and wheat programs, the estimate in the 1962 revised budget included only the 1961 feed grain program, since the 1962 programs for feed grains and wheat had not been authorized at that time.

RESULTS OF FEED GRAIN PROGRAM

MR. ANDERSEN. Now, Dr. Cochrane, I have studied your presentation very carefully and have a few questions.

DR. COCHRANE. The general statement?

MR. ANDERSEN. You made this statement:

With average growing conditions and an effective feed grain and wheat program, production and marketing of crops should be smaller in 1962.

The question I have to ask, do you consider the feed grain and wheat programs of the past year ineffective?

DR. COCHRANE. No; I do not consider them ineffective.

MR. ANDERSEN. Well, now, you do place, the preface there that, "if we have an effective feed grain program," but by the use of those words you do not mean to indicate that we do not have an effective program for 1961, do you?

DR. COCHRANE. No, I do not. But the difference here is that the wheat program that is anticipated for 1962, is a different wheat program than we had in 1961, and a combination of the two—

MR. ANDERSEN. I am belaboring the feed grain part of the program mainly, sir.

Dr. COCHRANE. In my opinion we had a very effective feed grain program in 1961.

Mr. ANDERSEN. I voted for the feed grain program in order that the Secretary of Agriculture might have the opportunity to try out his program. Now you believe it was effective?

Dr. COCHRANE. I certainly do.

Mr. ANDERSEN. And met to a certain extent at least, the expectations of the Secretary?

Dr. COCHRANE. I firmly believe that the administration program resulted in a reduction in production of over 20 million tons of feed grains as compared with what would have been realized with the old program.

We were prior to 1961 building up stocks at the rate of about 7 or 8 million tons of feed grain per year.

Mr. ANDERSEN. I wish you would put that in terms of bushels. There are about 36 bushels of corn, roughly, to the ton.

Now, when you talk about 7 or 8 million tons you are really talking about approximately—

Dr. COCHRANE. 250 to 300 million bushels of corn.

Well, we had an exceptionally good year weatherwise last year.

We did pull down production in 1961, and this production decline along with some increase in utilization enabled us to end up with some 20 million fewer tons of feed grain than would have been the case with the pre-1961 program.

FARM INCOME

Mr. ANDERSEN. Now, again referring to that word "effective." Effective, means to me as a farmer, that the program did me some good as a farmer in my purchasing power?

Dr. COCHRANE. I think it did.

Mr. ANDERSEN. All right.

Now, how much do you consider that the feed grain program and the wheat program last year did in behalf of raising the farmers' purchasing power? I have seen the figure of a billion and a half dollars, now, does that represent—

Dr. COCHRANE. That is total agriculture, a billion and a half.

Mr. ANDERSEN. Above the previous year?

Dr. COCHRANE. Above the previous calendar year.

Mr. ANDERSEN. Now, did you subtract from that billion and a half the additional amount, whatever it might be, that was expended by the Government to secure that increase?

Say, for example, if the additional cost of the program to the taxpayer happened to be \$500 million, just taking a figure out of the air, would the billion and a half include or make allowance for the \$500 million it cost the taxpayer?

Dr. COCHRANE. No; it does not take that into account. The increase of a billion and a half in terms of estimating the increase in farmers' incomes in the gross receipts of farmers was attributable about half to increased marketings and about half to payments under the feed grain program.

Mr. ANDERSEN. Thank you on that, Doctor.

EFFECT OF VOLUME OF AGRICULTURAL PRODUCTION AND MARKETING ON
PRICES

Now, again referring to your statement of yesterday, you stated that:

It is anticipated that the total volume of agricultural production—that is on the second page, second main paragraph—total marketing of farm products in 1962, will be about the same as this year.

Further—

production and marketing of crops should be smaller in 1962 but this will probably be about offset by the continued upward trend in livestock production accompanied by a further rise in marketings, particularly of hogs, cattle, and dairy products.

Now the question I want to ask you relative to that statement is this: Have you taken into consideration the possibility that this increased marketing of hogs, cattle, and dairy products, will tend to lower perhaps the price of such products to the point that the producer might realize less net income from such marketings?

Dr. COCHRANE. Yes, we have attempted to take it into account, whether we did a perfect job only time will tell.

PRICE OUTLOOK

Mr. ANDERSEN. I think you stated here yesterday, did you not, Doctor, that you thought perhaps hogs would sell at a slightly lower level next year?

Dr. COCHRANE. It might well be lower.

Mr. ANDERSEN. You might be right. If they do, what good does increased marketings do the farmer if his gross income remains stationary, or even goes down a little?

Dr. COCHRANE. Well, to the farmer who has lower prices and the volume does not offset it, no help at all.

I certainly would agree with you.

We do not figure that there will be any big break in hog prices, and cattle prices may be about the same. In the case of dairy, we don't know quite what is going to happen; what happens here depends pretty much on what Congress does.

I believe it is reasonable to believe that broilers and turkey prices will be higher.

Mr. ANDERSEN. The picture for agriculture is not too good this coming year, if all we can anticipate from your statement is that we are going to have more marketing, hogs, cattle and dairy products, but you say that the total production and marketings will remain about the same next year as this year, but that the marketing of crops should be smaller in 1962.

Now what does that do to me as a farmer if my gross units go down as far as marketing is concerned and my price level stays the same.

It just means to me less gross income, does it not?

Dr. COCHRANE. If your marketings go down and your price stays the same, it is certainly going to hurt you.

In the case of wheat, in the new program the prices of wheat will be higher and there will be some payments involved. In the case of

feed grains, we would expect marketings and prices of feed grains to be just about the same as in 1961.

Mr. ANDERSEN. Marketings and prices to be about the same?

Dr. COCHRANE. To be about the same this coming year as last.

Mr. ANDERSEN. But you expect a little bit more marketings of livestock?

Dr. COCHRANE. That is right.

Mr. ANDERSEN. But now, if more livestock is marketed why should not more feed grains be consumed and consequently, why should not the marketing go up a little on feed grain?

Dr. COCHRANE. There will be a little more feed grains consumed, and as a result carryover will be reduced.

FEEED GRAIN PROSPECTS

Mr. ANDERSEN. From your statement I would think that the feed grain section in the Nation is the one that is the most doubtful as far as future prosperity is concerned at this point.

In your opinion, would you say putting it bluntly that the producers of corn, barley, oats, feed grains and such, are in the worst situation relative to agriculture as a whole, looking to the future a few years?

Dr. COCHRANE. In the worst?

Mr. ANDERSEN. In a worse situation.

You hold out hopes for the cotton man and the wheat man, but do you have any hopes for me as a corn producer and my 40,000 farmers who produce corn?

Dr. COCHRANE. Yes, I have hopes.

Mr. ANDERSEN. Well, you hold out to us the prospect of less production, do you not?

Dr. COCHRANE. In 1962, no; in 1962 the same production as this year and the same prices.

Mr. ANDERSEN. What do you look forward to in 1963 and 1964 as to production of corn?

Dr. COCHRANE. Well, I would hope that——

Mr. ANDERSEN. You are talking about allotments, are you not?

Dr. COCHRANE. I know. Looking beyond 1962, I would look for a year or two of still about the same production and I would hope a little higher prices.

Mr. ANDERSEN. Well, Doctor, isn't it a fact that we have got to look forward to higher prices if we are going to get equity at all?

Dr. COCHRANE. Yes, it is.

Mr. ANDERSEN. And isn't it also a fact that a goal of higher prices is the only thing that justifies any farm program from the farmer's viewpoint?

We as farmers are always hoping for that little bit of additional income that will enable us to make a little profit. I think you are in agreement with me on that.

SALES OF COMMODITY CREDIT CORN ON TERMINAL MARKETS

Now, Doctor, might I ask this: Is it going to be the continued policy of the administration to hold down the cash price level of feed grains by selling CCC stocks in the cash market in Chicago?

To preface that I might say I wrote the Secretary in November objecting very strenuously to the fact that while he had legal right to cash in those certificates by selling Commodity Credit stocks on the Chicago market, whenever he saw fit, still it seemed to me from close observation of my markets back home, that never once last fall did the cash position of corn in southwestern Minnesota get much better than 85 or 90 cents a bushel.

At that time I watched continuously the Chicago grain market and whenever cash corn strengthened there were large sellings or offerings by Commodity Credit Corporation which caused the market to drop.

Now, those I believe are the facts. I don't believe that the Secretary, or you, can deny that there seems to be a definite policy to hold down the price of cash corn in Chicago.

Now, I told the Secretary that I thought that was in direct contravention to the intent of the Congress at the time we discussed the feed grain bill last spring and at the time when I voted for the bill. It was stated then, at least the Department people gave us to understand, that they wanted \$1 corn out in southwestern Minnesota, northwestern Iowa, and eastern South Dakota. They were not indicating that \$1 cash corn would be the basis in Chicago.

Now, I am asking you this question in all seriousness, do you think it is going to be the administration's continued policy to hold down the cash price level of feed grains by selling CCC stocks on the Chicago market?

Will you answer me as to that, to the best of your ability?

Dr. COCHRANE. Yes, but I would like to preface it with a statement. It is to the effect that the way the law is written the funds to finance the program were to be obtained through a payment-in-kind procedure.

Mr. ANDERSEN. You are absolutely right, as I said, Doctor, you had the perfect legal right to do as you did.

Dr. COCHRANE. So, we have been paying for the program by selling corn as authorized by law.

CORN SALES

Mr. ANDERSEN. Mr. Chairman, I would like to ask Dr. Cochrane, if he will please, to place in the record at this point a tabulation showing the sales of Commodity Credit corn on the terminal market covering the period from the date of the reenactment of the Feed Grain Act last summer, up to January 1, 1962.

Could that be done without divulging any secrets?

Mr. WHITTEN. Doubtless you have your records. If they are not too voluminous, I think it would be well to show wherever had been sold, if you have it.

Mr. ANDERSEN. I am referring to terminal markets.

Mr. WHITTEN. You don't need to limit it to a particular terminal market, if you have it for others.

Mr. ANDERSEN. I am referring to terminal markets.

Dr. COCHRANE. Yes.

(The information requested follows:)

Corn sales against certificate pool total storable and nonstorable and average prices received for storable

Date	Total	Nonstorable, bushels	Storable, bushels	Average price received, storable, per bushel
Sept. 29, 1961	37,567		37,567	\$1.01
Oct. 6, 1961	2,173,723		2,173,723	1.14
Oct. 13, 1961	61,848		61,848	1.05
Oct. 20, 1961	112,394		112,394	1.05
Oct. 27, 1961	545,094		545,094	1.05
Nov. 3, 1961	10,455,892	3,901,026	6,554,866	1.02
Nov. 10, 1961	10,659,940	2,529,711	8,130,229	1.02
Nov. 17, 1961	26,648,159	2,304,139	24,344,020	1.03
Nov. 24, 1961	27,183,002	2,559,422	24,623,580	1.03
Dec. 1, 1961	26,780,499	2,528,752	24,251,747	1.03
Dec. 8, 1961	55,651,364	6,152,602	49,498,762	1.00
Dec. 15, 1961	47,772,294	6,526,620	41,245,674	1.00
Dec. 22, 1961	32,869,422	5,109,908	27,759,514	.98
Dec. 29, 1961	29,788,706	4,311,605	25,477,101	.97
Jan. 5, 1962	20,379,750		20,379,750	.99

NOTE.—It is estimated that $\frac{1}{2}$ of the above sales were made for delivery at terminal markets, including such markets as Des Moines, Iowa, Cedar Rapids, Iowa, Indianapolis, Ind., and Peoria, Ill., and at seaboard for export. The other $\frac{1}{2}$ was sold for delivery at country points.

POLICY RELATIVE TO CASH PRICE LEVEL OF FEED GRAINS

Mr. ANDERSEN. Will you place in the record an answer to this question of mine as to whether this is going to be the continued policy? I shall be glad to hear your answer now.

Dr. COCHRANE. I would make two comments now which I think will be in answer to it. One is that to the best of my knowledge the price of corn, throughout the 1961 crop year, has not been lower than it was in the 1960 crop year.

So, we have done nothing to break down the market. We have been selling corn, and this has an effect on price. Everyone recognizes this, but we have been very careful to see that in no sense were the pressures too great on the market. To the best of my knowledge, at no time have market prices been below what they were in 1960.

Second, it is not our thinking to continue to pursue the kind of price inventory policy that is a part of the 1961 and 1962 program because one of the key points of the new program is that if two-thirds approve, the program would be binding on all producers, and every producer would participate and be eligible for price support and the market price would, by the very nature of the program, have to be close to or above, the support level. That is the long-run program that is in this bill.

Mr. ANDERSEN. Well, Doctor, I am in full agreement with you that all the farmers should contribute by cooperation, if possible, in a program once they have voted it in themselves by a two-thirds majority. I used that very language in my green acres bill which I almost got through Congress year before last.

That is a sensible approach. What I am discussing here is policy and the intent of the Congress with regard to the Feed Grain Act. We who voted for it did so hoping that it would raise the price level somewhat.

Now I don't say that you people don't want just as much as I do to see that price level go up to a certain event. We don't want to see it go up too high, but we want to see a fair job done.

Now, I am just as anxious as anybody to see every farmer join and contribute to a program; but if these noncooperators felt for some reason or other that they could not join that voluntary program, it was a voluntary program, then it is not up to the Secretary or anybody in the Department to force down the price level of the cash corn to further penalize the noncooperators.

If, on the other hand, the Secretary would want to make that 30-cent spread by giving to the cooperator, as he could without further edict of law, an additional 10 percent of parity, and make the price support \$1.30 instead of \$1.20, that would meet with my full approval.

But I object to forcing down the cash position of corn or feed grains in the terminals in an attempt to penalize the noncooperators, and in effect say to them well, boys, you better get into the farm program or you will find it mighty expensive to stay out.

Now the farm program last year, the feed grain program, was not a compulsory program. It was a voluntary program. And again I urge the Department to make that incentive for the cooperator in the form of increased price support and then you will have all of them cooperating. But you won't get it by compulsion.

I want to go into this new farm program and ask you some questions about that particular phase. I would like to have answers to a few questions, Dr. Cochrane.

I think you said that in the new farm program as a whole there is really no new approach suggested as far as wheat and feed grain are concerned, that was not already in existence. Of course you are asking for allotments, are you not, on corn and feed grains?

Dr. COCHRANE. That is right.

ACREAGE ALLOTMENT FOR FEED GRAINS

Mr. ANDERSEN. And they would be definite, mandatory allotments?

Dr. COCHRANE. If two-thirds—

Mr. ANDERSEN. If the farmers voted on it themselves. And I agree with that line of thinking. That is new, is it not, from the viewpoint of my farmers?

Dr. COCHRANE. It is new from the point of view of feed grain producers but it is not new from the point of view of supply management programs in the country.

Mr. ANDERSEN. Of course, wheat and milksheds and so forth.

Dr. COCHRANE. Cotton, tobacco, peanuts.

Mr. ANDERSEN. But it is new to the feed grain producers, it would be a new thing as far as those farmers are concerned. So it is new to that extent.

Now, what choice are you going to give the feed grain producer? I have 40,000 of them in my district. By the way, I have the most strictly agricultural district in America, more farms I believe than any other one district.

What choice are you going to give to the producer in that particular referendum? How do you propose to phrase that referendum?

ALTERNATIVES FOR FEED GRAIN PRODUCER

Dr. COCHRANE. Well, we think we are going to give him a realistic choice, with two alternatives. The present thinking goes something like this: One, he will know at the time he votes what the size of the allotment is so he will know whatever cutback it may involve.

At that time also he will know what the price support is that goes with it. According to the bill those are administrative determinations and it will be up to the Secretary to determine them at that time. But the farmer will know precisely what he is voting for in terms of the price support he will get and the acreage allotment he will get.

Further, I think it is very important that we are talking about a total feed grain base rather than just corn or barley so that the producer will have more flexibility within his allotment—more than he has had in past programs to shift between oats and corn or corn and barley or corn and sorghums, whatever it might be in his area.

Mr. ANDERSEN. Suppose they vote down that referendum, then what?

Dr. COCHRANE. The way the bill is written at the present time the alternative would be no price supports and no allotments.

Mr. ANDERSEN. Well now, why do you hit my corn farmers and feed grain farmers in that fashion when at the same time, you just told us a little while ago, that in the event the dairy farmers voted their program down, you nevertheless would go ahead and spend \$300 million to purchase their products? Did you say that perhaps you would also give the dairy farmers a moderate price support, even though they voted down the referendum?

What is so sacred about the dairy farmer? Why do you propose to tell the corn and barley farmer in my area, you take this or you get nothing? You get taken away from you what you already have. I can't see that line of reasoning, Doctor.

Am I wrong or right in my assumption that you say that? You tell them, well, there is nothing for you if you vote it down; is that it?

DAIRY PRODUCTS PROGRAM

Dr. COCHRANE. That is right. This is parallel to cotton and tobacco.

Mr. ANDERSEN. Not parallel to the dairy producer.

Dr. COCHRANE. No.

Mr. ANDERSEN. What is so sacred about the dairy producer?

Dr. COCHRANE. I don't know.

Mr. ANDERSEN. My district in Minnesota used to be one of the greatest butter-producing districts in America. Now it has gone way down since the advent of oleo. Since that unfortunate decision by the Congress about 12 years back—we have gone out of the butter business; we couldn't afford to produce it. But now, what is going to happen if you take away all price supports for corn, barley, oats, and feed grains, from a great big section of the country that is not qualified or ready to produce anything else? What is going to happen? Thousands of farmers are going to be forced, are they not, into the production of hogs and cattle?

Now, would we be precluded then from even going into the dairy business? I used to have 26 milk cows in my barn. Could we put some milk cows on there again if we wished?

Dr. COCHRANE. Yes; you could put milk cows on again.

Mr. ANDERSEN. In other words, I could go into the dairy business and further accentuate the surplus of dairy products in an attempt to try to get a decent return from my corn and barley and oats?

Dr. COCHRANE. If there were no dairy program you could start dairy operations.

Mr. ANDERSEN. And further help to make a bad situation worse; could I not?

Dr. COCHRANE. Well—

Mr. ANDERSEN. The basic problem today is that we have too much land producing crops. This is the problem I think would be corrected by my green acres farm program. I have tried to call it to the attention of economists such as yourself. You and I aren't too much apart in our line of thinking in certain ways. I think you will agree with me that the basic problem today is, essentially, we have too much land producing commodities?

Dr. COCHRANE. That is correct.

Mr. ANDERSEN. I have had many people, including Congressmen tell me, Carl, the only trouble with your green acres farm program is—it is too simple; it wouldn't require a great big army of people to administer it. I hesitate to even guess how many people the Department would have to employ to enforce what you propose in this new farm program, especially this dairy products allotment.

How many people would the Department have to employ to thoroughly check every farm as to the allotment for corn, barley, and oats? You would have to measure every foot of that farm. You couldn't do it with the community committeemen in the township. It would be a very expensive proposition.

I am just trying to get down to realities.

I have farmed a good many years, I am older than you are. How would you do it without a terrific amount of additional expense?

Dr. COCHRANE. We would measure his total feed grain acres. We wouldn't have to measure each crop in what is anticipated here, and we don't believe it would be any more work than that required under the 1961 and 1962 feed grain program.

NEED FOR EXTENSION OF CONSERVATION RESERVE

Mr. ANDERSEN. I want to ask you a question now about the conservation reserve. The President's message was strangely silent on any extension of the conservation reserve.

Do they intend to ask for the reenactment of the conservation reserve?

Dr. COCHRANE. We are making studies of the conservation reserve right now. It is being discussed within the Department. I am not sure whether legislation will be recommended this year.

Mr. ANDERSEN. In other words, you are going to let it expire this year, is that it?

Dr. COCHRANE. There has been no decision yet with regard to it.

Mr. ANDERSEN. You are going to let millions of these acres go back into production?

Dr. COCHRANE. Not too many come out this year.

Mr. ANDERSEN. We had what, 28 million acres under contract this year?

Mr. KOFFSKY. That is 1961.

Mr. ANDERSEN. How much this year?

Mr. KOFFSKY. I think it is 2 million less, and another million goes out this year.

Mr. ANDERSEN. The point I am trying to bring out is this: When we had the beginning of a good program, the conservation reserve which Mr. Marshall and I initiated, and which Mr. Whitten had approved, I criticized the previous Secretary of Agriculture, Mr. Benson, because he did not properly administer that program. It was not the intent of this subcommittee that we should allow these farms to grow up in weeds. It was not the intent of this subcommittee that we should let any farmer lease more than, say, 40 or 50 percent of his cropland to the Government, because then it meant a dead farm, they moved off.

Any good, prospective program will go bad if it is not properly administered.

Now, I think that Secretary Freeman should study very carefully what has happened in the past—I think all of us should—and see where we can benefit from it. I don't see any benefit at all if we just simply drop the conservation reserve. I think instead we should get in there and properly administer it and prevent any further contracts taking total farms out of production. Then make the people get in there and properly take care of that piece of land that was supposed to be put to what I like to term "green acres."

That is the way I would administer that particular act. I criticize to this day Secretary Benson for doing what he did, and I will also criticize you folks if you drop it entirely.

You say on the one hand we have to get 50 million acres of land out of production. I agree. In fact I think the proper figure ought to be closer to 60 million acres. We have 25 million under contract in the conservation reserve and out of production. Why shouldn't we in some way try to keep it there? That is a good thing. When these conservation contracts expire why shouldn't we make payments out of present existing Commodity Credit stocks in an attempt to keep this land out of production? We had no business spending \$500 million in cash to the farmers under the feed grain program, when we had all of this dead capital, in the form of surplus, CCC stocks lying in steel tanks all through America. I fought this out on the floor of the House but we were defeated.

Under my green acres program we would simply give the farmer a certificate which would allow him to take 80 percent of the corn which would have been produced on the acreage taken out of production from the nearest CCC outlet. That would help by saving the Government cash and getting that old corn out of storage, and we saw millions of bushels of 1952 and 1953 corn still in storage, Mr. Santangelo, in Illinois, getting more worthless and costing the taxpayers storage.

Why don't we get down to a sensible approach?

FARM PROGRAM

Mr. ANDERSEN. Mr. Chairman, why, in order to better the farm program, do they have to make it so complicated?

Why can't they have a simple farm program that the average farmer

can understand and yet will do the job of reducing production and getting a little more money for the crop he has to sell?

I think we are going the long way around to do the job we have to do and that is—to get that acreage out of production.

Why not just simply tell the farmer if you will take 20 percent of your cultivated acreage out of production we will guarantee you 80 percent of parity price supports on anything you produce on the balance?

I have been told the Secretary is plagiarizing, if that is the correct term, my green acres farm program, and I am proud of it.

I want to help you make it a good program without making it so complicated and cumbersome that it will be destroyed by its own weight, Doctor.

Dr. COCHRANE. I am not sure that means a 20-percent decrease in your total feed grain base.

Mr. ANDERSEN. My proposal is for a 20-percent decrease in the total cultivated cropland acreage. I have heard many complaints among both farmers and townspeople who say the Government always gets the poorest land in any reduction program.

I propose to let the farmer himself divide his cultivated acreage into five equal lots and then let the Government choose the one they want to take out of production.

What could be more fair? The Government would be bound to get average cultivated acreage out of production on that farm.

It would mean the end of this paying for sloughs or other unproductive land. First leave it to the farmer to divide it, secondly, let the Government representative say which tract the Government would take.

That is not only simple but I think it is just good commonsense. Why try to tell the farmer how much corn, how much barley, how much alfalfa he can have? Why not leave that up to him? They are all feed units.

The farmer would be decreasing the number of feed units simply by laying aside that 20 percent. In my green acres proposal, the farmer would not get a dime in cash out of that 20 percent but he would get the assurance of a decent price support on the balance of his production, gentlemen.

Many Congressmen have told me they agreed and supported my proposal to provide commodity payments instead of cash. I say had we adopted this proposal last spring we wouldn't be wondering why we had expended millions of dollars on the feed grain program today.

Instead we would have had, gentlemen, millions of dollars worth of commodities in free grain in the hands of farmers and out of the Commodity Credit storage pile.

Mr. Chairman, that is all. I appreciate your allowing me to take this time.

Mr. NATCHER. Mr. Chairman, it has certainly been a pleasure for me serving on this subcommittee with my friend H. Carl Andersen. I say to you quite frankly, Mr. Chairman, the American farmer has never had a better friend. People in my section of the United States and in my home State of Kentucky on more than one occasion have had difficulties since I have been a Member of Congress and Carl Andersen has always stood up for the American farmer regardless of his location. I have seen him tested time after time.

Thank you, Mr. Chairman.

Mr. ANDERSEN. Thank you, Mr. Natcher.

Mr. WHITTEN. And I think I have said it heretofore and I repeat it again, Carl and I have worked on this committee together for many years. We have switched chairmanships as parties have changed from time to time, I hear lots of Members say it makes no difference which one of us serves as chairman; our basic philosophies have been the same.

We have differed in details sometimes. But basically we have always worked toward the best interests of American agriculture. I join with Mr. Natcher in saying that all of us on this committee know that his heart is right there with agriculture and he works really hard at it, and has made great contributions toward agriculture.

I would also like to say that I am in thorough accord with him about the fact that a payment of cash was included in the bill that passed last year.

I thought that was a mistake at the time—and still do.

You have surpluses that you can use just as readily, Carl, and I could not help but feel that, if you did not pay out the cash, it would show up as a credit in the bill that he and I will have to help pass. If you pay cash we come in here and we have to ask the Congress to reappropriate the cash.

So, outside of not believing it would help the program work, I know it put us in a little worse position so far as the size of the budget that we have to have.

To add one further statement, in my years here I have seen very few things that were 100 percent like I wanted them, so the fact they had this particular provision in there does not mean that we completely condemn the program. We all have to do the best we can, and we have tried to do so.

Mr. Horan?

Mr. ANDERSEN. One thing first, Mr. Chairman.

If I can go back to where I started this discourse this afternoon, I would like to say that one thing I admire about Secretary Freeman, at least he tries to do something.

Doing nothing, gentlemen, with regard to agriculture will never solve our problem. That is one of the reasons I voted for the feed grain bill last year.

I voted for it, because I wanted to give it a fair tryout and my sole purpose is to see as good a farm program as possible enacted.

Dr. COCHRANE. Thank you.

Mr. WHITTEN. Mr. Horan?

Mr. HORAN. I have enjoyed these hearings very much. Thank you.

Mr. WHITTEN. Mr. Michel?

PRICE SUPPORT OF DAIRY PRODUCTS

Mr. MICHEL. Mr. Chairman, I should like to follow up our good friend Mr. Andersen's questions to a degree, particularly on this matter of dairy products.

A number of years back, there were big gluts on the market and a lot of butter and fats in storage, but that problem was pretty well resolved, before the advent of this administration. Now one of the first acts of the new Secretary was to increase the price support on dairy products?

Dr. COCHRANE. That is right.

Mr. MICHEL. Now, after 1 year of operation haven't we got a problem coming back again of practically a threefold increase in some of these commodities such as solid butter fats, cheese, and so forth.

Dr. COCHRANE. I would like to state that in our discussions relating to dairy, we estimated that with the increase in price support, we would get an increase in production of around 2 percent. This is just about what we got.

In other words, we were not far off as far as our estimate of what would happen to production.

With the population increase, we expected that most of that increase in production would show up in increased consumption.

What we did have this year, which we never had before, is that per capita consumption declined so much in 1961 that total milk consumption declined significantly. This is a completely new development. If total consumption had increased, say, just 1 percent, we would not have been very far off. This was a realistic expectation in terms of history. But what we did have was an increase in production which was realized, but around a 2-percent decrease in total consumption, which was totally unexpected, and which could get worse or could get better.

I know of no man who knows anything about the demand side of dairy products who has any feeling whatsoever whether the decline might be a 1-year phenomenon or of longer duration. It might stop, or it might get worse.

Mr. MICHEL. What are you thinking of doing in this coming year to make proper adjustment for that?

Dr. COCHRANE. First let me preface my answer with this. The way the law is written and the way our General Counsel has interpreted it, the support price can be above 75 percent of parity only if the Secretary determines that such an action is necessary to call up an adequate supply.

As things are running at the present we do not believe the law justifies setting the price above 75 percent of parity which would be, I believe, about \$3.10 a hundred. So we have recommended, and I believe a joint resolution has been submitted—I believe by Congressman Lester Johnson and Senator Humphrey and others have gone together on this—which would give the Secretary the authority to leave price supports at their present level through December 31, 1962. During that time we would hope that Congress would enact a law like our proposal or a modification of it or come up with an entirely new law—or an entirely new program that would be effective. Such program, if it were passed, say, in June, might be put into operation by September 1 or October 1. We would then have a program that would enable us to deal with this excessive production—

Mr. MICHEL. Would you think that the answer lies in an increase in price support or a lowering in price support?

Dr. COCHRANE. Well, we do have some estimates as to what would happen if the support price were lowered to 75 percent of parity, which is all we can do by law. You are aware of that provision?

Mr. MICHEL. Yes.

Dr. COCHRANE. This would take the price down to about \$3.10. Considering the amount of milk that would be forthcoming and the assumption that per capita consumption in 1962 will be the same as in

1961, neither going up nor going down, which is a complete assumption, because no one knows what is going to happen; but if that were to happen then we estimate that at \$3.10 our expenditures to buy products to hold the price of milk in the market at that level would still run between \$400 and \$450 million a year. We think this is not an adequate solution either, and it would also involve a significant decrease in farm income, and we do not like to look at that.

Mr. MICHEL. You are aware that while our dairy exports have been declining in recent years our imports have been on the increase.

Now, what has the Department done about that particular paradoxical situation? Just to cite you a figure, in 1960, \$87 million worth of dairy imports as against only \$27 million in 1957.

Dr. COCHRANE. I know that in connection with Colby cheese and other things we are exploring the possibility of section 22 action. I am not sure whether it is before the President as yet or not. I do know that we have been considering the possibility of taking more direct action to restrict the imports of certain cheeses through section 22 action.

FEED GRAIN ACREAGE REDUCTION

Mr. MICHEL. In the feed grain reduction, the discussion that ensued relative to that feed grain reduction, I think you cited earlier some time in your testimony that on singling out corn there was in 1960, 3.908 billion bushels produced as against 3.624 billion this year or a net reduction of bushels of something like 284 million bushels in corn.

Now, a twofold question.

How many acres of reduction does that represent? and, secondly, what was paid to the farmers in cash to reduce that number of acreage planted to corn?

Can you supply that?

Dr. COCHRANE. Will you state the question again?

Mr. MICHEL. Earlier you said there was a net reduction in bushels in this past year of 284 million bushels. I would like to know how much of a cutback in actual acreage that represents, and No. 2, how much in actual cash payments to the farmer for the reduction of that acreage is involved?

Mr. COCHRANE. We will try to provide that for the record.

(The information requested is on p. 356.)

Mr. MICHEL. Now, secondly, and in keeping with Mr. Andersen's proposal of wanting to see a drawdown on stocks rather than cash payments, and having had several instances in my own district where there has been considerable question between that difference of setting aside 20 percent and the additional amount between 20 and 40 percent, where you actually have a drawdown of stocks to the extent of 60 percent of your production, how much in the overall feed grain program did we have involved between the 20- and the 40-percent reduction? In other words, how much acreage was actually involved over and above 20 percent and less than 40 percent as provided in the legislation? Could you give us an approximation?

Dr. COCHRANE. First, let me ask a question or two. The overall percentage reduction is in the neighborhood of 20 percent but some people didn't participate. Some people that didn't participate obviously increased.

Mr. MICHEL. Obviously. Of those people who participated what percentage of the acres falls within that category of a 20-percent reduction and a 40-percent reduction?

Dr. COCHRANE. We will try to get estimates of the farmers who participated; of the farmers who participated, what was their reduction? It had to be over 20 percent and it had to be something less than 40.

Mr. MICHEL. I think over and above the number of farms or farmers participating, I think an actual acreage count is much more representative. You could have one farmer with a million acres, supposedly, and that might make quite a bit of difference.

(The information requested follows:)

CORN

OVERALL ACREAGE REDUCTION IN THE 1961 FEED GRAIN PROGRAM

The base acreage on participating farms was 48.4 million acres. Acreage diverted for payment was 19.1 million. Of 29.3 million acres permitted on participating farms, only 25.3 million acres was planted.

At the same time, nonparticipating producers planted an estimated 4.8 million acres in excess of their 1959-60 plantings, more than offsetting underplanting of permitted acreage on participating farms.

The crop harvested was an estimated 209 million bushels below utilization. However, it was more than 600 million bushels below the estimated crop which would have been harvested without the 1961 program.

PAYMENTS AND ACREAGES DIVERTED UNDER THE 1961 FEED GRAIN PROGRAM

No estimates are available of acreages diverted in the first 20 percent at the 50-percent rate, and the additional acreage at the 60-percent rate.

However, the payments made to growers for diversion of acreage at the lower rate (for the first 20-percent diversion) were \$413,998,000. Payments at the higher rate (for acreage above 20 percent) were \$231,383,000. Total payments for diverting land from corn were \$645,380,000.

PAYMENTS OR ISSUING OF CERTIFICATES TO PRODUCERS UNDER 1961 EMERGENCY FEED GRAIN PROGRAM

Dr. COCHRANE. I don't know exactly what form the data are in. But one thing I would like to get into the record, any participant could have obtained feed grains for participating in the program. In other words, he had the alternative of getting a cash payment or the equivalent in feed grains, and from our point of view we don't see that there was any real difference. Congress directed us in the legislation to get the money paid out by the sale of corn in the market. So if all of the participants had taken corn to begin with that corn would have been in the market and would have had a very depressing price effect at that time.

Now, the way it turned out, very few took corn; almost everybody took a certificate which they redeemed for cash. Now, we are selling the amount of corn equal to the value of those certificates to get the money to repay CCC for the payments made. Although mechanically it came to the farmer in the form of a cash payment, in a true sense I don't see that it made any difference except for timing, whether he took corn at that time or that we sold corn over a period from July 1 on, getting back the funds to repay CCC for the advance payments made to the producers.

Mr. SANTANGELO. Will the gentleman yield?

Mr. MICHEL. Go ahead.

Mr. SANTANGELO. Where a farmer took a certificate instead of taking the cash, and sold the certificate, what would he get for his certificate?

Dr. COCHRANE. He got a certificate and he turned it in to CCC and he got cash equal to the value of the certificate.

Mr. SANTANGELO. And what would the value be based upon? Would it be on the price support of \$1.20 a bushel?

Dr. COCHRANE. Yes.

(An explanation of the method for making producer payments under the feed grain program follows:)

PAYMENTS TO PRODUCERS UNDER THE 1961 EMERGENCY FEED GRAIN PROGRAM

The 1961 emergency feed grain program (Public Law 87-5, 87th Cong.) required that the payment due any producer under the program shall be made on specified percentages of normal production on the diverted acreage, at the basic county support rate.

If the producer elected to accept payment in kind, the value of his payment would have been converted to grain at the prevailing market price at that location and date. With market prices generally below the 1961 support level, a producer who chose to accept grain received an amount of grain greater than the 50 or 60 percent of normal production on his diverted acreage, which had been used to estimate the amount of his payment.

The law required CCC to assist the producer in marketing the negotiable feed grain certificates. In carrying out this provision, CCC advanced the producer the face value of his certificate, and marketed the certificate later by selling sufficient grain at market prices to liquidate its face value.

Mr. SANTANGELO. And if you took that same amount of bushels he would have taken and you sold it, you would not get \$1.20 a bushel?

Dr. COCHRANE. No, sir.

Mr. SANTANGELO. So it doesn't come out the same way in dollars and cents?

Dr. COCHRANE. Almost. If he had taken corn—and many people would have had to take it to sell, because a good many farmers are cash grain producers, they don't use it themselves—he would have had to sell it and no telling what the price would have been he would have had to sell it for.

Mr. SANTANGELO. If he sold it, he would have been getting less than \$1.20.

Dr. COCHRANE. Probably.

Mr. SANTANGELO. Insofar as the Commodity Credit Corporation is concerned, it lost money because these people got paid at \$1.20 and you sold the equivalent amount at a lesser price.

Dr. COCHRANE. Well, that is a correct statement; yes.

Mr. SANTANGELO. And to the extent that they would have taken corn you would have reduced your stock, but in view of the fact that you sold the same amount subsequently it ends out on the amount of corn which you disposed of.

Dr. COCHRANE. I don't think it comes out exactly even.

Mr. SANTANGELO. That was your point, that it made no difference whether they took corn or they took cash, because it amounted to the same thing.

Dr. COCHRANE. Approximately.

Mr. SANTANGELO. With this exception, that the CCC lost a little money in the transaction by the method when they took a certificate rather than taking corn?

Dr. COCHRANE. I want to think about that, but I think that is correct.

Mr. MICHEL. This is what disturbs me, because there is about a 20-percent loss. I don't think there are going to be any farmers who are going to draw corn where they can draw cash unless they are going to use it to feed livestock and unless, of course, they can make it with a cash transaction.

Mr. ANDERSEN. Would you yield at that point?

Mr. MICHEL. Yes.

Mr. ANDERSEN. The whole difference, of course, between my program and this is that it would have forced the farmers to help create a better situation so far as Commodity Credit was concerned by forcing that grain to start to go out into consumption. In my proposal you would have had more farm cooperators because the Congress, knowing that the quicker we got rid of that corn the better for everybody concerned. The Congress could afford to be more liberal with the individual cooperator in paying him for reducing production. That is utilizing these units as drawn down from Commodity Credit because those units, Mr. Michel, become mightily expensive after they are kept in there 2 or 3 more years.

Mr. MICHEL. That is true.

BREAD PRICES

Now, on a little different subject again, Doctor, going back to one of those charts you showed us of the consumer bread price, you indicated that in 1961 the average price of bread per loaf was 20.9 cents as against 20.3 cents in 1960—an increase of 0.6 cent.

Dr. COCHRANE. That is correct.

Mr. MICHEL. And that the farmer shared in this increase to the extent of 0.1 cent?

Dr. COCHRANE. Yes.

Mr. MICHEL. From 2.8 to 2.9.

Now, you suggested that if bread were increased 0.8 cent that the farmer could realize an increase in support level on wheat from what was it—

Dr. COCHRANE. I would state it a little differently. If the farmer got \$2.38 for wheat, which is actually parity, that is the full parity price, that would increase the farmer's share by 0.8 cent and it would also have the effect—

Mr. MICHEL. If none of the intermediate—

Dr. COCHRANE. Things changed.

Mr. MICHEL. Right.

Dr. COCHRANE. And it would also have the effect if that were to happen to increase the price of bread by 0.8 cent.

Mr. MICHEL. Have you made any computation of total figures as to what would be involved here in a total cash benefit to the farmer as against what the total cash increase in payments would be by the consumers buying bread throughout the country?

Dr. COCHRANE. No, sir.

Mr. MICHEL. It would appear to me that even at eight-tenths of 1 percent—

Dr. COCHRANE. 0.8 cent.

Mr. MICHEL. Excuse me. Eight-tenths of 1 percent, or 0.8 cent?

Dr. COCHRANE. 0.8 cent.

Mr. MICHEL. All right, 0.8 cent per loaf of bread multiplied by the billions and billions of loaves of bread sold throughout the country

would come out to be a real big sizable figure over a period of a year. Then, to try and reflect that—

Mr. WHITTEN. In actuality, if my reasoning is correct, the total in one case should be exactly the same as the total in the other.

Mr. MICHEL. Yes, it should be but I doubt if that would be the case.

Dr. COCHRANE. We are not advocating that. This is just for illustration to give you some idea of what moving from the present price, of \$1.79 per bushel of wheat to \$2.38, the parity price, would do in the way of raising the cost of bread. In measuring what it would mean in terms of increased consumer expenditures, I agree with the chairman if there were no other increases in costs, the increase to the farmers should be exactly the same as the increase in consumer expenditures. We haven't done that, though.

Mr. ANDERSEN. Will you yield?

Dr. COCHRANE. We do have one bit of information about what that means to the cost of living.

Mr. ANDERSEN. Just one further question, however.

You should give credit to the advantage to our economy that this little increase in the price of wheat would create. There would be more buying power, which in turn would reflect more jobs throughout the Nation. That has to be offset against any possible cost to the consumer, does it not?

Dr. COCHRANE. We were just trying to illustrate the magnitudes involved. The point is the same as the chairman made earlier, that the farmer gets such a small share that even if the price of his product changes greatly, it has a very little effect on the final price of a loaf of bread.

We do have an estimate of what this means to the cost of living.

Mr. KOFFSKY. Yes, this 0.8 cent on the price of bread is roughly equivalent to about one-quarter to one-half of 1 percent of the cost of food, the total cost of food. We will supply the figures for the record.

(The information follows:)

If the 496.3 million bushels of wheat used for food in 1960-61 had sold at \$2 per bushel instead of the actual average price received by farmers of \$1.75, the added cost for the wheat would have been \$124 million. This would be equivalent to 0.2 percent of personal consumption expenditures for food. If the price had been \$2.38 per bushel, the added cost for the wheat used for food would have been \$313 million, equivalent to 0.4 percent of food expenditures.

Mr. MICHEL. One final question. Are you using the same figures and same sources of information as Mr. Wells used when he was sitting in your chair?

Dr. COCHRANE. Well, yes, I use the information for the charts here that come out of the Economic Research Service and the Statistical Reporting Service. Now, for many of the questions that have been asked me in the last half hour or hour with regard to the effect of programs, none of those numbers are in my shop, they are all in ASCS, and I will have to get information from them, but all of the material that I presented in terms of charts and the discussion are from the Economic Research and Statistical Reporting Services.

Mr. MICHEL. This is all I am concerned about.

Dr. COCHRANE. It is the material that is developed in the same units that Mr. Wells drew upon.

Mr. MICHEL. And, as you sit in that chair, do you see any need for improvement or changes in those gathering sources or that source

material which goes into making up your charts and from which you draw your conclusions?

Dr. COCHRANE. I certainly do.

STATISTICAL DATA COLLECTION

I think one of the problems—this may not be one of the big problems of American agriculture, but one of the problems is the collection process on crop reports and on farm prices of the Statistical Reporting Service. Almost all this information ultimately goes back to that and how good those data are. We collect it with a pretty thin staff all over the country and there is no question but what it could be improved.

Mr. MICHEL. Isn't there something in the budget any place for improvement of statistical gathering?

Mr. ANDERSEN. Quite a sum of money.

Mr. MICHEL. That is all, Mr. Chairman.

Mr. WHITTEN. Gentlemen, we appreciate your appearance today and your patience in going through the answers to the questions we have asked.

I told the Secretary last year that last year's farm bill was largely a grant of authority to the Department. I am talking about the bill that was sponsored by the Department.

We live in a rather complex political fashion. Secretary Benson and his party had for years found fault with programs that were in existence and many of the problems were there. I think he came into office with certain set beliefs and it took several years to bring him around to seeing some of the things differently.

Through those years our committee kept insisting that merely reducing price supports would not reduce volume.

Looking at the picture as to what happened in the past year, I think many in the Democratic Party took the view that, since reducing price supports won't reduce production, increasing price supports won't increase production. I don't think that will hold water either, and I think after 1 year's experience, it is beginning to become evident that price alone is not going to reduce production. But price increases can increase production, so it leaves it where you have to seek a balance and find how to handle it.

I have had many meetings with the present Secretary. I have offered him all the information, knowledge, background, and everything else I have to help.

I still contend that a healthy agriculture is the foundation of everything that we have, and we must have the best foundation ever. I just wonder how much cost is passed on to the consumer as a result of minimum wage laws, the right of labor to organize and to bargain on contracts. That cost makes the total cost of the farm program look like peanuts. There are so many factors in it.

Mr. ANDERSEN. Mr. Chairman, let me say this before we adjourn for the afternoon. I want to express my appreciation of Mr. Grant and Mr. Robertson and Dr. Cochrane for the splendid way in which they have attempted to answer the many and varied questions that nine members of the subcommittee put to them.

Mr. WHITTEN. We will adjourn until 1 o'clock tomorrow.

LIST OF WITNESSES

	Page
Baker, J. A.....	1
Beach, R. P.....	1
Cochrane, Dr. W. W.....	268
Dashner, L. A.....	198
Freeman, Hon. O. L.....	1
Grant, C. L.....	1, 198, 268
Kiefer, C. F.....	268
Koffsky, N. M.....	268
Neel, S. H.....	198
Randall, C. K.....	268
Robertson, J. M.....	1
Schnittker, J. A.....	1

LIST OF WITNESSES

1. [Name] [Address] [City] [State] [Zip]

2. [Name] [Address] [City] [State] [Zip]

3. [Name] [Address] [City] [State] [Zip]

4. [Name] [Address] [City] [State] [Zip]

5. [Name] [Address] [City] [State] [Zip]

6. [Name] [Address] [City] [State] [Zip]

7. [Name] [Address] [City] [State] [Zip]

8. [Name] [Address] [City] [State] [Zip]

9. [Name] [Address] [City] [State] [Zip]

10. [Name] [Address] [City] [State] [Zip]

INDEX

A

	Page
Acreage planted of major farm commodities.....	312
Foreign acreage.....	313
Advisory committees.....	191
Agricultural outlook.....	24, 268
Cotton acreage.....	274
Payments to farmers, Government.....	274
Prices, farm.....	344
Problems facing American agriculture.....	276
Size of farms.....	315
Agriculture program for 1960's.....	25, 30
Appropriations and expenditures, classification of.....	105

B

Bread, price of.....	289, 358
Budget for 1963.....	198
Compared with years 1954-62.....	238
Compared with 1962.....	198, 224, 263
Increases and decreases, statement of.....	233
Expenditures.....	243
Summary statement on.....	201
Summary tables.....	224

C

Caponettes, inoculation of.....	139, 159
Carryover of major farm commodities.....	310
Chairman of subcommittee, services of.....	259
Civil defense functions.....	212
Collection of statistics.....	360
Commodity Credit Corporation.....	218
Budget for 1963, basis of.....	94
Special export programs (foreign assistance).....	221
Common European Market.....	97, 101, 109, 150
Exports to countries of.....	300
Technological changes and agricultural developments in countries of.....	301
Conservation program.....	73, 188
Conservation reserve program.....	350
Consumption of food.....	280
Control of food production.....	78
Corn, hybrid seed.....	80
Corn, sale for industrial alcohol.....	187
Cotton program:	
Acreage, increase in.....	274
Allotments.....	136
Size of farms.....	137
Subsidies of cotton industry.....	137
Crop production.....	49

D

Dairy price supports.....	128, 184, 349, 354
Dairy products, supply of.....	12
Diets of persons living on surplus food.....	144
Distribution of commodities to school, institutions, etc.....	54
Domestic food distribution activities.....	8, 10

IV

	E	Page
Employment.....		250
Expenditures, 1954-62.....		243
Expenditures, breakdown by purpose.....		70
Exports of farm products.....	44,	296
By countries.....		305
Commercial compared with total.....		305
Extension Service.....		74
Rural areas development program.....		6, 208

F

Farmers' expenditures for industrial products.....		87
Farmers Home Administration.....		216
Farmers' prices.....		270
Farmers' share of retail price.....	42,	87
Farm input and outputs.....		317
Farm labor.....		170
Farmland, value of.....		313
Farm prices and incomes.....		324
Farm program in fiscal year 1962, cost of.....		340
Farm program, President's new.....		327
Cost of farm program in fiscal year 1962.....		340
Dairy products.....	128, 327,	349, 354
Feed grain program.....		121, 327
Acreage allotment.....	110, 113, 114, 348,	355
Allotment of feed grains, national.....		110
Controls on other commodities, need for.....		125
Current program.....	111,	342
Dairy and milk provisions of.....		121
Farms with 25 acres or less.....		118
Future of.....		345
Price support, level of.....		185
Rejection of support program, effect of.....		127
Wheat as substitute for feed grains.....		120
Land use, change in.....		328
Personnel, additional needed.....		329
Farms, number of.....		322
Farms, size of.....		315
Farms with 25 acres or less.....		118
Feed grain and wheat program (see also Farm program, President's).....	90,	178
Acreage diverted and cost to Government.....		179
Payments for.....		356
Carryovers.....		60
Current program.....	111,	342
Feed grain prospects.....		345
Feed grain supply.....	12,	60
New program. (See Farm program, President's).....		
Sale of CCC corn on terminal markets.....	114,	346
Fertilizer, tax on.....		182
Food and agriculture program for 1960's.....		25, 30
Food costs, decline in.....	278,	279
Food purchased by farmers, compared with nonfarmers.....		282
Food purchased with 1 hour factory labor.....		281, 284
Food stamp program.....	144,	175
Foreign agricultural production.....	81,	160
Foreign food assistance.....		9

H

Hamburgers, fat in.....	139,	159
Hams, water content in.....		140
Housing, rural.....		89
Loans.....		189
Hybrid seed corn, adjustment for producers of.....		80

V

I

Income:	Page
Consumer	277
Compared with consumption of farm products	41
Farm	67, 272, 343
Average income operator families	326
India, shipments of wheat to	138
Investment of farmers	285

L

Land in United States, how used	45
Loans for rural housing	189

M

Management improvements	16
Marketing bill, total	287
Meat inspection	167
Meat products, nitrite in	158
Minimum wage requirements	100

P

Price-income picture in 1962	271
Price-support program	331
Production-consumption gap	51
Production, control of	320
Production, effect of wages on cost of	157

R

Receipts to U.S. Treasury	246
Recreational facilities, Federal aid for farm	188, 328
Research and education, funds for	249
Resources used in farming, changes in	321
Retail food dollar, farmer's share of	285, 286, 291
Rural areas development program	6, 208
Rural Electrification Administration	190, 214, 227
Rural population and income	174

S

Sales of food products	269
Sausage, use of antioxidant in	142, 159
Schools, distribution of commodities to	54
Secretary of Agriculture, statement of	1
Agricultural production, absorption of surplus by population increase	112
Controls on agriculture	182
Acreage controls compared with production controls	183
Developments during 1962	6
Farm program, proposed new	110, 327
Foreign agricultural production	160
Production and marketing, discussion on	160
Proposals for food and agriculture, new	88
Urban Affairs, Department of	108
Size of farms	315
Soybean production and prices	180
Storage of CCC grains	185, 264
Subsidies, agricultural products	330
Surpluses, amount of farm	131

T

Textile exports	86
Tobacco program	104
Tractor operators, training of	78

W

Wheat supply	12, 62
--------------------	--------

Y

Yield per acre	49, 50
----------------------	--------

O

1918

1918

1918

1918

1918

1918

1918

1918

