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DEPARTMENT OF AGRICULTURE APPROPRIATIONS FOR 1963

GOVERNMENT
Storage

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

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WILLIAM H. NATCHER, Kentucky
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JOHN M. SLACK, Jr., West Virginia

H. CARL ANDERSEN, Minnesota
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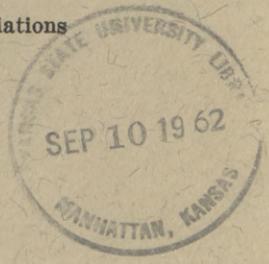
ROSS P. POPE, Staff Assistant to the Subcommittee

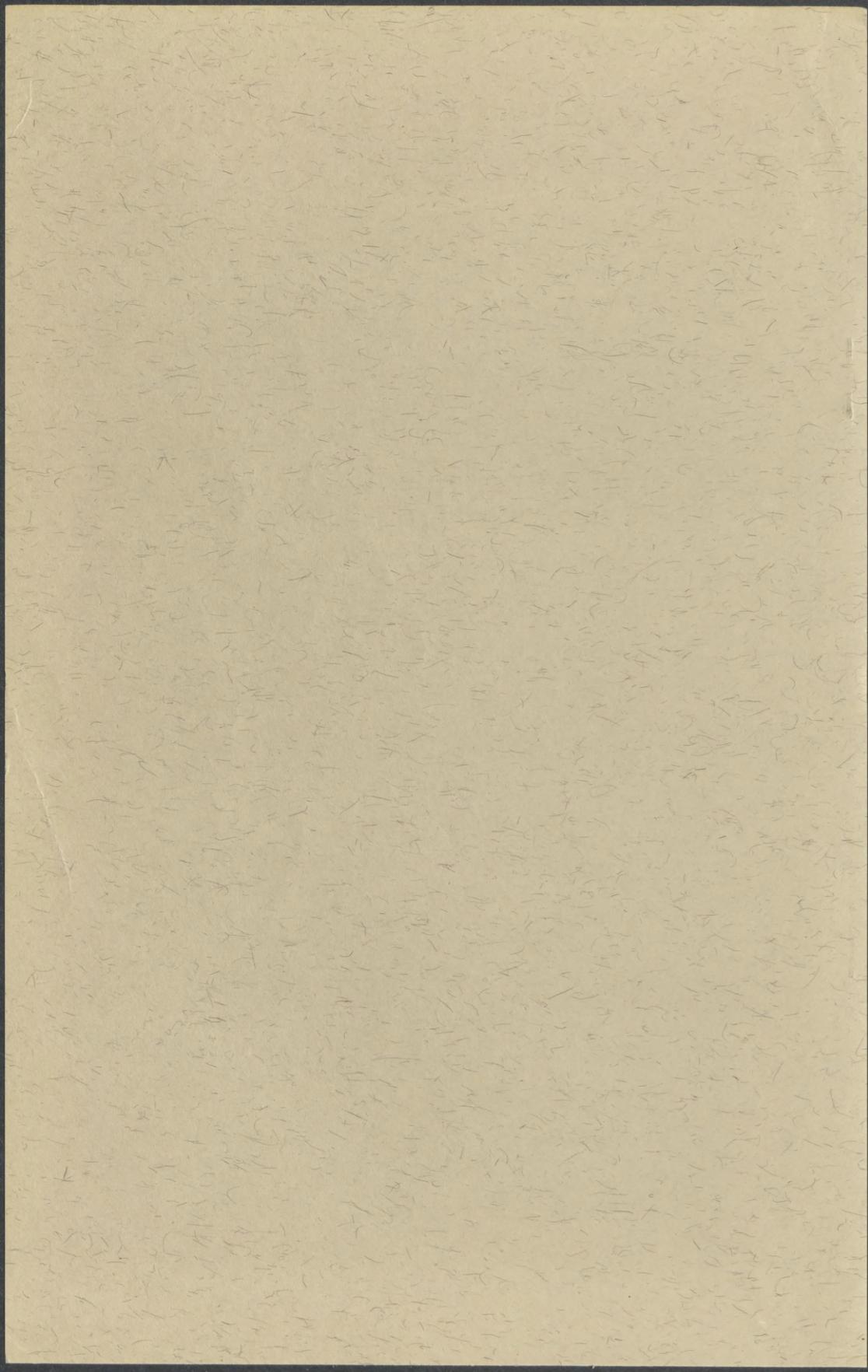
PART 4 (Pages 1775-2107)

**Agricultural Stabilization and Conservation Service
Amendments to 1963 Budget
Commodity Credit Corporation
Foreign Assistance Programs
Language Changes and General Provisions**

Printed for the use of the Committee on Appropriations

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U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1962

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(II)

DEPARTMENT OF AGRICULTURE APPROPRIATIONS
FOR 1963

AGRICULTURAL STABILIZATION AND CONSERVATION
SERVICE

MONDAY, JUNE 25, 1962.

WITNESSES

HORACE D. GODFREY, ADMINISTRATOR, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE
RAPHAEL V. FITZGERALD, ACTING DEPUTY ADMINISTRATOR, STATE AND COUNTY OPERATIONS, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE
ROBERT G. LEWIS, DEPUTY ADMINISTRATOR, PRICE AND PRODUCTION, ASCS
CARL A. LARSON, DEPUTY ADMINISTRATOR, CONSERVATION, ASCS
ROBERT P. BEACH, DEPUTY ADMINISTRATOR, MANAGEMENT ASCS
ROLAND F. BALLOU, ASSISTANT DEPUTY ADMINISTRATOR, COMMODITY OPERATIONS, ASCS
CHARLES M. COX, ASSISTANT DEPUTY ADMINISTRATOR, STATE AND COUNTY OPERATIONS, ASCS
FRED G. RITCHIE, ASSISTANT DEPUTY ADMINISTRATOR, CONSERVATION, ASCS
THOMAS S. THORNBURG, DEPUTY DIRECTOR, BUDGET DIVISION, ASCS
ANDREW J. NEMSHICK, DEPUTY DIRECTOR, BUDGET DIVISION, ASCS
CHARLES L. GRANT, DIRECTOR OF FINANCE AND BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

Mr. WHITTEN. Gentlemen, the committee will come to order, and we will continue with the hearings on the appropriations for Agriculture.

We turn now to the Agricultural Stabilization and Conservation Service and in that connection we would like pages 226 through 231 of volume 3 in the record at this point.

(The material requested follows:)

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

PURPOSE STATEMENT

The Agricultural Stabilization and Conservation Service was established by the Secretary of Agriculture on June 5, 1961, under the authority of Reorganization Plan No. 2 of 1953, in accordance with the Reorganization Act of 1949, as

amended (5 U.S.C. 133Z). The Service carries on the following principal programs:

1. Acreage allotments and marketing quotas

The Agricultural Adjustment Act of 1938, as amended, authorizes production adjustment for designated basic commodities (tobacco, peanuts, wheat, cotton, and rice) through acreage allotments, and the adjustments of supplies through marketing quotas when supplies reach specified levels in relation to normal demand.

In addition to its regular programs, ASCS is responsible for part of the continuing activities of the Department in the area of defense preparedness measures relating to food and the domestic distribution of farm equipment and supplies.

2. Sugar Act program

The chief objective set forth in the Sugar Act of 1948, as amended, is "to protect the welfare of consumers of sugars and those engaged in the domestic sugar-producing industry." This involves (a) determination of U.S. consumption requirements; (b) administration of quotas to regulate imports of sugar produced in foreign areas, as well as marketing of sugar produced in domestic areas; and (c) payments to domestic producers of sugarbeets and sugarcane, provided producers comply with certain labor, wage, price, and marketing requirements prescribed by law.

The Service also carries out the U.S. responsibilities under the International Sugar Agreement which is designed to contribute to stabilization of the world sugar economy.

3. Agricultural conservation program

This program is authorized by the provisions of sections 7 to 16(a), inclusive, and section 17 of the Soil Conservation and Domestic Allotment Act, as amended. Its objectives include (1) restoring and improving soil fertility, (2) reducing erosion caused by wind and water, and (3) conserving water on land. Cost-sharing assistance is furnished to individual farmers and ranchers in the 50 States, Puerto Rico, and the Virgin Islands for carrying out approved soil-building and soil- and water-conserving practices on their farms. This assistance represents only a part of the cost of performing the practice. The farmer bears the balance of the cost and in addition supplies labor and management necessary to carry out the practice. Allocations are made to States based upon conservation needs.

4. Emergency conservation measures

The objective of this program, which is authorized by the Third Supplemental Appropriation Act of 1957 and the Supplemental Appropriation Acts of 1958 and 1959, is to restore to normal agricultural use farmlands which have been damaged by wind erosion, hurricanes, floods, or other natural disasters. To this end, farmers are offered cost-sharing assistance for carrying out approved practices. Assistance is given only when new conservation problems are created which—

- (a) If not treated will impair or endanger the land.
- (b) Materially affect the productive capacity of the land.
- (c) Represent damage which is unusual in character and except for wind erosion, is not the type which would recur frequently in the same area.
- (d) Will be so costly to rehabilitate that Federal assistance is or will be required to return the land to productive agricultural use.

5. Conservation reserve program

The conservation reserve program authorized by the Soil Bank Act is a long-range program under which farmers have voluntarily contracted to take cropland out of production for a specified number of years and devote it to conservation uses. In return the farmer receives (a) an annual rental payment for the contract period, and (b) assistance in either cash or conservation materials and services for carrying out approved conservation practices on the reserved acreage. Farmers are required to apply approved conservation practices to the reserve acreage which include establishing grasses, legumes, or trees, or to devote it to soil-water-forest or wildlife conservation practices. They may not harvest a crop from the reserved acres or graze them, except when authorized in emergencies. No new contracts have been authorized under this program since 1960, and the program is in liquidation.

6. Special agricultural conservation and adjustment programs

Public Law 87-5 authorized a special agricultural conservation program for the 1961 crop of corn and grain sorghums. The Agricultural Act of 1961 con-

tinues the program for 1962 and broadens it to include barley. In addition, the act provides a special program for the 1962 crop of wheat. The chief objectives of these programs are to (1) increase farm income, (2) prevent further buildup of surplus stocks and, if possible, to reduce such stocks, and (3) reduce program costs of price support activities.

7. *Marketing agreements and orders*

Funds appropriated under the act of August 24, 1935 (sec. 32), are allotted by the Secretary to ASCS for marketing agreements and orders assigned to the agency, and for development of new orders under title I of the Agricultural Act of 1961.

8. *Commodity Credit Corporation program activities*

Various price support and related programs have been authorized in numerous legislative enactments since the early 1930's. Operations under these programs are financed through the Commodity Credit Corporation. Personnel and facilities of the Agricultural Stabilization and Conservation Service are utilized in the administration of programs of the Commodity Credit Corporation, and the Administrator of the Service is also Executive Vice President of the Corporation.

Additional information on the price support and related activities of the Commodity Credit Corporation will be found in another section of these explanatory notes.

9. *Special export programs (foreign assistance) and other special activities*

Various surplus disposal programs and other special activities are conducted pursuant to specific statutory authorizations and directives. These laws authorize the use of CCC funds and facilities to implement the programs. Appropriations for these programs are transferred or paid to the Corporation for its costs incurred in connection with the following major activities:

(a) *Special export programs (foreign assistance)*—

(1) Public Law 480:

(a) Sales of surplus agricultural commodities for foreign currencies (title I);

(b) Commodities disposed of for emergency famine relief to friendly peoples (title II);

(c) Long-term supply contracts (title IV).

(2) International Wheat Agreement.

(3) Bartered materials for supplemental stockpile.

(b) *Other special activities*—

(1) Reimbursement for costs of National Wool Act (permanent appropriation).

(2) Grain for migratory waterfowl.

(3) Surplus grain for game birds.

(4) Transfer of long-staple cotton from national stockpile for sale by CCC.

(5) Loans to Secretary of Agriculture for conservation purposes.

10. *Work performed for others*

The Agricultural Stabilization and Conservation Service performs certain services for other Federal agencies on an advance or reimbursable payment basis. These consist primarily of the following:

(a) *Great plains conservation program.*—The Service assists the Soil Conservation Service in the development and application of policies relating to conservation measures and cost-share rates, including practices or changes in practices for use in the various States, and works with the Soil Conservation Service in correlating the agricultural conservation program and the Great Plains conservation program practices and procedures.

(b) *Removal of surplus agricultural commodities, and school lunch program.*—Pursuant to an annual agreement with the Agricultural Marketing Service, funds are received for carrying out purchase and diversion programs authorized under section 32 of the act of August 24, 1935, and for the procurement of commodities for distribution to schools for utilization in the school lunch program.

(c) *Aerial photographs.*—The Service enters into cooperative agreements with State and local public agencies for the procurement of aerial photographs. Copies of all photographs, made primarily for use in conservation and production adjustment programs, are available for sale to the public.

(d) *Agency for International Development.*—The Service procures or provides commodities for distribution abroad, at the request of the Agency for International Development.

The Agricultural Stabilization and Conservation Service carries on its programs in the field through (a) seven commodity offices and a data processing center

which are responsible primarily for Commodity Credit Corporation functions, including price support loans and purchases, acquisition, management, storage and disposition of commodities, and related transportation and accounting activities; and (b) the ASC State and county committees which are responsible for the local administration of the variety of programs dealing directly with the farmer. Through the farmer-elected ASC county committees, the Service also obtains recommendations and advice in the formulation of program plans and policies. There are ASC State committees in the 50 States and Puerto Rico, and a total of 3,053 county committees.

As of November 30, 1961, the Service had 8,622 full-time employees, 1,430 of whom were in Washington and 7,192 in the field. The ASC county offices had 25,628.2 man-years of non-Federal employment in the fiscal year 1961.

	Appropriated, 1962	Budget estimate, 1963
Acreage allotments and marketing quotas.....	\$44,098,000	\$44,181,000
Sugar Act program.....	78,000,000	80,000,000
Agricultural conservation program.....	238,000,000	244,500,000
Advance authorization.....	(250,000,000)	(150,000,000)
Emergency conservation measures.....	15,000,000	-----
Conservation reserve program.....	¹ 312,000,000	323,000,000
Special agricultural conservation and adjustment programs.....	18,500,000	18,500,000
Total ²	695,598,000	710,181,000

¹ In addition, \$11,737,909 available from prior year balance.

² In addition, \$22,151,475 available from prior year balance and \$12,273,853 in unused balances of funds previously advanced to CCC.

³ Funds appropriated or available for other activities administered by the Agricultural Stabilization and Conservation Service are set forth in the Commodity Credit Corporation and special export programs (foreign assistance) sections of these explanatory notes.

Summary of appropriations, 1962, and estimates, 1963

Appropriation item	Estimated available, 1962	Budget estimates, 1963	Increase (+) or decrease (-)
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.....	¹ 5,000,000	-----	-5,000,000
Conservation reserve program.....	² 312,000,000	323,000,000	+11,000,000
Special agricultural conservation and adjustment programs.....	18,500,000	18,500,000	-----
Total ³	695,598,000	710,181,000	+14,583,000

¹ In addition, \$11,737,909 available from prior year balances.

² In addition, \$22,151,475 available from prior year balances and \$12,273,853 in unused balances of funds previously advanced to CCC.

³ Funds appropriated or available for other activities administered by the Agricultural Stabilization and Conservation Service are presented in the Commodity Credit Corporation and special export programs (foreign assistance) sections of these explanatory notes.

Mr. WHITTEN. I believe you have a general statement, Mr. Godfrey. We will be glad to have it now.

Mr. GODFREY. Mr. Chairman, first I would like to present to the committee the individuals I have with me.

Mr. WHITTEN. We will be glad to have you do so.

Mr. GODFREY. I think you know many of them already.

Mr. Robert Beach is our Deputy Administrator for Management; Mr. Robert Lewis is our Deputy Administrator for Price and Production, and, on the right over here, one of our new men, is Mr. Raphael Fitzgerald who is the Acting Deputy Administrator for State and County Operations.

Then back here we have Mr. Charles Cox who is an assistant to Mr. Fitzgerald and Mr. Roland Ballou who is Assistant Deputy Ad-

ministrator, Commodity Operations; Mr. Carl A. Larson, Deputy Administrator for Conservation; Mr. Hunt, who is one of his division chiefs; Mr. Thomas Thornburg and Mr. Nemshick from our Budget Division.

BACKGROUND OF ACTING DEPUTY ADMINISTRATOR

Mr. WHITTEN. Mr. Godfrey, as you know, our practice here is to request anyone new to the committee to submit a brief résumé of his experience for the record.

Mr. GODFREY. All right; we will furnish a little background on Mr. Fitzgerald.

(The information requested follows:)

Mr. Raphael V. Fitzgerald has been serving since March 1961 as Assistant Deputy Administrator, Price and Production, ASCS. In his new assignment as Acting Deputy Administrator, State and County Operations, he is responsible for farmer-committee field administration of such national farm programs as the feed grain program, the wheat stabilization program, the agricultural conservation program, acreage allotments and marketing quotas, price supports, farm storage facility loans, and related activities.

Mr. Fitzgerald is a native of South Dakota and a former State Secretary of Agriculture (1959-60). Immediately prior to coming to Washington, he was engaged in a diversified farming operation in that State.

GENERAL STATEMENT

Mr. GODFREY. Mr. Chairman, it is a pleasure for me to be able to appear before your committee today. In commenting on the ASCS programs and funds, I am speaking about programs which benefit American farmers, who not only feed this Nation and produce a large share of its industrial materials, but who are also the custodians of our greatest natural resource: farmland. I know these matters are of great interest to you since this committee has played such an important part in the success of U.S. agriculture.

SUMMARY OF RECENT DEVELOPMENTS

Before discussing the details of the ASCS budget, I would like to summarize a few significant developments during the past year which have a bearing on the ASCS budget.

ORGANIZATIONAL CHANGES

On April 19, 1961, our organization was changed by Secretary's Memorandum No. 1446, Supplement 2. Pursuant to this action, we assumed most of the functions of the former Commodity Stabilization Service and added the operations and personnel of the agricultural conservation program service and the milk and tobacco marketing agreement and order work of the Agricultural Marketing Service.

The export operation functions of the former CSS—that is, the Office of the General Sales Manager and the Barter and Stockpiling Division—have been transferred to the Foreign Agricultural Service. These are the only activities transferred out of our Service.

MANAGEMENT AND PROCEDURAL DEVELOPMENTS

We are making progress in improved management. As examples we would cite the following:

1. AUTOMATIC DATA PROCESSING DEVELOPMENTS

During the past year this agency has continued its efforts in the use of automatic data processing equipment to achieve economies of operation and to provide better service to the people whom we serve. In September 1961, the agency established a data processing center in Kansas City, Mo. The primary reason for establishing the center was to consolidate the accounting and reporting functions of the grain price support loan program which had been accomplished on computers in the Evanston and Kansas City offices. A study indicated that consolidation of this function into a single center would eliminate some duplication of labor and permit the use of a larger and more economical data processing system. It is anticipated that a further review of ASCS programs will reveal other areas where ADP equipment can be feasibly applied. It is contemplated that some of the data handling relative to inventory management can be processed in the data processing center. These applications are currently being studied by a work group of specialists from Washington and the commodity offices which handle grain.

In addition, it seems likely that a variety of other applications can be converted to ADP processes. Substantial progress has been made during the past year in converting some of these applications to the equipment. It is contemplated that expanded use will be made of this type of equipment as other areas of ASCS activities are reviewed. Before committing work to the equipment, feasibility studies are made to determine whether the use of such equipment will result in economy to the Government and will provide better service. Hence, each application must be separately reviewed. This process is intended to assure us that ADP equipment is used only in those circumstances where it will result in a substantial benefit to the Government and to the public.

An electronic digital computer and related equipment which was being rented by our New Orleans Commodity Office was purchased with capital funds of CCC. Savings on rentals will approximate the purchase cost in about 2 years, and thereafter further savings will accrue as a result of ownership. Savings on rental of this equipment during fiscal year 1962 are being held in reserve and the CCC administrative expense budget for 1963 does not include any rental on this equipment.

2. COUNTY ALLOCATIONS

As part of our continuing review of operations of the county committees to improve efficiency, this Service is initiating a simplified method for allocating funds and determining costs by programs. The major changes involve lump-sum allocations based on detailed workload data and unit costs for each program, in lieu of separate allocations for each program. Individual program costs will be determined at the State, rather than the county level in relation to

work carried out. This change will result in elimination of substantial paperwork in nearly 3,000 county offices.

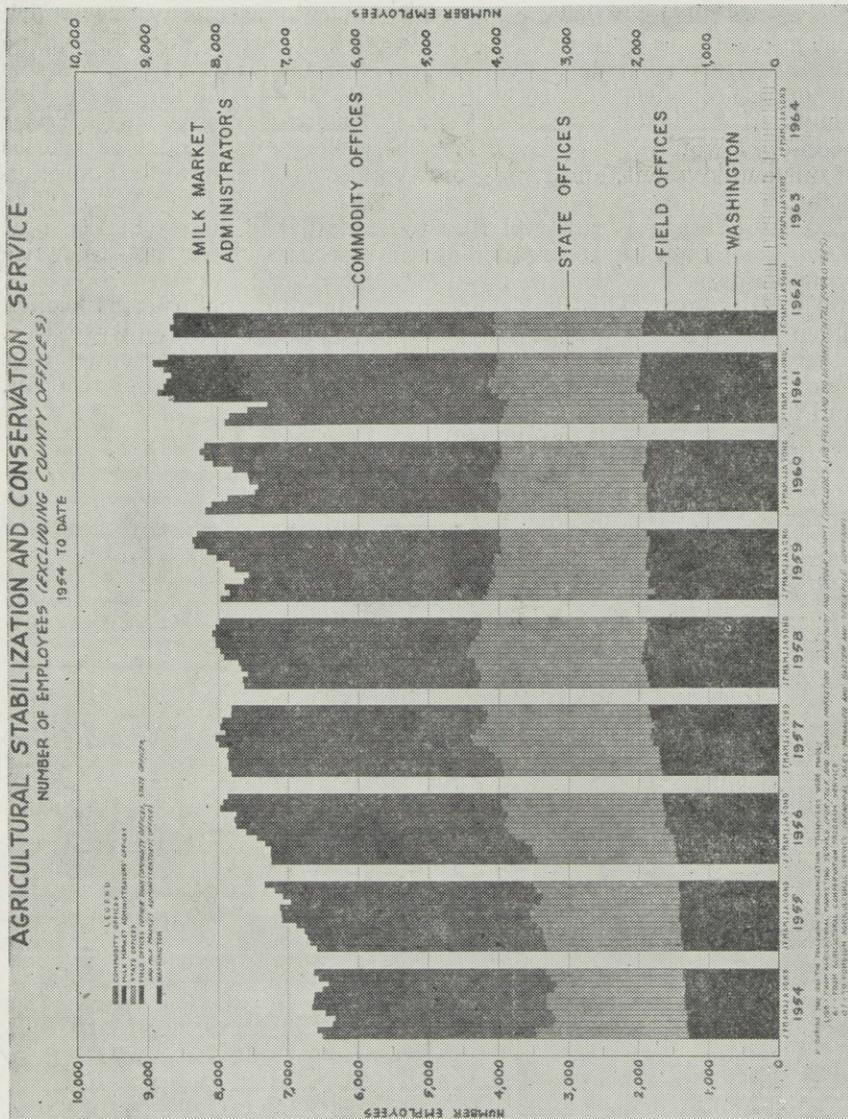
3. EMPLOYMENT CONTROLS

Employment controls in ASCS include a personnel ceiling system, quarterly budgetary reviews, special management surveys, and work measurement procedures wherever they can be applied. Despite the impact of new programs and increased responsibilities, these controls are operating effectively to keep employment down and to encourage improved efficiency so that we can get more work done with fewer people. I would like to show you these charts on various categories of our employment, and make some comments on our actual employment as of April 30 as I go along.

Mr. WHITTEN. Please feel free to explain the charts in the best manner possible for the reader of the record; and feel free to revise your remarks.

Mr. GODFREY. This first chart gives our total employment broken down to show Washington divisions and offices, commodity offices, State offices, the large group of milk market order personnel (not paid from Federal funds) transferred to us in the reorganization, and other field offices.

(The chart referred to follows:)



Mr. GODFREY. You will notice that commodity offices are the most volatile sector of our employment. If you exclude commodity office and milk market order personnel, you will see that we have been able to keep employment relatively low even in spite of the increased program responsibilities assigned to the agency. Now to comment specifically on April 30 employment—I should point out that this chart includes part-time and other employment, but I will direct my remarks to full-time employment only, since it is most directly related to work performed.

Mr. WHITTEN. Mr. Godfrey, I can appreciate the fact that permanent employees are the prime thing to be considered, but by the same token, part-time and seasonal workers cost money, too. I trust you will reflect in the record the average man-years?

Mr. GODFREY. Yes, sir, we will do that.

(The information requested, follows:)

*Estimated cumulative man-years of employment (including temporary and part time)
fiscal year 1962*

Item	Man-years		
	Actual, through Apr. 30, 1962	Estimated, May-June 1962	Estimated, total, 1962
CCC, administrative expenses.....	3,517.0	831.9	4,348.9
Administrative expenses, National and State offices, ASC Committee system.....	2,287.7	511.6	2,799.3
Transfers from other agencies, reimbursements, and other funds.....	324.8	71.4	396.2
Total.....	6,129.5	1,414.9	7,544.4

¹ Excludes man-years of employment in milk market administrators' offices. These employees are not paid from Federal funds.

Mr. GODFREY. The statement here outlines very well the total full-time and part-time employees.

Mr. MICHEL. What specifically is involved in the green colored bar, milk market administrators?

Mr. GODFREY. They operate under the Agricultural Marketing Agreement Order Act of 1937. They are paid by funds derived from deductions made from sales of milk by farmers. We only service them from the Washington office. The only personnel we pay are the ones that are stationed here in Washington to service these various milk marketing orders through the country.

Mr. MICHEL. How many are stationed in Washington?

Mr. BEACH. Eighty-eight.

One other point, Mr. Michel, is that those milk marketing order personnel are under civil service and that is the reason they show up in our personnel listings, even though they are paid from non-Federal funds.

TOTAL FULL-TIME EMPLOYMENT (OTHER THAN COUNTY)

Mr. GODFREY. ASCS total full-time employment other than in county offices was 8,201 as of April 30, 1962. Adjusting this total for reorganization transfers—1,173 milk market order personnel and

56 ACP personnel transferred to ASCS, and 86 employees transferred from ASCS to FAS—leaves a total of 7,058 as the figure comparable to ASCS employment before the reorganization. This is 14 less than on April 30, 1961, and 1,030 less than the peak of 8,088 reached in November 1959. We have been able to accomplish this in spite of the new and heavy workload created by the 1961 and 1962 feed grain programs and the 1962 wheat program.

The peak employment of ASCS for all time to date was 8,088 in November 1959. At the present time we are actually 1,030 people below that and we are 14 people below where we were on April of last year before we got the wheat stabilization program.

WASHINGTON OFFICES

The total number of full-time Washington employees was 1,380. Adjusted for reorganization transfers, the total is lower than at any time since April 1961, and 94 less than the peak reached in July 1958

COMMODITY OFFICES

April 30 full-time employment in commodity offices was 3,423. This is an increase of 20 over a year ago which is very slight considering the additional work in handling feed grain sales, feed grain and wheat certificates, and increased dairy activity. However, employment is 953 less than the peak of 4,376 reached in November 1959 even with the additional workload. Here is another chart showing man-years worked in commodity offices compared with man-years which would have been required at 1952 production rates. In the last completed fiscal year, 1961, these offices performed 2½ times as much work per man-year as in fiscal year 1952, based on measured workload and production.

(The chart used by Mr. Godfrey follows:)

ASCS COMMODITY OFFICE EMPLOYMENT COMPARED WITH EMPLOYMENT REQUIRED AT 1952 PRODUCTION RATES



The red bar indicates the actual man-years in the commodity offices at the present time. This shaded part represents the additional man-years that would be required were the people still performing on the same basis as they were in 1952. Instead of coming here with less than 4,000 employees we would now be required, with the workload that we have, to employ approximately 10,200 employees if they were performing at the same level they performed in 1952.

Mr. WHITTEN. You are talking about people who handle the Commodity Credit Corporation activities as well as many other things assigned to them. They all come under this heading.

Mr. GODFREY. That is right. Commodity offices handle more than merely the handling of Commodity Credit Corporation functions.

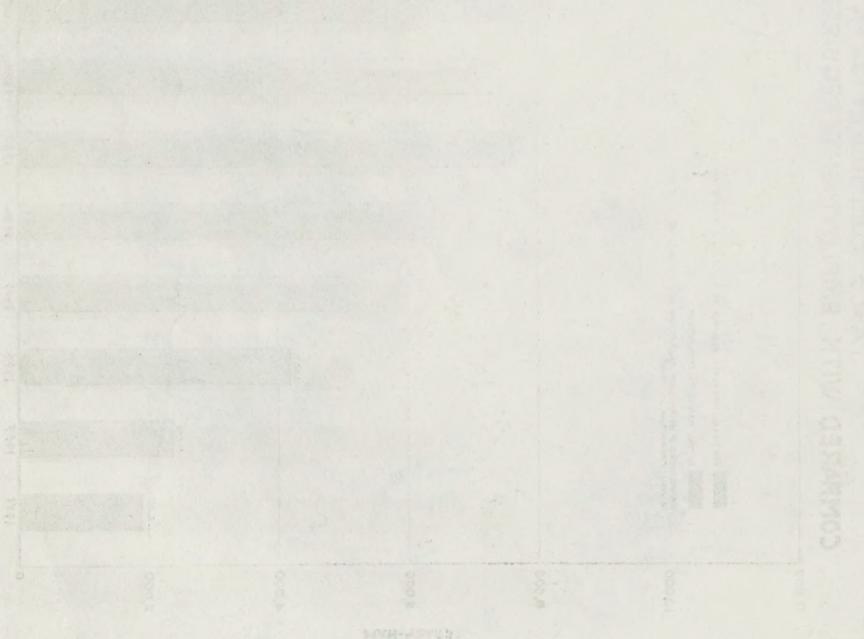
Mr. WHITTEN. That is part of their function?

Mr. GODFREY. It is their major function.

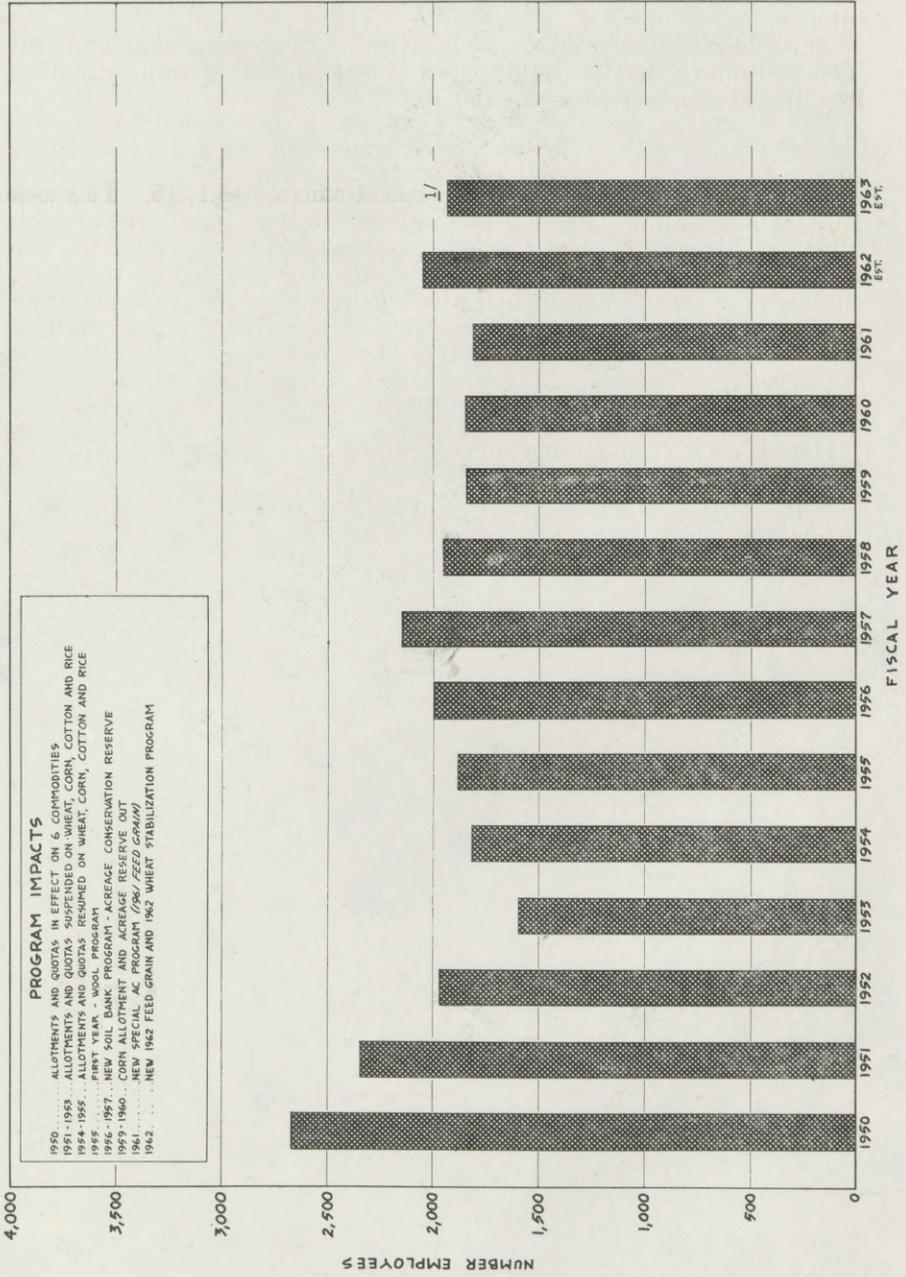
STATE OFFICES

Full-time employment in State offices as of April 30, 1962, was 1,782, lower than any April month-end since 1955. The peak was 2,150, reached in May 1957. Here is a chart on State offices which shows that we have managed to keep State office employment down in spite of major program changes.

(The chart used by Mr. Godfrey follows:)



FULL-TIME EMPLOYMENT OF ASCS STATE OFFICES



PROGRAM IMPACTS
 1950 ALLOTMENTS AND QUOTAS IN EFFECT ON 1 CATEGORIES
 1951-1953 ALLOTMENTS AND QUOTAS SUSPENDED ON WHEAT, CORN, COTTON AND RICE
 1954-1955 ALLOTMENTS AND QUOTAS RESUMED ON WHEAT, CORN, COTTON AND RICE
 1955 FIRST YEAR - WOOL PROGRAM
 1956-1957 NEW SOIL BANK PROGRAM - ACREAGE CONSERVATION RESERVE
 1959-1960 CORN ALLOTMENT AND ACREAGE RESERVE OUT
 1961 NEW SPECIAL AC PROGRAM (75% FEED GRAIN)
 1962 NEW FEED GRAIN AND 1962 WHEAT STABILIZATION PROGRAM

USDA - ASCS
 1/ Excludes man-years relating to possible 1963 feed grain and wheat stabilization programs.

Mr. GODFREY. To give you a little more detail, the number of man-years worked in State offices in the fiscal year 1961 was 618 less than in 1950, despite the major increases in workload during the interim.

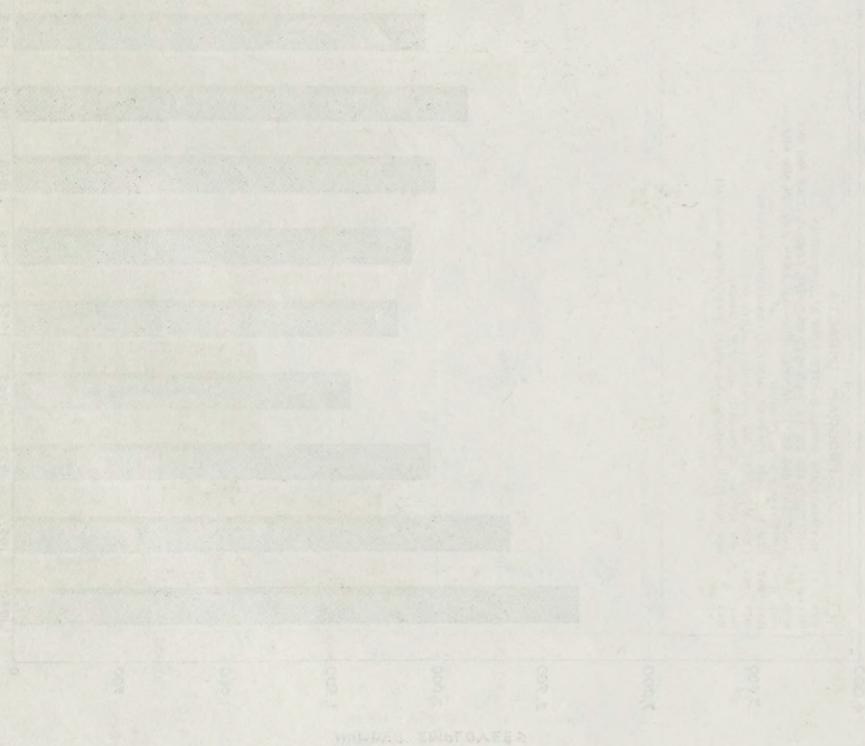
This chart shows total man-years rather than total employment. You will notice that the other chart shows that total employment is less than it was last year.

OTHER FIELD OFFICES

April employment in other field offices was 1,616. This included 1,086 milk marketing order personnel, who are not paid from Federal funds. This group of personnel was transferred to ASCS in the reorganization last spring. Adjusted for reorganization transfers, employment was 530, which is the smallest since May 1960, when 524 were employed. The bulk of these employees are field staff of the Internal Audit and Investigation Divisions.

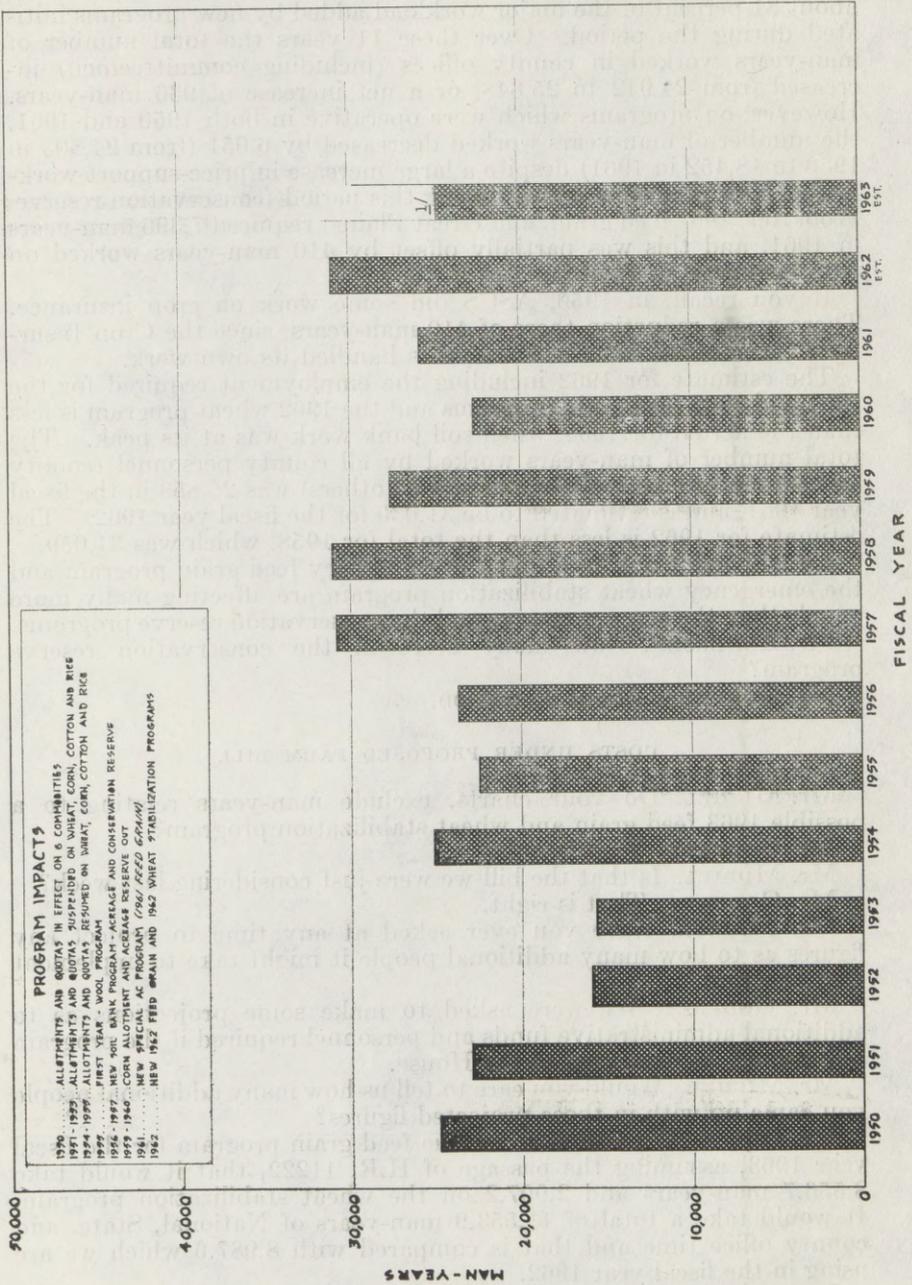
COUNTY OFFICES

Here is a chart on county office man-years beginning in 1950.



EST-116 EMPLOYMENT OF VACC STATE OFFICES

MAN YEARS OF EMPLOYMENT OF ASC COUNTY COMMITTEES



1/ Includes man-years relating to possible 1963 feed grain and wheat stabilization programs.

USDA-NCS

Mr. GODFREY. Improvements in efficiency in the county offices during the 11-year period, 1950-61, have enabled them to handle about 81 percent of the major workload added by new programs initiated during the period. Over these 11 years the total number of man-years worked in county offices (including committeemen) increased from 24,912 to 25,848, or a net increase of 936 man-years. However, on programs which were operative in both 1950 and 1961, the number of man-years worked decreased by 6,051 (from 24,503 in 1950 to 18,452 in 1961) despite a large increase in price-support workload. New programs added during this period (conservation reserve, Wool Act, 1961 feed grain, and Great Plains) required 7,396 man-years in 1961, and this was partially offset by 410 man-years worked on crop insurance in 1950 but not in 1961.

If you recall, in 1950, ASCS did some work on crop insurance. There was a reduction there of 410 man-years, since the Crop Insurance Corporation has for some years handled its own work.

The estimate for 1962 including the employment required for the 1961 and 1962 feed grain programs and the 1962 wheat program is less than the actual for 1958, when soil bank work was at its peak. The total number of man-years worked by all county personnel (county and community committeemen and all others) was 25,858 in the fiscal year 1961, and is estimated to be 31,030 for the fiscal year 1962. The estimate for 1962 is less than the total for 1958, which was 31,059.

I might point out here that the emergency feed grain program and the emergency wheat stabilization program are affecting many more people than the acreage reserve and the conservation reserve programs.

Mr. ANDERSEN. How many acres in the conservation reserve program?

Mr. GODFREY. About 26 million.

COSTS UNDER PROPOSED FARM BILL

Mr. MICHEL. Do your charts, exclude man-years relating to a possible 1963 feed grain and wheat stabilization program?

Mr. GODFREY. That is right.

Mr. MICHEL. Is that the bill we were just considering last week?

Mr. GODFREY. That is right.

Mr. MICHEL. Were you ever asked at any time to project any figures as to how many additional people it might take to implement that program?

Mr. GODFREY. We were asked to make some projections as to additional administrative funds and personnel required if the program was passed, as presented to the House.

Mr. MICHEL. Would you care to tell us how many additional people you came up with in those projected figures?

Mr. BEACH. We estimated on the feed grain program for the fiscal year 1963, assuming the passage of H.R. 11222, that it would take 8,556.7 man-years and 2,997.2 on the wheat stabilization program. It would take a total of 11,553.9 man-years of National, State, and county office time and that is compared with 8,987.6 which we are using in the fiscal year 1962.

In other words, the increase would be 2,566.3 man-years which is the difference between those two figures.

Mr. MICHEL. That was reflected itself in how many dollars and cents?

Mr. GODFREY. I do not have the estimate.

Mr. ANDERSEN. Approximately 3,000 additional positions?

Mr. GODFREY. About 2,500 or 2,600.

Mr. WHITTEN. In that connection—

Mr. BEACH. This is mostly county office personnel, and is due to the additional areas and grains covered by the bill. We estimate no change to speak of in full-time National and State personnel as a result of the bill in the fiscal year 1964, which would be involved in completing the first year of operation of this program. The total figure would be 12,592.2 and that is our best estimate. This would be offset by differences in employment in the commodity offices where we have had a heavy workload on the sale of grain under the voluntary programs which would not be involved under the mandatory program.

The net man-years for fiscal year 1963, including the commodity offices, then, is an increase from 9,230.3 to 11,807.8 or a difference of 2,577.5 and 12,671 for 1964.

LEGISLATIVE BASIS OF 1963 ESTIMATES

Mr. WHITTEN. In that connection, we delayed these hearings for a variety of reasons. One of the major reasons was the delay in passage of the new farm bill.

Are you discussing the situation which would apply if you carried on next year under the new bill?

Mr. GODFREY. These are based on completion of the 1962 feed grain program and the 1962 wheat stabilization program without any estimates for new programs.

Mr. WHITTEN. Your program, as you justify it here, is in connection with the continuation of existing law?

Mr. GODFREY. That is right.

Mr. BEACH. There is one point we should make clear: In the budgetary expenditure figures, the estimates of how much money would be put out for payments under these programs, there was included at the request of the Budget Bureau an estimate of the expenditures for a continuation of the voluntary programs for 1962.

Mr. WHITTEN. That will come in connection with the Commodity Credit Corporation?

Mr. BEACH. It is not a budgetary item. It is merely the estimated expenditures, outlay of cash.

Mr. WHITTEN. Are the personnel you are testifying about predicated upon a continuation of the present year's program?

Mr. BEACH. No, sir.

Mr. GODFREY. A reversion to the program in existence in 1959 and 1960.

Mr. BEACH. Personnel and administrative costs include nothing for the 1963 program.

Mr. WHITTEN. I realize that it is difficult to draw distinctions between one and the other.

Could the committee have submitted to it any changes that might become necessary in the event the Congress should agree on a continuation of this year's program?

Mr. GODFREY. The feed grain and wheat stabilization programs?

Mr. WHITTEN. The committee would like to have full information as to any changes that would occur in connection with your budget estimates.

Mr. GODFREY. We will be glad to supply that.

Mr. WHITTEN. I realize you may have to submit that later due to the slowness with which the Congress might act. But I hope that you will submit for the consideration of the committee any changes that may be brought about by new legislation.

Mr. BEACH. May I make a comment on this one point?

In the past two voluntary programs, 1961 and 1962, there was a provision in the enacting legislation that permitted the CCC to advance funds for expenses for the first year. In other words, the initiation of the program was covered in this way, and then the appropriation picked up for the fiscal year after that.

Mr. WHITTEN. That had to do with the law which failed of passage in the House.

This paying 1 year out of CCC presents some real problems, and I am sure the committee will want you to submit an estimate as to what changes would be made by the bill as finally passed.

That may come so late you may have to submit it in written form, but we want that before we finally act.

Mr. GODFREY. We can present these without any difficulty.

(The information requested will be furnished to the committee.)

EMPLOYMENT AND SALARIES

Mr. ANDERSEN. I have one question of Mr. Beach.

You mentioned a figure of 2,566 possible additional employees?

Mr. BEACH. Those are man-years.

Mr. ANDERSEN. Would you say an average salary of \$6,000 per employee would be reasonable?

Mr. BEACH. No; that is very high.

Mr. ANDERSEN. As to the cost of that number?

Mr. BEACH. \$6,000 is very high.

Mr. ANDERSEN. That would be high?

Mr. BEACH. Yes, sir.

Mr. ANDERSEN. I am asking you to include the cost of servicing that personnel along with direct wages or salaries.

Mr. BEACH. I think \$6,000 would still be high; \$5,000 would be closer.

Mr. ANDERSEN. Closer?

Mr. BEACH. The average salary at county level is \$4,292 but the other personnel are higher.

Mr. ANDERSEN. \$5,000 would cover the entire cost?

Mr. BEACH. That is plenty high.

Mr. ANDERSEN. Thank you.

Mr. SLACK. Mr. Chairman, I want to clarify one point.

Mr. WHITTEN. Yes.

Mr. SLACK. Did I understand Mr. Godfrey to say a moment ago that the emergency feed grain program and the emergency wheat stabilization program had not required any additional employees?

Mr. GODFREY. Not exactly, Congressman. What I said was that the county offices have been able to absorb 81 percent of the increased

workload that has been added by new programs since 1950 without additional people.

Mr. BEACH. Through the fiscal year 1961.

Mr. SLACK. I wanted to clarify that one point.

Mr. GODFREY. We had to use additional personnel.

Mr. WHITTEN. The statements you are making to us with regard to the requirement of personnel has to do with the current fiscal year. How does it apply to what would be required if Congress passed the administration's recommended bill?

Mr. GODFREY. We are not testifying on what the facts should be if you should pass some subsequent legislation.

Mr. BEACH. The estimate before you includes nothing in terms of operating expense funds or man-years estimated to operate any new 1963 feed grain or wheat programs. It does include man-years and money required to complete the operations on the 1962 emergency wheat and feed grain programs. If a bill is passed it will either have to provide that an advance from CCC will be made for expenses or appropriations will have to be requested for expenses in the fiscal year 1963 for initiating a 1963 crop program.

Mr. WHITTEN. Your justification again is based on the reversion to the law in operation prior to the emergency acts of the past 2 years?

Mr. GODFREY. The 1958 act, right.

The 9,171 county committeemen worked an average of 44.8 days each in the fiscal year 1961. The 80,138 community committeemen worked 2.6 days each in 1961. It should be noted that these reported days are those worked for which payment was received. We know that both county and community committeemen have put in many days during the past year for which they did not claim compensation. We confidently believe these committeemen are working more effectively than ever before.

I think you can see, Mr. Chairman, that we are proud of our work record and will bend every effort toward achieving the ultimate in efficiency.

BREAKDOWN OF 1963 BUDGET

Mr. GODFREY. There are three major segments of our budget: (1) Annual appropriations for our regular ASCS activities; (2) special export programs; and (3) Commodity Credit Corporation. I would like to discuss each in turn.

ANNUAL APPROPRIATIONS

For our regular activities, the 1963 appropriation requests compare with 1962 appropriations as follows:

Item	1963 appropriation request	Change from 1962
Acreage allotments and marketing quotas.....	\$44,181,000	+\$83,000
Sugar Act program.....	80,000,000	+2,000,000
Agricultural conservation program.....	244,500,000	+6,500,000
Emergency conservation measures.....		-5,000,000
Conservation reserve program.....	323,000,000	+11,000,000
Special agricultural conservation and adjustment programs.....	18,500,000	-----

I can comment briefly for you on each item.

ACREAGE ALLOTMENTS AND MARKETING QUOTAS

Object classification

[In thousands of dollars]

	1961 actual	1962 estimate	1963 estimate
24 Printing and reproduction.....	174	247	247
25 Other services: Advanced to—			
“Administrative expenses, sec. 392, Agricultural Adjustment Act of 1938” (7 U.S.C. 1392).....	6,955	7,125	7,208
“Local administration, sec. 388, Agricultural Adjustment Act of 1938” (7 U.S.C. 1388).....	36,453	36,726	36,726
Total obligations.....	43,582	44,098	44,181

Mr. WHITTEN. For acreage allotments and marketing quotas you are asking \$44,181,000. In that connection, we shall insert pages 232 through 250 of volume 3 of the justifications in the record at this point.

Appropriation Act, 1962, and base for 1963..... \$44,098,000
 Budget estimate, 1963..... 44,181,000

Increase (for civil defense functions previously financed by transfer)..... + 83,000

Project statement

Project	1961	1962 (estimated)	Increase or decrease	1963 (estimated)
Acreage allotments and marketing quotas ¹	\$43,582,390	\$44,098,000		\$44,098,000
Civil defense regional liaison.....			+\$83,000	83,000
Unobligated balance.....	15,610			
Total appropriation or estimate.....	43,598,000	44,098,000	+83,000	44,181,000

¹ Represents obligations. Applied costs for 1961 are \$43,542,029. The difference of \$40,361 reflects a change in unpaid undelivered orders.

The estimate assumes continuation of acreage allotment and marketing quota programs on cotton, tobacco, peanuts, wheat, and rice and assumes that workload will be at about the same level as in fiscal year 1962.

STATUS OF PROGRAM

Acreage allotment and marketing quota programs have been announced for the 1962 crops of Flue-cured tobacco, peanuts, wheat, upland cotton, extra-long-staple cotton, and rice. Quotas will be proclaimed not later than February 1, 1962, for burley, Fire-cured, dark Air-cured, Virginia Sun-cured, cigar binder, cigar filler and binder, and Maryland tobaccos.

The Agricultural Act of 1961 provides for a mandatory reduction of 10 percent in individual farm allotments for the 1962 crop of wheat. The act also provides for payments to producers who increase their acreage of soil-conserving crops by a definite minimum amount. In addition to the mandatory 10-percent reduction, producers may divert additional wheat acreage to soil-conserving uses.

Tobacco acreage allotments and marketing quotas (953 counties)

The marketing quota provisions of the Agricultural Adjustment Act of 1938, as amended, treat each kind of tobacco as if it were a separate commodity. Quotas must be proclaimed (not later than December 1 of any marketing year with respect to Flue-cured tobacco, and February 1 with respect to other kinds of tobacco) whenever the total supply at the beginning of the marketing year exceeds the reserve supply level.

However, a quota may not be proclaimed for any year within a 3-year period for which quotas have been disapproved if producers have disapproved quotas for 3 years in succession after 1952 unless one-fourth or more of the farmers engaged

in producing such tobacco prior to November 10 petition the Secretary of Agriculture to proclaim a quota.

The marketing quota proclamation specifies in pounds of tobacco the quantity which may be marketed during the next following marketing year. It is an amount which will make available for marketing during that year, a supply equal to the reserve supply level. The Secretary is authorized to convert the State poundage quota into a State acreage allotment on the basis of average yield per acre of tobacco in the State during the 5 years preceding the year in which the quota is proclaimed with appropriate adjustments for abnormal conditions of production.

Quotas proclaimed for 1960 and 1961 are as follows:

Kind of tobacco	Number of pounds (thousands)		Approximate number of acres	
	1960	1961	1960	1961
Flue-cured.....	1, 078, 600	1, 122, 000	715, 110	715, 817
Burley.....	495, 000	536, 000	310, 275	329, 095
Fire-cured (types 22 and 23).....	47, 540	48, 400	32, 785	32, 820
Fire-cured (type 21).....	11, 771	11, 957	9, 132	9, 148
Dark Air-cured.....	22, 450	22, 700	15, 882	15, 834
Virginia Sun-cured.....	4, 335	4, 684	4, 205	4, 361
Cigar filler and binder (types 42-44, 53-55).....	40, 800	41, 300	25, 264	25, 701
Cigar binder (types 51 and 52).....	22, 200	20, 000	12, 020	10, 786
Maryland.....	42, 360	44, 200	48, 858	49, 663

Referendum.—Within 30 days after issuance of proclamation of quotas, a referendum must be held. Farmers vote for quotas for 3 years and quotas become effective only if approved by at least two-thirds of the farmers voting.

In a referendum held February 24, 1961, 97.9 percent of growers voting favored marketing quotas on Fire-cured and dark Air-cured tobaccos for 3 marketing years beginning October 1, 1961, and on December 12, 1961, a referendum was held on Flue-cured tobacco with 98.2 percent of the growers voting favoring quotas for 3 marketing years beginning July 1, 1962. The percentage favorable was the highest of any quota referendum on Flue-cured tobacco. Quotas have been approved for Burley and Virginia Sun-cured tobaccos through the 1961 marketing year, and for Cigar binder and Cigar filler and binder tobaccos through the 1962 marketing years. Referendums will be held within 30 days after the proclamation of quotas for Burley and Virginia Sun-cured tobaccos to determine whether producers favor quotas for 3 marketing years beginning with 1962.

Acreage allotted.—The number of allotment farms and the acreage allotted, by States, for the 1960 and 1961 crops of the various kinds of tobacco are presented in the following table:

Number of allotment farms and acreage allotted, 1960 and 1961 crops

State and kind of tobacco	1960 crop		1961 crop	
	Estimated number of farms	Acreage allotted	Estimated number of farms	Acreage allotted
Flue-cured:				
Alabama.....	263	503.03	267	509.86
Florida.....	6, 949	15, 188.51	6, 960	15, 216.39
Georgia.....	27, 986	72, 480.66	26, 860	72, 584.31
North Carolina.....	119, 996	470, 774.75	120, 064	471, 299.84
South Carolina.....	26, 800	82, 824.17	26, 333	82, 913.31
Virginia.....	23, 337	71, 541.43	23, 358	71, 638.73
Total, Flue-cured.....	205, 331	713, 312.55	203, 842	714, 162.44
Burley:				
Alabama.....	41	30.78	42	32.67
Arkansas.....	76	53.33	76	56.63
Georgia.....	210	87.70	212	93.80
Illinois.....	12	5.93	12	6.30
Indiana.....	9, 671	7, 746.01	9, 672	8, 228.30
Kansas.....	53	92.69	64	100.26
Kentucky.....	145, 905	200, 689.13	145, 816	213, 078.97

Number of allotment farms and acreage allotted, 1960 and 1961 crops—Continued

State and kind of tobacco	1960 crop		1961 crop	
	Estimated number of farms	Acreage allotted	Estimated number of farms	Acreage allotted
Burley—Continued				
Missouri.....	1,661	3,198.88	1,672	3,398.20
North Carolina.....	18,022	10,200.15	18,118	10,864.67
Ohio.....	10,956	9,973.72	10,984	10,598.07
Pennsylvania.....	2	2.00	2	2.12
South Carolina.....	8	4.12	9	4.77
Tennessee.....	93,871	63,384.58	94,035	67,378.63
Texas.....	2	0.40	2	0.43
Virginia.....	17,275	11,041.30	17,325	11,744.35
West Virginia.....	4,542	2,865.25	4,574	3,049.63
Total, Burley.....	302,307	309,376.02	302,605	328,637.80
Fire-cured:				
Illinois.....	1	0.24	1	0.24
Kentucky.....	9,004	15,386.31	9,017	15,400.33
Tennessee.....	8,779	17,310.84	8,807	17,316.53
Virginia.....	7,353	9,114.27	7,348	9,129.05
Total, Fire-cured.....	25,137	41,811.66	25,173	41,846.15
Dark air-cured:				
Indiana.....	117	45.73	117	45.73
Kentucky.....	19,570	13,464.99	19,629	13,479.80
Tennessee.....	4,810	2,267.01	4,822	2,267.25
Total, dark Air-cured.....	24,497	15,777.73	24,568	15,792.78
Virginia Sun-cured.....	2,303	4,183.62	2,307	4,352.42
Cigar filler and binder:				
Illinois.....	3	7.06	3	7.06
Indiana.....	2	1.47	2	1.47
Iowa.....	1	8.49	1	8.49
Minnesota.....	114	242.75	119	254.85
New York.....	70	94.10	71	95.60
Ohio.....	1,518	5,448.78	1,564	5,613.72
Pennsylvania.....	121	264.72	121	268.36
Wisconsin.....	6,578	19,029.85	6,613	19,092.21
Total, Cigar filler and binder.....	8,407	25,097.22	8,494	25,341.76
Cigar binder:				
Connecticut.....	1,327	7,714.57	1,327	6,996.46
Massachusetts.....	972	4,054.08	968	3,641.12
New York.....	1	0.18	1	0.16
Vermont.....	1	5.76	1	5.23
Total, Cigar binder.....	2,301	11,774.59	2,297	10,642.97
Maryland:				
Delaware.....	1	0.13	1	0.13
Maryland.....	6,912	48,662.15	6,951	49,512.72
Virginia.....	92	33.23	93	33.80
Total, Maryland.....	7,005	48,695.51	7,045	49,546.65
Grand total.....	577,288	1,170,028.90	576,331	1,190,322.97

The amount of the national quota, less that portion set aside for new farms and small farms is apportioned among the States on the basis of the production in each State during the 5 calendar years preceding the calendar year in which the quota is proclaimed. Adjustments in State production data must be made to the extent necessary to make correction for abnormal conditions of production, for small farms, and for trends in production, giving due consideration to seed-bed and other plant diseases.

After the State quota is converted to a State acreage allotment, farm acreage allotments are established on the basis of past acreage, adjusted for abnormal weather and plant diseases, land, labor, and equipment available for production of tobacco; crop-rotation practices and the soil and other physical factors affecting the production of tobacco. Local committees allot the acreage among the farms on which tobacco is produced. Where farm acreage allotments are established, the farm quota is the actual production of tobacco from the farm acreage allotment.

Tobacco marketed in excess of the farm marketing quota is subject to a penalty per pound of 75 percent of the average market price for such kind of tobacco for the preceding marketing year.

Whenever the Secretary determines that, under the marketing quotas and acreage allotments established for any kind of tobacco, the production of any one or more of the types comprising such kind of tobacco will not be sufficient to meet market demands and carryover requirements for such type or types of tobacco, the Secretary must make appropriate increases in the marketing quotas. The increases are made on the basis of production of such type or types of tobacco during the same period of years considered in establishing farm marketing quotas and acreage allotments for the kind of tobacco involved.

Peanut acreage allotments and marketing quotas (496 counties)

Quotas must be proclaimed each calendar year between July 1 and December 1 of each year regardless of the supply situation. The national marketing quota must be equal to the average quantity of peanuts harvested for nuts during the 5 years immediately preceding the year in which the quota is proclaimed, adjusted for current trends and prospective demand conditions.

A national marketing quota for the 1962 crop of peanuts of 1,006,000 tons and a national acreage allotment of 1,610,000 acres were announced on October 16, 1961. Both the marketing quota and the national acreage allotment for the 1962 crop are at the minimum levels required by law.

A referendum must be held not later than December 15 to determine whether farmers are in favor of or opposed to marketing quotas with respect to the crops of peanuts produced in the 3 calendar years immediately following the year in which the referendum is held. In a referendum held December 15, 1959, 94.9 percent of the farmers voting approved marketing quotas for 3 marketing years beginning with the 1960 marketing year.

The national marketing quota must be converted to a national acreage allotment by dividing the quota by the normal yield per acre of peanuts for the United States determined on the basis of the average yield per acre in the preceding 5 calendar years with necessary adjustments for trends in yields and for abnormal conditions of production.

The national acreage allotment less the acreage set aside for new farms is apportioned among the States on the basis of the State's share of the national acreage allotment for the preceding year.

The State acreage allotment is apportioned through local committees among farms on the basis of past acreage of peanuts, taking into consideration previous allotments, abnormal conditions, land, labor and equipment available for the production of peanuts, crop-rotation practices, and soil and other physical factors affecting the production of peanuts.

Whenever the Secretary determines that, on the basis of average yields per acre by types, adjusted for trends and abnormal conditions, the supply of any type or types is insufficient to meet the demand for cleaning and shelling purposes at prices at which the Commodity Credit Corporation may sell its stocks of such peanuts, the Secretary is required to make appropriate increases in State acreage allotments. No State, however, may be increased above the acreage harvested in the State in 1947.

The amount of the farm marketing quota, applicable to an individual farm is the actual production from the acreage allotment for such farm.

The marketing of peanuts in excess of the actual production from the acreage allotment for a farm, or the marketing of peanuts from a farm for which no acreage allotment was determined, is subject to a penalty at a rate equal to 75 percent of the support price for peanuts for the marketing year beginning in the calendar year in which such peanuts are produced.

Quotas are not applicable to any farm on which the acreage of peanuts harvested for nuts is 1 acre or less.

Estimated number of allotment farms and acreage allotted by State

State	Number of allotment farms	1961 acreage allotment	1962 acreage allotment
Alabama	18,615	218,420.4	218,148
Arizona	40	717.2	717
Arkansas	382	4,220.0	4,216
California	48	940.2	939
Florida	6,614	55,367.0	55,276
Georgia	32,380	528,663.8	528,014
Louisiana	79	1,963.4	1,962
Mississippi	104	7,558.7	7,551
Missouri	2	247.1	247
New Mexico	441	7,062.1	5,098
North Carolina	17,712	169,018.0	168,860
Oklahoma	12,187	138,358.4	138,215
South Carolina	1,357	13,953.3	13,848
Tennessee	627	3,719.0	3,615
Texas	18,913	356,581.4	356,150
Virginia	8,552	105,631.0	105,534
Reserve for new farms		6.0	1,610
Total	118,053	1,612,427.0	1,610,000

¹ Includes an increase of 2,427 acres for Valencia-type peanuts.

Wheat acreage allotments and marketing quotas (2,671 counties)

Quotas must be proclaimed not later than May 15 of any calendar year whenever the total supply for the marketing year beginning in such calendar year exceeds normal supply by more than 20 percent or the total supply is not less than normal supply and the average farm price for 3 successive months does not exceed 66 percent of parity.

On May 12, 1961, marketing quotas were proclaimed for the 1962 crop of wheat based upon the following determination of normal supply for the 1962 crop and the marketing quota position as indicated by the supply percentage.

Normal supply and marketing quota level:

1. Estimated domestic consumption, 1960-61 marketing year	million bushels ..	609
2. Estimated exports, 1961-62 marketing year	do	600
3. Total (item 1 plus item 2)	do	1,209
4. Allowance for carryover (20 percent of item 3)	do	242
5. Normal supply (item 3 plus item 4)	do	1,451
6. Marketing quota level (120 percent of item 5)	do	1,741

Total supply and supply percentage:

7. Estimated carryover, July 1, 1961	do	1,455
8. Estimated production, 1961	do	1,327
9. Estimated imports, marketing year 1960-61	do	7
10. Total supply (item 7 plus item 8 plus item 9)	do	2,789
11. Supply percentage (item 10 plus item 5)	percent	192.2

Determination of National wheat acreage allotment:

1. Normal year's domestic consumption	million bushels	614
2. Normal year's exports	do	421
3. Total (item 1 plus item 2)	do	1,035
4. 30 percent of normal year's domestic consumption and exports	million bushels	310
5. Normal year's domestic consumption and exports plus 30 percent (item 3 plus item 4)	million bushels	1,345
6. Indicated carryover, July 1, 1962	do	1,580
7. Estimated imports, marketing year 1961-62	do	7
8. Total (item 6 plus item 7)	do	1,587
9. Indicated production needed in 1961 (item 5 minus item 8)	acres	0
10. National average yield per planted acre	bushels	21
11. Indicated national acreage allotment for 1962 crop	acres	0
12. Minimum national acreage allotment (established by law)	acres	55,000,000

The estimated number of allotment farms and the 1962 allotment acreage for each producing State as announced on May 12, 1961, is presented in the following table, along with comparable 1961 data.

Wheat acreage allotments and marketing quotas—Estimated number of allotment farms and acreage allotted by State

State	Estimated number of allotment farms	1961 acreage allotment	1962 acreage allotment ¹
Alabama	7,248	40,332	43,432
Arizona	1,156	35,665	36,306
Arkansas	19,185	62,988	67,424
California	6,171	427,726	424,405
Colorado	22,370	2,662,998	2,644,541
Delaware	2,007	32,762	30,735
Georgia	22,634	111,395	110,448
Idaho	30,834	1,177,974	1,186,015
Illinois	137,923	1,442,835	1,438,974
Indiana	121,771	1,126,379	1,108,120
Iowa	15,319	128,851	123,266
Kansas	141,962	10,661,056	10,686,946
Kentucky	28,035	213,954	207,788
Maryland	14,637	175,370	171,158
Michigan	118,619	958,637	954,474
Minnesota	59,283	719,031	724,762
Mississippi	2,762	42,079	45,403
Missouri	151,536	1,352,131	1,355,610
Montana	25,160	4,013,478	4,033,938
Nebraska	81,083	3,166,224	3,160,333
New Jersey	4,963	51,454	50,376
New Mexico	4,888	475,831	470,175
New York	38,463	321,829	318,471
North Carolina	79,688	292,908	288,536
North Dakota	73,859	7,375,765	7,445,333
Ohio	153,242	1,517,385	1,501,745
Oklahoma	84,318	4,869,786	4,885,906
Oregon	17,312	842,927	848,820
Pennsylvania	88,056	555,818	540,979
South Carolina	37,672	140,712	141,904
South Dakota	44,327	2,732,937	2,747,525
Tennessee	35,752	190,801	183,761
Texas	63,024	4,047,136	4,012,633
Utah	12,787	307,254	304,176
Virginia	49,823	252,155	245,462
Washington	17,907	2,013,247	2,027,326
West Virginia	6,430	36,064	33,846
Wisconsin	14,679	43,619	39,003
Wyoming	4,044	286,198	287,642
Noncommercial area		39,309	42,303
National reserve		55,000	30,000
Total	1,840,929	55,000,000	55,000,000

¹ The farm allotments resulting from this acreage allotment were reduced by 10 percent pursuant to the provisions of the Agricultural Act of 1961.

A referendum must be held between the date of the issuance of the proclamation of the national marketing quota and July 25 to determine whether farmers favor or oppose such quota. Public Law 87-104 extended the time for conducting the referendum with respect to the 1962 crop of wheat from July 25 to August 26, 1961. In a referendum held August 24, 1961, 79.4 percent of the farmers voting favored marketing quotas on the 1962 crop of wheat.

The national acreage allotment (less a reserve of not to exceed 1 percent thereof) is apportioned among States on the basis of the acreage seeded for the production of wheat during the 10 calendar years immediately preceding the calendar year in which the national acreage allotment is determined with adjustments for abnormal weather conditions and for trends in acreage.

The State acreage allotment, less a reserve of not to exceed 3 percent thereof, is apportioned among the counties on the basis of the acreage seeded for the production of wheat during the 10 calendar years immediately preceding the calendar year in which the national acreage allotment is determined with adjustments for abnormal weather conditions and trends in acreage during such period and for the promotion of soil conservation practices.

The allotment to the county is apportioned, through local committees, among farms on the basis of past acreage (4 years) of wheat, tillable acres, crop-rotation practices, type of soil, and topography. Not more than 3 percent of the county allotment shall be apportioned to farms on which wheat has not been planted during any of the 3 marketing years preceding the marketing year in which the allotment is made.

The farm marketing quota is the actual production from the acreage planted to wheat on the farm less the farm marketing excess. The farm marketing excess is the normal yield times the excess acres but it may not exceed the difference between the actual production on the farm less normal production of the acreage allotment. The rate of penalty on wheat is 45 percent of the parity price per bushel on wheat as of May 1 of the calendar year in which the crop is harvested. The penalty may be avoided by (1) storing farm marketing excess in accordance with regulations established by the Secretary or (2) delivering such excess to the Secretary for his disposal. The farm marketing excess is subject to penalty even though it is used on the farm.

A wheat marketing quota is not applicable to any farm on which the acreage planted to wheat does not exceed 15 acres or the normal production of the acreage planted to wheat of the current crop is less than 200 bushels. Public Law 85-203 permits farmers whose acreage allotment is less than 30 acres to grow up to 30 acres of wheat for use exclusively on the farm where produced, without being liable for marketing quota penalties. If, for any marketing year, the acreage allotment for wheat for any State is 25,000 acres or less, the Secretary may designate such State as outside the commercial wheat-producing area for such marketing year.

Public Law 87-128 contains several provisions applicable to the 1962 wheat crop only which are discussed in the following pages.

Cotton acreage allotments and marketing quotas (1,092 counties)

A national marketing quota must be proclaimed not later than October 15 whenever, during any calendar year, it is determined that the total supply exceeds the normal supply for upland cotton and whenever the total supply exceeds normal supply by more than 8 percent for Extra-Long-Staple cotton.

Upland cotton.—On October 12, 1961, a national marketing quota of 15,714,000 bales and a national acreage allotment of 18,101,718 acres were announced for the 1962 crop.

The Agricultural Act of 1958 approved August 28, 1958, provides for a national acreage reserve of 310,000 acres, if needed, to be apportioned among States on the basis of the estimated needs of each State for additional acreage to establish minimum farm allotments under section 344(f)(1) of the Agricultural Adjustment Act of 1938, as amended. The national reserve is in addition to the national acreage allotment. For the 1962 crop, 100,000 acres were required to take care of minimum farm allotments.

The estimates used in determining the national acreage allotment and national marketing quota for the 1962 crop are as follows:

[Running bales or equivalent]

	Marketing year	
	1961-62 estimate	1962-63 estimate
Total supply:		
Carryover.....	¹ 6,801,000	² 6,775,000
Production.....	² 14,224,000	³ 14,375,000
Imports.....	50,000	50,000
Total.....	21,075,000	21,200,000
Normal supply:		
Domestic consumption.....	8,600,000	8,800,000
Exports.....	5,700,000	5,700,000
Subtotal.....	14,300,000	14,500,000
Reserve for carryover (30 percent).....	4,290,000	4,350,000
Total.....	18,590,000	18,850,000
1962 national quota (standard bales).....		15,714,000
1957-60 national average planted yield per acre.....		419
1962 national acreage allotment.....		18,001,718
1962 national acreage reserve allocation.....		100,000
1962 total acreage allotment.....		18,101,718

¹ Carryover as reported by the Census Bureau, adjusted to exclude current crop ginnings prior to August 1 and excludes extra-long-staple cotton.

² October crop report estimate converted to running bales.

³ Calculated production based on recent underplanting and yield trends.

State acreage allotments announced for 1962 upland cotton crop

	State allotment (acres)	State's share of national reserve (acres)	Total allotment available for distribution in State (acres)
	(1)	(2)	(3)
Alabama.....	1,054,070	14,125	1,068,195
Arizona.....	370,367	277	370,644
Arkansas.....	1,478,880	2,497	1,481,377
California.....	825,684	1,014	826,698
Florida.....	37,718	1,598	39,316
Georgia.....	920,786	11,073	931,859
Illinois.....	3,206	10	3,216
Kansas.....	24	1	25
Kentucky.....	7,900	124	8,024
Louisiana.....	625,760	4,562	630,322
Maryland.....	14		14
Mississippi.....	1,709,423	10,577	1,720,000
Missouri.....	395,574	853	396,427
Nevada.....	2,522	1,000	3,522
New Mexico.....	191,025	285	191,310
North Carolina.....	492,722	11,394	504,116
Oklahoma.....	842,342	5,152	847,494
South Carolina.....	753,144	8,964	762,108
Tennessee.....	592,842	7,750	600,592
Texas.....	7,680,239	17,930	7,698,169
Virginia.....	17,476	784	18,260
Total, United States.....	18,001,718	100,000	18,101,718

Extra-long-staple cotton.—On October 12, 1961, a national marketing quota of 102,800 standard bales of 500 pounds gross weight and a national acreage allotment of 100,293 acres were proclaimed for the 1962 crop.

Quotas and allotments will apply principally to American-Egyptian, Sea Island (in the continental United States and Puerto Rico), and Sealand cotton.

The State allotments of the above national allotment are as follows:

	<i>Acreage allotments</i>
Arizona.....	42, 433
California.....	670
Florida.....	705
Georgia.....	157
New Mexico.....	19, 681
Texas.....	34, 455
Puerto Rico.....	2, 192
Total.....	100, 293

The estimates used in determining the national acreage allotment and national marketing quota for the 1962 crop are as follows:

[Running bales or equivalent]

	Marketing year	
	1961-62 estimate	1962-63 estimate
Total supply:		
Carryover Aug. 1.....	¹ 120, 200	106, 600
Production.....	² 63, 800	³ 100, 400
Imports ⁴.....	85, 600	⁴ (102, 800)
Total.....	269, 600	85, 600
Normal supply:		
Domestic consumption.....	155, 000	178, 000
Exports.....	8, 000	8, 000
Subtotal.....	163, 000	186, 000
Reserve for carryover (30 percent).....	48, 900	55, 800
Total.....	211, 900	241, 800

¹ Bureau of Census reported carryover adjusted to exclude (1) current crop ginnings prior to Aug. 1 and (2) about 14,200 bales of released stockpile cotton available for sale by OCC.

² October crop report estimate converted to running bales.

³ Running bale equivalent of national marketing quota.

⁴ National marketing quota (standard bales of 500 pounds gross weight) established under a special provision of law at 90 percent of 1959 quotas.

⁵ Import quota is approximately 85,600 bales.

Not later than December 15 following the proclamation of quotas a referendum must be held to determine whether farmers favor or oppose such quotas. In referendum held December 12, 1961, 96.9 percent of the farmers voting favored quotas for the 1962 crop of upland cotton and 88.6 favored quotas for extra-long-staple cotton.

The national acreage allotment is apportioned to the States on the basis of the acreage planted to cotton (or regarded as planted) in the 5 calendar years immediately preceding the calendar year in which the national marketing quota is proclaimed with adjustments for abnormal weather.

The State acreage allotment is apportioned to counties on the basis of the acreage planted to cotton (or regarded as planted) in the 5 calendar years immediately preceding the calendar year in which the national marketing quota is proclaimed with adjustments for abnormal weather.

The State committee is authorized to reserve not to exceed 10 percent (15 percent in the case of Oklahoma) of the State allotment for adjustments in county allotments due to trends in acreage, abnormal conditions affecting plantings, small or new farms, or to correct inequities in farm allotments and to prevent hardship.

The county acreage allotment, less the county reserve (not to exceed 15 percent) is apportioned to eligible old cotton farms (previous year's allotment) under section 344(f)(8) of the act. Minimum farm allotments are authorized at the smaller of 10 acres or the 1958 acreage allotment established for the farm (effective beginning with the 1959 crop).

The reserve of not to exceed 15 percent is to be used for establishing "new" farm allotments and for adjusting "old" farm allotments.

The farm marketing quota is the actual production from acreage planted to cotton on the farm less the farm marketing excess. The farm marketing excess

is the normal yield times excess acres, but it may not exceed the difference between the actual production on the farm less the normal production of the acreage allotment.

For upland cotton, the farm marketing excess is subject to a penalty at a rate equal to 50 percent of parity price as of June 15 of the calendar year in which the crop is produced and for extra-long-staple cotton the penalty rate is the higher of 50 percent of parity or 50 percent of support price.

Rice acreage allotments and marketing quotas (157 counties)

On December 27, 1961, marketing quotas and a national rice acreage allotment of 1,817,856 acres were proclaimed for the 1962 crop of rice. This is 165,260 acres, or 10 percent above the allotment for 1961-crop rice. Unsettled world conditions, particularly in the rice-consuming and rice-producing areas, prompt the need for some increase in 1962-crop rice acreage in order to assure adequate rice supplies to meet export needs. Individual marketing quotas for farms staying within their acreage allotment will be the actual production from the farm acreage allotment. Producers who remain within their acreage allotments will be eligible for price support on their entire production.

Marketing quotas for rice must be proclaimed (not later than December 31) whenever the total supply for the preceding marketing year exceeds the normal supply.

A referendum date was set for January 23, 1962 to determine producer approval or disapproval of quotas. In order to become effective, at least two-thirds of the farmers voting must favor quotas.

The national acreage allotment is that acreage which will, on the basis of the national average yield of rice for the 5 preceding calendar years, produce an amount of rice adequate, together with the estimated carryover from the marketing year ending in the calendar year then current, to make available a supply for the marketing year beginning in the next calendar year, not less than the normal supply.

Determination of rice normal supply, marketing quota level, total supply and supply percentage

	<i>Thousand hundredweight</i>
Normal supply and marketing quota level:	
1. Estimated domestic consumption, 1960-61-----	27, 000
2. Estimated exports, 1961-62-----	30, 000
3. Total (item 1+item 2)-----	57, 000
4. Allowance for carryover (10 percent of item 3)-----	5, 700
5. Normal supply (item 3+item 4)-----	62, 700
6. Marketing quota level-----	62, 700
Total supply and supply percentage:	
7. Carryover on Aug. 1, 1961-----	10, 079
8. Estimated production in 1961-----	53, 659
9. Estimated imports, 1961-62-----	300
10. Total supply (item 7+item 8+item 9)-----	64, 038
11. Supply percentage (item 10÷item 5)-----	102. 1

Determination of normal supply and national rice acreage allotment

	<i>Thousand hundredweight</i>
Normal supply: ¹	
1. Estimated domestic consumption, 1961-62-----	27, 498
2. Estimated exports, 1962-63-----	32, 239
3. Total (item 1+item 2)-----	59, 737
4. Allowance for carryover (10 percent of item 3)-----	5, 974
5. Total (item 3+item 4)-----	65, 711
6. Estimated carryover on Aug. 1, 1962-----	6, 540
7. Indicated production needed in 1962 (item 5 - item 6)--	59, 171
8. National average yield per planted acre (pounds)-----	3, 376
9. Indicated acreage allotment (item 7÷item 8) (acres)-----	1, 752, 695
10. The national acreage allotment for 1962 is (acres)-----	1, 817, 856
(10 percent above the minimum statutory allotment of 1,652,596 acres set for the 1956 through 1961 crops of rice).	

¹ Normal supply is for the marketing year commencing in the calendar year for which the national acreage allotment is determined.

The State acreage allotment is apportioned in one of two ways:

1. The rice producers on the basis of past production of rice by the producer, taking into consideration the acreage allotments previously established for such producer (in the State), abnormal conditions affecting acreage, land, labor, and equipment available for the production of rice, crop-rotation practices, and the soil and other physical factors affecting the production of rice. Not more than 3 percent of the State acreage allotment is apportioned to persons who have not produced rice during any one of the past 5 years. The producer allotments so determined are assigned to farms on which the producers will be engaged in producing the crop of rice for which the allotments are established.

2. If the Secretary, upon recommendation of the State committee determines that such action will facilitate the effective administration of the act, the State acreage allotment is apportioned to farms on which rice has been produced during any one of such period of years on the basis of foregoing factors using past production of rice on the farm and the acreage allotments previously established for the farm in lieu of past production of rice by the producer and the acreage allotments previously established for such producers.

The farm marketing quota is the actual production on the farm less "farm marketing excess." The farm marketing excess is the normal production of the number of acres planted in excess of the farm acreage allotment, except that the farm marketing excess may not be larger than the amount by which the actual production on the farm exceeds the normal production of the farm acreage allotment if the producer furnishes proof of such actual production to the Secretary.

Whenever marketing quotas are in effect the producer is subject to a penalty on the farm marketing excess at a rate per pound equal to 65 percent of the parity price as of June 15, of the calendar year in which the crop is produced. In addition to receiving a penalty none of the production will be eligible for price support.

Quota penalty collections

The following table shows the cumulative marketing quota penalty collections which, except for refunds to producers, are deposited into the general fund of the Treasury.

Summary of cumulative net marketing quota penalty collections as of June 30, 1961

Marketing year	Tobacco	Peanuts	Wheat	Cotton	Rice	Total
1938-39	\$943,225.00			\$218,382.38		\$1,161,607.38
1939-40				518,628.98		518,628.98
1940-41	672,010.20			672,923.32		1,344,933.52
1941-42	184,972.89	\$44,110.13	\$13,111,042.87	2,009,036.69		15,349,162.58
1942-43	422,393.90	104,840.90	2,037,182.66	1,489,990.83		4,054,408.29
1943-44	514,563.85					514,563.85
1944-45	1,738,585.09					1,738,585.09
1945-46	4,017,148.49					4,017,148.49
1946-47	4,064,339.73					4,064,339.73
1947-48	1,005,258.52					1,005,258.52
1948-49	1,519,056.74					1,519,056.74
1949-50	2,599,977.44	139,243.25				2,739,220.69
1950-51	3,890,715.22	288,248.01		904,579.29		5,083,542.52
1951-52	4,635,274.05	557,158.71				5,192,432.76
1952-53	3,652,471.36	137,817.65				3,790,289.01
1953-54	3,128,650.67	296,653.41				3,425,304.08
1954-55	5,372,234.77	137,384.55	2,785,319.18	525,959.58		8,820,898.08
1955-56	821,348.51	267,886.05	5,680,977.06	2,216,956.77	\$45,359.05	9,032,527.44
1956-57	429,284.12	349,514.76	7,277,771.62	1,281,619.94	24,502.73	9,362,693.17
1957-58	329,995.63	247,247.81	12,302,940.33	2,263,936.68	75,761.70	15,219,882.15
1958-59	215,445.26	76,908.02	9,542,646.81	1,136,657.95	124,317.27	11,095,975.31
1959-60	121,845.51	33,035.13	746,948.11	467,162.82	39,574.95	1,408,566.52
1960-61	81,082.86	37,982.06	469,594.55	268,227.80	29,227.21	886,114.48
1961-62			23,229.81			23,229.81
Total	40,359,879.81	2,718,030.44	53,977,653.00	13,974,063.03	338,742.91	111,368,369.19

General.—Public Law 87-33 amends section 378 of the Agricultural Adjustment Act of 1938 by authorizing the temporary release and reapportionment of pooled acreage allotments on lands acquired by agencies having the right of eminent domain.

Cotton.—Public Law 87-37 amends the Agricultural Adjustment Act of 1938, as amended, to permit operators of farms with flooded-out cotton acreage to

transfer all or part of that acreage allotment, with the permission of the county committee, to another farm in the same or an adjoining county operated by the same farmer. This is an emergency measure which applied to the 1961 crop only.

Wheat.—Public Law 87-128: Principal provisions applicable to the 1962 wheat crop (unless otherwise indicated) are: (1) All farm allotments were reduced 10 percent from allotments determined on the basis of a national allotment of 55 million acres; (2) the penalty rate was increased from 45 percent to 65 percent of parity, and the farm marketing excess was based on twice the normal yield times the excess acres; (3) the farm exemption was decreased from 15 acres to the smaller of 13.5 acres, or the highest wheat acreage on the farm in any of the years 1959, 1960, or 1961; (4) no producer who did not have wheat acreage in excess of 13.5 acres in at least one of the years 1959, 1960, or 1961 would be eligible to vote in the referendum on the 1962 crop; and (5) Durum allotments for the 1962-64 crops in counties designated by the Secretary should be increased if necessary to meet demands other than subsidized exports. The 200-bushel farm exemption was permanently repealed effective with 1962 wheat crop.

Public Law 87-357 extends for 2 additional years, 1962 and 1963, the temporary provisions of law authorizing additional Durum wheat (class II) acreage allotments in the Tulelake area of California which have been in effect each year since 1958. Under such legislation additional Durum wheat allotment acreage is made available to farms in the area in an amount sufficient to provide a total of 8,000 acres for the area. This additional acreage is in addition to the national, State, county, and farm allotments otherwise established under the permanent provisions of law.

Tobacco.—Public Law 87-200 authorizes, for the crop years 1962 and 1963, the owner and operator of any farm for which a tobacco acreage allotment (other than a burley tobacco acreage allotment) is established to lease any part of the allotment to any other owner or operator of a farm having a current tobacco allotment of the same kind, subject to certain limitations. These limitations provide that both farms involved must be in the same country and the lease must be filed with the country committee; adjustments will be made according to the normal yield of the farm from which the transfer is being made in relation to that of the recipient farm; only 5 acres of an allotment may be leased and transferred to any other farm; only farms with tobacco allotments for the same kind of tobacco are eligible to lease allotments; and the acreage is considered as having been produced on the farm from which the allotment is transferred for purposes of future allotments and referendum voting rights. In the case of Maryland (type 32) tobacco, no farm shall be eligible for lease of allotment from the farm unless at least 75 percent of the allotment for the farm was actually planted during each of the years 1960 and 1961.

The Agricultural Stabilization and Conservation Service, as a part of its regular activities, is responsible for part of the continuing activities of the Department in the area of preparedness measures relating to food and the domestic distribution of farm equipment and supplies. Such work, financed from this appropriation, includes periodic evaluation of requirements and supplies of food (including fibers, tobacco, and oilseeds) and supporting nonfood materials and facilities. Work also includes analyses to determine the ability of the United States to supply necessary food in an emergency period and to point out problem areas.

Mr. GODFREY. The additional \$83,000 under acreage allotments and marketing quotas is for civil defense liaison with field offices of the Department of Defense and the Office of Emergency Planning. This amount represents a decrease from about \$150,000 provided in 1962, when these activities were financed by transfer of funds to the Department of Agriculture from the Office of Emergency Planning and the Department of Defense. These and related civil defense responsibilities have been assigned to the Department—and similarly for other departments—by Executive Order 10998 and Emergency Planning Order No. 1.

SUGAR ACT PROGRAM

Object classification

[In thousands of dollars]

	1961 actual	1962 estimate	1963 estimate
25 Other services: Advanced to—			
“Administrative expenses, sec. 392, Agricultural Adjustment Act of 1938” (7 U.S.C. 1392).....	1,589	1,591	1,591
“Local administration, sec. 388, Agricultural Adjustment Act of 1938” (7 U.S.C. 1388).....	891	759	759
41 Grants, subsidies, and contributions.....	72,020	75,650	77,650
Total obligations.....	74,500	78,000	80,000

Mr. WHITTEN. For the Sugar Act program you are requesting \$80 million. At this point we shall insert pages 251 through 266 of volume 3 in the record.

(The material is as follows:)

Appropriation Act, 1962 and base for 1963..... \$78,000,000
Budget estimate, 1963..... 80,000,000

Increase (for payments to sugar producers due to increased sugar production)..... +2,000,000

Project statement

Project	1961	1962 (estimated)	Increase or decrease	1963 (estimated)
1. Payments to sugar producers:				
(a) Continental beet area.....	\$40,398,791	\$41,615,950	+\$2,630,350	\$44,246,300
(b) Continental cane area.....	8,167,754	10,067,538	+650,791	10,718,329
(c) Offshore cane area.....	23,453,455	23,966,512	-1,281,141	22,685,371
Total payments.....	72,020,000	75,650,000	+2,000,000	77,650,000
2. Operating expenses.....	2,480,000	2,350,000	-----	2,350,000
Total appropriation or estimate.....	74,500,000	78,000,000	+2,000,000	80,000,000

Under existing legislation, the Sugar Act terminates June 30, 1962. The sugar situation is being studied with a view toward developing legislative proposals relating to extension of the act. The estimates cover payments and operating costs on the 1962 crop under existing legislation. The amount of payments required on the 1962 crop will be determined by actual production which may vary from these estimates.

TABLE I.—*Number of payees*

Area	1960 crop	1961 crop (estimated)	1962 crop (estimated)
Continental sugarbeet area.....	41,000	41,500	42,000
Continental sugarcane area.....	6,000	6,200	6,000
Hawaii.....	1,025	1,050	900
Puerto Rico.....	17,000	17,500	15,000
Virgin Islands.....	300	325	220
Total.....	65,325	66,575	64,120

TABLE II.—*Sugar program data 1960-62 crop years*

Area	1961 fiscal year (1960 crop year) (actual)	1962 fiscal year (1961 crop year) (estimated)	1963 fiscal year (1962 crop year) (estimated)	Increase (+) or decrease (-) 1962 crop compared with 1961 crop
Beet area:				
Tons produced.....	2, 474, 000	2, 525, 000	2, 800, 000	+275, 000
Total payments.....	\$40, 377, 521	\$41, 596, 850	\$46, 127, 200	+\$4, 530, 350
Payment per ton.....	\$16. 321	\$16. 474	\$16. 474	
Mainland cane area:				
Tons produced.....	630, 000	766, 000	900, 000	+134, 000
Total payments.....	\$8, 167, 754	\$10, 067, 538	\$11, 828, 700	+\$1, 761, 162
Payment per ton.....	\$12. 965	\$13. 143	\$13. 143	
Hawaii:				
Tons produced.....	936, 000	1, 090, 000	1, 200, 000	+110, 000
Total payments.....	\$8, 779, 433	\$10, 168, 610	\$11, 194, 800	+\$1, 026, 190
Payment per ton.....	\$9. 380	\$9. 329	\$9. 329	
Puerto Rico:				
Tons produced.....	1, 110, 000	1, 150, 000	1, 200, 000	+50, 000
Total payments.....	\$15, 535, 968	\$16, 241, 450	\$16, 947, 600	+\$706, 150
Payment per ton.....	\$13. 996	\$14. 123	\$14. 123	
Virgin Islands:				
Tons produced.....	7, 000	17, 000	15, 000	-2, 000
Total payments.....	\$124, 897	\$222, 190	\$196, 050	-\$26, 140
Payment per ton.....	\$17. 842	\$13. 070	\$13. 070	
Total:				
Tons produced.....	5, 157, 000	5, 548, 000	6, 115, 000	+567, 000
Total payments.....	\$72, 985, 573	\$78, 296, 638	\$86, 294, 350	+\$7, 997, 712
Payments per ton.....	\$14. 153	\$14. 113	\$14. 112	-\$0. 001

TABLE III.—*Method of financing*

Program year	Fiscal year appropriation				Total
	1961	1962	1963	1964	
1959 sugar program:					
Payments to producers: Puerto Rico (1959-60).....	\$7, 641, 940				\$7, 641, 940
1960 sugar program:					
Payments to producers:					
Continental sugar beet area.....	40, 398, 791				40, 398, 791
Continental sugar cane area.....	8, 167, 754				8, 167, 754
Hawaii.....	8, 779, 433				8, 779, 433
Puerto Rico (1960-61).....	6, 907, 185	\$8, 628, 783			15, 535, 968
Virgin Islands.....	124, 897				124, 897
Total, 1960 payments.....	64, 378, 060	8, 628, 783			73, 006, 843
1961 sugar program:					
Payments to producers:					
Continental sugar beet area.....		41, 615, 950			41, 615, 950
Continental sugar cane area.....		10, 067, 538			10, 067, 538
Hawaii.....		10, 168, 610			10, 168, 610
Puerto Rico (1961-62).....		4, 946, 929	\$11, 294, 521		16, 241, 450
Virgin Islands.....		222, 190			222, 190
Total, 1961 payments.....		67, 021, 217	11, 294, 521		78, 315, 738
1962 sugar program:					
Payments to producers:					
Continental sugar beet area.....			44, 246, 300	\$1, 900, 000	46, 146, 300
Continental sugar cane area.....			10, 718, 329	1, 110, 371	11, 828, 700
Hawaii.....			11, 194, 800		11, 194, 800
Puerto Rico (1962-63).....				16, 947, 600	16, 947, 600
Virgin Islands.....			196, 050		196, 050
Total, 1962 payments.....			66, 355, 479	19, 957, 971	86, 313, 450
Total program payments.....	72, 020, 000	75, 650, 000	77, 650, 000		
Operating expenses.....	2, 480, 000	2, 350, 000	2, 350, 000		
Total, appropriation or estimate.....	74, 500, 000	78, 000, 000	80, 000, 000		

STATUS OF PROGRAM

Extension of the Sugar Act

Public Law 86-592, approved July 6, 1960, extended the Sugar Act of 1948, as amended, through March 31, 1961, with authority conferred on the President to determine Cuba's sugar quota for the balance of 1960 and the first 3 months of the calendar year 1961 and to obtain replacement supplies, as prescribed, in the event of a reduction in Cuba's quota.

Public Law 87-15, approved March 31, 1961, extended the Sugar Act of 1948 through June 30, 1962, and provided for payments to domestic sugar beet and sugarcane producers through the crop year 1962. In addition, the public law continued the President's authority to determine the Cuban quota; relieved the President of any obligation to purchase any part of the Cuban quota replacement sugar from any country with which the United States is not in diplomatic relations; and provided that in allocating sugar purchases to countries not specified in the statute, special consideration be given to countries of the Western Hemisphere, and to those countries purchasing U.S. agricultural commodities.

Sugar requirements and quotas

The Sugar Act provides that the Secretary of Agriculture shall determine each year consumers' requirements of sugar for the succeeding year and make such revisions of the initial estimate as necessary.

The requirements or total quotas for the calendar year 1960 had been initially established, on December 17, 1959, at 9,400,000 short tons, raw value. On July 8, 1960, quotas were increased to 9,600,000 tons; on July 15, 1960, to 10 million tons; and on August 1, 1960, to the final level of 10,400,000 tons. These actions were taken to provide a flow of sugar supplies adequate to meet the requirements of consumers and at reasonable prices.

On July 6, 1960, following his approval of Public Law 86-592, the President issued a proclamation reducing Cuba's 1960 sugar quota by 700,000 tons and delegating to the Secretary of Agriculture, with the concurrence of the Secretary of State, the authority to make nonquota sugar purchases necessary to replace sugar not taken from Cuba. In actions taken on July 14, July 21, August 2, and September 23, 1960, the Secretary of Agriculture, with the concurrence of the Secretary of State, authorized the total purchase of 1,200,000 tons of non-quota sugar for importation during calendar year 1960. Of this total quantity 321,857 tons were authorized for purchase from the Dominican Republic subject to an entree fee of 2 cents per pound, payable to the U.S. Government.

Consumers' sugar requirements for the calendar year 1961 were determined to be 10 million short tons, raw value, on December 16, 1960. At the same time, sugar quotas were established for the first quarter only since sugar legislation was then due to expire March 31, 1961. Public Law 87-15, extending the Sugar Act through June 30, 1962, was signed by the President on March 31, 1961 and on April 1 the Secretary of Agriculture established sugar quotas totaling 6,702,805 tons, for domestic and foreign areas except Cuba, for the full calendar year 1961. The level of consumers' sugar requirements remained at 10 million tons at the end of the fiscal year.

Presidential proclamations were issued on December 16, 1960, and March 31, 1961, determining Cuba's sugar quota to be zero for the first quarter and for the full calendar year 1961, respectively. The delegation of authority to the Secretaries of Agriculture and State was continued with regard to the acquisition of replacement supplies. This authority was exercised on December 22, 1960, when the purchase of 824,299 tons of nonquota sugar was authorized for importation during the 3-month period ending March 31, 1961. Of this amount 222,723 tons were authorized for purchase from the Dominican Republic conditioned upon the payment of an entry fee of 2½ cents per pound.

Additional purchases of 1,263,776, 1,009,120, and 150,000 tons of nonquota sugar for importation during the April-December 1961 period, were authorized on April 14, June 1, and June 30, 1961, respectively. These actions, together with 824,299 tons authorized for purchase in the first quarter, and quotas totaling 6,702,805 tons, brought to a total of 9,950,000 tons the quantity of sugar authorized for marketing and importation in 1961. Fifty thousand tons of the total sugar requirements, determined at 10 million tons for calendar year 1961, had not been allocated, as of June 30, 1961.

On October 13 and 23, 1961, actions were taken reducing the 1961 nonquota sugar authorizations for purchase by 30,000 and 100,000 tons, respectively, to maintain prices fair to the domestic sugar industry.

Sugar quotas and nonquota purchase allocations for the calendar years 1960 and 1961 are shown in the following table:

Production area	1960 quotas final	1961 quotas as of Nov. 1, 1961
	<i>Short tons</i>	<i>Raw value</i>
Domestic beet sugar.....	2,514,945	2,609,170
Mainland cane sugar.....	773,873	715,000
Hawaii.....	1,940,444	² 1,030,000
Puerto Rico.....	1,893,620	² 980,000
Virgin Islands.....	18,618	17,330
Philippines.....	980,000	980,000
Cuba.....	2,419,655	0
Other foreign countries.....	432,945	371,305
Total quotas.....	8,964,100	6,702,805
Authorized nonquota purchase allocation under sec. 408(b) of the act.....	1,200,000	3,117,195
Nonquota purchase sugar not authorized.....	235,900	180,000
Total.....	10,400,000	10,000,000

¹ Adjusted for deficits. Unadjusted quotas were: Hawaii, 1,265,375; Puerto Rico, 1,323,111; and the Virgin Islands, 18,043 short tons, raw value.

² Adjusted for deficits. Unadjusted quotas were: Hawaii, 1,215,410 and Puerto Rico, 1,270,865 short tons, raw value.

Requirements and quotas for local consumption, Hawaii and Puerto Rico

The Sugar Act also requires the Secretary of Agriculture to determine sugar requirements for local consumption in Hawaii and Puerto Rico. Accordingly, on December 27, 1960, sugar requirements of consumers in Hawaii and Puerto Rico were determined to be 45,000 and 120,000 short tons, raw value, respectively, for the calendar year 1961. Also, local consumption quotas of 11,250 tons for Hawaii and 30,000 tons for Puerto Rico were established for the 3-month period ending March 31, 1961. On April 1, 1961, local quotas for Hawaii and Puerto Rico were established at 45,000 and 120,000 tons, respectively, for the full calendar year 1961 and on December 6, 1961, Puerto Rico's local consumption quota was increased to 130,000 tons. Final local quotas for 1960 had been 45,000 tons for Hawaii and 115,000 tons for Puerto Rico.

Domestic sugar prices

Domestic sugar prices were relatively stable in the 1961 fiscal year. The price of raw sugar, duty paid, at New York, was 6.37 cents per pound on July 1, 1960, and 6.42 on June 30, 1961, while the average price for the year was also 6.42. The monthly average price ranged from a high of 6.56 in September 1960 to a low of 6.25 in March and April 1961.

The wholesale price of refined cane sugar at New York averaged 9.47 cents per pound in July 1960 and 9.55 in June 1961, while the average price for the fiscal year was 9.56. A price of 9.40 prevailed from July 5 to July 25, 1960, when it rose to 9.70. The price returned to 9.40 on December 1, 1960, and then went to 9.55 on January 3, 1961, to remain there until April 11 when it returned again to 9.40. On May 31, 1961, the price rose to 9.55, the prevailing price through June 30, 1961.

Marketing allotments

Section 205(a) of the act provides that the quota for an area shall be allotted to persons who market or import sugar when found necessary to insure orderly marketing and to afford interested persons an equitable opportunity to market sugar within such quota.

For the calendar year 1960, only the direct-consumption portion of the mainland quota for Puerto Rico was allotted. A recommended decision and proposed order for the domestic beet sugar area was issued in June 1960. On August 18, 1960, the Secretary announced that allotment of the sugar quota for the domestic beet sugar, as well as the mainland cane area, was unnecessary.

A public hearing was held in August 1961 regarding allotment of the 1961 quota for the domestic beet sugar area. The hearing record showed that the supply of beet sugar available for marketing in 1961 was sufficiently in excess of the area's 1961 quota to cause disorderly marketing and to prevent some interested persons from having equitable opportunities to market sugar unless the

quota was allotted. Consequently, an allotment order regulating the marketing of sugar within the quota for the domestic beet sugar area was issued in September and became effective October 5, 1961. On November 6, 1961, the allotments for domestic beet sugar processors were revised slightly for the purpose of substituting final data for estimated data previously used in the allotment method.

Since total Puerto Rican supplies in 1961 are less than the island's 1961 sugar quotas, it was not necessary to restrict marketings of Puerto Rican sugar except for sugar shipped to the U.S. mainland for direct consumption. Allotments governing such sugar became effective January 1, 1961, for the period January-March 1961 and April 1, 1961, for the calendar year 1961.

Payments to producers

Payments are made to domestic producers of sugarbeets and sugarcane who comply with certain requirements with respect to proportionate shares (acreage allotments), nonemployment of child labor, payment of fair and reasonable wages and, in the case of processor-producers, the payment of fair and reasonable prices for sugarbeets or sugarcane purchased from other producers.

Pursuant to title III of the Sugar Act of 1948, conditional payments on the 1960 crops totaling \$72,985,573 were made to about 65,325 sugarbeet and sugarcane producers in 24 States, Puerto Rico, and the Virgin Islands (table I).

Proportionate share determinations (acreage allotments)

Proportionate shares for sugarbeet and sugarcane farms are established for each crop since the marketing of sugarbeets or sugarcane within such shares constitutes one of the conditions of payment. Restrictive proportionate shares are required in any area when the indicated sugar production is greater than the quantity needed to fill the quota and provide a normal carryover inventory for such area.

A determination issued October 18, 1960, established 1961-crop proportionate shares for farms in the beet sugar area on a nonrestrictive basis, thus permitting the marketing for sugar of all acreage planted to sugarbeets on each farm. This action was taken to enable processors to meet marketing opportunities, to build sugar stocks up to a more normal level, and to promote adjustments of sugarbeet acreages within factory area to a level more in line with factory capacities.

A determination issued October 30, 1961, established 1962-crop proportionate shares for sugarcane farms in the mainland cane sugar area (Louisiana and Florida) on a nonrestrictive basis, thus permitting the marketing for sugar or seed of all sugarcane on each farm. It is the third successive year of nonrestrictive sugarcane marketings for the area.

A determination issued November 25, 1960, established 1960-61-crop proportionate shares for sugarcane farms in Puerto Rico at the level of actual marketings, because the island's indicated sugar supplies appeared inadequate to fill its marketing quotas and provide a normal carryover. It is the fifth straight year of nonrestrictive sugarcane marketings for the area.

The proportionate share determination for the Virgin Islands had been placed on a continuing nonrestrictive basis in July 1954. This determination established proportionate shares for each farm in the area at the actual level of production. Subsequent crop production has not required the imposition of restrictions.

The determination issued in June 1955, applicable to the 1955 and subsequent crops, established proportionate shares for farms in Hawaii at the actual level of production. However, the proportionate share for the farm of any processor-producer is conditioned upon the maintenance of the existing relationship between the acreage of sugarcane cultivated by the processor-producer and the acreage cultivated by independent growers.

TABLE I.—*Payments under the Sugar Act of 1948 and number of payees in the domestic sugar producing areas, crop years 1959 and 1960*¹

Payments and payees	Domestic beet sugar area	Mainland cane sugar area	Hawaii	Puerto Rico ²	Virgin Islands	Total
Payments on sugarbeets or sugarcane:						
1959.....	\$38,492,195	\$7,617,862	\$9,292,791	\$14,025,879	\$163,876	\$69,592,603
1960.....	39,653,931	8,053,368	8,749,471	15,149,476	95,937	71,702,183
Abandonment and deficiency payments:						
1959.....	414,661	275,037	0	181,742	0	871,440
1960.....	723,590	114,386	29,962	386,492	28,960	1,283,390
Total payments:						
1959.....	38,906,856	7,892,899	9,292,791	14,207,621	163,876	70,464,043
1960.....	40,377,521	8,167,754	8,779,433	15,535,968	124,897	72,985,578
Payees:						
1959..... number.....	40,673	5,712	935	16,550	266	64,136
1960..... do.....	41,000	6,000	1,025	17,000	300	65,325

¹ Preliminary.² 1959-60 and 1960-61 crop.*Excise and import taxes*

The act, through an amendment to the Internal Revenue Code, imposes a tax of 50 cents per 100 pounds of sugar, raw value, on all beet or cane sugar processed in or imported into the continental United States for direct consumption. The excise tax on sugar, under Public Law 87-15, was extended to December 31, 1962.

The following table shows taxes collected compared with obligations under the sugar program:

Fiscal year	Sugar tax collections			Total obligations
	Excise tax	Import tax	Total	
1938.....	\$30,569,130	\$2,680,298	\$33,249,428	\$22,080,599
1939.....	65,414,058	3,494,627	68,908,685	52,460,654
1940.....	68,145,358	5,456,207	73,601,565	47,212,400
1941.....	74,834,839	4,859,760	79,694,599	47,677,678
1942.....	68,229,803	4,088,963	72,318,766	47,869,513
1943.....	53,551,777	3,520,064	57,071,841	55,638,374
1944.....	68,788,910	5,097,940	73,886,850	54,818,026
1945.....	73,293,966	3,552,414	76,846,380	52,361,159
1946.....	56,731,986	3,231,592	59,963,578	48,418,425
1947.....	59,151,922	5,115,447	64,267,369	53,343,849
1948.....	71,246,834	3,284,502	74,531,336	54,797,108
1949.....	76,174,356	4,698,867	80,873,223	71,830,810
1950.....	71,188,029	4,091,155	75,279,184	59,935,494
1951.....	80,191,884	3,613,479	83,805,363	63,684,105
1952.....	78,473,191	3,621,210	82,094,401	69,813,289
1953.....	78,129,860	5,005,959	83,135,819	64,929,566
1954.....	73,885,000	4,498,368	78,383,368	59,630,519
1955.....	78,512,000	4,177,097	82,689,097	59,600,000
1956.....	82,894,000	4,806,321	87,700,321	59,600,000
1957.....	86,091,000	4,305,501	90,396,501	67,600,000
1958.....	85,911,000	4,957,798	90,868,798	67,662,500
1959.....	86,378,000	5,683,187	92,061,187	76,000,000
1960.....	89,856,000	5,099,473	94,955,473	71,500,000
1961.....	91,818,000	¹ 2,800,000	94,618,000	74,500,000
Subtotal.....	1,749,460,903	101,740,229	1,851,201,132	1,403,014,068
1962 (estimate).....	94,000,000	3,000,000	97,000,000	78,000,000
1963 (estimate).....	95,500,000	² 183,000,000	278,500,000	80,000,000
Total.....	1,938,960,903	287,740,229	2,226,701,132	1,561,014,068

¹ Estimated.

² In addition, the 1963 budget indicates that legislation to be proposed would increase 1963 estimated receipts by \$180,000,000. Under this legislation the difference between the domestic and world price of sugar, which is currently received by foreign suppliers of sugar, would be retained by the United States to the extent permitted by existing international agreements.

NOTE.—Tax collections exceed total program obligations in the amount of \$448,187,064 for fiscal years 1938 through 1961.

Fair wage and price determinations

The Sugar Act requires that the Secretary establish fair and reasonable wages for fieldworkers and fair prices for sugarcane and sugarbeets after investigation and public hearings. Determinations of wages and prices are issued annually for the sugarbeet area and the Virgin Islands. For Louisiana, Florida, Puerto Rico, and Hawaii, fair price determinations are issued annually, but the wage determinations for these areas have been placed on a continuing basis or until amended, superseded, or terminated. (Louisiana and Florida in 1959, Puerto Rico in 1957, and Hawaii in 1954.)

During the 1961 fiscal year the 1961 crop wage determination issued for the beet area consolidated the 1960 determinations which were applicable to specific regions of the sugarbeet area. The minimum hourly rate was increased to 85 cents for specified hand labor operations, the hand labor operations for which piecework rates are established were redesignated and redefined and the piecework rates for two operations were increased. The minimum hourly rate of 85 cents represents an increase of 5 cents per hour in northern California and 10 cents per hour in the Imperial Valley of California and in regions other than California.

On September 27, 1960, following a public hearing in July, the Secretary issued a notice of continuation of fair and reasonable wage rates for fieldworkers in Louisiana. Wage rates and other requirements for harvesting the 1960 crop, and for production and cultivation work during the calendar year 1961, are the same as in the wage determination issued in October 1959.

Fair price determinations for sugarcane and sugarbeets were issued for each of the respective domestic producing areas and in the case of Hawaii two crop determinations were issued. The determinations continued the provisions of the prior determinations in all major respects except as follows:

For Puerto Rico, the sharing relationship between processors and producers was adjusted so that producers will share in the total net molasses proceeds instead of sharing only in the net proceeds in excess of 5 cents per gallon. The increase in molasses returns will compensate producers for the estimated loss in sugar returns from processors resulting from the discontinuance of spot price quotations of the No. 6 domestic contract (bagged sugar) by the New York Coffee and Sugar Exchange and the substitution of price quotations under the No. 7 contract (bulk sugar) and will more nearly balance the sharing relationship between processors and producers.

The Virgin Islands determination provided that payments for sugarcane are to be based on price quotations under the No. 7 contract instead of the No. 6 contract which has been discontinued. The molasses payment to producers will be based on 10.75 cents per gallon instead of 10 cents.

An amendment to the 1960 crop Florida price determination was issued to provide that the price of raw sugar for the period February 2, 1961, through the last month during which the last sugar produced from 1960 crop sugarcane was sold, would be determined on the basis of the daily spot quotations for sugar deliverable under the No. 7 domestic contract (bulk sugar), adjusted to a bagged sugar price by adding 0.04 cent per pound to such bulk sugar price. This action was necessary because of the discontinuance of the price quotations under the No. 6 contract by the exchange.

During the fiscal year, investigations of problems related to wage and price determinations were conducted in all domestic producing areas prior to public hearings in such areas. Also, a field study was conducted of labor performance in hoeing, hoe trimming, and blocking and thinning sugarbeets under various field conditions to appraise the effectiveness of the designated piecework operations and rate structure and to obtain data to be used in developing subsequent beet wage determinations.

Studies, surveys, and reports

During the fiscal year 1961 a report was completed of costs, returns, profits, investment, and man-hours in sugarcane production and sugar processing by Hawaiian plantations for the 1955-57 crops. Reports were completed for sugarcane production and raw sugar processing for Puerto Rico and Louisiana and another was substantially completed for Florida, all three studies covering the crops from 1956 to 1958. The last quarter of the farm survey work and substantially all of the processor fieldwork was accomplished for a study of sugarbeet production costs for the 1959 crop and beet sugar processing costs for the 1957-59 crops. Also much of the summarization of the beet production phase was done.

A special study was made of techniques currently employed by the Hawaiian

industry and improved methods proposed by that industry for evaluating the quantity and quality of sugarcane delivered to the sugar mills. These practices affect prices to growers from processors and Sugar Act payments.

A revision of Statistical Bulletin No. 214, "Sugar Statistics and Data Compiled in the Administration of the U.S. Sugar Acts," was nearing completion at the end of the year. Sugar Reports, the monthly publication of the Sugar Division, was issued throughout the 1961 fiscal year. This publication contains the latest available statistics and data on the domestic movement, supply and price situation, analyses of domestic and world market situations, and of current problems of interest to domestic producers and consumers.

International Sugar Agreement

As of June 30, 1961, a total of 38 countries had signed the International Sugar Agreement. Membership comprised 10 importing and 28 exporting countries which together accounted for approximately 90 percent of the world free market commerce in sugar. Two additional countries, Paraguay (exporter) and Nigeria (importer) had made formal application for accession to the agreement. Also, India, which had been assigned a basic export tonnage, is expected to deposit its instrument of accession with the depository government during calendar year 1961.

During the fiscal year 1961 Cuban sugar sales in the U.S. market were negligible as on July 6, 1960, the President reduced Cuba's quota for calendar year 1960 to about the level of shipments as of that date. Also, in a subsequent action, Cuba's U.S. quota for the calendar year 1961 was set at zero. Meanwhile, Cuba was enlarging her sugar sales in the world market, trading substantial quantities of sugar to Communist bloc countries under barter agreements. In recognition of the changed structure of the market, the Council permitted Cuba a tolerance for excess exports over and above her world quota equal to the reduction in Cuba's marketing opportunity in the U.S. market.

The Council took constructive actions throughout the fiscal year to keep world free market requirements and supplies in balance and to otherwise maintain stability in world sugar prices. The average world price of raw sugar was 3.19 cents per pound for the fiscal year, compared to 2.97 for fiscal year 1960. The monthly average price ranged from a low of 2.97 (February and March 1961) to a high of 3.35 (May 1961). However, the very large 1960 European crop of beet sugar caused many European countries to offer refined beet sugar at low prices and toward the end of the fiscal year European refined sugar was freely offered at less than raw sugar prices.

The International Sugar Agreement was renegotiated at a conference called by the United Nations held in Geneva beginning September 12, recessed October 23, and reconvened from December 7, to December 15, 1961. At the Conference the Council failed to agree on quotas and therefore the agreement will be continued for 1962 and 1963 without quotas and those parts of the program that will be inoperative as a result of the absence of basic export tonnages and export entitlements. A preparatory committee, of which the United States is a member, worked for more than a year developing basic information on world production and consumption trends for the next few years as well as the operations of the agreement and its effect on stabilizing world prices. A large number of countries that formerly imported sugar are now energetically developing a program of sugar production in order to become self-sufficient and thus save foreign exchange. This poses a serious problem for those countries dependent on the exportation of sugar.

Delegations from the United States attended all meetings of the Council and its standing committees during the fiscal year. Also, data relating to production, supplies, and imports of the United States were furnished to the Council monthly.

Field administration of program

On the mainland, the sugar program is administered in the counties by elected agricultural stabilization and conservation county and community committees and in the States by State agricultural stabilization and conservation committees composed of resident farmers appointed by the Secretary. In the domestic offshore areas, the program is administered under the supervision of the directors of ASCS offices.

Administrative expense allocations to States and the Caribbean area office are based on workload data for the previous year adjusted to reflect any contemplated changes in program operations.

Workload data

Table II summarizes workload data in connection with the 1961 crop (fiscal year 1962).

TABLE II.—*Sugar Act program (beet)*—*Estimated workload data for the 1961 crop*

State	Estimated number of counties	Estimated number of farms	Estimated planted acreage
Illinois.....	4	65	1,545
Iowa.....	4	30	1,598
Michigan.....	23	3,000	76,690
Ohio.....	17	1,100	24,848
Wisconsin.....	17	330	7,550
Midwest area.....	65	4,525	112,231
California.....	31	2,700	240,792
Colorado.....	23	4,400	178,009
Kansas.....	9	150	11,155
New Mexico.....	1	10	167
Texas.....	5	55	2,104
Utah.....	12	1,833	25,948
Southwest area.....	81	9,148	458,175
Idaho.....	23	4,194	125,419
Minnesota.....	24	1,030	98,740
Montana.....	18	1,351	68,111
Nebraska.....	23	1,757	75,500
North Dakota.....	8	642	46,975
Oregon.....	3	597	21,586
South Dakota.....	10	175	10,298
Washington.....	7	1,360	54,797
Wyoming.....	17	1,100	53,222
Northwest area.....	133	12,206	554,648
Total States.....	279	25,879	1,125,054

Mr. GODFREY. The international situation, as it has developed subsequent to the change in the government of Cuba, introduces a number of uncertainties into this program. The estimate now before you provides for increased sugar production: \$2,630,350 for increased U.S. beet production and \$1,650,841 for increased cane production on the U.S. mainland and offshore cane areas. It will also necessitate a further deferral of \$2,281,191 in Puerto Rican payments. The production estimates upon which these amounts are based will be reviewed at a later date, when better data become available. The amount of payments required on the 1962 crop will be determined by actual production which may vary from these estimates.

Further, the Sugar Act expires on June 30, 1962. Legislation has been proposed to extend it with substantial revisions to bring this program into line with the greatly changed world sugar situation. The action which is taken by Congress on this legislation may also affect the amount of the 1963 appropriation requirements. Under the legislation proposed by the administration, the difference between the domestic and world price of sugar, which is currently received by foreign suppliers of sugar, will be retained by the United States to the extent permitted by existing international agreements. This is reflected in the 1963 budget as an increase of \$180 million in miscellaneous receipts deposited in the Treasury. Under these circumstances, it may be necessary at a later date to submit a supplemental estimate for 1963.

I might comment by saying this does not agree with the bill voted out of the House last week.

Mr. MICHEL. Repeat that, please.

Mr. GODFREY. The bill provided by the House did not provide for the administration's recapture of the premium.

AGRICULTURAL CONSERVATION PROGRAM

Object classification

[In thousands of dollars]

	1961 actual	1962 estimate	1963 estimate
AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE			
Direct obligations:			
11 Personnel compensation:			
Permanent positions.....	547	574	574
Positions other than permanent.....	7	5	5
Other personnel compensation.....	6	1	1
Total personnel compensation.....	560	580	580
12 Personnel benefits.....	43	46	46
21 Travel and transportation of persons.....	7	10	10
22 Transportation of things.....	6	8	6
23 Rent, communications, and utilities.....	26	38	50
24 Printing and reproduction.....	1	1	1
25 Other services.....	295	295	285
Advanced to—			
“Administrative expenses, Sec. 392, Agricultural Adjustment Act of 1938” (7 U.S.C. 1392).....	5,753	5,741	5,741
“Local administration, Sec. 388, Agricultural Adjustment Act of 1938” (7 U.S.C. 1388).....	23,244	23,219	23,219
26 Supplies and materials.....	147	143	143
31 Equipment.....	23	4	4
41 Grants, subsidies, and contributions.....	207,056	212,477	214,276
Total direct obligations.....	237,161	242,562	244,361
Reimbursable obligations:			
41 Grants, subsidies, and contributions.....	42,644	42,644	32,444
Total, Agricultural Stabilization and Conservation Service.....	279,805	285,206	276,805
ALLOTMENT TO FOREST SERVICE			
11 Personnel compensation:			
Permanent positions.....	107	105	105
Positions other than permanent.....		3	3
Total personnel compensation.....	107	108	108
12 Personnel benefits.....	9	9	9
21 Travel and transportation of persons.....	5	5	5
23 Rent, communications, and utilities.....	4	4	4
25 Other services.....	13	13	13
26 Supplies and materials.....	2		
Total, Forest Service.....	140	139	139
Total obligations.....	279,945	285,345	276,944

Personnel summary

	1961 actual	1962 estimate	1963 estimate
AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE			
Total number of permanent positions.....	105	105	105
Full-time equivalent of other positions.....	2	1	1
Average number of all employees.....	106	106	106
Number of employees at end of year.....	107	107	107
Average GS grade.....	6.6	6.7	6.7
Average GS salary.....	\$6,115	\$6,184	\$6,146
ALLOTMENT TO FOREST SERVICE			
Total number of permanent positions.....	15	15	15
Full-time equivalent of other positions.....		1	1
Average number of all employees.....	17	18	18
Number of employees at end of year.....	15	15	15
Average GS grade.....	7.1	7.1	7.1
Average GS salary.....	\$6,153	\$6,151	\$6,143

Mr. WHITTEN. For the agricultural conservation program you are requesting \$244,500,000. We shall insert at this point pages 268 through 275 of the justification.

(The matter referred to follows:)

	On direct appropriation basis	On program authorization basis
Appropriation Act, 1962, and base for 1963.....	\$238,000,000	\$250,000,000
Budget estimate, 1963.....	244,500,000	150,000,000
Increase or decrease.....	+6,500,000	-100,000,000

The agricultural conservation program is operated on a program or crop-year basis and cost-sharing assistance is earned by farmers upon completion of approved measures. Funds for cash payments earned under the 1961 agricultural conservation program which closes December 31, 1961, were made available in the Department of Agriculture and Related Agencies Appropriation Act, 1962. In that act, the Congress also authorized the formulation and administration of a \$250 million program for 1962 for which this estimate is submitted.

Summary of increases, 1963

[On basis of direct appropriation]

Increase to carry out the 1962 program in the amount authorized.. +\$6,500,000

Project statement

[On basis of program authorization]

Project	Appropriation, 1961 (1960 program) (actual)	Appropriation, 1962 (1961 program) (estimate)	Increase or decrease	Appropriation, 1963 (1962 program) (estimate)
1. Cost-sharing assistance to farmers.....	\$213,381,211	\$219,866,695	-----	\$219,866,695
Other program expenses.....	1,451,430	1,477,305	-----	1,477,305
Total program expenses.....	214,832,641	221,344,000	-----	221,344,000
2. Operating expenses:				
County expenses (sec. 388):				
Agricultural Stabilization & Conservation Service county committees..	23,243,946	23,219,300	-----	23,219,300
Forest Service.....	121,983	130,700	-----	130,700
Total county committee expenses.....	23,365,929	23,350,000	-----	23,350,000
National and State office expenses (sec. 392):				
National and State offices (Agricultural Soil Conservation Service).....	5,753,369	5,741,400	-----	5,741,400
Forest Service.....	17,384	8,600	-----	8,600
Total national and State office expenses.....	5,770,753	5,750,000	-----	5,750,000
Total, operating expenses.....	29,136,682	29,100,000	-----	29,100,000
Total obligations.....	243,969,323	250,444,000	-----	250,444,000
Adjustments:				
Difference in amount used for purchase of conservation materials and services from prior fiscal year appropriation for current program and amount used for such purchases from current fiscal year.....	+5,179,615	-----	-10,200,000	-10,200,000
Reimbursements from sales of aerial photographs.....	-444,000	-444,000	-----	-444,000
Received by loan from CCC.....	-42,200,000	-42,200,000	+10,200,000	-32,000,000
Repayment of loan from CCC.....	+29,500,000	+30,200,000	+6,500,000	+36,700,000
Available for repayment of loan from CCC.....	+5,995,062	-----	-----	-----
Appropriation or estimate.....	242,000,000	238,000,000	+6,500,000(1)	244,500,000

¹ Total direct applied costs were \$237,218,238 in fiscal year 1961. This amount is not directly reconcilable to the obligations shown above, which, for program payments, relate to the program year rather than the fiscal year.

STATUS OF PROGRAM

National conservation action is a necessity

The Nation must have, for now and the future, a never-ending flow of food, fiber, wood, and water—the raw produce of our farms and ranches. With an expanding population and economy, but a limited (and shrinking) area to produce these essential materials, the active conservation of our soil, water, and woodland becomes an imperative national policy and requires the personal involvement of every citizen. The farm interest in conservation is also the urban interest, the interest of labor and business and the professions.

Conservation costs before it pays

Farm practices that conserve agricultural soil and water resources are costly. They require an initial outlay of capital to install and many of them result in a reduction in farm income and an increase in the amount of expenditures for farm operations. The economic phase of conservation work requires increased attention. Several recent studies have revealed some of the reasons why farmers are often reluctant to adopt conservation systems of farming, even though it is recognized that such a system will eventually result in increased farm income. These studies show that in addition to the substantial initial investment, there is usually a loss of immediate income when a conservation system of farming is adopted. They also show that returns which can be expected from some types of needed conservation measures (for example, terrace systems, erosion-control structures and certain forestry-improvement measures) will not equal their cost for a long time even though they may be necessary to prevent irreparable loss of soil resources and to insure vital water resources and supplies. There are greater risks in some types of needed work (such as contour farming or the establishment of soil-saving cover in some areas) than farmers and lenders are generally willing to assume.

Farmers and the public jointly invest and jointly benefit

Because of their inseparable interest and mutual interdependence, farmers and other citizens have recognized the necessity of jointly bringing their resources to bear on problems in the field of soil, water, and woodland conservation. Federal and State Governments have sought and continue to seek the best methods of expressing this essential partnership. Research and experimental work have developed and are developing means by which soil and water resources can be conserved. Educational work is teaching the value of and need for conservation effort. Technical services help determine the conservation measures that are needed and furnish engineering and other professional assistance to correctly install them. Federal cost sharing by the agricultural conservation program helps overcome, through its incentives and other resources, the economic barriers to carrying out conservation measures. The agricultural conservation program affords a means by which all the people may bear a part of the costs of those measures that would not otherwise be carried out at the rate needed to meet the public interest. It assists farmers and ranchers to protect the public's interest in the Nation's soil, water, and woodland resources by sharing with them the cost of carrying out soil-building and soil- and water-conserving practices more rapidly and to a fuller extent than would be practicable through usual farm-management practices. The program, which is applicable to all farmland except some federally administered noncropland, helps insure continued abundant production at bargain prices, for all of the people of the country.

Local people develop their own program

Development of the agricultural conservation program begins at the local or county level. The agricultural stabilization and conservation county committee, with the assistance of the county extension agent and representatives of the Soil Conservation Service, Forest Service, and other local groups interested in conservation, make recommendations to the State ACP development group.

These recommendations are used as the basis to formulate joint recommendations to the Agricultural Stabilization and Conservation Service in Washington. From these recommendations, the Agricultural Stabilization and Conservation Service, Soil Conservation Service, and Forest Service develop and recommend to the Secretary a national program. These State and local people then develop their programs within the structure of the national program authorized by the Congress and approved by the Secretary.

Local people administer their program

The agricultural conservation program is administered locally by agricultural stabilization and conservation county committees which are composed of resident farmers elected by farmers they serve. County committees are supervised by agricultural stabilization and conservation State committees composed of resident farmers appointed by the Secretary of Agriculture. The local county agent is ex officio a member of the county committee and the State director of extension holds a like position on the State committee.

State, county, and community committeemen are assigned the responsibility for the field administration of the program and work directly with farmers in utilizing program assistance in an effort to get the greatest volume of conservation performed on the land by the farmers themselves. The responsibility for technical determinations in the field regarding designated permanent type practices is assigned to the Soil Conservation Service, except for forestry practices, for which responsibility is assigned to the Forest Service.

1961 program again emphasized conservation in land-use adjustments and land treatment conservation measures within watersheds

The Department carried out the 1961 agricultural conservation program consistent with the authorization contained in the Department of Agriculture and Farm Credit Administration Appropriation Act, 1961. The Department continued the policy of directing program emphasis toward but not limiting assistance to, enduring practices which are essential in the public interest and which farmers or ranchers would not carry out to the desired extent with their own resources, and to practices needed to meet the conservation problems on land being shifted out of production.

To illustrate the function and economic effect of the agricultural conservation program in land-use adjustment, the program has shared the cost with farmers on establishing about 30 million acres of enduring vegetative cover, including tree cover, during the 7 years 1954-60. A high percentage of this land was cropland producing at an intensive level.

Also, the agricultural conservation program has been instrumental in furthering the objectives and accomplishments of authorized watershed programs. For example, during the years 1955-60, over \$49 million of ACP funds were used to share costs of the land treatment conservation measures within the boundaries of the 11 approved flood prevention watersheds, 55 pilot watersheds in which operations were authorized under Public Law 46, and watersheds authorized for operations under Public Law 566. These costs were shared on from about 34,000 farms in 1955 to about 52,000 in 1960. In the case of the Public Law 566 watersheds included in these data, the number of watersheds increased from 26 (with 908 farms participating in ACP) in 1955 to 289 (with 20,806 farms participating in ACP) in 1960.

The program for 1962

The 1962 program is essentially the same as the 1961 national program, except that on the basis of new authority in the Department of Agriculture and Related Agencies Appropriation Act, 1962, wildlife conservation practices which also have soil or water conservation benefits, are authorized. Consistent with the provision in this appropriation act, no change has been made in the 1962 national program which will have the effect of restricting eligibility requirements for cost-sharing on practices included in either the 1958 or 1959 program. The limitation on initial county allocations in the 1961 appropriation act was omitted from the 1962 appropriation act. Therefore, State committees allocated the funds available for conservation practices among the counties consistent with the needs for enduring conservation, giving particular consideration to the furtherance of watershed conservation programs sponsored by local people and organizations.

Authority for local development and adaptation of the program continues. There is also encouragement for modifications of regular practices to meet local problems. Under this authority, emphasis is given to the development or adaptation of the program to help meet continuing needs for (1) sound land-use adjustment, (2) land treatment measures in special watershed programs, and (3) dealing with special farm conservation problems of particular consequence in depressed agricultural areas. In addition, there is continued the provision for the development of new practices to meet new or unusual conservation problems including emergency conservation problems arising as a result of natural disasters such as floods, hurricanes, and intense drought.

The maximum Federal cost-share limitation remains at \$2,500, the same as for 1961.

The 1960 program accomplished much conservation

Funds available for program assistance, after estimated costs of administration are deducted from the maximum authorization, are distributed among States in accordance with their conservation needs, except for the minimum allotment provision contained in section 15 of the Soil Conservation and Domestic Allotment Act, as amended. Funds for the naval stores conservation program, cost of aerial photography, program printing, and transfers to the Treasury Department are subtracted from the amount available for program assistance before the conservation needs formula is applied. The amount for naval stores has been determined in the same manner since 1948 and is based on the need for assistance under the naval stores conservation program as related to the total funds available for cost-sharing assistance to farmers.

*Program data**Participation under the 1960 agricultural conservation program*

Item	Unit	Participating ¹
Farms.....	Number.....	1,029,279
Farmland.....	1,000 acres.....	391,544
Cropland.....	1,000 acres.....	152,269
Noncrop pasture and range.....	1,000 acres.....	178,042

¹ Includes the United States, Puerto Rico, the Virgin Islands, and data relative to the supplementary (emergency) agricultural conservation program. Excludes the naval stores conservation program. Excludes farms which received assistance in past years but not under the 1960 program.

Extent of selected conservation measures performed under the 1960 agricultural conservation program and accomplishments under the agricultural conservation programs, 1936-60, including supplementary (emergency) agricultural conservation programs

Practice	Unit (in thousands)	Extent under 1960 program ¹	Total accomplishments 1936-60 ¹
Dams and reservoirs ²	Structures.....	52	1,691
Standard terraces.....	Acres.....	703	25,442
Diversion and spreader terraces.....	Miles.....	4	125
Permanent sod waterways.....	Acres.....	43	681
Stripcropping.....	do.....	455	110,588
Leveling to conserve irrigation water and control erosion.....	do.....	317	7,158
Drainage.....	do.....	1,658	40,149
Tree planting.....	do.....	358	2,991
Timber stand improvement.....	do.....	256	2,190
Liming materials applied.....	Tons.....	16,249	422,816
All vegetative cover.....	Acres.....	11,478	774,498
Control of competitive shrubs on range or pasture.....	do.....	1,921	42,168

¹ Includes completed measures only.

² Includes storage-type structures for erosion control, irrigation water, livestock water.

Mr. GODFREY. A somewhat larger appropriation is necessary for the agricultural conservation program to finance the advance authorization provided last year. This is due to the fact that underearnings on the 1960 program, which are available to reduce the 1963 appropriation, are smaller than the underearnings on the 1959 program. The larger appropriation does not provide for any expansion of program or administrative expenses, however.

An advance authorization of \$150 million is proposed for the 1963 program year. This is a reduction of \$100 million from the 1962 program authorization. This advance authorization will be reflected in the appropriation request for fiscal year 1964. Under this reduced authorization it is planned to continue the 1963 agricultural conservation program on about the same basis, except for its total size, as the

current program. Emphasis will continue to be placed on these conservation practices which have enduring benefits. Adjustments will be made at the State and county levels as equitably as possible based upon experience and judgment.

Mr. ANDERSEN. May I ask a question there?

Mr. WHITTEN. Yes.

Mr. ANDERSEN. Mr. Godfrey, how much did the Department of Agriculture request of the Bureau of the Budget for this advance authorization in its proposed budget? What was the original proposal?

Maybe Mr. Grant will answer that.

Mr. GRANT. The Department's estimate to the Bureau of the Budget was \$250 million.

Mr. ANDERSEN. Thank you, sir.

Mr. GODFREY. We recognize that the basic wealth of a nation is its natural resources, soil, water, forest, rangelands, wildlife, and from its beginning in 1936 this program has been the Federal Government's principal economic stimulus to farmers and ranchers to voluntarily apply needed conservation measures on a widespread basis. The ACP will continue to be emphasized as one of our most important and vital programs.

In the interest of brevity, I have not included in this statement a report on the conservation accomplishments which have been obtained under the ACP or a detailed discussion of program operating details. However, at this point, I would like to digress to review a few of the highlights of the agricultural conservation program, as illustrated graphically by charts. And, also with your permission, I would like to leave supplemental statements relating to program accomplishments and allocation of funds among States for inclusion in the record.

ACP PARTICIPATION

This chart shows the agricultural conservation participation in 1960.

(The chart used by Mr. Godfrey follows:)

The agricultural conservation program, 1960

PARTICIPATION		
Farms.....	number..	1, 029, 279
Participants.....	do.....	1, 055, 872
Farmland.....	acres.....	391, 544, 000
Cropland.....	do.....	152, 269, 000
Noncrop pasture and range.....	do.....	178, 042, 000
ASSISTANCE		
Practice payments to farmers.....		\$196, 171, 000
Small cost-share increase.....		\$9, 109, 000
Funds used for technical services:		
Soil Conservation Service.....		\$7, 260, 000
Other agencies.....		\$228, 000
Average cost share per farm.....		\$199

Mr. GODFREY. I think it is significant to note that better than 1 million farms participated in the program in 1960. Farmland represented in the program was better than 391 million acres, and cropland acres were better than 152 million acres, with noncrop pasture and range at 178 million acres.

The actual practice or cost-sharing payment to farmers was \$196 million with a small cost-sharing increase of \$9 million.

On funds used for technical services to the Soil Conservation Service, the figure was \$7,260,000 and for other agencies, primarily forestry, \$228,000.

The average cost share per farm was \$199.

This varies considerably in different areas of the country, not only because of the practices carried out but because of the soil.

Mr. ANDERSEN. You mean the actual cost share per farm which participated?

Mr. GODFREY. That is right.

Mr. ANDERSEN. \$199?

Mr. GODFREY. That is right.

Mr. MICHEL. What is the maximum payment under that program?

Mr. GODFREY. The maximum payment is \$2,500.

Mr. MICHEL. How many of those payments were made last year?

Mr. GODFREY. I will have to turn to one of my assistants here, Mr. Hunt, to see if he has a record of the total number that received \$2,500.

Mr. MICHEL. For the sake of time, include in the record the number of those over \$2,500 and the number of those over \$1,000.

Mr. GODFREY. You mean the number at \$2,500?

Mr. MICHEL. Yes.

Mr. GODFREY. And the number between \$1,000 and \$2,500?

Mr. MICHEL. Right.

Mr. GODFREY. I will be glad to.

(The material requested follows:)

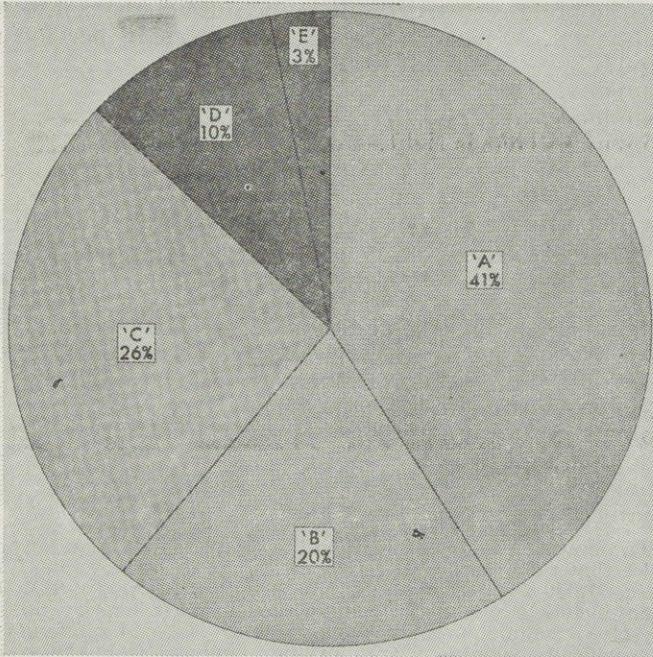
The 1959 program is the latest for which the complete data requested are available. Under that program 20,301 payments out of a total of 1,028,361 payees were between \$1,000 and \$2,500 and 639 payments were exactly \$2,500. These figures do not include payments for pooling agreements (where several farms join together to solve a common problem which cannot be solved by individual action) which are specifically exempt by appropriation language from the \$2,500 maximum.

CATEGORIES OF PRACTICES

Mr. GODFREY. Proceeding with the next chart, this is shown by categories of practices.

(The chart used by Mr. Godfrey follows:)

DISTRIBUTION OF 1960 AGRICULTURAL CONSERVATION PROGRAM ASSISTANCE
BY PRACTICE GROUPS



CONSERVATION PRACTICE GROUP	PORTION OF 1960 ACP ASSISTANCE
	PERCENT
PRACTICES PRIMARILY FOR:	
A. ESTABLISHMENT OF PERMANENT PROTECTIVE COVER	41.0
B. IMPROVEMENT AND PROTECTION OF ESTABLISHED VEGETATIVE COVER	20.0
C. CONSERVATION AND DISPOSAL OF WATER	26.0
D. ESTABLISHING TEMPORARY PROTECTIVE VEGETATIVE COVER	10.0
E. TEMPORARY PROTECTION OF SOIL FROM WIND AND WATER EROSION	3.0
TOTAL	100.0

Mr. GODFREY. This chart shows by different types of practice the percentage of funds spent on each. For example, 41 percent of the funds are spent on the establishment of permanent protective cover and 20 percent on the improvement and protection of established vegetative cover. Under category C, the figure is 26 percent and this is under the heading of "Conservation and Disposal of Water."

Mr. MICHEL. If I might go back one item, how do we define "permanent protective cover"? Does it mean permanent or permanent for 3 years?

Mr. GODFREY. Well, we discussed this briefly in the hearings last year and the definition of "permanent." Some of our agronomists tell us there is no such thing as permanent vegetative cover. However, I gave a description last year that any conservation has long-term benefits because if you extend it 1 year, you have extended the life of the land so it is permanent or enduring.

Mr. MICHEL. Are you telling me, then, that permanent could be just 1 year?

Mr. GODFREY. No. Permanent in this case is not 1 year.

We have a category for temporary protective vegetative cover which would be 1 or 2 years. The enduring category is the type of cover for 3 or more years generally.

Under category B, "Improvement and Protection of Established Vegetative Cover," 20 percent of the funds were spent there.

Under category D, 10 percent of the funds were for establishing temporary protective vegetative cover. This is of utmost importance to certain sections of the country but it is not important in other areas of the country. In the humid areas, heavy rainfall areas, and the heavy row crop areas, you must have some protective covering during certain periods of the year when the land is not being tilled.

In category E, we spent 3 percent on the temporary protection of the soil from wind and water erosion.

Mr. MICHEL. While on that point, would you have any idea of the percentage of that total for temporary protection of soil from wind and water erosion which was paid to farmers under the emergency feed grain bill, who diverted acres under that program and provided a temporary cover?

Mr. GODFREY. This is for 1960 and the 1961 feed grain bill would not apply at all.

The record for 1961 may show an increase in this category which then gives you a reflection of how much of it did go to that acreage. The 1961 records are not complete as yet.

This is a summary chart showing what has really been accomplished under the ACP program for the years 1936 through 1960.

(The chart referred to follows:)

The agricultural conservation program, 1936-60—Selected conservation practices

Storage-type reservoirs.....	structures..	1, 665, 000
Checks and drops for erosion control.....	do.....	3, 034, 000
Spreaders and diversion ditches.....	miles..	125, 600
Leveling irrigated land.....	acres..	7, 158, 000
Contour stripcropping.....	do.....	5, 794, 000
Standard or broad-base terraces.....	do.....	25, 442, 000
	miles..	1, 380, 000
Field stripcropping.....	acres..	104, 794, 000
Contour farming.....	do.....	138, 829, 000
Crop residue management.....	do.....	153, 640, 000
Special tillage of cropland.....	do.....	138, 181, 000
Subsoiling.....	do.....	12, 492, 000
Vegetative cover.....	do.....	774, 498, 000
Liming materials.....	tons..	422, 803, 000
Tree planting.....	acres..	2, 991, 000
Timber stand improvement.....	do.....	2, 342, 000
Conservation drainage.....	do.....	40, 149, 000
Competitive plant control on grazing land.....	do.....	42, 168, 000
Livestock water developments.....	structures..	1, 584, 000

Mr. GODFREY. For example, storage-type reservoirs, which would prevent erosion and runoff of water, 1,655,000 structures built; checks and drops for erosion control, 3,034,000 structures; spreaders and diversion ditches, 125,600 miles; leveling irrigated land, 7,158,000 acres; contour stripcropping, 5,794,000 acres; standard or broad-base terraces, 25,442,000 acres; field stripcropping, 104,794,000 acres; contour farming, 138,829,000 acres; crop residue management, 153,640,000 acres; special tillage of cropland, 138,181,000 acres; subsoiling, 12,492,000 acres; vegetative cover, 774,498,000 acres; liming materials, 422,803,000 tons; tree planting, 2,991,000 acres; timber stand improvement, 2,342,000 acres; conservation drainage, 40,149,000 acres; competitive plant control on grazing land, 42,168,000 acres; livestock water developments, 1,584,000 structures.

Mr. ANDERSEN. That is a tremendous record of accomplishment; is it not?

Mr. GODFREY. I think so, Congressman; a tremendous record.

Mr. ANDERSEN. For the good of generations to come?

Mr. GODFREY. As you ride through the countryside, you merely have to compare what is there now with what was there 20 years ago.

Mr. ANDERSEN. In this summary, you have a tremendous amount of duplication in acreage because of the fact that various programs—

Mr. GODFREY. Yes; because more than one practice was necessary on some of the land. To really see what has been accomplished you would need to travel in the area I come from and which Congressman Natcher comes from; for example, look at the hillsides formerly eroded and where you could not grow good grass in many areas, and see what is now there, and how it is being protected and holding water where it falls. Water is becoming an increasing problem with us, the conservation of water.

Mr. ANDERSEN. Mr. Godfrey, sometimes I am a little bit discouraged by some of these folks who know very little about what conservation has accomplished and yet they will get up on the floor of the House and make comments which have very little basis in fact, as far as their relation to what has been accomplished. I wish those gentlemen would advise themselves better as to the real accomplishments of conservation before they discuss the matter.

Mr. GODFREY. I do not know if I recalled to you an experience I had personally, but I would like to relate it to you now.

I was raised on red soil where all of the topsoil had been washed away in a small grain area. Our county agent, who was known later as "Lespedeza Broom" because his last name was Broom, and because he introduced lespedeza in that part of the country about 1927, said to me in 1938, commenting about the agricultural conservation program, "Horace, it is amazing what a small incentive can do."

I said, "What do you mean?"

He said, "Well, for about 6 or 7 years prior to your ACP, I had been trying to get lespedeza established on the hillsides in Union County, which has about 180,000 acres of tillable land."

He said, "I have been able to get about 5,000 acres established and you came along and offered an incentive of \$1 an acre to cover these hills with lespedeza and the first year you got better than 3,500 acres."

Mr. ANDERSEN. Mr. Godfrey, our chairman, through the years,

has stressed that exact point and the money we appropriate for payments under this program brings back to the people of America many times over what we spend.

Mr. GODFREY. He certainly has; he has been a champion for the agricultural conservation program down through the years and the farm people really appreciate it. I know they do because I have heard many comments.

Mr. WHITTEN. I appreciate the statement and the point that Mr. Andersen is making. The Federal program, in addition to whatever they do, serves as an incentive for the whole world of things to be done along the same line.

Mr. GODFREY. It served as an educational arm as well as getting something done right on the immediate land. It has educated others, and farmers do not grab hold quite as quickly as some other people. Businessmen across the street make a change and the businessmen on the other side adopt it the next day, but farmers are a little skeptical.

Mr. ANDERSEN. And lack money to do so?

Mr. GODFREY. Many times he does not lack the money particularly on practices that have long-range benefits.

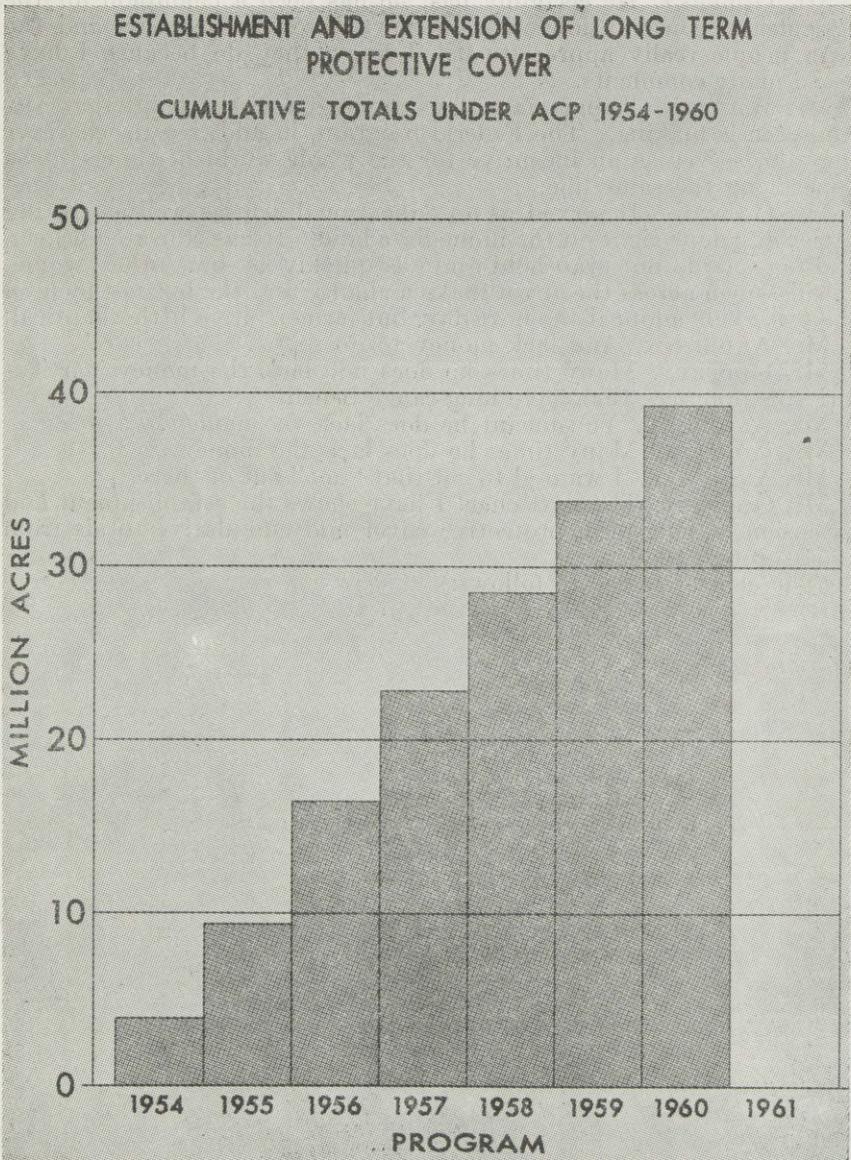
Mr. ANDERSEN. You meant he does lack the money?

Mr. GODFREY. Many times he does lack the money.

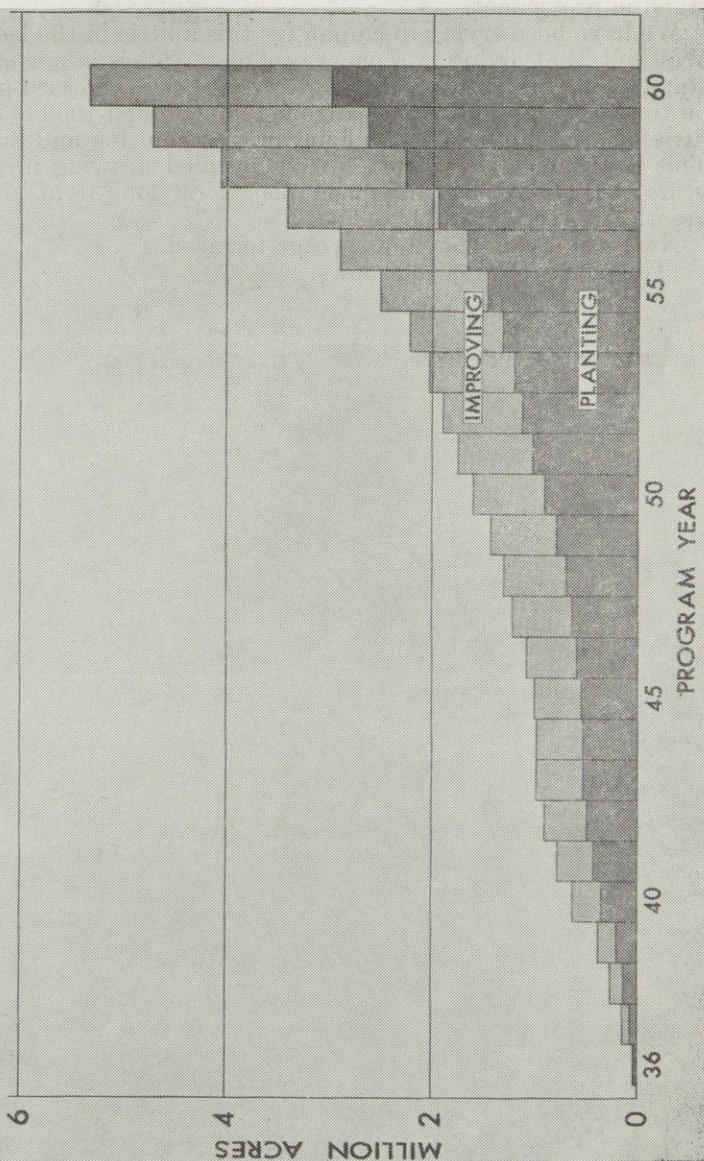
Mr. ANDERSEN. I wanted to get that "not" out of there.

Mr. GODFREY. The next chart I have shows the establishment and extension of long-term protective cover and cumulative totals from 1954 through 1960.

(The chart referred to follows:)



TREE PLANTING AND TIMBER STAND IMPROVEMENT
 CUMULATIVE TOTALS UNDER THE ACP, 1936-1960



Mr. GODFREY. You will notice that we have gone right up to 40 million acres with almost a continuous rise.

Here is a chart we hear quite a bit about, tree planting and timber stand improvement.

We have been trying to emphasize this a little in the last few years. We think that, living in a paper economy, this is important from this standpoint, if no other. I should say we have increased participation on timber stand improvement from 1936 through 1960 and we have a little better than 5.3 million acres in tree planting and improvement. This is graphically illustrated by a decided upswing in the last few years when emphasis has been placed on long-term and enduring practices.

Next we have a chart on acreage terraced.

(The chart referred to follows:)

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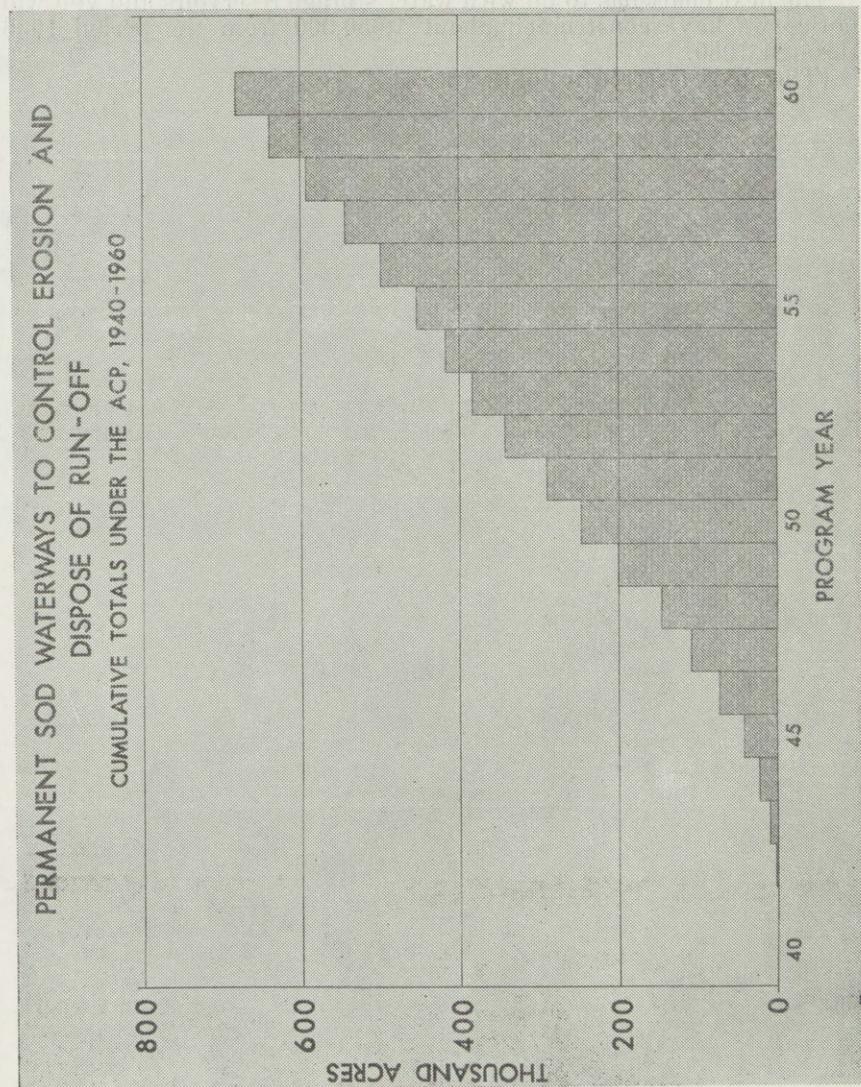
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Mr. GODFREY. This shows a little dropoff in the acres terraced per year. This is not due to the lack of interest on the part of farmers or to the fact we have almost completed the job, but it is due primarily to a change in emphasis in some areas of the country from terracing to vegetative cover, particularly in the southeastern part of the country. Some of our agronomists are now indicating the need is more for retaining the water where it falls, rather than building terraces to hold it and permit it to flow off evenly. You will note we have accomplished quite a bit and in another 15 or 25 years will have 23 million acres actually terraced.

The next chart has to do with permanent sod waterways to control erosion and dispose of runoff.

(The chart referred to follows:)

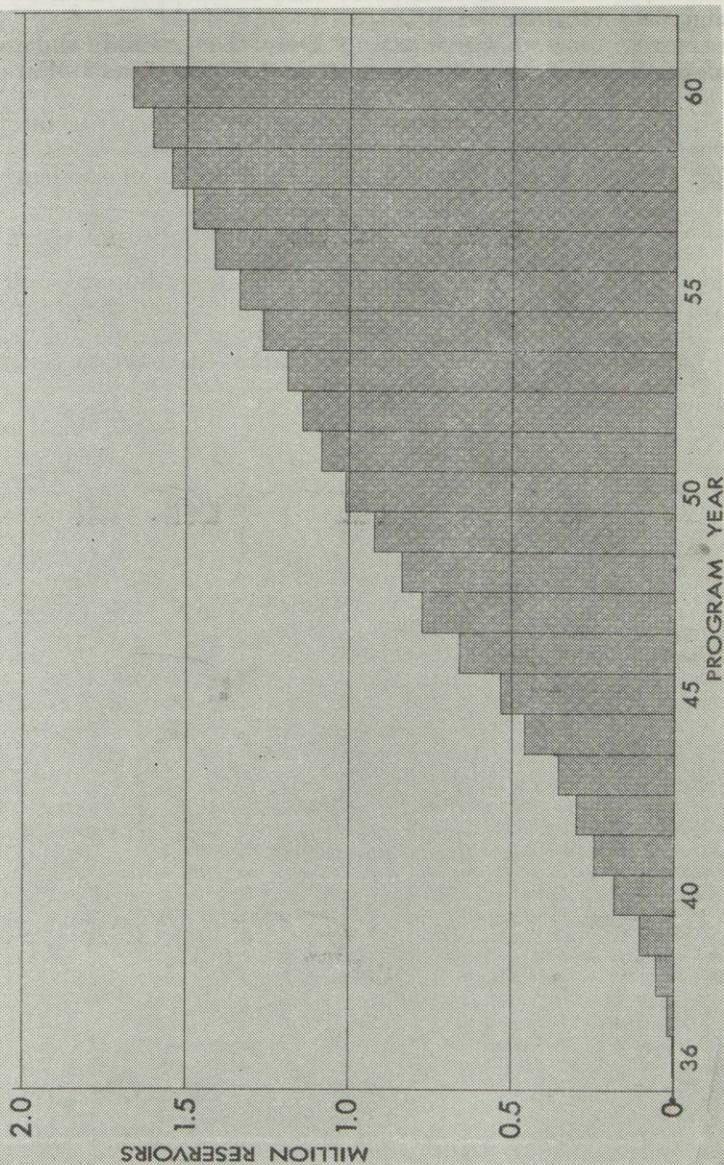


Mr. GODFREY. That runs to about 670,000 acres for the period and we have only records from 1940 to 1960. We did not have this practice listed as such in the program from 1936 through 1940. You will note that there has been a continuing increase.

The next chart has to do with water storage reservoirs and you will notice we have constructed about 1,650,000 from the period 1936 through 1960.

(The chart referred to follows:)

WATER STORAGE RESERVOIRS
CUMULATIVE TOTALS UNDER THE ACP, 1936-1960



Mr. GODFREY. A better way of stating this would be water retention dams because many times water storage reservoirs are merely retention dams to catch the water and hold it to keep it from flooding on down and washing the soil along with it.

Mr. ANDERSEN. One question there: Does that include the number of dams which have been constructed under the Small Watershed Protection Act?

Mr. GODFREY. Where we have cost sharing with farmers on it; yes, sir. But not the larger reservoirs constructed with Public Law 566 funds. We do give cost sharing on much of the land treatment measures, including farm ponds.

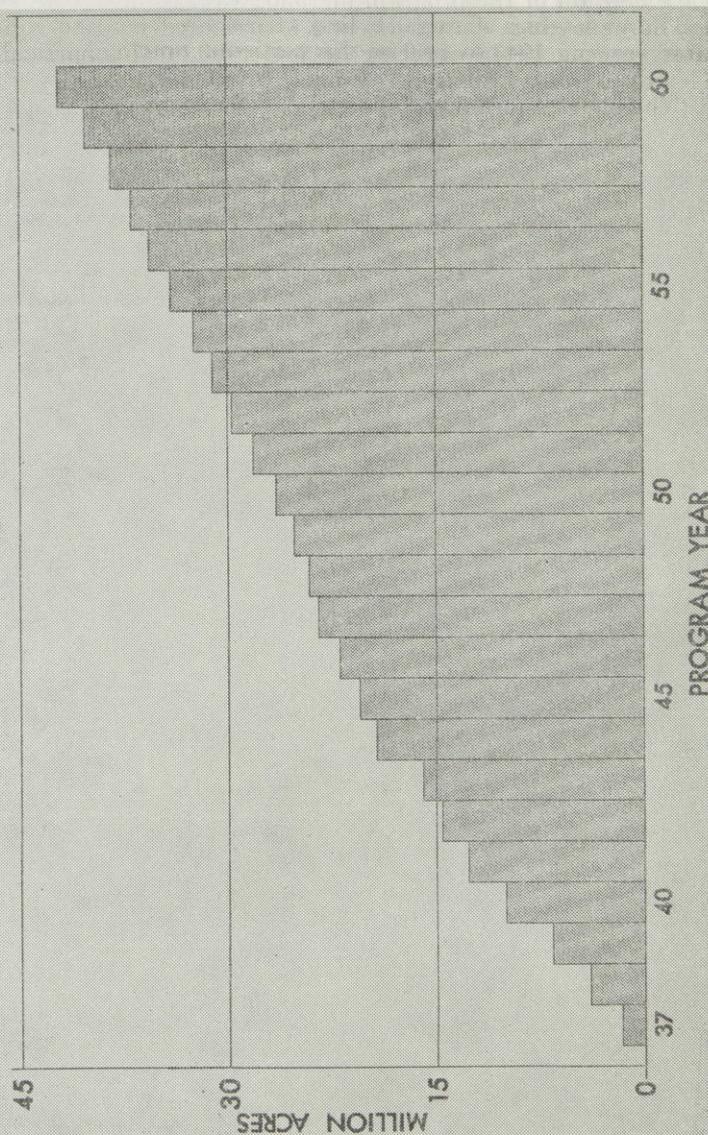
Mr. ANDERSEN. These figures include those?

Mr. GODFREY. The records we have for 1961 show that we provided cost-sharing on almost 100,000 farms in authorized and organized watersheds, including those under the small watershed program.

This chart shows the control of competitive plants or shrubs on grazing land to permit growth of improved cover to control erosion.

CONTROL OF COMPETITIVE PLANTS OR SHRUBS ON GRAZING LAND
TO PERMIT GROWTH OF IMPROVED COVER TO CONTROL EROSION

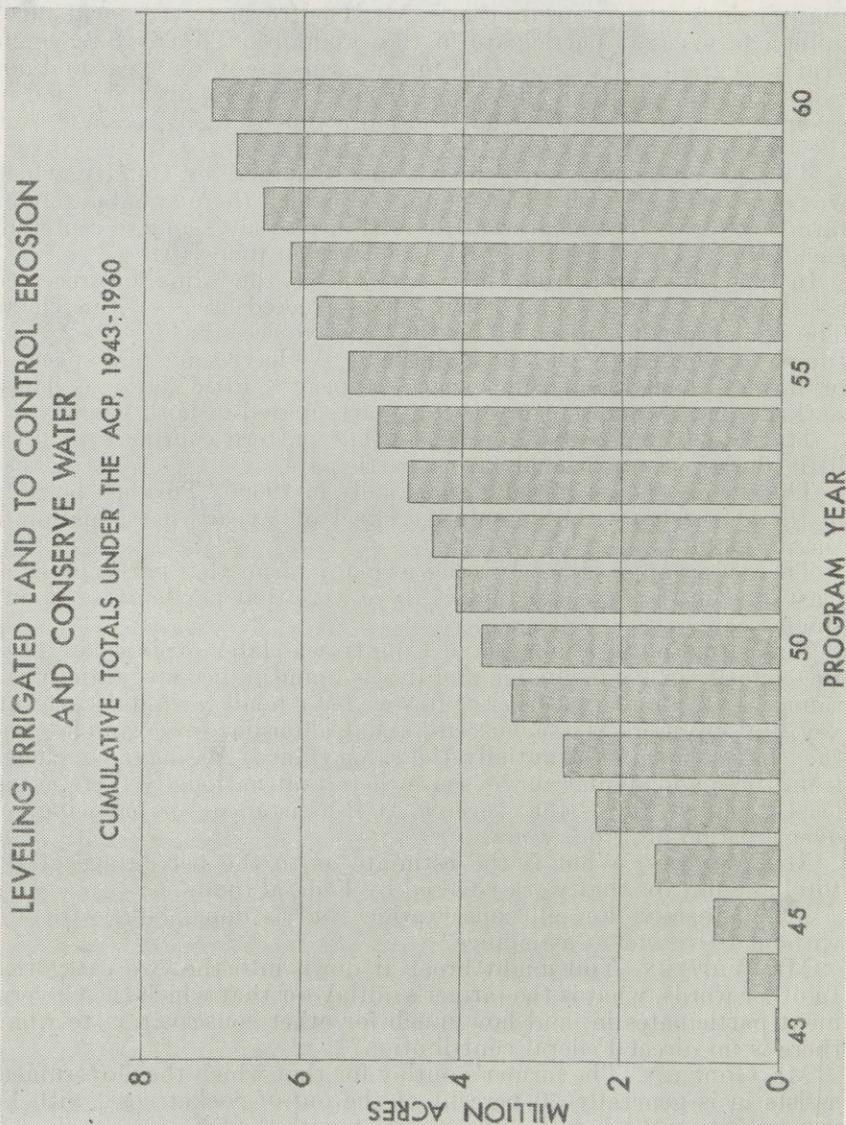
CUMULATIVE TOTALS UNDER THE ACP, 1937-1960



Mr. GODFREY. This is a practice which is very much applicable to the southwestern part of the country and to our rangelands up in the Northwest. You will note a gradual jump and a gradual curve going up to where we are now, at a figure of almost 44 million acres from the inception of the program in 1936.

The next chart shows leveling of irrigated land to control erosion and conserve water, covering 1943 to 1960 on this particular practice. This does not go all the way back to 1936.

(The chart referred to follows:)



Mr. GODFREY. The next chart is a little bit complicated and I am going to ask Jim Hunt if he will give us an explanation on this one. He is in charge of the Conservation Analysis Division.

Mr. HUNT. This chart is to illustrate the fact that our participation changes from year to year. Mr. Godfrey referred to about 1 million farms that participate in the program. That is in a single year's program. We know that many farms are in one year and out the next year and then they come back in, so that over a period of several years we have felt that we had a much larger coverage than the 1 million farms.

We selected a county in Pennsylvania, Cumberland County, which was considered to be a typical county, in which there are about 1,750 farms in total. This chart was divided into squares, one to represent each farm. There are about 1,750 squares on this chart.

In 1956, by records from the county offices, the farms that received assistance, 647 farms, are shown by the shaded areas on this chart. The same procedure was used for 1957, and you see that for the 2 years the picture begins to get a little darker. We have some new spaces—or farms—shaded and some spaces appear a little darker. These darker squares represent farms that participated in both years.

The same thing is true for 1958. The pattern continues to get a little darker as additional farms participate.

This again shows in 1959, and finally in 1960. This last position of the chart shows the cumulative effect of 5 years' participation in the program.

There were approximately twice as many farms that participated at least once in the 5-year period as there were that participated in any single year.

This situation in Cumberland County was later explored in all of the counties in Pennsylvania and it was found to be substantially the same. In a number of other States we have made a similar type survey—in Virginia, Massachusetts, and California, for example—and they have shown substantially the same thing. We have concluded from these and similar surveys elsewhere that nationally there are at least 2 million farms that receive ACP assistance—or participate—over a period of 3 to 5 years.

Mr. WHITTEN. What is the estimate as to the percentage of the total amount for that work covered by Federal funds?

Mr. GODFREY. For all conservation that is done, both with and without Government assistance?

Mr. WHITTEN. You might break it down into the two categories. In other words, what is the farmer's outlay for that which the Government participates in, and how much for other conservation to which there is no direct Federal contribution?

Mr. GODFREY. The farmer's outlay for that which the Government assists in is generally 50 percent of the out-of-pocket cost, with his performing some labor also in connection with the practice.

As to the conservation that is carried out in addition to that which the Government shares the cost on, I do not have a figure. I do not know if Mr. Hunt does or not.

Mr. HUNT. The recent report of the Land and Water Policy Committee that looked into that question estimated that the total value or cost of all conservation work that is carried out each year is about \$750 million, and of that total about 30 percent is with Federal funds.

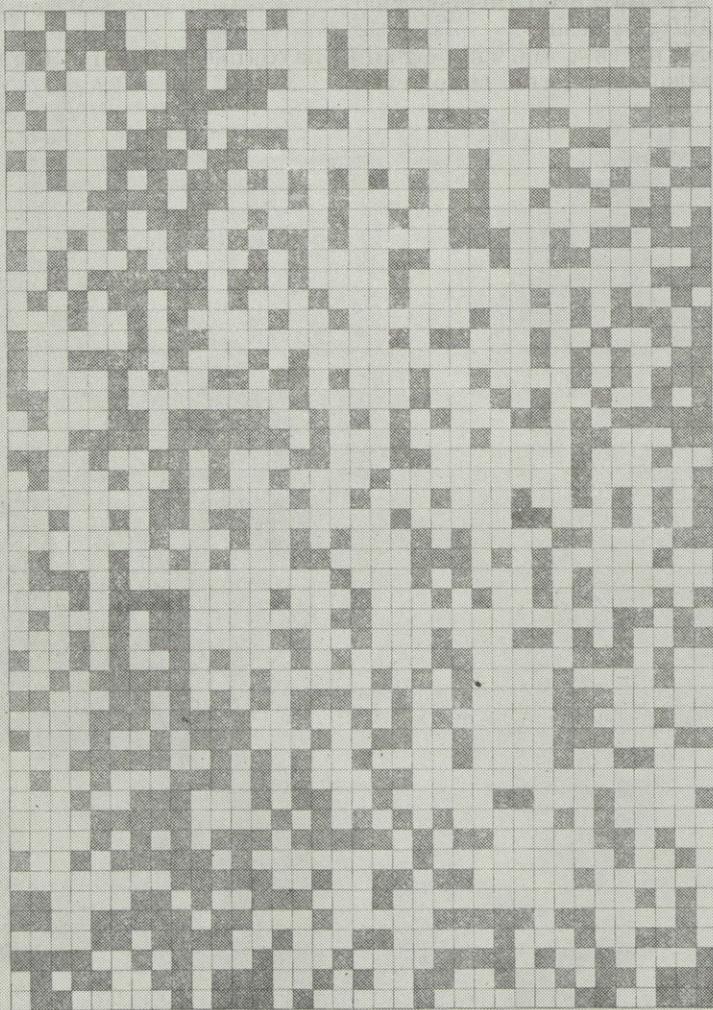
Mr. GODFREY. This would answer the other part of your question.

Mr. HUNT. The contrast in extent of participation from 1 year to 5 years is shown on this last chart, which would be suitable for the record if you desire.

Mr. WHITTEN. We will be glad to have that included in the record. (The charts referred to follow:)

NUMBER OF FARMS PARTICIPATING IN THE AGRICULTURAL CONSERVATION PROGRAM

1956

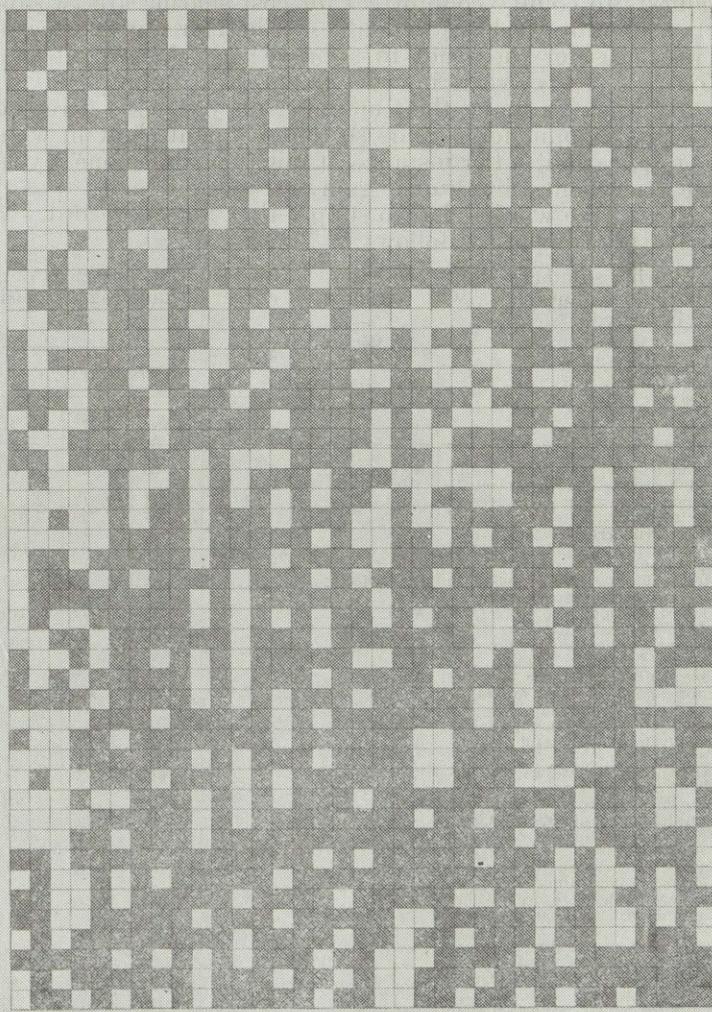


CUMBERLAND CO., PENN

EACH SQUARE REPRESENTS ONE FARM

647 PARTICIPATING FARMS

NUMBER OF DIFFERENT FARMS PARTICIPATING IN THE AGRICULTURAL CONSERVATION PROGRAMS IN THE PERIOD 1956-1960



CUMBERLAND CO., PENN.

EACH SQUARE REPRESENTS ONE FARM

1213 PARTICIPATING FARMS

Mr. HUNT. This shows the participation for 1 year and the cumulative total for all 5 years.

Mr. GODFREY. I would like to add a comment here that many people are not aware of, and that is that this chart might be blacker if the county committees had additional funds to provide cost sharing. The requests to county committees for cost sharing are two to three times the amount we have available. Therefore, it is necessary in many instances for them not to approve cost sharing on the same farms on 2 successive years in order to spread it around.

Mr. MICHEL. To make this complete, do you have a record that indicates the amount for 5 years so that it might show in what area there is duplication? For instance, it might be limestone 1 year, and a couple years hence, limestone again on the same land.

Mr. HUNT. We will be glad to supply that for the record.

(The material requested follows:)

The following summary shows the extent of conservation practices performed in Cumberland County, Pa., with agricultural conservation program assistance, 1956-60, inclusive:

Line No.	Practice	Unit	Practice extent				
			1956	1957	1958	1959	1960
1	Permanent cover in orchards and vineyards for erosion control.	Acre-----	20	60	20	11	-----
2	Permanent cover for soil protection.	-----do-----	3,929	4,771	2,217	2,051	1,321
3	Liming materials to permit use of conserving crops.	-----do-----	6,852	7,967	7,799	7,049	4,549
4	Contour stripcropping to protect soil from erosion.	-----do-----	152	80	63	534	423
5	Stonewall or hedgerow removal to permit contour stripcropping.	Linear feet-----				2,300	2,640
6	Field stripcropping to protect soil from erosion.	Acre-----	73	153	172	119	134
7	Stonewall or hedgerow removal to permit field stripcropping.	Linear feet-----				1,200	-----
8	Tree planting for forestry purposes.	Acre-----	38	13	9	66	113
9	Improvement of cover for soil or watershed protection.	-----do-----	12,054	7,291	7,728	7,045	5,824
10	Reservoirs for livestock water.	Number-----	6	9	-----	-----	-----
11	Improvement of a stand of forest trees.	Acre-----	9	8	10	-----	12
12	Permanent sod waterways to dispose of excess water.	1,000 square feet---	174	14	6	561	348
13	Permanent cover on ditch banks, gullies, dams, dikes, levees, etc.	-----do-----	87	-----	-----	1,404	-----
14	Terraces constructed to control erosion.	1,000 linear feet-----			1	-----	-----
15	Diversion terraces, ditches, or dikes to divert runoff.	-----do-----	7	5	17	25	9
16	Stonewall or hedgerow removal to permit construction of diversions.	-----do-----				1	-----
17	Permanent open drainage systems to dispose of excess water.	Acre-----	48	79	25	12	16
18	Underground drainage to dispose of excess water.	-----do-----	180	47	54	41	48
19	Cover for winter protection from erosion.	-----do-----	640	410	449	478	577
20	Cover for green manure and for protection from erosion.	-----do-----	206	283	214	20	66

Practically none of these Cumberland County practices were repeated on the same land during this period, except in the case of improvement of cover for soil or watershed protection (line 9) and the two temporary cover practices listed last (lines 19 and 20). In the case of improvement of cover for soil or watershed protection, possibly as much as one-half of the acreage of cover improved in 1956 (but none improved in any later year) was improved again under the 1960 ACP to extend its effective life. Such improvement with ACP help occurred only in cases in which the farmer requested ACP cost-sharing assistance to improve and

Project statement

Project	1961	1962 (estimated)	Increase or decrease	1963 (estimated)
Emergency cost-sharing assistance to farmers and ranchers.....	\$4,703,499	\$16,737,909	-\$16,737,909	-----
Unobligated balance brought forward.....	-15,330,096	-11,737,909	+11,737,909	-----
Unobligated balance carried forward.....	11,737,909	-----	-----	-----
Recovery of prior year obligations.....	-1,111,313	-----	-----	-----
Appropriation or estimate.....	-----	5,000,000	-5,000,000	-----

PROGRAM FOR 1961 AND 1962

These funds are available for assistance to farmers only when natural disasters create new conservation problems which (1) if not treated, will impair or endanger the land, (2) materially affect the productive capacity of the land, (3) represent damage which is unusual in character and, except for wind erosion, is not the type which would recur frequently in the same area, and (4) will be so costly to rehabilitate that Federal assistance is or will be required to return the land to productive agricultural use.

In view of the continuing and intensifying drought in many parts of the country, disastrous floods in scattered parts of the country, and damage resulting from hurricane Carla, it is anticipated that the total available funds will be required for cost-sharing assistance under the 1961 and 1962 programs. It is not possible at this time to determine the needs for emergency conservation measures next year, and no estimate for a 1963 appropriation is requested at this time.

A major problem in 1962 is the land damage that resulted from hurricane Carla and that resulting from the extended widespread and intense drought that occurred in the intermountain and Great Plains States and east to the Great Lakes. Timely application of emergency conservation measures is essential to protect farm and range lands damaged by these natural disasters from irreparable damage.

STATUS OF PROGRAM

Public Laws 85-58 and 85-170 appropriated \$24 million for providing cost-sharing assistance to farmers and ranchers for carrying out approved emergency conservation measures to restore and protect farmland damaged by natural disasters. Public Law 85-766 provided that the unobligated balance remain available until expended. Public Law 87-332 appropriated an additional \$5 million.

An unobligated balance of approximately \$11.7 million was carried forward into the fiscal year 1962, which, together with the \$5 million appropriated in the Supplemental Appropriation Act, 1962, made about \$16.7 million available for emergency conservation measures. During the fiscal year 1962, as of December 15, 1961, \$8.3 million had been made available to States for emergency conservation measures to be carried out under the 1961 and 1962 programs to rehabilitate farm and ranchland damaged by drought and flood.

Cost-sharing assistance (up to 80 percent of the cost of carrying out approved practices) is offered to assist and encourage farmers to rehabilitate farmlands damaged by natural disasters. Assistance is available only when, as a result of wind erosion, floods, hurricanes, or other natural disasters, new conservation problems have been created which (1) if not treated, will impair or endanger the land; (2) materially affect the productive capacity of the land; (3) represent damage which is unusual in character and, except for wind erosion, is not the type which would recur frequently in the same area; and (4) will be so costly to rehabilitate that Federal assistance is or will be required to return the land to productive agricultural use.

Funds for emergency cost-sharing assistance are distributed among States on the basis of needs for restoration of damaged lands.

Drought

In the drought-stricken areas, the water supply situation is extremely acute and farmers and ranchers have suffered substantial damage and losses to range, pastures, and crops. There is need for cost-sharing assistance on conservation practices that conserve the supply of water currently available, replenish the unusually low supply of water in existing irrigation systems, and provide an adequate supply of water for livestock.

Cost-sharing assistance in the drought areas includes—

1. Development of wells, springs, and ponds for livestock water.

2. Reorganization of irrigation systems, including other measures to conserve the limited supply of water available for irrigation.
3. Constructing and deepening wells to replenish the supply of water normally available for irrigation.
4. Seedings for temporary cover and tillage operations to prevent or control wind erosion.

Flood

In the flood disaster areas, farmers have sustained considerable loss by severe gully erosion, silting of drainage systems, and damage to waterways, terraces, and diversions. Many bottom land fields have been severely scoured and cut by streams that overflowed their banks.

Cost-sharing assistance to rehabilitate farmlands damaged by floods includes—

1. Removal of debris.
2. Smoothing gullies and field washouts.
3. Stream bank stabilization.
4. Restoration of pond levees, spillways, sod waterways, drainage ditches, terraces, and diversions.

The statement below shows, by State, the number of designated disaster counties and the amounts allocated for cost-sharing assistance.

Allocations as of December 15, 1961

State	1958 program		1959 program		1960 program	
	Counties designated (number)	Allocation ¹	Counties designated (number)	Allocation	Counties designated (number)	Allocation
Alaska.....	1	\$30,000				
Arkansas.....	19	206,701				
Indiana.....	12	186,489	15	\$29,108	1	\$10,648
Kansas.....	2	13,441	1	14,322	3	10,914
Kentucky.....	31	463,144				
Louisiana.....	7	116,365				
Minnesota.....	9					
Missouri.....	21	845,391	24	509,012	8	276,000
New Mexico.....	1	48,000				
Oklahoma.....	21	143,571			9	91,000
Oregon.....	2	127,907				
South Dakota.....					4	7,000
Texas.....	31	1,838,144	4	549,702	4	176,000
Washington.....			1	40,848		
Total.....	157	4,019,153	45	1,142,992	29	571,562

¹ Adjusted to reflect cost-sharing for practices actually installed.

State	1961 program		1962 program	
	Counties designated (number)	Allocation	Counties designated (number)	Allocation
Arizona.....	3	\$100,000		
Arkansas.....	6	150,000		
Hawaii.....	1	14,000		
Idaho.....	23	2,097,000		
Kentucky.....	19	678,000		
Louisiana.....			3	\$30,000
Mississippi.....	1	10,000		
Montana.....	26	520,000		
Nevada.....	3	27,000		
North Dakota.....	53	4,850,000		
Oregon.....	8	482,000		
Puerto Rico.....	1	83,000		
South Dakota.....	14	539,000		
Texas.....	13	736,000	6	650,000
Utah.....	29	1,220,000		
Wyoming.....	10	569,000		
Total.....	210	12,075,000	9	680,000

CONSERVATION RESERVE PROGRAM

Object classification

[In thousands of dollars]

	1961 actual	1962 estimate	1963 estimate
AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE			
24 Printing and reproduction.....	29	40	40
25 Other services: Advanced to—			
"Administrative expenses, sec. 392, Agricultural Adjustment Act of 1938" (7 U.S.C. 1392).....	1,742	1,691	1,691
"Local administration, sec. 388, Agricultural Adjustment Act of 1938" (7 U.S.C. 1388).....	10,261	10,625	8,463
41 Grants, subsidies, and contributions.....	317,294	321,561	312,656
Total, Agricultural Stabilization and Conservation Service.....	329,326	333,917	322,850
ALLOTMENT ACCOUNTS			
11 Personnel compensation:			
Permanent position.....	204	133	129
Positions other than permanent.....	1		
Other personnel compensation.....	1		
Total personnel compensation.....	206	133	129
12 Personnel benefits.....	17	9	9
21 Travel and transportation of persons.....	22	6	6
23 Rent, communications, and utilities.....	1	1	1
24 Printing and reproduction.....	1	1	1
25 Other services.....	4	1	1
Services of other agencies.....	2		
26 Supplies and materials.....	51	2	3
31 Equipment.....	3	1	
41 Grants, subsidies, and contributions.....	40	80	
Total, allotment accounts.....	347	234	150
Total obligations.....	329,673	334,151	323,000
Obligations are distributed as follows:			
Agricultural Stabilization and Conservation Service.....	329,326	333,917	322,850
Forest Service.....	233	119	40
Soil Conservation Service.....	24		
Office of the General Counsel.....	90	115	110

Personnel summary

	1961 actual	1962 estimate	1963 estimate
ALLOTMENT ACCOUNTS			
Total number of permanent positions.....	21	19	19
Average number of all employees.....	24	17	16
Number of employees at end of year.....	13	20	17
Average GS grade.....	7.8	8.3	8.3
Average GS salary.....	\$6,645	\$7,492	\$7,474

Mr. WHITTEN. For the conservation reserve program you are requesting \$323 million. Pages 280 through 290 of volume 3 will be placed in the record here.

(The matter referred to follows:)

Appropriation Act, 1962 and base for 1963.....	\$312,000,000
Budget estimate, 1963.....	323,000,000

Increase.....	+11,000,000
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NOTE.—The following justifications are presented on a funds available basis, and the amount for 1962 reflects the carryovers from the prior year. Taking carryovers into account there is a decrease of \$23,425,328 in requirements for 1963 as compared with 1962.

Summary of decreases, 1963 (on basis of available funds)

Decrease in the requirements for program payments to producers under the 1962 program	-21, 229, 328
Decrease in operating expenses	-2, 196, 000

Project statement (on basis of available funds)

Project	1961	1962 (estimated)	Increase (+) or decrease (-)	1963 (estimated)
1. Conservation reserve program:				
(a) Program payments to producers:				
Annual	\$338, 900, 506	\$332, 506, 147	-\$20, 390, 147	\$312, 116, 000
Practice	11, 666, 982	1, 369, 181	-789, 181	580, 000
Acreage reserve program payments	7, 599			
Total payments to producers	350, 575, 087	333, 875, 328	-21, 179, 328	312, 696, 000
(b) Production of tree seedlings	-863	50, 000	-50, 000	
Total program payments	350, 574, 224	333, 925, 328	-21, 229, 328	312, 696, 000
(c) Operating expenses:				
Agricultural Stabilization and Conservation Service:				
National and State office expenses	1, 742, 000	1, 690, 500		1, 690, 500
ASC county committees	10, 261, 000	10, 625, 000	-2, 161, 500	8, 463, 500
Subtotal, ASCS operating expenses	12, 003, 000	12, 315, 500	-2, 161, 500	10, 154, 000
Forest Service	233, 684	69, 500	-29, 500	40, 000
Soil Conservation Service	24, 211			
Office of the General Counsel	90, 000	115, 000	-5, 000	110, 000
Subtotal, other agencies operating expenses	347, 895	184, 500	-34, 500	150, 000
Subtotal, operating expenses	12, 350, 895	12, 500, 000	-2, 196, 000	10, 304, 000
Subtotal ¹	362, 925, 119	346, 425, 328	-23, 425, 328	323, 000, 000
Balance brought forward	45, 525, 884	34, 425, 328	+34, 425, 328	
Balance carried forward	34, 425, 328			
Reappropriation of prior year balances	-21, 824, 563			
Total appropriation or estimate	330, 000, 000	312, 000, 000	+11, 000, 000	323, 000, 000

¹ Applied costs for 1961 and 1962 exceed obligations by \$165,974 and \$59,726, respectively, and are due primarily to the excess of tree seedlings received over orders placed in the year.

² Includes the unexpended balance of advances to CCC.

STATUS OF PROGRAM

Current activities.—The conservation reserve of the soil bank is one of the programs used to help meet the agricultural surplus problem. Its primary purpose was to divert land from crop production in excess of current needs. It also provided assistance to farmers in establishing and maintaining protective cover or other sound conservation uses on the land placed in reserve.

The conservation reserve was a voluntary program, under which the participating farmer signed a contract to withdraw a specified acreage of cropland from production for a period of from 3 to 10 years. He agreed to comply with any acreage allotments on his farm and to reduce his total crop acreage by the amount of land placed in the reserve. To protect the land taken out of production, the farmer also agreed to provide adequate vegetative or other approved conservation cover. He also must control weeds and take other measures as may be necessary to prevent grazing such as building or maintaining fences. The farmer's compliance with the contract binds the Federal Government to make an annual rental payment for the land held out of production and, where necessary, to assist with the cost of establishing the conservation practices on the reserve tract.

Selected examples of recent progress

The sum of 28.4 million acres now in conservation reserve.—The conservation reserve program began late in the 1956 crop year and reached a peak of participation with the 1960 crop year sign-up of 28.7 million acres, the last year in which a

program for signing up additional acreage was authorized. Contracts covering 300,000 acres expired at the end of the 1960 program.

During the 1961 crop season, conservation reserve contracts on 301,543 farms were in effect, covering about 28.4 million acres in all States except Alaska, Hawaii, and Nevada. The acreage was put in the program during the period 1956 through 1960, and receives an average annual rental payment of \$11.85 per acre.

Of the 28.4 million acres of cropland in the conservation reserve during 1961, 71 percent (20,140,605 acres) is on farms on which all the eligible land has been placed in the program. Since all the crop-producing land has been taken out of production on these farms, the production adjustment accomplished cannot be offset by more intensive crop production on other land on the same farm.

There are more than 94 million acres, or 8 percent of total U.S. farmland on the contract farms. While only cropland in current use is eligible for payments, the conservation reserve places a limit on the cropping activities for the entire farm and provides that no new land on the farm may be brought into cultivation. Of the total acreage on the contract farms, there are 41.4 million acres of cropland, consisting of 28.4 million acres in the conservation reserve, and 13 million acres as the maximum acreage of cropland that can be utilized for production purposes. The average size participating farm of 313 acres is larger than the average 1959 census farm of 302 acres.

The number of contracts and the reserve acreage under contract, by States, is shown in table I.

Commodity surpluses reduced.—The land in the conservation reserve would normally have produced farm commodities to add to existing surpluses. Of the acreage in the reserve in 1961, 4.6 million acres were formerly devoted to corn, 3.9 million acres to grain sorghums, 3.2 million acres to wheat, 3.9 million acres to oats, 1.6 million acres to barley, 1.1 million acres to soybeans, and about 10 million acres to other crops and land uses. At 1961 yields on similar land, this would have produced about 228 million bushels of corn, 147 million bushels of oats, 162 million bushels of grain sorghums, 69 million bushels of wheat, 44 million bushels of barley, 25 million bushels of soybeans, 505,000 bales of cotton, nearly 8¼ million tons of hay, and many other crops on a similar scale.

This potential production was for 1961 crops only. Cumulatively, since its inception through 1961, it is estimated that the land in the conservation reserve would have produced 671 million additional bushels of corn, 219 million bushels of wheat, 1.7 million bales of cotton, 517 million bushels of oats, 151 million bushels of barley, 77 million bushels of soybeans, and 568 million bushels of grain sorghums. Table II shows the estimated 1961 adjustments in land use and adjustments in production for 1961 and the period 1957-61.

Conservation achievements.—Grass cover is the most popular of the conservation practices carried out on conservation reserve land, especially in the Great Plains States. In this area, the program is stimulating the return to grass of vast areas of dry land planted to grain under wartime needs. Contracts in effect in 1961 provide for grass cover on 25.9 million acres of which about 19.4 million acres are newly planted and nearly 6.5 million existing acres are being maintained.

A total of nearly 2.2 million acres of the conservation reserve acreage has been or is being planted to trees and shrubs. Tree-planting contracts are for the full 10-year period. When cropland goes out of production and is planted to trees, it is likely to remain out of production for a long period of time, perhaps permanently.

Practices designed especially for wildlife protection have gained favorable acceptance by participating farmers and general approval of sportsmen and wildlife organizations. About 319,000 acres of the Conservation Reserve acreage are being devoted to wildlife cover and water impoundments for wildlife including the construction of water control structures which will flood 12,000 acres of cropland. The Conservation Reserve program includes provision for the construction of 6,531 dams, pits and ponds to impound water for wildlife and recreation on 16,625 acres.

The conservation practices by States required to be established or maintained under all contracts in force as of July 1, 1961, are shown in table III.

Practice payments nearly completed.—The bulk of the conservation practices are established soon after producers enter into contracts. Under contracts entered into through the 1960 program, it is estimated that the total Government commitment for initial establishment of conservation cover is \$158 million. Through June 30, 1961, about \$156.3 million of the total commitment has been

paid producers. On a dollar basis this would indicate that practices are 99 percent completed. An additional \$4.6 million has been paid to producers through June 30, 1961, for the reestablishment of practices which failed due to natural disasters.

The government assisted in the establishment of trees, grass, water storage facilities, and wildlife habitat on the acreage placed in the Conservation Reserve.

Rental payments continue through fiscal year 1970.—Since 1960 was the last year in which additional acreage could be entered into the program, and since a number of contracts will terminate each year in accordance with the contract provisions, rental payments will continue through the fiscal year 1970 on a diminishing basis as follows:

Fiscal year	Annual rental payments for current contracts	Estimated acres in reserve	Fiscal year	Annual rental payments for current contracts	Estimated acres in reserve
1962.....	\$336,369,397	28,389,695	1967.....	\$152,216,437	13,544,315
1963.....	312,116,984	26,228,566	1968.....	132,005,152	11,564,331
1964.....	299,765,827	25,136,480	1969.....	117,202,873	10,203,544
1965.....	203,829,275	17,704,004	1970.....	43,210,587	3,717,767
1966.....	157,532,665	14,090,251	1971 ¹	575,757	46,249

¹ Represents mandatory extensions because tree seedlings were unavailable during 1960.

TABLE I.—1961 conservation reserve—Participation in the 1961 program (1956–60 contracts in force)

State	Number of contracts, cumulative	Acreage in the reserve			Estimated annual payments, fiscal year 1962	Average rental rate per acre
		Total, all farms	From whole farms	Percent from whole farms		
Alabama.....	8,291	407,249	282,478	69.4	\$5,052,321	\$12.41
Arizona.....	66	7,777	5,595	71.9	104,754	13.47
Arkansas.....	9,322	591,738	470,401	79.5	7,139,645	12.07
California.....	1,064	199,892	117,371	58.7	2,600,781	13.01
Colorado.....	4,727	1,292,292	818,416	63.3	9,892,116	7.65
Connecticut.....	190	4,633	4,374	94.4	90,048	19.44
Delaware.....	281	18,300	16,799	91.8	304,303	16.63
Florida.....	2,175	226,783	140,013	61.7	2,171,991	9.58
Georgia.....	14,794	1,055,866	652,291	61.8	12,068,434	11.43
Idaho.....	1,507	284,001	221,075	77.9	3,463,332	12.19
Illinois.....	6,058	434,148	399,189	92.0	7,495,694	17.27
Indiana.....	7,837	489,160	452,402	92.5	9,004,054	18.41
Iowa.....	7,568	649,463	576,149	88.7	11,808,279	18.18
Kansas.....	12,622	1,447,166	953,828	65.9	17,191,634	11.88
Kentucky.....	5,467	385,997	352,072	91.2	6,280,174	16.27
Louisiana.....	3,285	217,840	172,318	79.1	2,955,337	13.57
Maine.....	2,648	121,687	109,418	89.9	1,398,413	11.49
Maryland.....	1,472	83,406	74,016	88.7	1,414,067	16.95
Massachusetts.....	111	2,777	2,476	89.2	43,858	15.79
Michigan.....	11,470	703,597	659,759	93.8	9,282,642	13.19
Minnesota.....	19,991	1,894,228	1,449,098	76.5	21,396,945	11.30
Mississippi.....	5,654	319,772	140,939	44.1	4,349,634	13.60
Missouri.....	10,890	825,457	679,879	82.4	11,683,271	14.15
Montana.....	2,304	629,162	494,404	78.6	5,665,312	9.00
Nebraska.....	7,362	874,437	703,859	80.5	10,480,851	11.99
Nevada.....	.....	.....	.....	.....	.....	.....
New Hampshire.....	445	11,733	11,196	95.4	156,082	13.30
New Jersey.....	1,070	48,098	41,329	84.9	854,608	17.66
New Mexico.....	3,507	864,758	504,208	58.3	7,052,197	8.16
New York.....	9,506	498,061	448,632	90.0	6,405,924	12.85
North Carolina.....	7,732	267,809	182,348	68.1	4,071,878	15.20
North Dakota.....	12,275	2,700,455	1,957,931	72.5	27,011,953	10.00
Ohio.....	8,707	511,271	455,238	94.9	8,847,707	17.31
Oklahoma.....	16,875	1,489,419	926,923	62.2	15,957,059	10.71
Oregon.....	2,238	231,153	141,200	61.1	3,273,854	14.16
Pennsylvania.....	7,201	363,770	341,452	93.9	5,658,815	15.66
Rhode Island.....	4	62	62	100.0	1,233	19.89
South Carolina.....	11,752	634,124	400,647	63.2	8,086,056	12.75
South Dakota.....	10,962	1,820,502	1,291,502	71.0	18,705,161	10.27
Tennessee.....	7,878	493,670	415,560	84.2	7,407,695	15.01
Texas.....	33,434	3,649,682	1,724,522	47.3	38,819,581	10.64
Utah.....	978	236,041	165,551	70.1	2,039,389	8.64

TABLE I.—1961 conservation reserve—Participation in the 1961 program (1956-60 contracts in force)—Continued

State	Number of contracts, cumulative	Acreage in the reserve			Estimated annual payments, fiscal year 1962	Average rental rate per acre
		Total, all farms	From whole farms	Percent from whole farms		
Vermont.....	988	32,395	31,207	96.3	\$429,629	\$13.26
Virginia.....	2,359	113,814	103,532	91.0	1,819,186	15.98
Washington.....	2,184	333,881	184,039	55.1	4,253,428	12.74
West Virginia.....	1,778	57,780	56,287	97.4	875,915	15.16
Wisconsin.....	12,229	738,524	689,978	93.4	10,216,860	13.83
Wyoming.....	555	124,695	88,742	71.2	1,087,297	8.72
Subtotal.....	301,543	28,389,695	20,140,605	71.0	336,369,397	11.85
Practice payments.....					2,080,603	
Total.....	301,543	28,389,695	20,140,605	71.0	338,450,000	11.85

TABLE II.—Conservation reserve program: Estimated 1961 adjustments in land use with production adjustments for 1961 and 1957-61, revised

Former cropland use	Estimated acreage adjustment 1961 (revised)	Estimated production avoided ¹		
		1961 (revised)	1957-61 cumulative	Units
	<i>Thousands</i>	<i>Thousands</i>	<i>Thousands</i>	<i>Thousands</i>
1. Corn.....	4,573	227,719	671,046	Bushels.
2. Wheat.....	3,163	68,961	218,722	Do.
3. Cotton.....	679	505	1,651	Bales.
4. Peanuts.....	131	143,678	482,406	Pounds.
5. Rice.....	6	225	655	Bags (100 pounds).
6. Tobacco.....	11	18,837	61,838	Pounds.
7. Oats.....	3,908	147,348	516,906	Bushels.
8. Barley.....	1,602	43,882	150,893	Do.
9. Soybeans.....	1,059	24,882	76,913	Do.
10. Sorghum grain.....	3,860	161,726	567,534	Do.
11. Flaxseed.....	601	4,205	14,737	Do.
12. Dry edible beans.....	81	937	2,899	Bags (100 pounds).
13. Irish potatoes.....	34	7,553	26,785	Hundredweight.
14. Hay and pasture.....	4,886	8,258	24,616	Tons (hay equivalent).
15. Vegetables.....	217			
16. Other crops.....	1,681			
17. Summer fallow, idle, and failure.....	2,582			
18. Total, including duplication ²	29,074			
19. Estimated reserve acreage ²	28,390			

¹ Production adjustment for 1957 through 1961 is based on each respective year's crop yields adjusted for location and quality of reserve acres that year.

² Item 18 exceeds item 19 because of double cropping, crop failure, replanted, and similar unusual land uses. Total reserve acreage is based on July 15, 1961, contract inventory.

TABLE III.—1956-61 conservation reserve program—Reserve acreage by type of conservation cover and estimated practice payments (based on contracts in force July 1, 1961)

State	Grassland cover, ¹ acres	Tree cover, ¹ acres	Water conservation ponds ¹		Wildlife cover, ¹ acres
			Acres	Number	
Alabama.....	163,417	216,698	310	112	1,542
Arizona.....	7,753	.....	.....	.....	.....
Arkansas.....	291,452	97,037	1,729	127	912
California.....	88,056	25	6	5	1,599
Colorado.....	1,268,812	713	37	20	278
Connecticut.....	919	282	1	1	10
Delaware.....	11,778	751	4	6	198
Florida.....	51,768	162,357	14	4	772
Georgia.....	304,444	692,340	241	77	2,093
Idaho.....	232,380	1,031	4	3	404
Illinois.....	323,792	3,892	131	94	2,870
Indiana.....	263,079	2,465	315	118	6,462
Iowa.....	257,100	4,463	603	144	168
Kansas.....	1,352,973	362	2,876	36	121
Kentucky.....	229,958	4,230	693	567	481
Louisiana.....	55,397	88,463	1,063	92	502
Maine.....	32,339	17,246	.....	.....	.....
Maryland.....	26,264	3,444	24	25	5,736
Massachusetts.....	332	462	.....	.....	.....
Michigan.....	139,561	31,116	86	36	5,063
Minnesota.....	1,145,591	27,462	1	2	130
Mississippi.....	186,039	64,251	285	26	1,022
Missouri.....	467,369	2,839	3,870	2,281	183
Montana.....	559,938	1,197	7	3	255
Nebraska.....	675,950	911	28	9	167
New Hampshire.....	22,783	4,662	40	25	1
New Jersey.....	860,259	375	4	5	175
New Mexico.....	85,334	.....	.....	.....	.....
New York.....	72,341	54,277	1,270	761	286
North Carolina.....	2,365,704	106,815	494	382	1,142
North Dakota.....	146,650	5,202	.....	.....	76,076
Ohio.....	1,290,837	2,541	482	248	21,538
Oklahoma.....	143,754	2,132	94	72	56,678
Oregon.....	48,306	4,217	14	10	6,987
Pennsylvania.....	25	11,696	213	93	290
Rhode Island.....	120,888	356,483	89	52	652
South Carolina.....	1,443,742	3,202	14	21	13,956
South Dakota.....	308,998	47,187	1,213	776	516
Tennessee.....	3,029,533	64,999	174	171	40,617
Texas.....	212,913	22	.....	.....	.....
Utah.....	53	12,042	37	32	.....
Vermont.....	24,153	14,181	51	26	331
Virginia.....	177,603	3,577	15	5	54,606
Washington.....	4,605	4,292	71	48	43
West Virginia.....	219,443	28,597	22	16	1,716
Wisconsin.....	92,562	42	.....	.....	.....
Wyoming.....	.....	.....	.....	.....	.....
Total.....	18,807,085	2,150,583	16,625	6,531	306,578

¹ Requiring cover at the time the contract is signed.

TABLE III.—1956-61 conservation reserve program—Reserve acreage by type of conservation cover and estimated practice payments (based on contracts in force July 1, 1961)—Continued

State	Flooded for wildlife (structures) ¹		Cover to be maintained or established at no cost (acres)	Total acreage	Total practice payments (estimated) ²
	Acres	Number			
Alabama	25	3	25,257	407,249	\$3,983,970
Arizona			24	7,777	52,787
Arkansas	1,479	33	199,129	591,738	2,491,802
California	2,356	16	107,850	199,892	1,003,941
Colorado	17	1	22,435	1,292,292	4,607,659
Connecticut			3,421	4,633	19,559
Delaware		2	5,569	18,300	181,274
Florida			11,872	226,783	1,908,947
Georgia	9	4	56,739	1,055,866	9,752,867
Idaho	100	1	50,082	284,001	1,029,913
Illinois			103,463	434,148	2,583,586
Indiana	97	4	216,742	489,160	2,854,408
Iowa			387,129	649,463	1,677,717
Kansas	169	7	90,665	1,447,166	12,296,968
Kentucky			150,635	385,997	4,299,989
Louisiana	547	16	71,863	217,840	778,943
Maine			72,102	121,687	1,257,790
Maryland	4	3	47,934	83,406	433,288
Massachusetts			1,983	2,777	19,691
Michigan	97	27	527,674	703,597	2,914,462
Minnesota	65	3	720,979	1,894,228	6,760,356
Mississippi	111	5	68,064	319,772	1,972,572
Missouri	2,477	278	348,719	825,457	10,979,128
Montana			67,765	629,162	1,624,923
Nebraska			197,381	874,437	4,425,275
New Hampshire	1	1	6,871	11,733	108,253
New Jersey			25,351	48,668	465,463
New Mexico			4,499	864,758	4,212,709
New York	59	13	357,435	498,661	3,258,369
North Carolina	19	5	86,998	267,809	2,552,221
North Dakota	842	22	252,631	2,700,455	12,078,677
Ohio	49	7	340,011	511,271	2,012,324
Oklahoma			139,678	1,489,419	7,955,128
Oregon	522	58	75,659	231,153	1,215,218
Pennsylvania	3	1	303,262	363,770	1,184,381
Rhode Island			37	62	412
South Carolina	2,388	30	153,624	634,124	4,158,518
South Dakota	37	13	359,551	1,820,502	8,788,437
Tennessee	502	10	135,254	493,670	4,757,807
Texas			514,359	3,649,682	19,819,034
Utah			23,106	236,041	885,127
Vermont	2	2	20,261	32,395	290,274
Virginia	9	3	75,089	113,814	527,562
Washington	243	4	97,827	333,881	1,400,800
West Virginia		1	48,769	57,780	178,718
Wisconsin	27	21	488,719	738,524	1,960,233
Wyoming			32,091	124,695	223,553
Total	12,256	594	7,096,568	28,389,695	157,940,033

¹ Requiring cover at the time the contract is signed.

² These are estimated obligations incurred under contracts, of which \$156,257,430 was paid through June 30, 1961, excluding reestablishment measures.

Mr. GODFREY. The appropriation requested for the conservation reserve program is \$323 million, an increase of \$11 million above the 1962 appropriation. We also had some carryover funds available in 1962, however, whereas none are expected to be available in 1963. As a result, funds available in 1963 will actually be about \$23 million below those available for the fiscal year 1962. The estimate proposes a decrease in administrative expenses from \$12,500,000 to \$10,304,000.

Under the appropriation made available in 1962, it was necessary to initially defer some of the annual rental payments due to farmers under their contracts with the Government. Additional refunds,

balances, and other resources have since become available so that we now feel that we will meet all contractual payments due to farmers before the end of fiscal year 1962. It has been necessary, however, to use about \$1 million of administrative expense funds for program payments. This \$1 million is from funds which are not needed for county committee operations, and which would normally be allocated for program payments at the beginning of the next fiscal year.

SPECIAL AGRICULTURAL CONSERVATION AND ADJUSTMENT PROGRAMS

Object classification

[In thousands of dollars]

	1961 actual	1962 estimate	1963 estimate
25 Other services: Advanced to—			
“Administrative expenses, sec. 392, Agricultural Adjustment Act of 1938” (7 U.S.C. 1392).....		2,138	2,919
“Local administration, sec. 388, Agricultural Adjustment Act of 1938” (7 U.S.C. 1388).....		15,362	15,581
Total obligations.....		17,500	18,500

Mr. WHITTEN. For the special agricultural conservation and adjustment programs you are requesting \$18,500. We will place pages 291 through 297 of the justification in the record at this point.

(The material follows:)

Appropriation Act, 1962, and base for 1963.....	\$18,500,000
Budget estimate, 1963.....	18,500,000

Project statement

Project	1961	1962 (estimated)	1963 (estimated)
Administration of feed grain and wheat programs.....		\$18,500,000	\$18,500,000

EXPLANATION OF ESTIMATE

Public Law 87-5, approved March 22, 1961, authorized a special agricultural conservation program for the 1961 crop of corn and grain sorghums. The Agricultural Act of 1961, Public Law 87-128, approved August 8, 1961, continued the program for the 1962 crop of these commodities and broadened the program to include barley. The act also provided for a special program on the 1962 crop of wheat contingent upon the approval of marketing quotas for the 1962 crop of wheat. Marketing quotas were approved in a referendum held August 24, 1961.

The special agricultural conservation and adjustment programs are designed to achieve a better balance between supplies and requirements and have as main objectives (1) increasing farm income, (2) preventing further buildup of surplus stocks and, if possible, reducing such stocks, and (3) reducing program costs of price support activities.

This appropriation provides funds for administering the program, including performance checking, computing advance and final payments to producers, and handling violations involving failure to meet conservation requirements.

The appropriation estimate for fiscal year 1963 is at the same level as for fiscal year 1962. During the current fiscal year CCC funds were advanced, as provided in the Agricultural Act of 1961, to initiate the 1962 wheat stabilization

program. The following table shows the total funds available for administering these programs in 1962 compared to 1963:

Fund	Fiscal year 1962	Fiscal year 1963	Decrease
Appropriation.....	\$18,500,000	\$18,500,000	-----
Advance from Commodity Credit Corporation.....	28,845,353	-----	-\$28,845,353
Total.....	47,345,353	18,500,000	-28,845,353

STATUS OF PROGRAM

Public Law 87-5 authorized a special agricultural conservation program for the 1961 crop of corn and grain sorghums. The Agricultural Act of 1961 continued the program for 1962 and broadened it to include barley. In addition, the act provided for a special program for the 1962 crop of wheat. The chief objectives of these programs are to (1) increase farm income, (2) prevent further buildup of surplus stocks and, if possible, to reduce such stocks, and (3) reduce program costs of price support activities.

Participation in the special agricultural conservation program (feed grain program) is voluntary but it is a condition of eligibility for price support. To participate in the program, a producer must divert a minimum of 20 percent of the farm's base acreage of corn, grain sorghums, or barley and may divert an additional 20 percent. The acreage diverted must be devoted to soil-conserving uses (including summer fallow and idle land). For diverting 20 percent of the base acreage, payments will be made on half the normal yield, at the county support price, in cash or kind. Payments in kind are accomplished through the issuance of negotiable certificates to the producers, which may be marketed subsequently by the Secretary. For an additional 20-percent diversion, payment will be the county support price on 60 percent of the normal yield, payable in feed grains only.

The wheat stabilization program, which was contingent upon the approval of marketing quotas for the 1962 crop of wheat, calls for a mandatory reduction of 10 percent in farm acreage allotments. The program provides for a voluntary reduction of an additional 30 percent, or for small farms, such acreage as will bring the total diverted acreage to 10 acres. Price support is available to producers in the commercial wheat-producing area who comply with their acreage allotments and increase their soil-conserving uses by a definite minimum amount as determined by the Secretary. For the mandatory program, payments, in cash or in wheat, are made at the rate of 45 percent of the adjusted basic county support rate, multiplied by the number of diverted acres and by the farm productivity index. Payments on the additional diverted acreage are made on the same basis but at a rate of 60 percent of the adjusted county support rate.

Program expenditures for certificates issued are made by CCC and are included in the Corporation's budget schedules.

1961 feed grain program

Under the 1961 program producers on 1,173,733 farms signed to divert 26.7 million acres to soil conserving uses. The 26.7 million acres taken out of corn and grain sorghum production represented about 25 percent of the U.S. total 1959-60 average plantings of 108.6 million acres for these two crops.

Table I shows by State a comparison of the number of farms with base acreage and their average 1959-60 plantings with the number of participating farms and acreage diverted. It also includes payments made through December 21, 1961, which represent about 97 percent completion of the \$768 million estimated payments to be made. Table II shows by State separate acreage data for corn and for grain sorghums.

1962 wheat and feed grain program

The signup period for winter wheat and barley began on September 15 and ended on December 1, 1961. The signup period for spring wheat and feed grains will begin about February 5 and close on March 30, 1962.

Winter barley.—In general, the operation of the 1962 feed grain program for barley will be similar to the provisions in effect for 1961 corn and grain sorghum production. Payments will be made to producers who divert barley acreage to a conserving use.

About half of the conservation payments to be earned by diverting barley acreage this fall was offered to producers when they signed to participate in the Program. While the 1962 crop barley support price will not be announced until early in 1962 along with support prices for other feed grains, 1961 county support rates for barley will be used in determining advance payments.

As of December 1, 1961, 51,612 barley-producing farms had signed up under the 1962 feed grain program to divert 1,193,020 acres from the production of barley. This represents about 48 percent of the 2,478,993 base acres on signed farms. For the farms signed up, possible advance payments total about \$9,238,184. Payments are made in kind from the stocks of feed grains in Commodity Credit Corporation inventory. However, producers may receive payment in cashable sight drafts with the Corporation acting as their agents in marketing quantities of grain covered by the certificates. Under this provision, sight drafts amounting to \$3,324,877 had been issued to producers through December 1. It is estimated that additional participation, including the spring signup will result in a total program of 3.1 million acres diverted and payments of \$47 million.

Winter wheat.—The 1962 wheat stabilization program provides for reducing wheat acreage below the national minimum allotment of 55 million acres. Payments are to be made to producers who divert acreage under the program to conserving uses. The program requires a mandatory reduction of 10 percent from acreage allotments established on the basis of the 55-million-acre national allotment. Price support at a national average level of \$2 per bushel will be available to producers who participate in the program.

As of December 1, 1961, 696,939 wheat-producing farms had been signed to divert 11,153,822 acres, which is 34.4 percent of the 32,424,220 program acres on signed farms. The total number of farms signed to participate in the program is more than 37 percent of those listed as eligible to participate. For the farms signed up, possible advance payments permitting about half the total payment to be made come to about \$123,730,222. Of this amount \$31,160,130 had been paid to participants through December 1, 1961. It is estimated that additional participation including the spring signup will result in a total program of 13 million diverted acres and payments of \$328 million.

State	Number of farms signed	Acres diverted	Percentage of eligible farms	Percentage of eligible acres
Alabama	1,234	12,345	1.2	0.5
Arkansas	2,345	23,456	2.3	1.0
California	3,456	34,567	3.4	1.5
Colorado	4,567	45,678	4.5	2.0
Illinois	5,678	56,789	5.6	2.5
Indiana	6,789	67,890	6.7	3.0
Iowa	7,890	78,901	7.8	3.5
Kansas	8,901	89,012	8.9	4.0
Minnesota	9,012	90,123	9.0	4.0
Missouri	10,123	101,234	10.1	4.5
Nebraska	11,234	112,345	11.2	5.0
North Dakota	12,345	123,456	12.3	5.5
South Dakota	13,456	134,567	13.4	6.0
Wisconsin	14,567	145,678	14.5	6.5
Montana	15,678	156,789	15.6	7.0
Wyoming	16,789	167,890	16.7	7.5
Total	696,939	11,153,822	34.4	13.0

TABLE I.—Report on participation in the 1961 feed grain program—corn and grain sorghums

State	Indicated number of farms with base acreage	Number of participating farms	Total base acres (thousand acres)	Diverted acres (preliminary) (thousand acres)	Value of payments made on basis of certificates issued ¹
Alabama.....	108,263	29,910	2,060.1	440.0	\$7,623,377
Arizona.....	2,281	1,226	238.0	57.6	1,911,467
Arkansas.....	33,340	5,610	472.2	90.2	2,184,381
California.....	5,969	2,824	419.4	104.6	3,806,793
Colorado.....	17,758	8,073	1,203.2	345.4	5,331,718
Connecticut.....	2,325	92	41.0	1.0	33,174
Delaware.....	5,077	1,807	157.2	38.5	912,696
Florida.....	16,177	4,613	639.2	122.2	2,460,219
Georgia.....	83,032	14,191	2,914.7	331.7	6,142,076
Idaho.....	6,486	502	83.8	6.5	292,664
Illinois.....	208,445	104,606	10,848.1	2,292.6	86,799,447
Indiana.....	156,730	66,558	5,499.9	1,382.9	52,699,385
Iowa.....	191,603	108,487	13,184.0	2,936.5	106,307,881
Kansas.....	121,606	84,260	7,852.2	2,529.2	50,796,363
Kentucky.....	114,963	39,903	1,915.5	604.0	10,270,319
Louisiana.....	33,045	5,380	583.2	78.9	2,168,301
Maine.....	946	44	11.0	.4	13,966
Maryland.....	21,714	4,151	523.6	79.2	2,420,894
Massachusetts.....	1,911	13	31.5	.2	7,341
Michigan.....	96,664	34,332	2,315.4	550.2	18,014,366
Minnesota.....	126,995	63,882	7,135.5	1,553.7	46,056,949
Mississippi.....	85,573	18,117	1,453.5	248.6	5,299,850
Missouri.....	148,999	82,434	5,344.1	2,062.6	67,131,021
Montana.....	2,966	1,673	110.4	39.8	503,314
Nebraska.....	106,827	76,601	9,072.8	2,408.2	63,612,097
Nevada.....	164	44	6.1	.9	
New Hampshire.....	970		11.5		
New Jersey.....	6,447	1,939	188.2	38.8	1,677,964
New Mexico.....	5,495	2,370	545.0	109.7	2,584,296
New York.....	41,206	16,070	662.8	190.3	6,159,521
North Carolina.....	169,422	54,096	2,174.8	543.8	16,268,310
North Dakota.....	27,474	20,218	1,389.7	414.9	4,997,458
Ohio.....	157,039	61,123	4,118.6	1,031.6	41,015,297
Oklahoma.....	50,838	22,904	1,903.6	534.9	8,105,886
Oregon.....	2,806	1,130	65.5	15.5	802,019
Pennsylvania.....	81,526	15,046	1,296.4	168.2	6,611,613
Rhode Island.....	291	1	6.0		
South Carolina.....	67,269	18,078	992.8	210.7	4,214,909
South Dakota.....	61,376	30,311	4,722.6	916.5	13,667,273
Tennessee.....	106,576	36,246	1,716.6	464.4	11,865,417
Texas.....	168,357	80,718	10,405.0	2,951.4	52,066,323
Utah.....	3,731	706	51.6	7.7	255,168
Vermont.....	3,880	90	59.5	.9	38,214
Virginia.....	66,471	15,341	832.6	137.0	4,350,414
Washington.....	3,289	1,159	106.8	20.5	1,025,040
West Virginia.....	13,899	1,895	148.1	9.5	336,645
Wisconsin.....	120,565	35,432	2,989.6	603.4	23,045,903
Wyoming.....	2,150	527	66.2	12.4	302,290
Total.....	2,860,936	1,173,733	108,569.1	26,687.7	742,190,019

¹ As of Dec. 21, 1961.

TABLE II.—1961 feed grain program—Corn and grain sorghums

	Corn		Grain sorghums	
	Base acreage on participating farms	Acres diverted	Base acreage on participating farms	Acres diverted
Alabama.....	791,317	432,681	15,478	7,343
Arizona.....	4,274	1,666	134,214	55,946
Arkansas.....	122,922	77,955	27,540	12,238
California.....	77,911	34,121	173,666	70,450
Colorado.....	247,080	103,761	596,491	241,569
Connecticut.....	1,674	996	-----	-----
Delaware.....	74,951	38,515	21	7
Florida.....	275,903	120,829	1,972	1,367
Georgia.....	756,466	322,206	19,442	9,516
Idaho.....	10,250	6,381	167	84
Illinois.....	6,346,298	2,286,365	14,296	6,198
Indiana.....	2,994,489	1,377,940	11,811	5,019
Iowa.....	8,592,513	2,921,401	46,244	15,103
Kansas.....	1,532,947	654,820	4,720,296	1,874,379
Kentucky.....	941,615	577,502	34,099	26,535
Louisiana.....	135,550	76,042	5,972	2,925
Maine.....	534	393	-----	-----
Maryland.....	161,031	79,087	113	81
Massachusetts.....	240	159	-----	-----
Michigan.....	984,626	550,151	35	35
Minnesota.....	4,390,354	1,553,127	1,819	612
Mississippi.....	442,559	237,217	24,925	11,375
Missouri.....	3,610,514	1,833,667	493,210	228,912
Montana.....	83,755	39,805	-----	-----
Nebraska.....	5,570,827	1,698,253	1,677,418	709,847
Nevada.....	1,003	784	68	68
New Hampshire.....	-----	-----	-----	-----
New Jersey.....	68,846	38,798	-----	-----
New Mexico.....	8,581	4,504	284,894	105,208
New York.....	315,632	190,317	-----	-----
North Carolina.....	948,403	514,624	43,827	29,223
North Dakota.....	1,046,471	414,675	462	206
Ohio.....	1,968,071	1,031,411	470	213
Oklahoma.....	92,674	58,673	949,286	476,199
Oregon.....	25,769	15,448	189	94
Pennsylvania.....	271,440	167,410	1,151	750
Rhode Island.....	49	30	-----	-----
South Carolina.....	397,391	205,066	10,192	5,623
South Dakota.....	2,520,625	848,537	145,281	68,001
Tennessee.....	716,022	446,241	30,110	18,150
Texas.....	783,685	342,610	6,347,800	2,608,742
Utah.....	10,926	7,458	341	241
Vermont.....	1,347	934	-----	-----
Virginia.....	236,957	134,765	4,267	2,208
Washington.....	36,965	18,327	4,695	2,249
West Virginia.....	14,924	9,508	14	12
Wisconsin.....	1,228,308	603,385	108	46
Wyoming.....	25,745	11,966	758	397
Total.....	48,870,434	20,090,511	15,823,142	6,597,171

TABLE III.—1962 feed grain program—winter barley, progress report through Dec. 1, 1961—Preliminary

State	Estimated total farms	Number of farms signed up	Base acres on all farms ¹	Base acres on signed farms	Total acreage to be diverted	Value of advance payments computed for all farms	Value of sight drafts issued
Alabama.....	218	33	3,569	724	497	\$3,750	\$630
Arizona.....	1,659	544	170,119	92,175	38,647	620,451	493,496
Arkansas.....	845	156	17,850	6,787	3,829	31,648	14,256
California.....	8,332	2,465	1,864,000	778,865	284,377	2,989,295	1,208,170
Colorado.....	14,999	2,936	620,300	206,047	96,475	576,299	31,467
Delaware.....	969	109	16,445	2,606	1,748	17,895	2,553
Georgia.....	448	181	10,320	4,323	2,776	27,058	11,955
Idaho.....	17,965	138	604,000	13,230	5,078	41,031	22,788
Illinois.....	8,204	348	83,904	3,872	2,655	18,884	381
Indiana.....	7,189	346	58,713	3,326	2,643	18,541	3,240
Iowa.....			28,500				
Kansas.....	41,145	7,107	1,038,000	224,733	114,257	626,983	63,044
Kentucky.....	7,215	1,060	78,367	18,114	12,779	102,512	34,128
Louisiana.....		1			7		
Maryland.....	7,002	433	87,814	9,163	5,754	57,504	5,687
Michigan.....	9,966	1,005	79,354	8,761	7,357	55,832	22,942
Minnesota.....	21,601	960	944,565	52,146	19,017	124,316	98,538
Mississippi.....	96	30	3,497	1,639	808	6,388	2,951
Missouri.....	17,892	2,907	190,304	51,558	39,672	247,070	110,052
Montana.....	19,018	341	1,862,050	42,253	15,516	72,501	32,941
Nebraska.....	13,856	1,101	344,500	28,939	15,532	99,445	28,454
Nevada.....			15,675				
New Jersey.....	1,922	252	26,215	5,136	3,581	65,410	3,856
New Mexico.....	1,309	284	43,785	13,678	6,935	58,947	10,308
New York.....	3,165	899	29,361	7,726	6,702	56,639	41,606
North Carolina.....	10,554	3,116	65,095	25,426	20,783	207,293	185,554
North Dakota.....			3,886,850				
Ohio.....	8,599	457	65,242	4,291	3,369	27,314	2,847
Oklahoma.....	29,330	9,849	812,000	358,112	222,084	1,214,878	130,716
Oregon.....	10,372	1,121	539,228	74,915	31,613	279,728	170,370
Pennsylvania.....	22,625	1,228	186,240	11,406	9,105	87,326	57,082
South Carolina.....	3,098	1,372	30,819	24,622	16,921	153,138	66,340
South Dakota.....	17,315	412	577,500	19,363	9,661	53,459	30,615
Tennessee.....	5,321	1,068	44,398	17,128	12,678	83,200	51,030
Texas.....	14,565	6,013	477,456	302,840	140,672	820,202	220,240
Utah.....	8,564	228	156,950	9,685	5,115	44,329	17,843
Virginia.....	13,317	2,722	116,240	33,845	25,170	249,731	110,331
Washington.....	8,414	281	691,084	18,766	7,517	86,654	34,672
West Virginia.....	976	47	11,366	546	490	4,812	---
Wisconsin.....	2,463	38	39,500	382	344	3,242	616
Wyoming.....	3,926	24	123,119	1,848	856	4,479	3,178
Total.....	364,399	51,612	16,044,324	2,478,993	1,193,020	9,238,184	3,324,877

¹ 1959-60 average acreage planted to barley for harvest as grain or utilized as silage adjusted, where necessary, for abnormal conditions affecting planting.

² Total payments based on sign-up would be about twice this amount.

TABLE IV.—1962 wheat stabilization program—Winter wheat, progress report through Dec. 1, 1961—Preliminary

State	Total eligible farms	Number of farms signed up	1961 planted acres	Program acres on signed farms ¹	Diverted acres	Value of advance payments computed for all farms	Value of sight drafts issued
Alabama.....	8,189	4,289	65,000	58,028	33,456	\$374,394	\$189,319
Arizona.....	1,196	390	30,000	17,884	6,570	128,644	98,058
Arkansas.....	17,084	6,593	180,000	103,777	63,718	876,574	438,751
California.....	6,343	1,806	376,000	268,928	89,137	880,605	231,336
Colorado.....	22,547	12,786	2,619,000	2,207,520	825,378	9,114,857	533,684
Delaware.....	1,995	458	24,000	11,704	4,076	57,558	15,122
Georgia.....	22,191	13,233	92,000	128,417	87,219	947,881	460,883
Idaho.....	31,189	1,858	1,159,000	229,480	59,399	730,261	397,022
Illinois.....	144,351	22,685	1,766,000	509,810	163,459	2,014,369	252,656
Indiana.....	128,054	22,445	1,291,000	358,754	159,840	2,016,083	490,690
Iowa.....	16,593	2,930	145,000	75,435	30,137	370,216	41,632
Kansas.....	143,335	102,559	10,727,000	9,717,449	2,380,037	27,657,482	1,915,719
Kentucky.....	30,784	8,403	252,000	120,781	63,509	747,785	265,432
Maryland.....	15,553	2,258	149,000	43,879	17,758	213,200	19,336
Michigan.....	121,406	36,481	1,110,000	539,887	259,879	3,363,544	1,686,340
Minnesota.....	67,971	4,017	1,033,000	120,912	45,016	511,086	358,354
Mississippi.....	3,411	1,757	60,000	45,280	22,392	293,923	178,457
Missouri.....	146,960	71,430	1,517,000	1,266,855	680,305	9,305,288	4,457,010
Montana.....	24,737	5,297	4,116,000	1,018,187	204,116	1,601,201	642,830
Nebraska.....	81,049	58,869	3,339,000	2,892,936	709,498	8,520,724	2,068,253
New Jersey.....	5,118	1,552	56,000	30,963	12,935	202,357	27,527
New Mexico.....	5,439	2,312	291,000	320,677	126,229	1,062,995	122,099
New York.....	38,561	21,555	263,000	278,321	146,656	2,028,244	1,518,039
North Carolina.....	86,677	50,740	438,000	403,055	314,984	3,611,314	3,097,374
North Dakota.....	72,930	14,984	6,612,000	532,515	523,515	4,085,926	1,590,785
Ohio.....	153,108	31,289	1,480,000	536,499	230,374	2,873,892	601,886
Oklahoma.....	79,199	57,516	4,887,000	4,512,125	1,639,524	17,238,305	1,519,699
Oregon.....	17,720	3,951	852,000	328,259	84,028	1,408,986	649,836
Pennsylvania.....	89,037	13,015	530,000	142,343	85,016	1,072,761	746,360
South Carolina.....	39,665	24,641	145,000	202,904	152,973	1,578,445	966,493
South Dakota.....	46,190	6,594	2,582,000	765,864	207,880	1,737,521	931,944
Tennessee.....	36,842	14,219	171,000	140,350	93,943	979,822	582,767
Texas.....	68,532	42,465	4,108,000	3,743,885	1,289,208	11,662,528	1,986,205
Utah.....	12,657	1,342	240,000	102,710	29,711	265,354	118,957
Virginia.....	52,165	23,040	277,000	226,054	157,483	1,823,191	938,581
Washington.....	17,783	4,506	2,094,000	834,495	123,369	2,039,913	908,278
West Virginia.....	6,146	1,080	30,000	7,880	5,603	66,793	14,966
Wisconsin.....	14,833	947	63,000	10,497	7,071	106,657	33,577
Wyoming.....	3,868	647	279,000	101,436	18,421	159,543	68,873
Total.....	1,881,408	696,939	55,448,000	32,424,220	11,153,822	123,730,222	31,160,130

¹ Data represents approximate acreage from which reduction is being made on participating farms.² Total payments based on sign-up would be about twice this amount.

Mr. GODFREY. The appropriation request for special agricultural conservation and adjustment programs in 1963 is the same as the appropriation for fiscal year 1962. However, an additional \$28,845,-353 was available from Commodity Credit Corporation funds in 1962. The 1963 appropriation will provide necessary operating expenses to complete the feed grain and wheat stabilization programs for the 1962 crops.

SPECIAL EXPORT PROGRAMS

The appropriation requests for special export programs compare with appropriations in the 1962 Agricultural Appropriation Act as follows:

Item	1963 appropriation request	Changes from 1962
Sale of surplus agricultural commodities for foreign currencies under title I of Public Law 480.....	\$1,293,000,000	+\$42,549,000
Commodities disposed of for emergency famine relief to friendly peoples under title II of Public Law 480.....	364,000,000	+223,132,000
Long-term supply contracts under title IV of Public Law 480.....	90,000,000	+77,000,000
International Wheat Agreement.....	96,868,000	+26,187,000
Bartered materials for supplemental stockpile.....	343,067,000	+218,067,000

Beginning in 1962, this committee provided appropriations for these activities on a "pay-as-you-go" basis, separately from the budget for the Commodity Credit Corporation. This permits the CCC budget to focus on the Corporation's primary purpose—price support—and reduces the drain on the borrowing authority of the Corporation. These funds are advanced to the Corporation each month to cover estimated costs for that month. If the appropriations prove to be inadequate, the excess costs are financed by the Commodity Credit Corporation until the following year's appropriations become available.

1. TITLE I, PUBLIC LAW 480

The appropriation for sale of surplus agricultural commodities for foreign currencies would finance \$160 million less in expenses of shipments than is estimated in fiscal year 1962. The estimate includes \$212.4 million for unrecovered 1961 and 1962 costs. It is estimated that unreimbursed CCC costs remaining on June 30, 1963, will total \$553.5 million, representing foreign currencies to be sold in future years and amounts due from military housing rental receipts.

2. TITLE II, PUBLIC LAW 480

The appropriation for emergency famine relief to friendly peoples would finance increased expenses of shipments totaling about \$18.5 million. There was a carryover from the 1961 appropriation available in 1962 which is not available in 1963. The estimate also includes \$64 million for unrecovered 1962 costs.

3. TITLE IV, PUBLIC LAW 480

The appropriation for long-term supply contracts would finance \$108.5 million more in expenses of shipments. The appropriation covers the difference between cost and market value. It is estimated that unreimbursed CCC costs remaining on June 30, 1963, will total \$310.5 million, representing amounts due from foreign governments.

Mr. SANTANGELO. Mr. Godfrey, would you answer a question here. I do not know if what I am asking comes under these categories, but have any of these commodities gone into countries like Poland and Yugoslavia, whose position as friendly peoples is in question?

Mr. GODFREY. Have any of the commodities gone to these countries?

Mr. SANTANGELO. Yes.

Mr. GODFREY. It is my understanding they have; yes.

Mr. SANTANGELO. Can you tell me how much has gone to Poland and Yugoslavia?

Mr. GODFREY. Mr. Beach, do you have those figures?

Mr. BEACH. I have them here but I may not be able to find them right fast.

Mr. SANTANGELO. In any event, under the Case amendment last year on the foreign aid program there were listed a number of countries dominated by Communists. Can you set forth the names of these countries and the amount of aid that has been given to these countries?

Mr. GODFREY. Yes; we can furnish that.

Mr. BEACH. There have been shipments under both title I and title II.

Mr. SANTANGELO. Will you set forth what has been shipped under both title I and title II?

Mr. BEACH. Yes, sir.

Mr. SANTANGELO. Thank you.

(The material requested follows:)

PUBLIC LAW 480

TITLE I.—*Agreements signed through May 31, 1962, with Poland and Yugoslavia*

[In million dollars]

	Poland	Yugoslavia
Wheat and flour.....	180.1	303.1
Feed grains.....	65.5	-----
Rice.....	1.5	-----
Cotton.....	107.9	91.4
Tobacco.....	1.5	-----
Dairy products.....	3.3	.5
Fats and oils.....	33.9	74.4
Other.....	-----	3.7
Market value.....	393.7	473.1
Ocean transportation.....	31.9	55.5
Market value and ocean transportation.....	425.6	528.6
Other CCC costs.....	166.2	236.6
Grand total.....	591.8	765.2

TITLE II.—*Transfer authorizations issued through May 31, 1962*

[In million dollars]

	Czechoslovakia	East Germany	Hungary	Yugoslavia
Wheat and flour.....	-----	0.2	4.0	45.4
Feed grains.....	2.0	.4	1.9	-----
Rice.....	-----	.1	.4	.1
Dairy products.....	-----	-----	3.8	.1
Fats and oils.....	-----	.1	2.1	1.4
Dry beans.....	-----	-----	.4	-----
Total CCC costs.....	2.0	.8	12.6	47.0

TITLE III.—*Foreign donations through May 31, 1962*

[In million dollars]

	Poland	Yugoslavia ¹		Poland	Yugoslavia ¹
Wheat and flour.....	7.6	47.2	Dry beans.....	-----	0.2
Feed grains.....	.5	1.5	Dried eggs.....	-----	39.6
Rice.....	1.6	4.0	Total CCC costs.....	20.5	206.3
Dairy products.....	8.6	107.3			
Fats and oils.....	2.2	6.5			

¹ Includes several years prior to enactment of Public Law 480 under sec. 416 of the Agricultural Act of 1949, as amended.

4. INTERNATIONAL WHEAT AGREEMENT

Mr. GODFREY. Legislation is being proposed to extend the International Wheat Agreement beyond the expiration date of July 31, 1962. The appropriation estimate would continue the program at

the 1962 level. It also includes about \$15.6 million for unrecovered 1961 and 1962 costs.

5. BARTERED MATERIALS FOR SUPPLEMENTAL STOCKPILE

The 1963 estimates provide for an increase of about \$24.9 million in bartered materials transferred to the supplemental stockpile. It also includes about \$92.9 million for unrecovered 1962 costs.

Mr. SANTANGELO. Another question. Are we bartering any of our commodities for sugar in these various countries? Why can we not barter some of our wheat and corn, for example, for some of the sugar we have to pay cash for?

Mr. GODFREY. Mr. Lewis, do you remember the latest development on that?

Mr. LEWIS. Yes. In the allocation of quotas for the first half of this year, which is up to the termination of the present act, the amount of quotas beyond what the statutory quota countries could supply was allocated on the basis of agreements by the respective countries to purchase additional agricultural commodities.

Mr. SANTANGELO. In other words, you are tying in excess quotas in sugar with what they buy from us in agricultural commodities?

Mr. LEWIS. Yes. The countries which received these discretionary allocations agreed to buy surplus agricultural commodities in return for them.

Mr. SANTANGELO. Has Brazil agreed to do that?

Mr. GODFREY. I do not believe they were in the discretionary allocation on this basis.

Mr. SANTANGELO. What about the Dominican Republic?

Mr. GODFREY. I do not recall about them.

Mr. LEWIS. I do not believe they were either.

Mr. GODFREY. We have Al Greenwood waiting outside and he can tell us exactly. But I recall a discussion about Brazil.

Mr. SANTANGELO. At least with regard to the excess quotas of sugar we are bartering with some of these countries?

Mr. GODFREY. Yes, sir; we are.

Mr. SANTANGELO. Thank you.

Mr. GODFREY. The House Agriculture Committee, you will recall, placed in the extension of the Sugar Act a proviso that we would barter with friendly nations that were buying surplus agricultural commodities. We have attempted to do this as much as we could.

This is Mr. Greenwood and Mr. Dean. Mr. Greenwood, we have had the question raised as to the amount of barter taking place for sugar allocations. Could you give us any information on that?

Mr. GREENWOOD. Mr. Dean has handled that.

Mr. DEAN. We received 154,000 short tons of nonquota sugar which were exchanged for surplus agricultural commodities. The commodities involved were wheat, rice, tobacco, and cotton. These commodities that went into these countries were additional commodities above and beyond what had been normally going in. In other words, they did not replace any present sales.

Mr. SANTANGELO. Can you tell us with which countries we have been bartering?

Mr. DEAN. I do not have the list with me but I can name some and supply a complete list for the record—Brazil, 50,000 short tons; India, 50,000 short tons; Fiji, 5,000 short tons; Colombia, 5,000 short tons; Ireland, 5,000 short tons.

Mr. SANTANGELO. When you say 5,000 tons, you mean sugar?

Mr. DEAN. Yes; raw sugar except in the case of Ireland. We computed the dollar value on the sugar and the countries agreed to take at least that many dollars worth of additional surplus agricultural commodities.

Mr. MICHEL. The cost of sugar was computed at what?

Mr. DEAN. About \$107 a short ton.

Mr. WHITTEN. Supply that for the record.

(The material requested follows:)

SUMMARY OF DISCRETIONARY NONQUOTA SUGAR IMPORT ALLOCATIONS TO COUNTRIES AGREEING TO PURCHASE U.S. AGRICULTURAL COMMODITIES

In February 1962, up to 174,105 short tons of sugar for delivery during the January-June 1962 period were made available for this purpose. This amount was small in comparison with the 1,574,622 short tons total of nonquota sugar for the same period, but it did provide a basis for developing an experimental program.

On February 12, 1962, the Department invited sugar-producing countries to submit proposals in which they would agree to purchase additional U.S. butter, cheddar cheese, nonfat dry milk, cotton, peanuts, wheat (including flour), yellow corn (including meal), oats, barley, rye, grain sorghums, gum turpentine, and tobacco. These commodities are all in surplus, and in CCC inventory, or under loan in the case of tobacco. The proposals were required to show that these commodities would represent additional consumption in the country supplying the sugar.

Proposals from 11 countries were received by March 12, 1962, and evaluation of them was made by the U.S. Government on the basis of (1) the clearest showing of additionality of consumption; (2) the additional quantity and market value of the above listed U.S. agricultural commodities that the country agreed to purchase in 1962; (3) noninterference with markets of friendly countries; and (4) the country's ability to deliver sugar to U.S. ports promptly.

Agreements involving a total of 154,000 short tons of sugar were negotiated and signed with eight countries with the tonnages for each in parenthesis: India (50,000), Brazil (50,000), Republic of China (29,000), Colombia (5,000), El Salvador (5,000), Guatemala (5,000), Ireland (5,000), and Great Britain (on behalf of the Fiji Islands) (5,000).

Unlike Commodity Credit Corporation barter, this program permits the flow of sugar and U.S. agricultural commodities from free market supplies through normal channels of trade and into consumption. The U.S. Government neither acquires the sugar nor delivers the other commodities. Government-to-Government commodity agreements formalize the undertakings and create the conditions under which the commodities will move.

The value and the volume of additional U.S. surplus commodities that will move to each of the eight countries this year under this experimental program are shown in the attachment.

Sugar exchange agreements—Summary table

	Quantity	Estimated dollar value
Cotton:		
India (bales)-----	44,000	\$6,380,000
Republic of China (bales)-----	29,000	3,828,000
Total-----	73,000	10,208,000
Wheat:		
Brazil (metric tons)-----	85,000	5,414,000
Colombia (metric tons)-----	10,000	660,600
El Salvador (metric tons)-----	5,700	360,810
Total-----	100,700	6,435,410
Tobacco: Republic of China (pounds)-----	333,000	299,700
Corn:		
Ireland (metric tons)-----	25,000	1,231,250
Guatemala (metric tons)-----	12,500	615,625
El Salvador (metric tons—4,000 short tons)-----	3,600	177,300
Total-----	41,100	2,024,175
Grain sorghums: Ireland (metric tons)-----	25,000	1,210,000
Rice: Fiji (metric tons)-----	4,000	540,000
Wheat flour: Fiji (metric tons)-----	1,000	77,160
Total additional U.S. commodities-----		20,794,445

Mr. GODFREY. I am sorry I was not correct on Brazil. He says 50,000 tons for Brazil.

Mr. SANTANGELO. I know there was a dispute with Brazil with regard to some of our wheat exchange. I believe that has been resolved.

Mr. DEAN. That is correct, and by June 15, 1962, 97.2 percent of the sugar has already been delivered.

Mr. SANTANGELO. Thank you.

Mr. WHITTEN. We shall insert in the record at this point pages 233 through 263 of volume 3.

(The material requested follows:)

SPECIAL EXPORT PROGRAMS (FOREIGN ASSISTANCE)

PURPOSE STATEMENT

A number of statutes provide for the facilities of the Commodity Credit Corporation to be used in carrying out programs for the exportation of surplus agricultural commodities and authorize appropriations to reimburse the Corporation for costs incurred in connection with such programs.

Prior to fiscal year 1962, the Corporation was reimbursed for the costs of these activities by direct appropriations subsequent to incurrence of the costs. Beginning in the fiscal year 1962, the Congress appropriated funds to place these activities on a pay-as-you-go basis, appropriating for estimated costs in fiscal year 1962. Payments are made to the Corporation each month for estimated costs incurred. Subsequent requests will include funds for each ensuing fiscal year on the same basis as for other programs of the Department.

Although appropriations are made in a specified amount for these programs, the Congress has recognized the fact that the appropriation is not fully controlling since contract authority under basic law permits the Department to enter into agreements and commit the Government to expenditures which must be financed from subsequent appropriations. If the amounts appropriated prove to be inadequate, the Commodity Credit Corporation will still finance authorized costs which may be in excess of the appropriations provided and subsequent appropriations would include such additional amounts used. On the other hand, any unused appropriations, which remain available until expended, are used to reduce the subsequent appropriation requests for these programs.

Activities are currently being carried out under these programs pursuant to the following specific authorizations:

1. Public Law 480

(a) *Sale of surplus agricultural commodities for foreign currencies.*—Under the Agricultural Trade Development and Assistance Act, as amended (7 U.S.C. 1701–1709), surplus agricultural commodities are sold for foreign currencies. Within certain limitations, these currencies may then be used by the U.S. Government for agricultural market development, purchase of strategic materials, military equipment facilities and services for the common defense, payment of U.S. obligations, military housing, and other specified purposes.

If regular appropriations of any Federal agency are available for any unrestricted purpose for which foreign currencies are used, the agency must buy the currency for dollars which are credited to the Commodity Credit Corporation. Beginning with 1961, special appropriations have been made for uses of foreign currencies in excess of amounts needed for regular operations or where use of currencies is restricted by international agreement or understanding. As these currencies are used, the Corporation receives reimbursement therefor from these appropriations.

The Department of Defense directly reimburses the Corporation for foreign currencies used for military family housing prior to 1961 from quarters allowances and net rental receipts from such housing. Section 509 of Public Law 86–500, approved June 8, 1960 (74 Stat. 186), provides that at least 75 percent of the total cost of any family housing project or community facility hereafter constructed or acquired in any foreign country (with certain specific exceptions) by any military department shall be paid for from foreign currencies acquired by the Corporation under title I.

Appropriations are authorized to reimburse the Corporation for its net costs in carrying out this program. Through December 31, 1961, a total of \$11.25 billion was so authorized.

Public Law 87–128, approved August 8, 1961, provides a limitation of \$4.5 billion for a 3-year period January 1, 1962, through December 31, 1964, and limits to \$2.5 billion the amount that may be appropriated in any calendar year to reimburse the Commodity Credit Corporation.

(b) *Commodities disposed of for emergency famine relief to friendly peoples.*—Under title II of the Agricultural Trade Development and Assistance Act of 1954, Public Law 480, as amended (7 U.S.C. 1703, 1721–1724), the Commodity Credit Corporation makes its surplus stocks of agricultural commodities available to the President for famine relief and other assistance to friendly nations and friendly peoples in meeting famine or other relief requirements and to pay ocean freight charges for the shipment of donated commodities.

Public Law 86–472, enacted May 14, 1960, authorized payments of transportation to point of entry of landlocked countries and general average contributions arising out of ocean transport of commodities transferred under title II. Public Law 87–92, approved July 20, 1961, continued the authority of the President under section 202, title II, to utilize surplus agricultural commodities to assist needy peoples and to promote economic development in underdeveloped areas of the world.

Appropriations are authorized to reimburse the Corporation for its costs in carrying out the program. Through December 31, 1959, a total of \$800 million was authorized. From January 1, 1960, \$300 million per calendar year was authorized through December 31, 1961, plus unused balances of the previous authorization, making a total of \$1.4 billion.

Public Law 87–128, approved August 8, 1961, amended section 203 of title II limiting to \$300 million plus any unused preceding year's authorization, the appropriations to reimburse CCC (including CCC's investment in commodities made available) which can be made in any calendar year beginning January 1, 1962, and ending December 31, 1964, and extending to December 31, 1964, the programs of assistance which may be undertaken under this title.

(c) *Long-term supply contracts.*—Under title IV of the Agricultural Trade Development and Assistance Act (7 U.S.C. Supp. 1, 1731–1736), the President is authorized to make agreements with friendly nations under which the United States would deliver surplus agricultural commodities over periods of up to 10 years and accept payment in dollars with interest over periods of up to 20 years

2. International Wheat Agreement

The International Wheat Agreement Act, as amended (7 U.S.C. 1641–1642), which was renewed for a period of 3 years effective August 1, 1959, operates to provide an assured market for wheat to exporting countries at stable and equitable prices. The maximum and minimum prices in the 1959 agreement are \$1.90

and \$1.50 per bushel, respectively, for the basic grade of wheat, No. 1, Manitoba Northern, at Fort William/Port Arthur, Canada, in terms of Canadian currency at the parity for the Canadian dollar determined for the purposes of the International Monetary Fund as of March 1949. The agreement total quantity represents about 36 percent of world trade in wheat, yet the nine exporting member countries export inside and outside the agreement about 90 percent of all wheat moving in world trade.

The Commodity Credit Corporation makes available wheat or wheat flour to carry out the provisions of the agreement, including the payment-in-kind to the exporter for the difference between the prevailing sales price of wheat under the agreement and the market price. A cash payment for this differential is made for flour.

Legislation is being proposed to extend the agreement beyond the expiration date of July 31, 1962.

3. Bartered materials for supplemental stockpile

Under title II of the Agricultural Act of 1956 (7 U.S.C. 1856), the Commodity Credit Corporation transfers to the supplemental stockpile strategic and other materials acquired as a result of barter and exchange of agricultural commodities, other than those acquired for the national stockpile or for other purposes. Appropriations are authorized for the value of materials transferred at the lower of cost or market value at the time of the transfer.

	Appropriated, 1962	Budget esti- mates, 1963
Public Law 480:		
Sale of surplus agricultural commodities for foreign currencies.....	\$1,250,451,000	\$1,080,632,000
1963 appropriation for 1962 costs.....		212,368,000
Total, sale of surplus agricultural commodities.....	1,250,451,000	1,293,000,000
Commodities disposed of for emergency famine relief to friendly peoples.....	140,868,000	300,000,000
1963 appropriation for 1962 costs.....		64,000,000
Total, commodities disposed of for emergency famine relief to friendly peoples.....	140,868,000	364,000,000
Long-term supply contracts.....	13,000,000	90,000,000
Total, Public Law 480.....	1,404,319,000	1,747,000,000
International Wheat Agreement.....	70,681,000	81,218,000
1963 appropriation for 1962 costs.....		15,650,000
Total, International Wheat Agreement.....	70,681,000	96,868,000
Bartered materials for supplemental stockpile.....	125,000,000	250,200,000
1963 appropriation for 1962 costs.....		92,867,000
Total, bartered materials for supplemental stockpile.....	125,000,000	343,067,000
Total appropriations.....	1,600,000,000	2,186,935,000

Public Law 480

	Sale of surplus agricultural commodities for foreign currencies	Commodities disposed of for emergency famine relief to friendly peoples	Long-term supply contracts	Total
Appropriation Act, 1962, for estimated 1962 costs.....	\$1,250,451,000	\$140,868,000	\$13,000,000	\$1,404,319,000
Budget estimates, 1963:				
For unrecovered 1962 and prior years' costs to be available in 1962.....	212,368,000	64,000,000		276,368,000
For estimated 1963 costs.....	1,080,632,000	300,000,000	90,000,000	1,470,632,000
Total budget estimate, 1963.....	1,293,000,000	364,000,000	90,000,000	1,747,000,000

Project statement (on basis of appropriations)

Project	1962 appropriation for 1962 estimated costs	Budget estimates, 1963		
		For unrecovered prior years' costs (to be available in 1962)	For estimated 1963 costs	Total
Sale of surplus agricultural commodities for foreign currencies.....	\$1,250,451,000	\$212,368,000	\$1,080,632,000	\$1,293,000,000
Commodities disposed of for emergency famine relief to friendly peoples.....	140,868,000	64,000,000	300,000,000	364,000,000
Long-term supply contracts.....	13,000,000	-----	90,000,000	90,000,000
Total appropriation or estimate..	1,404,319,000	276,368,000	1,470,632,000	1,747,000,000

EXPLANATION OF ESTIMATE

The preceding project statement was prepared on the basis of appropriations made in fiscal year 1962 and estimated for fiscal year 1963. An increase of \$342,681,000 is requested for 1963. Included in the 1963 estimate is \$276,368,000 of unrecovered prior years' costs applicable to the 1961 and 1962 programs. The explanation which follows is based on the estimated program for each activity in fiscal years 1962 and 1963:

Sale of surplus agricultural commodities for foreign currencies (title I)

	Estimated, 1962	Estimated, 1963
Expenses of shipments:		
Commodity Credit Corporation stocks.....	\$368,945,367	\$317,395,000
Private stocks and ocean transportation.....	1,081,054,633	972,605,000
Total, expenses of shipments.....	1,450,000,000	1,290,000,000
Interest expense on unrecovered balance.....	17,115,983	10,632,000
Total expenses.....	1,467,115,983	1,300,632,000
Recoveries from sales of foreign currencies by Government agencies and rental receipts (deduct).....	-134,000,000	-170,000,000
Change in currencies to be sold for dollars in future years.....	-50,000,000	-50,000,000
Total current year's costs recoverable from appropriations.....	1,283,115,983	1,080,632,000
Unrecovered prior years' costs included in 1963 budget estimate:		
1961.....	-----	179,703,017
1962.....	-32,664,983	32,664,983
Subtotal.....	-32,664,983	212,368,000
Total appropriation or estimate.....	1,250,451,000	1,293,000,000

Expenses of shipments

Following is a breakdown of expenses of shipments, by commodity, from Commodity Credit Corporation stocks as well as those from private stocks:

Commodities disposed of for emergency famine relief to friendly peoples (title II)

	Estimated 1962	Estimated 1963
Expenses of shipments:		
Commodity Credit Corporation stocks.....	\$211,367,500	\$253,242,500
Ocean transportation on above and also on sec. 416 donations.....	70,120,718	46,757,500
Total expenses of shipments.....	281,488,218	300,000,000
Portion of costs financed by Commodity Credit Corporation from 1961 balance.....	-76,620,218	
Unrecovered 1962 costs included in 1963 budget estimate.....	-64,000,000	64,000,000
Total appropriation or estimate.....	140,868,000	364,000,000

Expenses of shipments

Following is a breakdown of expenses of shipments by commodity:

Public Law 480, title II, expenses of shipments

Commodity	Unit of measure	Fiscal year 1962		Fiscal year 1963	
		Quantity	Value	Quantity	Value
Wheat.....	Bushel.....	25,000,000	\$107,500,000	30,000,000	\$132,000,000
Wheat flour.....	Pound.....	650,000,000	35,750,000	850,000,000	46,750,000
Corn.....	Bushel.....	8,000,000	28,800,000	10,000,000	37,500,000
Barley.....	do.....	11,500,000	24,725,000	8,000,000	18,400,000
Sorghums, grain.....	do.....	2,000,000	4,500,000	3,000,000	7,050,000
Rice, milled.....	Hundred-weight.....	420,000	4,200,000	560,000	5,600,000
Beans, dry edible.....	do.....	25,000	192,500	25,000	192,500
Milk, nonfat dry.....	Pound.....	25,000,000	4,700,000	25,000,000	4,750,000
Vegetable oil.....	do.....	5,000,000	1,000,000	5,000,000	1,000,000
Total commodity costs.....			211,367,500		253,242,500
Ocean transportation:					
Title II shipments (above).....			25,120,718		14,757,500
Title III donations (section 416).....			45,000,000		32,000,000
Subtotal, ocean transportation.....			70,120,718		46,757,500
Total, expenses of shipments.....			281,488,218		300,000,000

Long-term supply contracts (title IV)

	Estimated, 1962	Estimated, 1963
Expenses of shipments:		
Commodity Credit Corporation stocks.....	\$38,964,000	\$99,137,000
Private stocks and ocean transportation.....	112,536,000	160,863,000
Total expenses of shipments.....	151,500,000	260,000,000
Interest expense on unrecovered balance.....	4,000,000	9,000,000
Total expenses.....	155,500,000	269,000,000
Repayments from foreign governments including interest.....		-11,000,000
Subtotal, net expenses.....	155,500,000	258,000,000
Amounts due from foreign governments to be recovered in subsequent years.....	-142,500,000	-168,000,000
Total appropriation or estimate.....	13,000,000	90,000,000

STATUS OF PROGRAM

Special export programs (foreign assistance)

Under existing legislation, special export programs are, for the first time beginning in fiscal year 1962, financed by direct annual appropriations on a pay-as-you-go basis. Previously, Commodity Credit Corporation capital funds were used to finance these programs subject to reimbursement from subsequent appropriations. This limited the Corporation's ability to use its financial resources for its primary purpose of price support because each year large amounts of Corporation funds had been used for these special export programs and were not available for other use until reimbursed by appropriation. It is contemplated, however, that the Corporation will still finance any costs which are in excess of the appropriations provided and will include in subsequent appropriation requests the additional amounts so used.

Details of estimated activity for the fiscal years 1962 and 1963 have been covered in the preceding pages. Actual activity during the fiscal year 1961 is included here for comparability although the appropriations were made under the head "Reimbursement to Commodity Credit Corporation for Costs of Foreign Assistance and Other Special Activities."

*Public Law 480**(a) Sale of surplus agricultural commodities for foreign currencies*

(1) *Explanation of program.*—The Commodity Credit Corporation is authorized to finance sales for foreign currencies to friendly nations of Commodity Credit Corporation owned and privately owned agricultural commodities in surplus at time of exportation.

The first step in making such sales is the formulation of an agreement between the governments of the United States and an importing country. The function of negotiating agreements is primarily the responsibility of the Department of State. To implement agreements entered into, the Foreign Agricultural Service issues purchase authorizations to importing countries, whereupon domestic exporters and foreign importers negotiate sales contracts. Sales are generally made at prices comparable to those prevailing in the market for export sales for dollars. Exchange rates as favorable as those at which U.S. agencies can acquire foreign currencies are required. In negotiating agreements, consideration is given to developing and expanding continuous market demand abroad with emphasis on underdeveloped and new market areas. Safeguards are taken that sales for foreign currencies do not displace U.S. usual marketings or disrupt world market prices or normal patterns of commercial trade with friendly countries. Private trade channels are used to the maximum extent practicable. Emphasis is given to negotiation of agreements on a multiyear basis in order to maximize sales of U.S. agricultural surpluses abroad.

Transactions involved in financing operations by the Corporation in carrying out sales contracts follow normal commercial procedures and are based largely on letters of credit. Importers pay for commodities in local currency through their local banks. Suppliers are paid in dollars by U.S. banks with which the foreign banks have established dollar letter-of-credit arrangements, and U.S. banks are reimbursed by the Corporation. Foreign currency is deposited to the account of the U.S. Government in accordance with arrangements made between the governments of the United States and the importing country.

Costs of financing sales: Costs incurred comprise—

1. The Corporation's investment in its commodities exported. This includes acquisition at domestic support prices, storage, processing, packaging, inland transportation, and handling charges.
2. The export value of shipments from commercial stocks.
3. Ocean transportation for commodities required to be shipped on privately owned U.S.-flag commercial vessels, or when importing country is unable to secure transportation at reasonable rates with its own currency.
4. Interest expense on unrecovered portion requiring Commodity Credit Corporation financing, primarily amounts recoverable in future years from sales of foreign currencies.

Utilization of foreign currencies: Section 104 of Public Law 480, title I, authorizes the use of foreign currency sales proceeds, including principal and interest from loan repayments, for various purposes, and Public Law 86-500 provides that at least 75 percent of the total cost of foreign military family housing

projects constructed or acquired after June 8, 1960, be paid for from foreign currencies acquired under title I of Public Law 480. Each sales agreement includes terms for foreign currency use, and specifies the percentage of total proceeds to be used for grants and loans (see c, e, and g below). Agreements generally avoid detailing of U.S. uses, showing the percentage for such uses as a combined total.

In accordance with congressional appropriation actions and determinations of the Bureau of the Budget, currencies are made available by the Treasury Department to the U.S. agencies responsible for carrying out programs specified in the sales agreements and authorized under section 104 of Public Law 480, as amended. Uses authorized fall into two major categories:

1. U.S. uses.
2. Uses of direct benefit to the recipient country.

U.S. uses include payment of U.S. obligations abroad and special foreign currency programs. Currencies available for the payment of U.S. obligations are used within regular appropriations. U.S.-use proceeds in excess of requirements for the payment of U.S. obligations, or which may not under the terms of the sales agreement be used for that purpose, are available for special foreign currency programs for which appropriations are provided. Currencies for U.S. uses are bought by the agencies responsible for carrying out the programs out of regular or special dollar appropriations.

The dollars so received by the Treasury are used to reimburse the Commodity Credit Corporation. The Department of Defense directly reimburses the Corporation for foreign currencies used for construction of military housing abroad from net rental receipts or from quarters allowances.

Uses for programs of direct benefit to recipient countries are at amounts specified in the sales agreements and are authorized without appropriations. Foreign currencies for these uses are available to agencies without reimbursement to the Treasury.

Following is an outline of authorized foreign currency uses:

Authority	Currency use	Responsible agency
Public Law 480, title I, sec. 104:		
(a)-----	Agricultural market development (including research).	Department of Agriculture.
(b)-----	Supplemental stockpile-----	Office of Emergency Planning (formerly Office of Civil and Defense Mobilization).
(c)-----	Common defense-----	Department of Defense and Agency for International Development.
(d)-----	Purchase of goods for other countries.	Agency for International Development.
(e)-----	Grants for economic development.	Do.
(f)-----	Loans to private enterprise-----	Export-Import Bank of Washington.
(g)-----	Payment of U.S. obligations-----	Any authorized U.S. Government agency.
(g)-----	Loans to foreign governments-----	Agency for International Development.
(h)-----	International educational exchange----	Department of State.
(i)-----	Translation of books and periodicals----	U.S. Information Agency.
(j)-----	American-sponsored schools and centers.	Department of State and U.S. Information Agency.
(k) ¹ -----	Scientific, medical, cultural, and educational activities.	National Science Foundation and other appropriate agencies including the Department of Agriculture.
(l)-----	Buildings for U.S. Government use----	Department of State.
(m)-----	Trade fairs-----	U.S. Information Agency.
(n)-----	Acquisition, indexing, and dissemination of foreign publications.	Librarian of Congress.
(o)-----	American educational institutions-----	Department of State.
(p) ¹ -----	Workshops and chairs in American studies.	Do.
(q)-----	Purchase of nonfood items for emergency uses.	Agency for International Development.
(r) ¹ -----	Audiovisual materials-----	U.S. Information Agency and Department of State.
(s)-----	Sale for dollars to American tourists----	Not designated.
Public Law 86-500-----	Military housing-----	Department of Defense.

¹ Subject to the appropriation process.

(2) *Summary of operations, 1961.*—The following table reflects the commodity composition of exports and the costs incurred in their exportation for the fiscal year 1961:

(b) *Commodities disposed of for emergency famine relief to friendly peoples*

(1) *Explanation of program.*—Pursuant to agreements between the United States and friendly nations, the Commodity Credit Corporation makes available to the President of the United States out of its stocks such agricultural commodities which are surplus at the time of donation as he may request for transfer to friendly nations or friendly peoples. After agreements have been signed, the Agency for International Development, delegated by the President to administer this program, issues to the Corporation transfer authorizations requesting delivery of commodities. Precautions are taken to assure that such transfers will not displace or interfere with sales which might otherwise be made.

Stocks transferred are used to furnish emergency assistance in meeting famine or other urgent or extraordinary relief requirements. Public Law 86-472, May 14, 1960 (7 U.S.C. 1722), broadened the authority contained in title II of Public Law 480 to facilitate the use of surplus agricultural commodities in meeting relief requirements and to enable the United States to use such commodities to promote economic development in underdeveloped areas in the absence of emergency, through June 30, 1961. The expiration date of this expanded authority was repealed by Public Law 87-92, approved July 20, 1961.

Costs incurred under this program comprise—

1. The Corporation's investment in making its commodities available for transfer. This includes acquisition at domestic support prices, storage, processing, packaging, inland transportation, and handling charges.

2. Ocean transportation on such transfers and on donations under section 416 of the Agricultural Act of 1949 from U.S. ports to designated ports of entry abroad. Public Law 86-472, May 14, 1960 (7 U.S.C. 1723), further authorizes payment of ocean transportation to designated points of entry in landlocked countries and payment of charges for general average contributions arising out of ocean transport.

3. Interest expense on portion requiring Commodity Credit Corporation financing, if any.

(2) *Summary of operations, 1961.*—The following table reflects the actual volume of commodity transfers and costs incurred in connection with this program during fiscal year 1961.

Commodity	Unit of measure	Quantity	Value
Wheat.....	Bushel.....	20,193,825	\$86,386,994
Wheat flour.....	Pound.....	543,619,122	28,423,629
Corn.....	Bushel.....	1,868,853	6,505,497
Cornmeal.....	Pound.....	9,920,200	388,316
Barley.....	Bushel.....	8,176,254	16,381,663
Sorghums, grain.....	do.....	1,259,614	2,785,733
Rice, milled.....	Hundredweight.....	378,827	3,920,538
Cotton, upland.....	Bale.....	19,965	3,291,655
Milk, nonfat dry.....	Pound.....	21,056,435	3,821,840
Vegetable oil.....	do.....	716,380	142,162
Total, commodity costs.....			152,048,027
Ocean transportation:			
Title II.....			17,813,438
Title III donations (sec. 416).....			26,247,790
Subtotal, ocean transportation.....			44,061,228
Total, program costs.....			196,109,255
Interest expense on unrecovered balance.....			2,455,666
Total expense.....			198,564,921
Unobligated balance available:			
1960.....			-19,500,139
1961.....			76,620,218
Appropriation.....			255,685,000

(c) *Long-term supply contracts*

(1) *Explanation of program.*—Under this program, sales of U.S. agricultural commodities on a long-term dollar credit basis will be made pursuant to agreements entered into between the United States and friendly nations. The program is designed to assist the economic development of underdeveloped countries and to open up new markets now available on only a cash or short-term credit basis

in more highly developed countries. Care will be taken to avoid displacement of U.S. cash dollar sales or disruption of normal patterns of commercial trade among friendly countries.

Sales agreements will provide for delivery of commodities for periods up to 10 years. Commodities, which must be surplus at time of exportation, are to be used for consumption within the recipient country. Credit periods of up to 20 years are authorized. The maximum interest rate which may be charged is the cost of funds to the U.S. Treasury.

The Commodity Credit Corporation, using its funds and stocks of surplus commodities, will finance all sales under this program. Costs incurred will comprise—

1. Payment at contract price for private stocks exported.
2. The differential between domestic market price and the competitive world price on commodities exported from private stocks to be paid in stocks from Commodity Credit Corporation's price-support inventory or in cash if such stocks are not available.
3. Excess of Commodity Credit Corporation's investment value over domestic market value of Commodity Credit Corporation price-support commodities delivered to exporters.
4. Ocean transportation for commodities required to be shipped on privately owned U.S.-flag commercial vessels.
5. Interest expense on unrecovered portion requiring Commodity Credit Corporation financing, if any, primarily amounts due from foreign governments, to be repaid in future years.

Dollar repayments will be made by the contracting governments for the export value of commodities shipped and ocean transportation and interest. Commodity Credit Corporation will absorb the excess cost of ocean freight on U.S.-flag vessels as compared with foreign flag vessel rates.

(2) *Summary of operations, 1961.*—Pilot programs were developed during the fiscal year 1961 for deliveries in subsequent years. Through December 31, 1961, the following agreements were signed:

Country	Date announced	Commodity	Amount programmed
El Salvador.....	Aug. 22, 1961	Wheat and flour.....	\$2,000,000
Venezuela.....	Nov. 13, 1961	Milled rice, potatoes, and non-fat dry milk.	195,600
Portugal.....	Nov. 25, 1961	Wheat.....	2,463,000

International Wheat Agreement

Appropriation Act, 1962..... \$70,681,000

Budget estimate, 1963:

For unrecovered 1962 and prior years' costs to be available in 1962..... 15,650,000

For estimated 1963 costs..... 81,218,000

Total budget estimate, 1963..... 96,868,000

Project statement (on basis of appropriations)

1962 appropriation for 1962 estimated costs..... \$70,681,000

Budget estimate, 1963:

For unrecovered prior years' costs (to be available in 1962).... 15,650,000

For estimated 1963 costs..... 81,218,000

Total..... 96,868,000

EXPLANATION OF ESTIMATE

The preceding project statement was prepared on the basis of appropriations made in fiscal year 1962 and estimated for fiscal year 1963. An increase of \$26,187,000 is requested for 1963. Included in the 1963 estimate is \$15,650,000 of unrecovered prior years' costs applicable to the 1961 and 1962 programs. The explanation which follows is based on the estimated program for each activity in fiscal years 1962 and 1963.

	Estimated, 1962	Estimated, 1963
Expenses of shipments:		
Commodity Credit Corporation stocks	\$60,200,000	\$60,200,000
Private stocks and other costs	21,018,000	21,018,000
Total, expenses of shipments	81,218,000	81,218,000
Interest expense on unrecovered balance	157,440	.....
Total current year's costs recoverable from appropriations	81,375,440	81,218,000
Unrecovered prior years' costs included in 1963 budget estimate:		
1961 .....	.....	4,955,560
1962	-10,694,440	10,694,440
Subtotal	-10,694,440	15,650,000
Total appropriation or estimate	70,681,000	96,868,000

Expenses of shipments

Following is a breakdown of expenses of shipments by country:

International Wheat Agreement—Expenses of shipments

Importing country	Fiscal year 1962 (estimated costs)			Fiscal year 1963 (estimated costs)		
	Bushels	Amount	Average cost per bushel	Bushels	Amount	Average cost per bushel
Belgium	3,844,700	\$2,009,100	\$0.52	3,274,100	\$2,009,100	\$0.61
Belgium (Congo)	13,400	8,600	.64	11,400	8,600	.75
Brazil	4,556,300	2,189,600	.48	3,880,000	2,189,600	.56
Costa Rica	1,254,200	882,100	.70	1,068,100	882,100	.83
Dominican Republic	226,700	107,000	.47	193,100	107,000	.55
El Salvador	1,213,200	729,100	.60	1,033,200	729,100	.71
Germany	6,444,900	3,287,900	.51	5,488,300	3,287,900	.60
Greece	12,800	9,700	.76	10,900	9,700	.89
Guatemala	2,086,900	1,093,200	.52	1,777,100	1,093,200	.62
Haiti	2,900	2,100	.72	2,500	2,100	.84
Honduras	802,000	461,200	.58	683,000	461,200	.68
Iceland	112,200	79,400	.71	95,500	79,400	.83
India	4,100	2,900	.71	3,500	2,900	.83
Indonesia	1,064,900	761,300	.71	906,800	761,300	.84
Ireland	275,000	135,700	.49	234,200	135,700	.58
Israel	2,613,400	1,294,900	.50	2,225,500	1,294,900	.58
Japan	32,597,800	19,603,600	.60	27,796,600	19,603,600	.71
Netherlands	11,548,700	8,273,100	.72	9,834,600	8,273,100	.84
Norway	1,066,100	671,600	.63	907,900	671,600	.74
Panama	1,116,800	777,400	.70	951,000	777,400	.82
Peru	3,463,600	1,761,800	.51	2,949,500	1,761,800	.60
Philippines	8,765,200	6,050,200	.69	7,464,200	6,050,200	.81
Portugal	7,594,200	4,003,200	.53	6,467,000	4,003,200	.62
Rhodesia and Nyasaland	389,500	207,000	.53	331,700	207,000	.62
Saudi Arabia	3,618,000	2,719,800	.75	3,081,000	2,719,800	.88
Switzerland	1,426,700	714,200	.50	1,214,900	714,200	.59
Union of South Africa	7,800	5,500	.71	6,700	5,500	.82
United Arab Republic	3,028,300	1,370,800	.45	2,578,800	1,370,800	.53
United Kingdom	19,258,000	11,763,400	.61	16,396,300	11,763,400	.72
United Kingdom territory	6,681,200	4,716,200	.71	5,689,600	4,716,200	.83
Venezuela	9,914,500	5,308,400	.54	8,443,000	5,308,400	.63
Total commodities exported	135,000,000	81,000,000	.60	115,000,000	81,000,000	.70
Commercial exports:						
Cash payment differential to commercial exporters of wheat flour	25,600,000	20,800,000	.81	22,100,000	20,800,000	.94
Payment in kind to commercial exporters of wheat	99,600,000	55,100,000	.55	84,500,000	55,100,000	.65
Total cost of commercial exports	125,200,000	75,900,000	.61	106,600,000	75,900,000	.71
Exports of Commodity Credit Corporation wheat and flour via commercial exporters	9,800,000	5,100,000	.52	8,400,000	5,100,000	.61
Total commodity costs	135,000,000	81,000,000	.60	115,000,000	81,000,000	.70
Operating expenses		218,000	.....		218,000	.....
Total, expenses of shipments		\$1,218,000	.....		\$1,218,000	.....

STATUS OF PROGRAM

International Wheat Agreement

1. *Explanation of program.*—The International Wheat Agreement of 1959, ratified by 9 exporting and 29 importing countries, encompasses all commercial trade in wheat and wheat flour between member countries. It establishes maximum and minimum prices at \$1.90 and \$1.50 a bushel, basis No. 1 Manitoba wheat in bulk in-store Fort William/Port Arthur, Canada. Within the price range, importer members undertake to purchase specified percentages of their total commercial purchases from member exporters. The right of exporting members to supply this demand is augmented by the added benefit they have of undertaking to satisfy importer members' total commercial requirements. At the maximum price, exporter members are obligated to furnish any quantities not already purchased up to a moving average equal to importer members' historical commercial purchases during a 5-year period.

The United States has ratified the agreement as an exporting member. Importing members may purchase wheat and wheat flour in the United States from the Commodity Credit Corporation or from commercial exporters. The Corporation, using its funds and stocks of wheat, finances all U.S. exports under the agreement. The net costs of such financings comprise—

(1) Cash payments to commercial exporters for the difference between the domestic market price and the agreement sales price of wheat flour exported.

(2) Payments-in-kind transferred from price-support inventories at domestic market price to commercial exporters who have exported commercial wheat.

(3) The differential between the domestic market price and the agreement sales price of wheat sold from price-support inventories to commercial exporters for export.

(4) The differential between the domestic market price and the agreement sales price of wheat sold from price-support inventories to importer members.

(5) The differential between the Corporation's investment and the agreement sales price of wheat and flour sold from Commodity Credit Corporation's supply program inventory to importer members.

(6) Operating expenses.

(7) Interest expense on unrecovered balance requiring Commodity Credit Corporation financing, if any.

2. *Summary of operations, 1961.*—Following is a statement of exports and costs for the fiscal year 1961, by country:

Importing country	Bushels	Amount	Average cost per bushel
Belgium.....	3,187,605	\$1,746,506	\$0.55
Belgium (Congo).....	11,166	7,481	.67
Brazil.....	3,777,815	1,904,341	.50
Costa Rica.....	1,039,502	766,991	.74
Cuba.....	1,799,087	1,235,063	.69
Dominican Republic.....	187,599	93,244	.50
El Salvador.....	1,006,000	634,310	.63
Germany.....	5,344,001	2,858,735	.53
Greece.....	10,615	8,447	.80
Guatemala.....	1,730,355	950,230	.55
Haiti.....	2,448	1,813	.74
Honduras.....	664,715	400,833	.60
Iceland.....	92,592	69,380	.75
India.....	3,378	2,512	.74
Indonesia.....	882,661	661,481	.75
Ireland.....	227,582	118,237	.52
Israel.....	2,167,100	1,126,261	.52
Japan.....	32,588,612	17,474,820	.54
Korea.....	699	603	.86
Netherlands.....	12,591,738	7,938,508	.63
New Zealand.....	465	401	.86
Norway.....	883,642	584,026	.66
Panama.....	926,307	676,319	.73
Peru.....	2,872,172	1,531,853	.53
Philippines.....	9,561,465	5,806,452	.61
Portugal.....	6,296,783	3,480,820	.55
Rhodesia and Nyassaland.....	322,556	180,083	.56
Saudi Arabia.....	3,000,373	2,365,123	.79
Switzerland.....	1,183,134	621,087	.52
Union of South Africa.....	6,482	4,813	.74
United Arab Republic.....	2,511,277	1,192,016	.47
United Kingdom.....	20,582,202	11,283,935	.55
United Kingdom Territory.....	5,540,015	4,100,466	.74
Venezuela.....	8,220,875	4,615,824	.56
Unidentified.....	813,000	-----	-----
Total commodities exported.....	130,036,018	74,443,014	.57
Commercial exports:			
Cash payment differential to commercial exporters of wheat flour.....	24,703,527	19,076,082	.77
Payment-in-kind to commercial exporters of wheat.....	95,912,257	50,672,775	.53
Total costs of commercial exports.....	120,615,784	69,748,857	.58
Exports of Commodity Credit Corporation wheat and flour via commercial exporters.....	9,420,234	4,694,157	.50
Total commodity costs.....	130,036,018	74,443,014	.57
Operating expenses.....	-----	189,187	-----
Interest expense on unrecovered balance.....	-----	1,854,023	-----
Total expenses.....	-----	76,486,224	-----
Unrecovered 1960 costs.....	-----	17,259,336	-----
Unrecovered 1961 costs.....	-----	-4,955,500	-----
Appropriation.....	-----	88,790,000	-----

Bartered materials for supplemental stockpile

Appropriation Act, 1962.....	\$125,000,000
Budget estimate, 1963:	
For unrecovered 1962 costs to be available in 1962.....	92,867,000
For estimated 1963 costs.....	250,200,000
Total budget estimate, 1963.....	343,067,000

Project statement (on basis of appropriations)

1962 appropriation for 1962 estimated costs.....	\$125,000,000
Budget estimate, 1963:	
For unrecovered prior years' costs (to be available in 1962) ..	92,867,000
For estimated 1963 costs.....	250,200,000
Total.....	343,067,000

EXPLANATION OF ESTIMATE

The preceding project statement was prepared on the basis of appropriations made in fiscal year 1962 and estimated for fiscal year 1963. An increase of \$218,067,000 is requested for 1963. Included in the 1963 estimate is \$92,867,000 of costs applicable to the 1962 program. The explanation which follows is based on the estimated program for each activity in fiscal years 1962 and 1963.

	Estimated, 1962	Estimated, 1963
Materials transferred to supplemental stockpile—total current year's costs recoverable from appropriations.....	\$225,300,539	\$250,200,000
Portion of costs financed by Commodity Credit Corporation from 1961 balance.....	-7,433,539	-----
Unrecovered 1962 costs included in 1963 budget estimate.....	-92,867,000	92,867,000
Total appropriation or estimate.....	125,000,000	343,067,000

STATUS OF PROGRAM

Bartered materials for supplemental stockpile

1. *Explanation of program.*—Under current policy, the Commodity Credit Corporation acquires strategic and other materials through barter of price-support commodities only for other Government agencies or for transfer to a supplemental U.S. stockpile established by section 104(b) of the Agricultural Trade Development and Assistance Act of 1954. Transfers are valued at the lower of the domestic market price or the Commodity Credit Corporation's investment therein as of the date of transfer. The General Services Administration maintains the supplemental stockpile and transfers are made pursuant to their procedures.

2. *Summary of operations, 1961.*—During 1961 the following materials were transferred under this program.

Material:	Value
Abrasive crude aluminum oxide.....	\$5,846,516
Antimony metal.....	2,109,926
Asbestos:	
Amosite.....	1,398,600
Chrysotile.....	240,220
Crocidolite.....	1,342,796
Bauxite.....	36,053,422
Beryl ore.....	398,023
Beryllium copper master alloy.....	4,763,409
Bismuth.....	768,419
Boart.....	9,409,669
Cadmium.....	380,855
Chrome ore:	
Chemical grade.....	4,269,425
Metallurgical grade.....	402,510
Refractory grade.....	313,684
Chromium metal.....	422,115
Colemanite: Turkish boron minerals.....	632,979
Columbite.....	392,510
Diamonds.....	16,795,482
High-carbon ferrochrome.....	10,444,082
Low-carbon ferrochrome.....	2,282,392
Ferromanganese.....	28,059,158
Fluorspar:	
Acid grade.....	2,833,027
Metallurgical grade.....	1,435,684
Manganese ore:	
Chemical grade.....	5,333,094
Metallurgical grade.....	44,563,730
Natural battery grade.....	3,788,856
Mica.....	271,915

Material—Continued	<i>Value</i>
Rutile.....	\$946, 192
Silicon carbide.....	8, 310, 118
Thorium nitrate.....	126, 826
Tin.....	1, 486, 254
Titanium sponge.....	4, 655, 551
Prior year adjustments.....	30, 107
 Total.....	 200, 507, 546
Total transfers.....	200, 507, 546
Unobligated balance available:	
1960.....	-44, 778, 085
1961.....	7, 433, 539
 Appropriation.....	 163, 163, 000

COMMODITY CREDIT CORPORATION

Mr. GODFREY. A 1963 appropriation of \$2,489,955,000 is requested for reimbursement to CCC for net realized losses. The net realized losses shown in the financial statement of the Corporation for the 1961 fiscal year totaled \$3.3 billion, which includes an inventory revaluation adjustment of about \$1.3 billion. This adjustment, made as of June 30, 1961, was for the purpose of removing accrued storage, handling, and transportation costs from the inventory accounts. This means that, effective June 30, 1961, commodities owned by CCC were reflected in the Corporation's accounts and statements at their acquisition value. Previously, storage and handling and transportation costs were added to the inventory investment and were reflected generally as losses at the time of disposition of the commodities. From June 30, 1961, forward, the costs for storage, etc., have been reflected as current expenses in the period in which they are incurred. We believe this accounting change will provide a more realistic statement of the value of CCC's inventories, and will make more meaningful the report of losses on future dispositions of commodities. This accounting change was discussed with the Treasury Department, the Bureau of the Budget, the General Accounting Office, and others before it was installed. Four hundred twenty-three million dollars, or one-third, of the revaluation adjustment made at June 30, 1961, is included in the appropriation request for 1963. We expect to spread reimbursement of the balance over appropriations to be requested as needed in subsequent years.

INVENTORY REVALUATION

Mr. SANTANGELO. By revaluating the inventory at \$1.3 billion less, is the Commodity Credit Corporation going to ask for reimbursement from the United States in an appropriation?

Mr. GODFREY. Under the procedure in effect prior to June 30 last year, we asked for this after the commodity was disposed of, but we were carrying on our books a value for the commodities that was not realistic because it included storage, which in some instances was for 6 and 8 years, and handling and transportation costs.

Mr. SANTANGELO. Why should the taxpayers be called on for an additional \$1.3 billion just to make the books look good?

Mr. GODFREY. It is not an additional amount because it is an investment we have in the commodities in total, including storage and so forth.

Mr. SANTANGELO. That investment is there. If you maintain the present method of valuation the taxpayers will not be called upon to pay this \$1.3 billion.

Mr. GODFREY. Yes, when we dispose of the commodities.

Mr. SANTANGELO. But under the new method the taxpayers would be called upon to pay it before we dispose of the commodities?

Mr. GODFREY. Yes, sir.

Mr. SANTANGELO. Why should we do that?

Mr. GODFREY. Because we feel it is more realistic to carry the inventory at its real value. It is like an automobile dealer that would have some new cars here and then the models change the next year.

Mr. SANTANGELO. I have no objection to your revaluating the inventory, Mr. Godfrey, but I object to the taxpayers having to put in another \$1.3 billion. I am trying to understand what you are doing.

Mr. GODFREY. What we were trying to avoid is to request an increase in the borrowing authority for the Corporation. At the present time we have \$13 billion 600-some odd million of our borrowing authority in use and we are just before the takeover of last year's corn crop and we are getting ready for a cotton loan program this fall. So unless we take some of the expenditures that we know have already been made and which are already lost, and unless we obtain some reimbursement for it, it may necessitate a request for an increase in the borrowing authority.

Mr. BEACH. It is a question of timing as to when the taxpayer, so to speak, will have to put up this money. He either does it now or it builds up as a charge against the borrowing power and results in an inflation of the borrowing power.

Mr. SANTANGELO. I think it is artificial.

Mr. BEACH. It is not artificial. We know we will never get that back.

Mr. SANTANGELO. If you maintained the present system would the taxpayer have to put up the additional \$1.3 billion?

Mr. BEACH. Eventually, yes.

Mr. SANTANGELO. Why pay it now?

Mr. BEACH. The change of timing saves carrying it on the books.

Mr. SANTANGELO. You know this last vote indicates the resentment of agricultural expenditures and if you try to saddle the taxpayer with another billion dollars you will have another uprising. The temper and the climate is not that conducive to approving this additional \$1.3 billion.

Mr. GODFREY. That is the main reason we are asking for only one-third of the \$1.3 billion, because we estimate that is what we would need to keep from asking for additional borrowing authority.

Mr. BEACH. Actually, a request for an increase in borrowing authority would be probably more dangerous than a request for an increase in appropriation.

PRESENT BORROWING AUTHORITY IN USE

Mr. MICHEL. Will the gentleman yield?

Mr. SANTANGELO. Yes.

Mr. MICHEL. You mentioned an inventory of \$13.6 billion.

Mr. GODFREY. An investment—borrowing authority in use.

Mr. MICHEL. An investment. What is that total figure?

Mr. GODFREY. \$13.6 billion, as I recall.

Mr. MICHEL. Of that total figure, what actually represents today's market value of commodities in storage? Also, what is the difference between the figure you are about to give me and the top figure which is represented in storage, transportation, and carrying charges?

Mr. BEACH. The total borrowing power in use June 15 is \$13,597 million. Of that total borrowing power in use, the actual acquisition cost value of the commodities owned is \$4,285 million. In addition, we have loans outstanding of \$2,325 million, making a total investment of \$6.6 billion or less than half of the borrowing authority in use.

We have over \$5.8 billion of capital that has not been restored, that has been lost in 1961 and 1962. We have also \$760 million of unrestored cost on special export programs, Public Law 480, and we have notes receivable, and so forth, of \$706 million, making a total investment of over \$7 billion, most of which represents money that has been lost and can only be recouped by this appropriation.

Mr. MICHEL. Has the Commodity Credit Corporation ever sold any commodity for equal the acquisition cost or above what they actually paid for it?

Mr. GODFREY. Yes. The cotton program operated from 1934 to 1952 with a net gain. The naval stores program is now in the black and has continued to be.

Mr. WHITTEN. I can appreciate every point that has been made, and particularly the points made by my colleagues from New York and Illinois. I do not know that I can add very much to the discussion, but I might point out that under the law, the Commodity Credit Corporation is required under certain circumstances to support various and sundry commodities. The same law says it is illegal to support them unless you have funds to do it. In other words, the law says you must do it and then says you cannot do it unless you have the funds. So you have a conflict there and unless the Corporation has funds available it is caught with no funds to do what the law says it must do. They have tried to separate the value of the commodities from what costs might have accumulated against them for storage and other things, so that commodities on hand are carried at what they were worth. The charges for handling, and so forth, would be distinguishable.

If you accept the fact you have lost that much, the question is whether or not to ask the Congress to restore the capital impairment or go to the Banking and Currency Committee for an increase in borrowing authority to carry out the responsibility the law places on the Corporation to support prices.

BASIS OF INVENTORY REVALUATION

Mr. SANTANGELO. I understand you. Is there anything in the law which requires you to evaluate the commodities on the acquisition cost or can you evaluate them on the market value today?

Mr. GODFREY. We do both.

Mr. SANTANGELO. You arrived at a figure of \$4,285 million acquisition cost and \$2,325 million for the loan value. What would these commodities be worth on the market today?

Mr. BEACH. We estimate that the future loss on the commodities owned on April 30 was \$1,150 million.

Mr. SANTANGELO. That is not responsive to my question. What would the commodities be worth today at market value?

Mr. BEACH. That is what I am saying, the \$4,285 million less the \$1,150 million or \$3.1 billion.

Mr. SANTANGELO. In other words, your acquisition cost is higher than the market value?

Mr. BEACH. Yes.

Mr. GODFREY. Let me explain market value. The market value is based upon where we expect to dispose of the commodity, and not the realistic commodity value on the U.S. market because we do not dispose of most of the surplus on the U.S. market.

Mr. SANTANGELO. In other words, the millions of bushels of wheat we have shipped to India would be valued at the cost that India is paying, which is far less than the market value?

Mr. GODFREY. That is right, sir.

Mr. SANTANGELO. Why should that be?

Mr. BEACH. Most of the wheat going to India comes out of private hands and we finance the exportation of it. Very little comes out of CCC inventory. We are not in the market selling wheat, but the value of the inventory of wheat that we do hold is shown on the books as the acquisition cost and each month there is estimated what loss resides against that acquisition cost. This figure I read to you of \$1,150 million is the estimated loss on all CCC inventory. We should not confuse title I of Public Law 480 with this.

Mr. SANTANGELO. Where is the situs of the evaluation if you are not talking about foreign exports?

Mr. BEACH. We are talking about foreign exports but not under title I of Public Law 480. We know we could not get for wheat more than the world market price if we could sell it. We cannot sell it.

Mr. SANTANGELO. It is not that you cannot sell.

Mr. BEACH. We are paying an export subsidy running about 62 cents a bushel on every bushel that goes out of the country.

Mr. SANTANGELO. So the value of \$4,285 million is not the actual market value?

Mr. BEACH. No. That is what it cost us to get it at the support cost.

Mr. SANTANGELO. You are not asking to be reimbursed the extra \$1 billion which is the present market value?

Mr. BEACH. No, sir.

Mr. GODFREY. We would not until we actually disposed of the commodity and knew the actual loss.

Mr. SANTANGELO. What is the purpose of revaluating the commodities, then?

Mr. BEACH. We were at the point of having an almost impossible valuation for commodities; take wheat, for example, \$2.85 to \$3 a bushel. It costs \$1.75 in support price and each year you add storage and transportation and we have been holding some of that wheat, on our books at least, for 6 or 7 years. That means you eventually get an absurd per bushel value of wheat.

Mr. SANTANGELO. It is not absurd because that is what it is actually costing you.

Mr. BEACH. We are recognizing cost now as current cost instead of when we dispose of the wheat.

Mr. GODFREY. Let me use one commodity as an example. At the present time, that is on April 30, we had 1,174,331,000 bushels of wheat in our inventory. The acquisition cost on that was \$2,312,079,000. The present domestic prices of wheat, figuring at \$2 a bushel—and it is a little over that now—would give a value of \$2,348,662,000. So if we were able to dispose of it domestically we would make a profit of \$36 million. But since we estimate it will have to go into export in order to dispose of it, and since we are now paying an export subsidy, as Mr. Beach said, of 62 to 65 cents a bushel, we estimate on 1 billion bushels we will lose \$637 million. This is what we figure will be our reserve for losses. But we do not ask for reimbursement on that until we actually dispose of the wheat, but we set it up as a reserve for losses.

Mr. SANTANGELO. But you are asking for reimbursement for storage and transportation costs, is that correct? The point I raise is, why should the taxpayer today be called upon to reimburse the Commodity Credit Corporation and not at the time when we dispose of the commodity?

Mr. GODFREY. We are asking for it to prevent having to ask for an increase in borrowing authority.

Mr. MICHEL. If the gentleman will yield. Since we agree on the high cost of storage and carrying charges, I think we would agree this change is conducive to our being able to set forth more clearly and definitively what is actually charged for storage and handling. I think it paints a much clearer picture, even if it is a blacker picture.

Mr. SANTANGELO. If the gentleman will yield, you can show that without asking the taxpayer to pay it. You are reaching the point where the taxpayer is beginning to complain. He has been complaining a long time but he is complaining more now and I do not want to do it now if we can defer it.

Mr. MICHEL. I think that only serves to muddy up the waters. The more clear we can make the picture appear, I think the better, rather than coming back 2 years hence to reimburse the 1961 losses, and I do not think you can make as good a case to the other Members of the House as you can on a current basis.

Mr. SANTANGELO. But you are not correcting the situation, you are merely trying to correct the book figures.

Mr. MICHEL. To say we can borrow without having to pay at some future date is kidding ourselves, too.

Mr. SLACK. You have an authorized capital stock of \$100 million and authority to borrow \$14.5 billion. What is the rate of interest on that borrowing?

Mr. GODFREY. It changes monthly as the cost of Treasury borrowings changes. It is 3 percent now.

Mr. SLACK. Are you keeping up with your interest payments?

Mr. GODFREY. Yes.

Congressman Michel asked if we had ever made anything on commodities from the Commodity Credit Corporation, and with his permission and the chairman's permission I would like to insert a table showing from June 1934 through June 1961 the cost of the Commodity Credit Corporation operations on price support programs.

Mr. WHITTEN. We have had that heretofore. We might as well have the full story. We would be glad to have it included in the record by commodity.

(The information requested follows:)

Fruit, dried.....		1,848				445,757	206,337
Grapefruit juice.....							
Hemp and hemp fiber.....						8,946	*98
Hops.....							
Naval stores.....							
Olive oil.....							
Peas, dry edible.....							
Pecans.....							
Seeds.....							
Soybeans.....							
Sugar, Puerto Rican and Virgin Island.....							
Sugar beets.....							
Sweet potatoes.....							
Turkeys.....							
Vegetables, canned.....							
Total.....	423,435	3,474,263	*10,524,229	*8,354,364	*10,008,307	*4,722,096	*46,016,626
Exchange commodities: Strategic and critical materials.....	49,857,682	5,918,554	*29,464,233	30,106,142	*71,894,836	*254,761,994	*249,229,859
Total price support.....							

1 Fiscal year begins July 1.

* Indicates loss.

COMMODITY STABILIZATION SERVICE—COMMODITY CREDIT CORPORATION
 Price support program—Analysis of program results by fiscal years ¹ from Oct. 17, 1933, through June 30, 1961
 (Realized gains and losses)

	1951	1952	1953	1954	1955	1956
Basic commodities:						
Corn.....						
Cornmeal.....	*\$748,839	\$1,783,916	*\$20,526,523	*\$80,802,840	*\$75,735,525 11,700	*\$111,798,312
Cotton:						
American-Egyptian.....						
Extra Long Staple.....	14,358	175,206	294,665	39,547	26	*4,057,852
Upland.....						*62,266,400
Cotton, export differential.....	28,938,218	148,924	*381,572	*1,795,708	821,088	
Cotton, Puerto Rican.....						
Cotton, rubber hatter.....						
Peanuts and peanut butter.....	*14,584,837	*8,670,873	*2,975,881	*23,359,266	*2,103,083	*9,249,991
Rice.....	53,071	57,271	*277,861	568,205	10,206,844	*18,915,334
Tobacco.....	71,450	*1,014,923	*2,759,676	*956,375	*497,599	*389,709
Wheat.....	*19,013,932	*7,722,262	*18,886,296	*71,338,944	*127,728,279	*90,775,441
Wheat flour.....					483,682	467,394
Total.....	*5,270,511	*15,242,741	*45,513,144	*177,346,441	*194,541,146	*305,985,735
Designated nonbasic commodities:						
Barley.....	*1,790,003	*2,807,078	*2,195,112	*2,047,568	*13,624,434	*49,704,275
Grain sorghum.....	*22,644,554	*31,638	*874,126	*7,278,771	*42,138,888	*63,331,589
Honey.....	*1,499	*1,107	4,924	8,812	*5,302	*2,086
Milk and butterfat:						
Butter.....	*44,216,443	41,571	*456,492	*94,794,713	*173,314,388	*141,701,781
Butter oil.....						*72,937,691
Cheese.....		31,405	14,708	*895,422	*45,887,862	*83,685,590
Milk dried.....	*24,040,464	*42,707,738	*4,798,735	*12,659,476	*76,107,510	*95,578,918
Milk fluid.....		*1,183,459		*82,363,920	*117,784,928	*7,295,473
Whey.....					*4,301,031	*2,639,866
Oats.....	15,238	*738,889	*194,688	*4,185,553	*643,917	*2,639,866
Potatoes, Irish.....	*63,437,281	*85,459	*73,658	*17,884	*14,093,680	*16,085,079
Rye.....	*34,759	18,599	7,947	*7,653,627	*139,676	*139,676
Rye flour.....				*68,967	*2,653,227	*7,626,175
Tung oil.....		*1,154	*451		7,080	
Wool.....	233,811	*86,610	*15,290	*2,685	*295,353	*479,646
	142,596			*452,501	*732,017	*7,280,477
Total.....	*198,481,996	*4,779,329	*6,832,971	*144,788,648	*491,891,140	*548,788,262
Other nonbasic commodities:						
Beans, dry edible.....	*11,746,232	*15,429,183	*6,777,410	*7,093,768	*4,249,432	*9,821,596
Castor beans.....						
Cottonseed and products.....	5,506,631	2,084,612	7,701,799	*90,300,070	*58,669,688	*44,495,231
Eggs.....	*76,055,947	*29,368,028	*4,256,139	*92,364	*4,793	*74,089

Price support program—Analysis of program results by fiscal years¹ from Oct. 17, 1933, through June 30, 1961—Continued
 [Realized gains and losses*]

	1957	1958	1959	1960	1961	Oct. 17, 1933, through June 30, 1961
Basic commodities:						
Corn.....	*\$347,092,987	*\$175,801,668	*\$233,937,572	*\$164,798,416	*\$718,568,472	*\$1,879,146,139
Cornmeal.....	*21,289,246	*27,679,308	*22,479,611	*17,183,554	*20,329,942	*108,949,961
Cotton:						
American-Egyptian.....						
Extra Long Staple.....	*2,105,604	3,237	*447,971	*759,449	*599,800	*7,921,612
Upland.....	*418,359,455	*279,531,529	*100,893,441	*211,350,333	*162,001,754	*967,159,115
Cotton, export differential.....						*41,361,218
Cotton, Puerto Rican.....						*130,198
Cotton, rubber barker.....						11,055,451
Peanuts and peanut butter.....						*204,811,248
Rice.....	*16,829,485	*11,037,042	*17,457,574	*13,223,762	*18,902,094	*184,833,339
Tobacco.....	*65,369,384	*18,411,186	*31,502,546	*27,837,626	*32,112,799	*6,815,041
Wheat.....	*70,262	*4,270,823	1,803,146	173,871	*642,726	*6,815,041
Wheat flour.....	*95,770,456	*44,265,846	*79,827,076	*36,215,876	*714,136,740	*1,364,186,108
Wheat flour.....	*39,531,240	*82,457,007	*78,806,441	*73,891,229	*79,860,910	*353,895,751
Total.....	*906,708,119	*643,451,172	*567,155,378	*545,079,374	*1,747,155,237	*5,108,154,279
Designated nonbasic commodities:						
Barley.....	*11,634,339	*37,796,426	*7,310,011	*20,937,504	*29,069,119	*182,188,001
Grain sorghum.....	*27,453,042	*23,034,905	*26,394,056	*17,987,821	*290,818,144	*533,833,535
Honey.....	868	243		*9,731	*2,821	*881,441
Milk and butterfat:						
Butter.....	*24,090,761	*21,576,262	*40,971,855	*34,528,464	*15,023,646	*534,745,095
Butter oil.....	1,424,463	47,943	1,847	1,066		*121,190,468
Cheese.....	*77,945,245	*80,515,358	*26,706,130	*7,682,619	*167,270	*390,494,567
Milk, dried.....	*110,489,224	*112,462,935	*104,713,891	*70,286,549	*114,336,322	*870,775,929
Milk, fluid.....	*16,356,891	*30,373,286	*23,035,784	*23,555,452	*25,293,799	*130,210,716
Whey.....	*426					*3,584,209
Oats.....	*25,491,322	*15,026,724	*4,174,551	*9,227,546	*9,019,281	*98,677,991
Potatoes, Irish.....	16,498	*29,198				*478,582,600
Eye flour.....	*5,403,812	*3,232,301	*185,510	*924,765	*3,016,472	*23,274,130
Eye flour.....						7,080
Tung oil.....	*206,086	*927	*1,596,508	*998,355	*1,325,062	*4,983,977
Wool.....	*118,067,900	*22,186,148	*86,280,110	*53,890,248	*58,860,419	*440,601,979
Total.....	*419,145,145	*346,282,413	*321,376,802	*240,027,988	*546,985,355	*3,814,017,558
Other nonbasic commodities:						
Beans, dry edible.....						*79,507,369
Castor beans.....	*13,823,387	*3,408,593	*484,528	*473,408	*5,143,643	*171,193
Cottonseed.....						*117,419,748
Cottonseed and products.....	*7,645,892	*1,004,787	*794,755	193,061		*189,698,695
Eggs.....						

REIMBURSEMENT TO COMMODITY CREDIT CORPORATION FOR NET REALIZED LOSSES
("RESTORATION OF CAPITAL IMPAIRMENT" THROUGH JUNE 30, 1960)

Legislative authority

Act of March 8, 1938, as amended (15 U.S.C. 713a 1-2) through June 30, 1960, Public Law 87-155 (75 Stat. 391) commencing with the fiscal year ending June 30, 1961.

Purpose

The act of March 8, 1938, authorized restoration to the Commodity Credit Corporation of any capital impairment found to exist as a result of an annual appraisal of the assets and liabilities of the Corporation by the Treasury, the value of assets being determined on the basis of cost to the Corporation (realized losses). The applicable sections of this act were repealed by Public Law 87-155, which authorizes annual appropriations for each fiscal year, commencing with the fiscal year ending June 30, 1961, to reimburse the Corporation for net realized losses sustained as reflected in its accounts and shown in its report of financial condition as of the close of each fiscal year.

Financing

Appropriations are made out of any money in the Treasury not otherwise appropriated. Payments shall be made by the Corporation to the Treasury for any existing surplus.

An amendment to the act of March 8, 1938, dated March 20, 1954, provided for restoration of capital impairment with appropriated funds rather than through cancellation of notes. Public Law 87-155 provides for reimbursement for realized losses in the same manner.

Results of Treasury appraisals through June 30, 1960, and realized losses for the fiscal year 1961

Results of Treasury appraisals

Appraisal period	Appropriation act	Restoration of capital impairment		Payments to Treasury
		Appropriation	Note cancellation	
Oct. 17, 1933 to Mar. 31, 1938. Year ending Mar. 31: 1939.....	2d deficiency, approved June 25, 1938 (Public Law 75-723).	\$94,285,405	-----	-----
1940.....	3d deficiency, approved Aug. 9, 1939 (Public Law 76-361).	119,599,918	-----	-----
1941.....	2d deficiency, approved July 3, 1941 (Public Law 77-150).	1,637,445	-----	-\$43,756,731
1942.....	-----	-----	-----	-----
1943.....	-----	(1)	-----	-----
1944.....	1st deficiency, approved Aug. 25, 1945 (Public Law 79-40).	256,764,881	-----	-----
15 months ending June 30, 1945. ²	Government Corporation Appropriation Act, approved July 20, 1946 (Public Law 79-519).	-----	\$921,456,561	-----
Year ending June 30: 1946.....	2d deficiency, approved May 26, 1947 (Public Law 80-76).	-----	641,832,080	-----
1947.....	-----	-----	-----	-----
1948.....	-----	-----	-----	-----
1949.....	General Appropriation Act, 1951, approved Sept. 6, 1950 (Public Law 81-759).	-----	66,698,457	-----
1950.....	Department of Agriculture Appropriation Act, 1952, approved Aug. 31, 1951 (Public Law 82-135).	-----	421,462,507	-----
1951.....	Department of Agriculture Appropriation Act, 1953, approved July 5, 1952 (Public Law 82-451).	109,391,154	-----	-----
1952.....	Department of Agriculture Appropriation Act, 1954, approved July 28, 1953 (Public Law 83-156).	-----	96,205,161	-----
1953.....	To discharge indebtedness of CCC, approved Feb. 12, 1954 (Public Law 83-295).	-----	550,151,848	-----

Results of Treasury appraisals—Continued

Appraisal period	Appropriation act	Restoration of capital impairment		Payments to Treasury
		Appropriation	Note cancellation	
Year ending June 30:				
1954 ¹ -----	Department of Agriculture Appropriation Act, 1956, approved May 23, 1955 (Public Law 84-40),	\$1,634,659	-----	-----
1955-----	Department of Agriculture Appropriation Act, 1957 approved June 4, 1956 (Public Law 84-554).	929,287,178	-----	-----
1956-----	Department of Agriculture Appropriation Act, 1958, approved Aug. 2, 1957 (Public Law 85-118).	1,239,788,671	-----	-----
1957-----	Department of Agriculture Appropriation Act, 1959, approved June 13, 1958 (Public Law 85-459).	1,760,399,886	-----	-----
1958-----	Department of Agriculture Appropriation Act, 1960, approved July 8, 1959 (Public Law 86-80).	1,435,424,413	-----	-----
1958-----	2d Supplemental Appropriation Act, 1960, approved Apr. 13, 1960 (Public Law 86-424).	100,000,000	-----	-----
1959-----	2d Supplemental Appropriation Act, 1960, approved Apr. 13, 1960 (Public Law 86-424).	575,000,000	-----	-----
	Total, 2d Supplemental Appropriation Act, 1960.	675,000,000	-----	-----
1959-----	Department of Agriculture Appropriation Act, 1961, approved June 29, 1960 (Public Law 86-532).	632,000,994	-----	-----
1960-----	Department of Agriculture Appropriation Act, 1961, approved June 29, 1960 (Public Law 86-532).	594,499,006	-----	-----
	Total, Department of Agriculture Appropriation Act, 1961.	1,226,500,000	-----	-----
1960-----	Department of Agriculture Appropriation Act, 1962, approved July 26, 1961 (Public Law 87-112).	41,017,610,000	-----	-----
	Total actual net restoration (\$11,426,921,478).	8,867,323,610	\$2,697,806,614	-\$138,208,746
Fiscal year 1961-----	1963 Department estimate-----	52,489,955,000	-----	-----
	Grand total (\$13,916,876,478).	11,357,278,610	2,697,806,614	-138,208,746

¹ The impairment of \$39,436,885 for the appraisal period ending Mar. 31, 1943, was not restored until after the following year's appraisal and is included in the amount shown for 1944 appraisal period.

² The act of Mar. 8, 1938, as amended by the act approved Apr. 12, 1945, changed the date of appraisal to June 30 of each year. Therefore, the impairment as of June 30, 1945, covers a 15-month period.

³ The act of Mar. 8, 1938, as amended by the act of Mar. 20, 1954, changed the annual appraisal of the assets of the Corporation to a cost basis. Restorations of capital impairment through June 30, 1953, included \$545,534,182 of estimated losses as well as the losses realized during that period. Therefore, the restoration as of June 30, 1954, represented the difference between the total unrestored realized losses in the fiscal year 1954 and the amount of estimated losses for which restoration has been made.

⁴ \$235 of this amount was unobligated.

⁵ The total realized loss for fiscal year 1961 was \$3,335,876,000. Of this amount, \$1,268,547,000 was applicable to inventory revaluation—\$423,000,000 is proposed to be reimbursed in each of the fiscal years 1963 and 1964 and the balance in the fiscal year 1965.

Mr. WHITTEN. Mr. Godfrey, you may proceed with your statement.

REIMBURSEMENT TO CCC FOR COSTS OF SPECIAL MILK PROGRAM

Mr. GODFREY. An increase of \$15 million is requested in this appropriation because of the larger program authorization for 1962 which was enacted by the Congress. The 1963 program will be

financed by a direct appropriation shown under the Agricultural Marketing Service segment of the budget estimates.

CCC ADMINISTRATIVE EXPENSES

Under the CCC administrative expense limitation an increase of \$200,000 is included for foreign sales activities of the Foreign Agricultural Service. This increase will be financed within the existing \$1 million limitation for sales expansion. There is a decrease of \$800,000 due to providing a direct appropriation for the special milk program in 1963. An increase of \$105,000 is requested to cover expenses in connection with development of self-help stabilization programs under title I of the Agricultural Act of 1961. An increase of \$863,000 is necessary to provide the 7-percent contingency reserve required by law in order to provide for uncontrollable increases in workload. The total request is \$48 million.

This completes my general statement. My colleagues and I will be glad to respond to any questions the committee may have.

JUSTIFICATION OF ESTIMATE

Mr. WHITTEN. We will place pages 166 through 232 of volume 3 in the record at this point.

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

COMMODITY CREDIT CORPORATION

PURPOSE STATEMENT

Purpose

The Commodity Credit Corporation engages in buying, selling, lending, and other activities with respect to agricultural commodities, their products, food, feeds, and fibers, for the purpose of stabilizing, supporting, and protecting farm income and prices; assisting in the maintenance of balanced and adequate supplies of such commodities; and facilitating their orderly distribution. The Corporation also makes available materials and facilities required in connection with the production and marketing of such commodities.

Origin

The Corporation was organized October 17, 1933, under the laws of the State of Delaware, as an agency of the United States, and was managed and operated in close affiliation with the Reconstruction Finance Corporation. On July 1, 1939, it was transferred to the Department of Agriculture by the President's Reorganization Plan I. On July 1, 1948, it was established as an agency and instrumentality of the United States under a permanent Federal charter by Public Law 80-806, as amended. Its operations are conducted pursuant to this charter and other specific legislation.

Management

The Corporation is managed by a board of directors, appointed by the President and confirmed by the Senate, subject to the general supervision and direction of the Secretary of Agriculture, who is, ex officio, a director and chairman of the board. In addition, it has a bipartisan advisory board of five members appointed by the President to survey the general policies of the Corporation and advise the Secretary with respect thereto.

Personnel and facilities of the Agricultural Stabilization and Conservation Service, ASC State and county committees, and other USDA agencies are used to carry out Corporation activities. The services and fleet facilities of the Maritime Administration are used in some of its commodity storage operations, and the facilities of the General Services Administration are used in its activities relating to barter of agricultural commodities for strategic materials. Normal trade facilities are used to the maximum extent practicable. Cooperatives, local banks, and other financial institutions handle phases of its loan operations. Loan collateral and stocks acquired by the Corporation are stored in many commercial facilities.

Operations

The budget is based on the following types of programs: (1) price support, (2) commodity export, (3) storage facilities, (4) supply and foreign purchase,

(5) special agricultural conservation program for feed grains, (6) wheat stabilization program, (7) special milk program, and (8) special activities.

1. *Price-support program.*—Price-support operations are carried out under the Corporation's charter powers (15 U.S.C. 714) and in conformity with the Agricultural Act of 1949, as amended (7 U.S.C. 1421), and section 125 of the Agricultural Act of 1956 (7 U.S.C. 1813), and other applicable legislation.

Under the Agricultural Act of 1949, as amended, price support is mandatory for the basic commodities—corn, cotton, wheat, rice, peanuts, and tobacco—and specific nonbasic commodities; namely, tung nuts, honey, milk, butterfat, and the products of milk and butterfat, barley, oats, rye, and grain sorghums. Price support for wool and mohair is mandatory under the National Wool Act of 1954, as amended (7 U.S.C. 1781–1787), through the marketing year ending March 31, 1966. Price support for other nonbasic agricultural commodities is discretionary except that whenever the price of either cottonseed or soybeans is supported, the price of the other must be supported at such level as the Secretary determines will cause them to compete on equal terms on the market. This program may also include operations to remove and dispose of or aid in the removal or disposition of surplus agricultural commodities for the purpose of stabilizing prices at levels not in excess of permissible price-support levels.

Support is made available through loans, purchase agreements, purchases, and other operations. Operations to remove and dispose of or aid in the removal or disposition of surplus agricultural commodities for the purpose of stabilizing prices at levels not in excess of permissible price-support levels are also authorized. Dispositions of commodities acquired are made in compliance with various statutory authorities and limitations. Under section 308 of the Agricultural Trade Development and Assistance Act of 1954, as amended, purchases of animal fats and edible oils and products thereof are authorized as will tend to maintain the support level for cottonseed and soybeans without requiring the acquisition of such commodities under the price-support program. The incentive payment program on wool and mohair is described under "Special activities."

2. *Commodity export program.*—The Corporation promotes the export of agricultural commodities and products through sales, barters, payments, and other operations. Other than in barters for stockpiling purposes, such commodities and products may be those held in private trade channels as well as those acquired by the Corporation in its price-support operations.

In order to encourage movement of cotton, corn, barley, grain sorghums, oats, rye, and rice from free-market supplies into export channels, export payments are made in the form of these commodities from the Corporation's stocks, or, in some cases, in cash. Cotton held in the Corporation's inventory is also sold for unrestricted use on a competitive price basis.

The Corporation conducts a cotton products export program designed to protect the competitive position of the domestic cotton industry in relation to sales of cotton products manufactured abroad from American cotton purchases at export prices. Equalization payments, based on the raw cotton content in the products exported, are made to exporters on cotton products of upland cotton grown and wholly processed in the United States.

The Corporation also purchases wheat and other products from processors or processes its own stocks of such commodities for foreign and domestic distribution. In certain cases, payment for such products or processing costs is made in payment-in-kind export certificates.

Also, the Corporation furnishes agricultural commodities and products for distribution or exhibition at international trade fairs to aid in the development of foreign markets for such commodities.

3. *Storage facilities program.*—This program is carried out under the authority contained in the Corporation's charter, particularly sections 4(h), 4(m), and 5 (a) and (b). The Corporation may (a) purchase and maintain (in storage-deficient areas) granaries and equipment for care and storage of grain owned or controlled by the Corporation; (b) make loans for the construction or expansion of farm-storage facilities; (c) provide storage-use guarantees to encourage the construction of commercial storage facilities; and (d) undertake other operations necessary to provide storage adequate to carry out the Corporation's programs.

4. *Supply and foreign purchase program.*—This program is carried out under the authority contained in the Corporation's charter, particularly sections 5 (b) and (c) thereof. The Corporation procures foods, agricultural commodities, their products, and related materials to supply the requirements of Government agencies, foreign governments, and relief and rehabilitation agencies, and to meet domestic requirements. Foods, agricultural commodities, and their products are procured or aid is given in their procurement to facilitate distribution or to meet anticipated requirements during periods of short supply. The Cor-

poration may also, through purchases, loans, sales, or other means, make available materials and facilities required in connection with the production and marketing of agricultural commodities.

5. *Special agricultural conservation program for feed grains.*—Pursuant to Public Law 87-5, approved March 22, 1961, and subtitle C of the Agricultural Act of 1961, Public Law 87-128, approved August 8, 1961, the Secretary of Agriculture utilizes Commodity Credit Corporation funds, facilities, and stocks of feed grains in redeeming or marketing certificates issued to producers who divert acreage from the production of 1961 crops of corn and grain sorghums and 1962 crops of corn, grain sorghums, and barley under this program. The Corporation is also authorized to use its capital funds to pay administrative expenses necessary to carry out this program through June 30, 1962. (See Agricultural Stabilization and Conservation Service.)

6. *Wheat stabilization program.*—Under title I, subtitle B, of the Agricultural Act of 1961, Public Law 87-128, approved August 8, 1961, the Commodity Credit Corporation is authorized to utilize its capital funds and other assets for the purpose of making payments to producers who divert acreage from the production of 1962 crop wheat under this program. Payments are made by issuance of Commodity Credit Corporation sight drafts which may be cashed or used for the acquisition of wheat from Commodity Credit Corporation stocks. The Corporation is also authorized to use its capital funds to pay administrative expenses necessary to carry out this program through June 30, 1962. (See Agricultural Stabilization and Conservation Service.)

7. *Special milk program.*—Public Law 85-478 (7 U.S.C. 1446 note), as amended by Public Law 87-67, approved June 30, 1961, authorized the use of not to exceed \$95 million for 1961 and \$105 million for 1962 of Commodity Credit Corporation funds to increase the consumption of fluid milk by children in nonprofit schools of high school grade and under and in nonprofit institutions devoted to the care and training of children. The act further provides that amounts spent shall not be considered expended for the purpose of carrying out the price-support program. The Agricultural Act of 1961 authorizes appropriations for the fiscal year beginning July 1, 1962, and for each of the 4 fiscal years thereafter to enable the Secretary of Agriculture to carry out this program. (See Agricultural Marketing Service.)

8. *Special activities.*—These activities are carried out under authority of section 5(g) of the Corporation's charter and specific statutory authorizations or directives with respect thereto which are currently in effect or which may subsequently be enacted. To the extent that advance appropriations provided under the item "Special export programs," are not sufficient to pay obligations incurred with respect to such programs, such obligations are paid by the Corporation subject to reimbursement from subsequent appropriations authorized for such purpose. Details of these programs may be found in the "Special export programs" section of these explanatory notes or in the budgets of other agencies which request appropriations to reimburse the Corporation.

Undistributed expenses

There are a number of expenses which are not allocated to a specific program. These include administrative expenses applicable to the limitation, and nonadministrative expenses such as interest on the capital stock of the Corporation and on borrowings from the Treasury, administrative equipment, expenses of the ASC county committees, Federal Reserve Banks and other agencies in connection with the Corporation's programs. Such expenses are partly offset by income from interest on loans and on special programs financed by Commodity Credit Corporation and other miscellaneous income.

Administrative expenses are for the operating staff, including the services of employees of the Agricultural Stabilization and Conservation Service engaged in the Corporation's activities, services performed by other agencies of the Department, costs of audit, and payments to the General Services Administration for space in the District of Columbia and rent of field office space. Each year the annual appropriation act contains a limitation on the amount of capital funds which may be expended for administrative expenses of the Corporation. Necessary expenses (including legal and special services performed on a contract or fee basis, but not including other personal services) in connection with the acquisition, operation, maintenance, improvement, or disposition of any real or personal property belonging to the Corporation or in which it has an interest, including expenses in collection of pledged collateral, are considered nonadministrative or program expenses for the purposes of this limitation. Such expenses include

inspection, classing, and grading work performed on a fee basis by Federal employees or Federal- or State-licensed inspectors and work performed on a contract basis by agricultural stabilization and conservation county committees. Similarly, expenses of other Federal agencies whose services are utilized in the handling of Commodity Credit Corporation property are treated as program expenses. These include the fleet storage operation of the Maritime Administration conducted intermittently since 1949 and the services of the General Services Administration in connection with the strategic, critical, and other materials acquired by the Corporation.

Administrative expenses in connection with the supply and foreign purchase program, the wool and mohair program under the National Wool Act of 1954, the International Wheat Agreement, and the sale of long-staple cotton transferred from the national stockpile, are not included in the limitation since it is contemplated that full reimbursement will be received for these expenses. Such reimbursement will be obtained and used in 1963 in the same manner as in previous years.

Under the special agricultural conservation programs for feed grains and the wheat stabilization program, capital funds of the Corporation are authorized to pay administrative expenses of these programs through June 30, 1962.

Financing

The programs of the Commodity Credit Corporation are financed by capital stock, borrowings, guarantees to purchase notes or other obligations evidencing loans made by lending agencies, issuance of certificates of interest in loans held by the Corporation, appropriations to reimburse the Commodity Credit Corporation for net realized losses, appropriations to reimburse the Corporation for costs of special activities, advances and reimbursements from "Special export programs" appropriations, and receipts from operations.

The Corporation has an authorized capital stock of \$100 million held by the United States and authority to borrow up to \$14.5 billion. Funds are borrowed from Treasury and may also be borrowed from private lending agencies. In connection with loan guarantees, the Corporation reserves a sufficient amount of its borrowing authority to purchase at any time all notes and other obligations evidencing loans made by lending agencies or certificates of interest issued in connection with the financing of price-support operations. All bonds, notes, debentures, and similar obligations issued by the Corporation are subject to approval by the Secretary of the Treasury as required by the act of March 8, 1938 (15 U.S.C. 713a-4).

Interest on borrowings from the Treasury (and on capital stock) is paid in accordance with a policy of the Treasury that the rate shall be based upon the average interest rate on all outstanding marketable obligations (of comparable maturity date) of the United States as of the preceding month. Interest is also paid on certificates of interest and lending agency obligations for the period the agencies have their funds invested.

Public Law 87-155 authorizes appropriations annually, in an amount sufficient to reimburse the Corporation for its net realized losses for the fiscal year. If a surplus occurs, it is paid to the Treasury.

Receipts from operations include proceeds from sales of commodities, loan repayments, interest income, advances, and reimbursements for costs of special activities, and miscellaneous income, refunds, and collections.

Appropriations

A comparison of appropriations to the Corporation follows:

	Appropriation Act, 1962	Budget estimate, 1963
Reimbursement for net realized losses.....	\$1,017,610,000	\$2,489,955,000
Reimbursement for costs of special export programs and other special activities.....	¹ 1,861,915,000	⁽²⁾
Reimbursement for costs of special milk program.....	90,000,000	³ 105,000,000
Administrative expense limitation.....	(47,916,000)	(48,000,000)
Reimbursement for National Wool Act (permanent).....	75,277,593	65,000,000

¹ Made immediately available in 1961.

² Eliminated by change in appropriation structure. Most of these costs are now covered by appropriations for "Special export programs."

³ Estimated to be available in 1962.

Reimbursement for net realized losses, Commodity Credit Corporation

Appropriation Act, 1962 (to complete restoration of 1960 capital impairment) and base for 1963.....	\$1, 017, 610, 000
Budget estimate, 1963 (for partial reimbursement of 1961 realized losses).....	2, 489, 955, 000
Change.....	+1, 472, 345, 000

SUMMARY OF ESTIMATES, 1963

The 1963 budget estimate is composed of the following items:

Reimbursement for 1961 net realized losses (excluding inventory revaluation).....	2, 066, 955, 000
Reimbursement of $\frac{1}{3}$ of 1961 realized losses due to revaluation of inventory to reflect acquisition value.....	423, 000, 000
Total, budget estimate, 1963.....	2, 489, 955, 000

Project statement

Project	1961	1962 Appropriation Act	1963 (estimated)
Price support, supply, and related programs:			
Partial restoration of capital impairment (1959 and 1960).....	\$1, 151, 832, 106	\$936, 428, 838	
Reimbursement for 1961 realized losses.....			\$2, 067, 328, 818
Reimbursement of $\frac{1}{3}$ of revaluation of inventory in 1961.....			423, 000, 000
Total, price support, supply, and related programs	1, 151, 832, 106	936, 428, 838	2, 490, 328, 818
Special milk program:			
Restoration of capital impairment (1959 and 1960 costs) ¹	74, 667, 894	81, 180, 927	² -373, 525
Adjusting balance.....		+235	-293
Total appropriation or estimate.....	1, 226, 500, 000	1, 017, 610, 000	2, 489, 955, 000

¹ In accordance with Public Law 86-446, approved Apr. 29, 1960, as amended by Public Law 87-67, approved June 30, 1961, separate appropriation items reimbursing to the Corporation \$90,000,000 advanced for the costs of the 1961 and \$105,000,000 for the 1962 special milk program were included in the Appropriation Act for 1962 and estimates for 1963, respectively, under "Reimbursement to Commodity Credit Corporation for Costs of Special Milk Program."

² Prior year adjustment.

EXPLANATION OF ESTIMATE

The 1963 estimate of \$2,489,955,000 is proposed to partially reimburse the realized losses of the Commodity Credit Corporation as of June 30, 1961, pursuant to Public Law 87-155, approved August 17, 1961. This law repealed sections 1 and 2 of the act of March 8, 1938, which provided for an appraisal by the Secretary of the Treasury of the assets and liabilities of the Corporation and authorized restoration of capital impairment or surplus payments to Treasury based on such appraisal. Public Law 87-155 authorized to be appropriated annually for each fiscal year, commencing with the fiscal year ending June 30, 1961, an amount sufficient to reimburse the Corporation for its net realized loss incurred during such fiscal year, as reflected in its accounts and shown in its report of its financial condition as of the close of such fiscal year. The law further provides that reimbursement of net realized loss shall be with appropriated funds rather than through the cancellation of notes and that in the event the accounts of the Corporation reflect a net realized gain for any such fiscal year, the amount of such gain shall be deposited to the Treasury as miscellaneous receipts.

The accounts of the Corporation and its report of financial condition as of June 30, 1961, reflect total realized losses of \$3,335,502,170 consisting of realized losses on price support and related programs and special milk of \$2,066,955,293 and \$1,268,546,877 which represents the inventory revaluation as of June 30, 1961, explained below. In order to assure adequate borrowing authority to

enable the Corporation to carry out its activities in 1963, the Department proposes to request reimbursement of one-third of the inventory evaluation in 1963. The remainder will be requested in subsequent years as needed.

The following tabulation relates net realized losses for the fiscal years 1959, 1960, and 1961 to the years in which appropriations were made, or are estimated to be made, in order to reimburse the Corporation for the net realized losses resulting from the Corporation's activities.

[In thousands of dollars]

Appropriations	Fiscal year in which realized losses are incurred			Total, actual or estimated appropriation
	1959	1960	1961	
Supplemental Appropriation Act, 1960.....	\$575,000			\$575,000
Annual Appropriation Act, 1961.....	632,001	\$594,499		1,226,500
Annual Appropriation Act, 1962.....		1,017,610		1,017,610
Budget estimate, 1963:				
Realized losses.....			\$2,066,955	2,066,955
Revaluation of inventory to reflect acquisition value.....			1,268,547	423,000
Total, budget estimates, 1963.....			3,335,502	2,489,955
Total losses.....	1,207,001	1,612,109	3,335,502	

Explanation of inventory revaluation as of June 30, 1961, and accounting for carrying charges on Commodity Credit Corporation commodities

It has been Commodity Credit Corporation's practice for a number of years to treat as additions to the book value of commodity inventories the costs incurred for storage, handling, and transportation of such inventories. This procedure was designed to show in Commodity Credit Corporation's monthly statement of financial condition the full accumulated costs of the commodity inventories held by Commodity Credit Corporation. The statements of financial condition also show the deduction of a reserve for losses so that the estimated net realizable value of the commodities is also shown.

Amounts paid to lending agencies for financing price support loans on 1957 and prior crops were added to the book value of commodities acquired from such loans in proportion to the quantities acquired. Beginning with 1958-crop loan programs, such amounts have been recorded as expenses. Amounts of loan financing costs included in the book value of commodities acquired from 1957 and prior crop-year loans remain in inventory accounts in proportion to the quantities remaining.

The reserve for losses reflects Commodity Credit Corporation's estimates of the amounts of losses that will be incurred upon disposal of the inventories of agricultural commodities on hand. The month-to-month adjustments of the reserve for losses are reflected in the statement of income and expense.

Losses on agricultural commodities are not recognized and reflected in Commodity Credit Corporation's account as realized losses until the commodities are sold or otherwise disposed of. Under the provisions of the act of March 8, 1938 (52 Stat. 107), as amended, and Public Law 87-155, approved August 17, 1961, the Congress reimburses Commodity Credit Corporation by appropriation for the losses realized during each fiscal year.

In recent years the book values of Commodity Credit Corporation's inventories have increased to such large totals that there has been considerable misunderstanding by the public as to the value of Commodity Credit Corporation's price-support inventories. Also, there has been considerable misunderstanding by the public as to Commodity Credit Corporation's program losses. Commodity Credit Corporation's practice of capitalizing storage, handling, and transportation costs in the inventory accounts and including such costs in estimates for future losses may have contributed to the public misunderstanding.

In order to reflect inventory values on a more realistic basis and to provide for current recognition of carrying charges as program costs, the Corporation has adopted the policy of recording inventory carrying charges as expenses and adjusted the book values of inventories as of June 30, 1961, to the acquisition cost of the commodities on hand.

Prior to adopting this policy, extensive discussions were held with the General Accounting Office, the Department of the Treasury, and the Bureau of the Budget. The revised policy is sound and will furnish a more readily comprehensible and realistic basis of accounting for realized losses. It should do much to correct the public misunderstanding of the Corporation's programs.

These changes will have the effect of reflecting in Commodity Credit Corporation's statement of financial condition inventory values which will represent acquisition costs plus any costs of processing or packaging the commodities. It will also result in inventory carrying charges being included in realized losses currently. The maintenance of reserve accounts for estimated losses will be continued; for commodities acquired under price support programs the reserves for losses will represent the amounts by which the acquisition costs exceed the estimated realizable values.

The following tabulation shows a breakdown of the inventory revaluation adjustments as of June 30, 1961:

Composition of inventory revaluation adjustment at June 30, 1961
 [From Commodity Credit Corporation report of financial condition and operations]

Commodity	Storage and handling expense	Transportation expense	Reseal loan storage expense	Loan financing expense	Total adjustment
Price support program:					
Cotton:					
Cotton, extra long staple.....	\$468,096.07	\$24,583.07	-----	-----	\$492,680.04
Cotton, upland.....	14,993,286.29	311,902.50	-----	-----	15,305,188.88
Dairy:					
Butter.....	1,426,210.14	432,339.10	-----	-----	1,858,549.33
Cheese.....	34,863.07	60,242.04	-----	-----	95,105.11
Milk, dried.....	496,090.22	1,527,383.53	-----	-----	2,023,473.75
Grains:					
Barley.....	7,295,873.71	4,698,351.08	\$1,422,159.64	-----	13,386,384.43
Beans, dry edible.....	443,826.02	41,353.75	-----	-----	485,179.77
Corn.....	259,656,991.17	60,397,606.13	26,388,968.89	\$8,749,757.01	354,143,733.20
Flaxseed.....	32.47	-----	-----	-----	32.47
Grain sorghum.....	199,474,893.89	58,144,608.94	1,943,714.38	1,036,893.91	200,599,611.12
Oats.....	1,422,089.14	84,549.39	350,345.29	-----	2,597,983.82
Rice, milled.....	11,288.79	17,008.68	-----	-----	28,297.47
Rice, rough.....	639,405.79	1,512.98	-----	-----	640,918.77
Rye.....	539,688.04	879,031.22	87,422.22	-----	1,506,141.48
Wheat.....	410,062,520.14	176,999,069.18	9,788,253.91	6,222,570.67	603,072,413.90
Wheat flour.....	105.88	-----	-----	-----	105.88
Oils and peanuts:					
peanuts, shelled.....	373,739.39	287,916.65	-----	-----	661,656.04
Tung oil.....	12,814.92	12,871.42	-----	-----	25,686.34
Exchange commodities: Strategic and critical materials in process of transfer to the supple- mental stockpile.....					
	570,653.98	997,409.49	-----	-----	1,568,063.47
Total price support program.....					
	897,891,553.22	314,713,991.33	39,910,862.33	16,009,221.59	1,298,525,598.47
Supply program: Seeds, foundation.....					
	19,916.91	1,361.87	-----	-----	21,278.78
Total, all programs.....					
	897,911,470.13	314,715,323.20	39,910,862.33	16,009,221.59	1,298,546,877.25

Analysis of realized losses, fiscal years 1960 and 1961

Following is a summary of the change in the realized losses sustained (exclusive of inventory revaluation) and an explanation of the major items:

1960-----		\$1, 612, 108, 771
1961-----		2, 066, 955, 293
Increase-----		+454, 846, 522

The increase consists of the following:

Item	1960	1961	Increase or decrease
Price support program:			
Loss on sales-----	\$495, 230, 026	\$614, 345, 441	+\$119, 115, 415
Donations-----	244, 414, 754	285, 501, 458	+41, 086, 704
Reseal storage payments (capitalized in 1960 and prior years)-----		80, 908, 875	+80, 908, 875
Other program costs-----	1, 931, 612	3, 882, 701	+1, 951, 089
Total price support program-----	741, 576, 392	984, 638, 475	+243, 062, 083
Commodity export program-----	311, 109, 606	305, 142, 573	-5, 967, 033
Storage facilities program-----	151, 112	43, 625	+94, 737
Supply and foreign purchase program-----	1 342, 763	1 2, 038, 931	-1, 696, 168
Subtotal-----	1, 052, 292, 123	1, 287, 785, 742	+235, 493, 619
1961 feed grain program advances-----		333, 222, 606	+333, 222, 606
Interest (net)-----	413, 355, 428	354, 006, 873	-59, 348, 555
Administrative and nonadministrative expense (net)-----	65, 280, 293	92, 313, 597	+27, 033, 304
Subtotal-----	1, 530, 927, 844	2, 067, 328, 818	+536, 400, 974
Special milk program ² -----	81, 180, 927	1 3 373, 525	-81, 554, 452
Total realized losses-----	1, 612, 108, 771	2, 066, 955, 293	+454, 846, 522

¹ Denotes gain.

² Losses for 1961 were reimbursable under separate appropriation pursuant to Public Law 86-446 approved Apr. 29, 1960. See "Reimbursement to Commodity Credit Corporation for Costs of Special Milk Program."

³ Prior year adjustment.

As indicated above, the largest increase over 1960 losses was the advance payments on the 1961 feed grain program authorized by Public Law 87-5, approved March 22, 1961, which also authorized the Corporation to advance operating costs for this program in 1961. The latter accounted for most of the increase indicated under administrative and nonadministrative expenses.

Of the total increase in price support losses of \$243,062,083, losses on sales and donations reflected the increased and expanded disposal programs of the Corporation, primarily under the food-for-peace programs. Reseal storage payments for the first time in 1961 were charged to realized losses rather than capitalized in inventory pursuant to the change in accounting for inventory charges described previously.

The above increases were offset in part by lower interest costs reflecting the interest rates in 1960 ranging from 3½ to 5 percent per annum compared with 1961 rates ranging from 2¾ to 3¼ percent.

Following is a summary of major cost elements included in realized losses:

Item	Fiscal years		Increase or decrease
	1960	1961	
Price support, supply, and related programs:			
Storage and handling-----	\$298, 734, 000	\$407, 838, 237	+\$109, 104, 237
Transportation and accessorial-----	80, 000, 000	160, 000, 000	+80, 000, 000
Commodity costs and miscellaneous program losses-----	673, 558, 123	719, 947, 505	+46, 389, 382
Subtotal, realized program loss ¹ -----	1, 052, 292, 123	1, 287, 785, 742	+235, 493, 619
1961 feed grain program-----		333, 222, 606	+333, 222, 606
Interest expense (net of interest income)-----	413, 355, 428	354, 006, 873	-59, 348, 555
Administrative and nonadministrative expense (net of miscellaneous income)-----	65, 280, 293	92, 313, 597	+27, 033, 304
Total, price support, supply, and related programs-----	1, 530, 927, 844	2, 067, 328, 818	+536, 400, 974
Special milk program ² -----	81, 180, 927	1 3 373, 525	-81, 554, 452
Total-----	1, 612, 108, 771	2, 066, 955, 293	+454, 846, 522

¹ Amounts shown for subitems under program loss were estimated because cost values of commodity dispositions were reported to Washington by total only. Beginning with fiscal year 1962, these elements will be reported on an actual basis.

² Losses for 1961 were reimbursable under separate appropriation.

³ Prior year adjustment.

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The following statement compares the 1960 and 1961 losses by programs and commodities:

[Millions]

Program and commodity	1960	Increase or decrease	1961		Total
			Realized loss excluding revaluation of inventory	Revaluation of inventory	
Price support, supply, and related programs:					
Basic commodities:					
Corn.....	165	+189	354	364	718
Cornmeal.....	17	+3	20	-----	20
Cotton.....	212	-65	147	16	163
Peanuts and peanut butter.....	13	+5	18	1	19
Rice.....	28	+3	31	1	32
Tobacco.....	(1)	+1	1	-----	1
Wheat.....	36	+75	111	603	714
Wheat flour.....	74	+6	80	(1)	80
Total basic.....	545	+217	762	985	1,747
Mandatory nonbasic commodities:					
Barley.....	21	-5	16	13	29
Milk and butterfat:					
Butter.....	35	-22	13	2	15
Cheese.....	8	-8	(1)	(1)	(1)
Milk, nonfat dry.....	70	+42	112	2	114
Armed services and veterans milk.....	23	+2	25	-----	25
Oats.....	9	-3	6	2	8
Rye.....	1	+1	2	1	3
Sorghums, grain.....	18	+12	30	261	291
Tung oil.....	1	-----	1	(1)	1
Other.....	(1)	-----	(1)	-----	(1)
Total mandatory nonbasic.....	186	+19	205	281	486
Other nonbasic commodities:					
Soybeans.....	10	-3	7	-----	7
Vegetable oils.....	-----	+5	5	-----	5
Other.....	2	+6	5	1	6
Total other nonbasic.....	9	+8	17	1	18
Strategic and critical materials.....	1	-1	(1)	2	2
Total price support program.....	741	+243	984	1,269	2,253
Commodity export program.....	311	-6	305	-----	305
Other programs.....	(1)	-2	2	-----	2
Subtotal.....	1,052	+235	1,287	1,269	2,556
1961 feed grain program.....	-----	+333	333	-----	333
Interest (net).....	413	-59	354	-----	354
Administrative and nonadministrative (net).....	66	+27	93	-----	93
Total, price support, supply, and related programs.....	1,531	+536	2,067	1,269	3,336
Special milk program.....	81	-81	(1) (3)	-----	(1) (3)
Total.....	1,612	+455	2,067	1,269	3,336
Less portion of inventory revaluation to be requested in future appropriations.....	-----	-----	-----	-846	-846
Total.....	1,612	+455	2,067	423	2,490

¹ Less than 1/2 million.

² Denotes gain.

³ Separate appropriation authorized for 1961 costs.

Status of Commodity Credit Corporation \$14.5 billion borrowing authority

Projections of the demands on the Corporation's borrowing authority for fiscal year 1962 indicate that by the end of February 1962 the available borrowing authority will be reduced to only \$266 million and that by June 1962 the borrowing authority would be exceeded by \$138 million. Because of the large size of the Corporation's operations and the many unpredictable factors which affect its financial condition, it is imperative to assure that the Commodity Credit Corporation will have sufficient funds available to carry out its mandatory programs. Therefore, elsewhere in the Department's budget are estimates to provide the Corporation additional amounts required for 1962 and prior year costs of certain special export (foreign assistance) programs and special milk program which have been financed by the Corporation's borrowing authority pursuant to specific legislation relating thereto. These are described in detail under "Special Export Programs" and "Reimbursement for Costs of Special Milk Program."

Projections of the demands on the Corporation's borrowing authority in the fiscal year 1963 indicate that if the 1963 appropriations included herein are obtained, the available borrowing authority will be sufficient to meet the currently estimated program requirements for price support and related programs, although there will not remain a desirable margin for unforeseen program requirements after December 1962. Should program developments occur which would indicate a need for funds in excess of those contained in these estimates, additional new obligational authority would be requested. However, all efforts will be made to stay within estimated funds to the extent practicable.

The following table shows, by months, the estimated status of the Corporation's borrowing authority through the fiscal year 1963:

COMMODITY CREDIT CORPORATION
Estimated status of \$14,500,000,000 borrowing authority—June 30, 1961, through June 30, 1963

[Million dollars]

Months	Without appropriations proposed in 1963 estimates				Appropriations proposed in 1963 estimates ¹				After crediting proposed appropriations			
	Regular activities	Special activities	Total	Balance available	Regular activities	Special activities	Total	Regular activities	Special activities	Total	Balance available	
June 30, 1961 (actual).....	11,403	2,599	14,002	2,498				11,403	2,599	14,002	2,498	
Fiscal year 1962:												
July 1961 (actual).....	10,470	764	11,234	3,266				10,470	764	11,234	3,266	
August (actual).....	10,620	701	11,321	3,170				10,620	701	11,321	3,179	
September (actual).....	10,829	3,381	14,210	3,290				10,829	3,381	14,210	3,290	
October (actual).....	11,326	592	11,918	2,642				11,326	592	11,918	2,642	
November.....	12,006	592	12,598	1,902				12,006	592	12,598	1,902	
December.....	12,714	742	13,456	1,044				12,714	742	13,456	1,044	
January 1962.....	13,261	827	14,088	413				13,261	827	14,088	412	
February.....	13,367	867	14,234	266				13,367	867	14,234	266	
March.....	13,319	803	14,122	288				13,319	803	14,122	288	
April.....	13,396	938	14,334	169				13,396	938	14,334	166	
May.....	13,471	1,014	14,485	113				13,471	1,014	14,485	115	
June.....	13,413	1,225	14,638	-138	105	385	490	13,308	840	14,148	352	
Fiscal year 1963:												
July 1962.....	13,516	1,324	14,840	-340	2,595	523	3,118	10,921	801	11,722	2,778	
August.....	13,708	1,146	14,854	-646	2,595	615	3,210	11,113	823	11,936	2,564	
September.....	13,969	1,254	15,223	723	2,595	726	3,321	11,374	828	12,202	2,598	
October.....	14,370	1,641	16,011	511	2,595	839	3,434	11,775	802	12,577	1,923	
November.....	14,858	1,903	16,761	201	2,595	1,041	3,636	12,263	862	13,125	1,375	
December.....	15,097	2,103	17,200	201	2,595	1,207	3,802	12,432	896	13,328	1,172	
January 1963.....	15,886	2,278	18,164	694	2,595	1,369	3,964	13,291	909	14,200	300	
February.....	15,960	2,533	18,493	3,004	2,595	1,568	4,163	13,364	935	14,299	201	
March.....	15,006	2,716	17,722	4,225	2,595	1,768	4,363	13,311	951	14,262	238	
April.....	15,808	2,837	18,645	4,285	2,595	1,910	4,505	13,303	977	14,280	220	
May.....	15,637	2,972	18,609	4,509	2,595	2,076	4,671	13,342	996	14,338	162	
June.....	15,800	3,308	19,108	4,658	2,595	2,252	4,847	13,255	1,056	14,311	189	

¹ Proposed 1963 appropriation for 1962 for unrecovered costs of special milk program, \$105,000,000, and special export program, \$855,000,000. Proposed for 1963 appropriations of \$2,067,000,000 for reimbursement of 1961 real-lead losses, \$423,000,000 for partial reimbursement of net real-lead losses due to inventory revaluation totaling \$1,268,500,000; \$1,802,000,000 for 1963 costs of special export programs; \$65,000,000 for National Wool Act Program.

² Before crediting 1962 appropriation of \$1,862,000,000 made immediately available in 1961.

³ Reflects advance of full amount of soil bank funds for payments under existing contracts. Payments are expected to be completed by the end of December.

Reimbursement to Commodity Credit Corporation for costs of special milk program

Appropriation Act, 1962 (for 1961 program costs)-----	\$90,000,000
Budget estimate, 1963 (for 1962 program costs)-----	105,000,000
Increase-----	+15,000,000

Project statement

Project	1961 (1960 costs)	1962 estimate (1961 costs)	Increase or decrease	1963 estimate (1962 costs)
Program payments-----	(1)	\$85,042,426	+\$17,657,574	\$102,700,000
Interest-----		1,642,621	-142,621	1,500,000
Operating expenses-----		652,535	+147,465	800,000
Subtotal-----		87,337,582	+17,662,418	105,000,000
Unobligated balance-----		2,662,418	-2,662,418	-----
Total appropriation or estimate-----	90,000,000	+15,000,000	105,000,000	

¹ Reimbursement for 1960 costs was included under the appropriation, "Reimbursement for net realized losses, Commodity Credit Corporation."

EXPLANATION OF ESTIMATE

Up to and including the fiscal year 1960 program, the Commodity Credit Corporation has included in its annual appropriation for reimbursement of net realized losses the costs of the special milk program. However, Public Law 86-446, approved April 29, 1960, requires that the Corporation shall be reimbursed for advances under this program during the fiscal year 1961 by an appropriation separate from any other appropriation of fund available to the Corporation. This separate appropriation was included in the Department of Agriculture and Related Agencies Appropriation Act, 1962.

Public Law 87-67, approved June 30, 1961, amended Public Law 86-446 to provide "* * * for the fiscal year beginning July 1, 1961, not to exceed \$105,000,000" for this program.

The Agricultural Act of 1961 (Public Law 87-128), approved August 8, 1961, provides that there be appropriated for the fiscal year beginning July 1, 1962, and for each of the 4 fiscal years thereafter, such sums as may be necessary to enable the Secretary of Agriculture to encourage consumption of fluid milk by children in the United States.

The 1963 estimates propose an appropriation of \$105 million for the 1963 program. The justification of this estimate and details with respect to prior year programs are included in these explanatory notes under the Agricultural Marketing Service, which administers the program.

Administrative expenses, Commodity Credit Corporation

	Price support and related programs	Special milk program	Total
Appropriation Act, 1962 and base for 1963-----	\$47,116,000	\$800,000	\$47,916,000
Budget estimate, 1963-----	48,000,000	-----	48,000,000
Increase or decrease-----	+884,000	-800,000	+84,000

Summary of increases and decreases, 1963

Net increase in estimated price support and related operations-----	+21, 000
Decrease due to providing a direct appropriation for the 1963 costs of the special milk program-----	-800, 000
Increase to provide a contingency reserve to enable the Corporation to meet unforeseeable increase in workload-----	+863, 000

Project statement

Project	1961	1962 (estimated)	Increase or decrease	1963 (estimated)
1. Price support program-----	\$35, 583, 113	\$38, 223, 545	+ \$21, 000	\$38, 244, 545
2. Storage facilities program-----	3, 451, 395	3, 730, 160	-----	3, 730, 160
3. Commodity export program-----	1, 992, 710	2, 150, 295	+200, 000	2, 350, 295
4. Special milk program-----	652, 535	800, 000	-800, 000	-----
Subtotal ¹ -----	41, 679, 753	44, 904, 000	-579, 000	44, 325, 000
Unobligated balance and contingency reserve: Under limitation for expanded sales program-----	576, 153	515, 000	-200, 000	315, 000
Other (represents contingency reserve in 1962 and 1963)-----	3, 470, 094	2, 497, 000	+863, 000	3, 360, 000
Total available or estimate-----	45, 726, 000	47, 916, 000	+84, 000	48, 000, 000

¹ Represents obligations. Applied costs for 1961 are \$41,677,162. The difference is \$2,591 which represents the excess of goods ordered over those received.

TABLE I.—Estimated volume of commodities—Commodity Credit Corporation, fiscal years 1962 and 1963

	All commodities except cotton (carlots)		Cotton (in thousands of bales)	
	1962	1963	1962	1963
I. Loan activity:				
A. Loans made-----	719, 532	665, 045	5, 210	2, 514
B. Loans repaid-----	191, 768	172, 753	1, 903	2, 213
C. Loans forfeited:				
1. Warehouse stored-----	208, 882	177, 769	1	3, 101
2. Farm stored-----	277, 952	349, 913	-----	-----
II. Inventory management:				
A. On hand beginning of fiscal year-----	1, 739, 884	1, 602, 924	1, 975	1, 305
B. Additions:				
1. Purchases-----	103, 661	115, 155	-----	-----
2. Purchase agreement deliveries-----	40, 181	37, 477	-----	-----
3. Forfeiture of collateral-----	493, 969	530, 952	1	3, 101
4. Transfers-----	55, 500	45, 200	-----	-----
5. From processing-----	14, 463	22, 085	-----	-----
Total additions-----	707, 774	750, 869	1	3, 101
C. Dispositions:				
1. Sales-----	693, 718	762, 166	671	356
2. Donations-----	81, 295	92, 727	-----	-----
3. Transfers-----	55, 500	45, 200	-----	-----
4. To processing-----	14, 221	21, 957	-----	-----
Total dispositions-----	844, 734	922, 050	671	356
D. On hand end of fiscal year-----	1, 602, 924	1, 431, 743	1, 305	4, 050
III. Reconcentrations-----	235, 000	245, 000	600	1, 500
IV. Purchase agreements made-----	93, 257	74, 951	-----	-----

STATUS OF PROGRAM

BASIC ASSUMPTIONS

The following general assumptions form the basis for the Corporation's 1962 and 1963 budget estimates:

(a) Employment, production, and national income will rise moderately both in 1962 and 1963 from the present level;

(b) On the average, the general level of prices will be the same as, or increase slightly over, the present level;

(c) Developments in international relations will not be such as to affect Government civilian programs generally;

(d) Exports of agricultural commodities in the fiscal year 1962 will be at about the fiscal 1961 level with some increase in 1963;

(e) Yields of the 1962 crops will show a decrease for corn, grain sorghums, dry edible beans, and soybeans and a moderate increase for other commodities; and

(f) Acreage allotments and marketing quotas will be in effect for the 1962 crops of peanuts, rice, wheat, cotton, and certain kinds of tobacco.

Compliance with provisions of the Agricultural Act of 1961, the provisions of the 1961 and 1962 special agricultural conservation program for feed grains and the 1962 wheat stabilization program should result in substantial acreage reduction in those commodities for both the 1961 and 1962 crops. The estimates for the feed grain and wheat stabilization programs assume diverted acreage based on probable signups by cooperators. However, the full impact of these programs cannot be accurately predicted until the final returns of actual participation are received for these crops. The estimates of expenditures for 1963 have been computed on the basis of continuing these programs for the 1963 crops and are subject to change due to new legislation and other factors.

In considering these estimates, it should be recognized that it is difficult to estimate requirements for the year ending June 30, 1963. They are dependent upon weather conditions and all other factors affecting volume of production of crops not yet planted in this country and abroad, economic conditions generally, food needs in this country and abroad, availability of dollar exchange, and other complex and unpredictable factors.

SUMMARY OF PRICE SUPPORT OPERATIONS

General outlook.—On the basis of the above assumptions and taking into consideration estimated supply and utilization factors which were calculated individually for each commodity, the estimates reflect a decline in overall volume of price support extended in fiscal year 1963 from the high level estimated for the fiscal year 1962, summarized as follows:

	1961 actual	1962 estimated	1963 estimated
Price support extended:			
Loans made	\$1,795,547,162	\$2,945,793,363	\$2,393,428,000
Purchase agreements made	137,888,342	257,395,000	207,367,000
Direct purchases not under purchase agreement	1,659,936,724	713,924,479	801,567,500
Total price support extended	3,593,372,228	3,917,112,842	3,402,362,500

Loans.—A comparison of the estimated loan activity for each of the fiscal years 1962 and 1963 with the actual volume in 1961 is summarized as follows:

Type of activity	1961 actual	1962 estimated	1963 estimated
Loans outstanding, start of year.....	\$1,302,310,064	\$1,475,390,244	\$2,129,949,857
Loans made.....	1,795,547,162	2,945,793,363	2,393,428,000
Repayments.....	552,674,761	1,032,251,966	1,039,371,200
Loan collateral forfeited, etc.....	1,069,792,221	1,253,981,784	1,904,901,595
Loans outstanding, end of year.....	1,475,390,244	2,129,949,857	1,579,105,062

The estimated increase in loans made in fiscal year 1962 is due primarily to the shift in the cotton program back to loans instead of purchases, higher production of soybeans and higher support levels on 1961 crops. The expected decrease in 1963 is due mainly to the large reduction in cotton loans—reflecting increased loan collateral forfeitures—and, to some extent, lower production of wheat and feed grains.

Inventories.—A comparison of the estimated inventory activity for each of the fiscal years 1962 and 1963 with the actual volume in 1961 as summarized as follows:

Type of activity	1961 actual	1962 estimated	1963 estimated
Inventory, start of year.....	\$7,222,926,952	\$5,563,332,512	\$4,944,411,269
Acquisitions and carrying charges included in inventory.....	3,666,463,630	2,390,488,248	3,138,291,500
Dispositions.....	4,057,532,472	3,009,409,491	3,105,252,450
Revaluation of inventory to reflect acquisition value.....	1,268,525,598		
Inventory, end of year.....	5,563,332,512	4,944,411,269	4,977,450,319

The budget estimates contemplate that the value of price-support inventories as of June 30, 1962, will decrease \$618,921,243 or 11.1 percent below that of June 30, 1961, and will increase slightly—about 0.7 percent—by June 30, 1963 from the June 30, 1962 level. The major net decreases in inventory value expected to take place during fiscal year 1962 are in feed grains, wheat, and upland cotton, offset to some extent by increases in soybeans and dairy products. The slight net increase in 1963 represents a large increase in upland cotton and smaller increases in soybeans and dairy products, offset largely by decreases in feed grains and wheat.

Investment in price support.—The foregoing activity is reflected in the estimated investment in price support for each of the fiscal years 1962 and 1963 with the actual volume in 1961, summarized as follows:

	1961 actual	1962 estimated	1963 estimated
Investment in price support (June 30):			
Loans outstanding.....	\$1,475,390,244	\$2,129,949,857	\$1,579,105,062
Inventory.....	5,563,332,512	4,944,411,269	4,977,450,319
Total investment.....	7,038,722,756	7,074,361,126	6,556,555,381

Program summaries.—The following pages of these explanatory notes describe the price support and other operations which the Corporation anticipates will be required during each of the fiscal years 1962 and 1963 and the basis of such estimates. It should be noted that any variations from the conditions assumed may result in changes in the volume and character of the Corporation's operations, thereby necessitating changes in the program and administrative expense estimates.

I. PRICE-SUPPORT PROGRAM

A. DESCRIPTION OF CURRENT PROGRAMS

1. Objective

To support the price of agricultural commodities, as required.

2. Authority

Price-support activities are governed by the provisions of the following legislation:

Commodity Credit Corporation Charter Act (15 U.S.C. 714-714p).

Titles I, II, III, and IV of the Agricultural Act of 1949, as amended (7 U.S.C. 1421 et seq.).

Titles I and II of the Agricultural Act of 1956 (7 U.S.C. 1813-60).

Public Law 87-5 (75 Stat. 6).

The Agricultural Act of 1961 (Public Law 87-128).

Section 308 of the Agricultural Trade Development and Assistance Act of 1954, as amended (Public Law 480), with respect to purchases of animal fats and edible oils and products thereof for donation.

3. Operations

Price support is available to producers through loans, purchase agreements, and purchases.

a. Loans.—For most commodities, nonrecourse loans may be obtained from financial institutions or direct from the Corporation through the Agricultural Stabilization and Conservation Service county committees. Loans are made on a note-and-chattel mortgage basis for farm-stored commodities, and on a note-and-loan agreement basis secured by warehouse receipts for warehouse-stored loans. In the case of tobacco and peanuts, advances are made to producers through producer associations which are under contract with Commodity Credit Corporation. Producers of naval stores obtain loans through the American Turpentine Farmers Association Cooperative. In the case of almonds, loans are made to handlers. The producers' commodities serve as collateral for price-support loans.

b. Reseals.—Reseal loans on 1960 crops (grains) in farm storage under loan, or purchase agreements to be converted to loans, and extended reseal loans for various crop years were available in designated areas where there existed a shortage of storage space. Purchase agreements may be converted to loans for reseal purposes. A specified reseal storage payment is made on all reseal loans. Such payment is recorded as a current operating expense.

Reseal and extended reseal loans were available generally for 1 year (except as indicated) as follows:

Corn: 1960 crop (2 years), 1959 crop, 1958 crop, 1957 crop, and 1956 crop.

Wheat: 1960 crop (2 years), 1959 crop, 1958 crop, and 1957 crop.

Barley: 1960 crop, 1959 crop, and 1958 crop.

Grain sorghum: 1960 crop (2 years), 1959 crop and 1958 crop.

Oats: 1960 crop and 1958 crop.

Rye: 1960 crop.

c. Purchase agreements.—A producer desiring to deliver a commodity to the Corporation under a purchase agreement must declare his intention to sell within a 30-day period ending on the applicable loan maturity date. The producer is not obligated to sell any specified quantity; however, the number of units specified in the purchase agreement is the maximum quantity that may be delivered.

d. Purchases.—Direct purchases are made of: (a) butter, cheddar cheese, and nonfat dry milk from manufacturers and handlers; (b) cottonseed from producers and ginners; (c) flaxseed from producers in designated Texas counties; (d) No. 2 shelled peanuts from shellers when conditions warrant; (e) storable corn on the

open market at not more than market or current support price to offset dispositions of Commodity Credit Corporation off-grade corn; (f) wheat at terminal or port position at prevailing market price to offset sales of small or isolated lots of Commodity Credit Corporation wheat at country or inland positions in order to effect rotation and consolidation of such stocks; and (g) cornmeal, wheat flour, and vegetable oils on the open market pursuant to competitive offers, for donation. Sales are authorized for inventory management purposes of Commodity Credit Corporation corn and wheat in amounts not to exceed the equivalent of quantities of flour and cornmeal so purchased.

e. *Summary.*—Price support on the 1961 and 1962 crops announced through January 15, 1962, is available to producers, by commodities, as follows:

1962 crops (except as noted)

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	Announced average support price			Support level		Support available		Latest maturity dates of nonrecourse loans (or earlier on demand and in certain areas)
	Type 1	Amount	Unit	Percent of parity	Parity as of	Earliest date harvest time (approximate)	Latest date	
Basic commodities:								
Corn.....	L and P A.....	\$1.20	Bushel.....	74.0	January 1962..	Aug. 1, 1962	May 31, 1963	July 31, 1963
Cotton.....	L.....				January 1962..	July 1, 1962	Apr. 30, 1963	July 31, 1963
Upland.....								
Middling 1 inch (average location).....		3304	Pound.....	82.0				
Average quality.....		3188	do.....	82.0				
Extra-long staple.....		5317	do.....	65.0				
American-Egyptian (1961).....		5318	do.....					
Sea Island (1961).....		4818	do.....					
Sealand (1961).....		4318	do.....					
Peanuts, farmers' stock.....	L and P A.....	1105	do.....					
Peanuts, shelled.....	L and P A.....	221.00	Ton.....	85.0	January 1962..	Aug. 1, 1962	Jan. 31, 1963	May 31, 1963
Peanuts, shelled.....	P.....				January 1962..	Sept. 1, 1962	Aug. 31, 1963	Apr. 15, 1963
Tobacco (1961) 2.....	L and P A.....	4.71	Hundredweight.....	78.0	January 1962..	May 15, 1962	Jan. 31, 1963	(4)
Rice.....								
Flue-cured (11-14).....		555	Pound.....			July 1, 1961	Feb. 28, 1962	
Fire-cured (21-25).....		388	do.....			Nov. 1, 1961	Apr. 30, 1962	
Barley (31).....		572	do.....			do.....	do.....	
Maryland (32).....		508	do.....			do.....	do.....	
Dark air-cured (35-36) and sun-cured (37).....		345	do.....			Apr. 1, 1962	Nov. 15, 1962	
Pennsylvania seed leaf (41).....		297	Pound.....			Nov. 1, 1961	Apr. 30, 1962	
Puerto Rican (46).....		305	do.....			Feb. 1, 1962	Sept. 30, 1962	
Cigar binder (51-52).....		236	do.....			Sept. 1, 1961	July 31, 1962	
Cigar filler and binder (42-44) (53-55).....		2.00	Bushel.....	84.4	August 1961..	May 15, 1962	Jan. 31, 1963	Mar. 31, 1963
Wheat 3.....	L and P A.....							
Mandatory nonbasic commodities:								
Honey.....	L and P A.....	112	Pound.....	74.0	January 1962..	Apr. 1, 1962	Dec. 31, 1962	Apr. 30, 1963
Milk and butterfat 6 (1961).....								
Butterfat.....	P.....	604	Pound.....	81.0	April 1961..	Mar. 10, 1961	Mar. 31, 1962	
Milk for manufacturing.....	L and P A.....	3.40	Hundredweight.....	83.0	April 1961..	do.....	do.....	
Barley.....	L and P A.....	93	Bushel.....	74.0	January 1962..	May 15, 1962	Jan. 31, 1963	Apr. 30, 1963
Oats.....	L and P A.....	62	do.....	74.0	January 1962..	do.....	do.....	Do.
Sorghums, grain.....	L and P A.....	1.93	Hundredweight.....	78.0	January 1962..	Apr. 1, 1962	do.....	Mar. 31, 1963
Tung nuts (1961).....	P A.....	1.08	Bushel.....	82.9	June 1961..	Nov. 1, 1961	Jan. 31, 1962	Do.
Tung oil (1961).....	L and P A.....	63.34	Ton.....	82.9	do.....	do.....	June 30, 1962	Oct. 31, 1962
Rye.....	L and P A.....	24	Pound.....	69	January 1962..	May 15, 1962	Jan. 31, 1963	Apr. 30, 1963
Other nonbasic commodities:								
Almonds (1961).....	L.....	20	Pound.....	29	October 1961..		Jan. 31, 1962	Sept. 1, 1962

	L and P A.	6.32	Hundredweight.	70	January 1962.	Aug. 15, 1962	Jan. 31, 1963	Apr. 30, 1963
Beans, dry edible	-----	-----	-----	-----	-----	-----	-----	-----
Cottonseed	-----	-----	-----	-----	-----	-----	-----	-----
Loan	-----	48.00	Ton	76	do	July 1, 1962	Jan. 31, 1963	Mar. 1, 1963
Purchase	-----	44.00	do	-----	-----	-----	Feb. 28, 1963	-----
Flaxseed	-----	2.90	Bushel	76	January 1962.	Apr. 1, 1962	Jan. 31, 1963	Mar. 31, 1963
Naval stores	L, P A, and P	-----	-----	89	April 1962.	Jan. 1, 1962	Dec. 31, 1962	-----
Crude pine gum: processed basis	-----	34.28	Barrel	-----	-----	-----	-----	-----
Gum rosin	-----	10.50	Hundredweight	-----	-----	-----	-----	-----
Soybeans	L and P A.	2.25	Bushel	78	January 1962.	May 15, 1962	Jan. 31, 1963	May 31, 1963

¹ L indicates loans; P A indicates purchase agreements; P indicates purchases.

² Or later.

³ For the 1961 crop and subsequent years, the support level will be determined by multiplying the 1959 level by the ratio of the average of the price paid index for 3 years prior to the market year to the average index of prices paid for 1959 (Public Law 86-389) (7 U.S.C. Supp. II, 1445). The Maryland crop for most grades bears the level of the 1958 crop (last crop supported). Flue-cured tobacco of Coker 139, Coker 140, and Dixie Bright 244 varieties (or any mixture or strain of such varieties) are supported at one-half the support rates for comparable grades of other varieties.

⁴ Demand.

⁵ Level shown applies to commercial area. No price support available in noncommercial area.

⁶ Milk and butterfat convert to the following purchase prices for products:

	Cents per pound			
	Sept. 17, 1960 through Mar. 9, 1961	Mar. 10, 1961 through July 17, 1961	On and after July 18, 1961	
Butter:				
U.S. Grade A or higher:				
New York, N.Y.; Jersey City and Newark, N.J.; California; Seattle, Wash.; California; Alaska; and Hawaii	61.25	61.25	61.25	61.25
Connecticut; Rhode Island; Massachusetts; Vermont; New Hampshire; and Maine	60.50	60.50	60.50	60.50
Arizona; New Mexico; Texas; Louisiana; Mississippi; Alabama; Georgia; Florida; and South Carolina	61.25	61.25	61.25	61.25
Location differentials for points in between	60.25	60.25	60.25	60.25
U.S. Grade B; 2 cents per pound less than above prices.				
Cheddar Cheese: U.S. Grade A or higher	34.25	36.10	36.10	36.50
Nonfat dry milk: U.S. extra grade:				
Spray process	13.90	15.90	15.90	16.40
Roller process	11.90	13.90	13.90	14.40

⁷ Estimated.

4. Eligibility

With respect to upland cotton, extra-long-staple cotton, wheat, rice, peanuts, and tobacco, eligible participants are producers (including associations of producers) of 1961 or 1962 crops who comply with acreage allotments and marketing quotas where applicable. Growers of Pennsylvania seedleaf type 41 tobacco will not receive price support on the 1961 crop since they disapproved marketing quotas. Producers must participate in the 1961 and 1962 special agricultural conservation programs for feed grains and the 1962 wheat stabilization program in order to be eligible for price support on those respective crops.

Producers of other designated commodities are eligible if they comply with any regulations prescribed by the Secretary governing eligibility for price support.

Grains that cannot be safely stored on the farm are ineligible for farm storage loans, and grains containing mercurial compounds or other substances poisonous to man or animals are ineligible for any price support. In general, commodities grown on federally owned land in violation of restrictive leases are not eligible for price support. Dairy products listed below are purchased to support prices to producers of milk and butterfat which are designated nonbasic commodities.

The following tabulation reflects eligibility requirements for commodities:

Commodity	Minimum grade	Other factors
Basic:		
Corn.....	3.....	Or No. 4 on the factor of test weight only. Commodity must be of the classes: Yellow corn (class I), White corn (class II), or Mixed corn (class III). Corn under loan must not grade "weevily." The moisture content for farm storage loan corn may not exceed 16-21 percent depending on time of testing for ear corn and 14 percent for shelled corn.
Cotton:		
Extra long staple.....		American-Egyptian, Sealand, and Sea Island of prescribed qualities and designated types. See weight requirement below.
Upland.....		Basis Middling white 1 inch. Commodities must be of one of the prescribed qualities. Each bale must weigh not less than 350 nor more than 625 pounds, gross weight.
Peanuts, farmers' stock.....		Contain not more than 10 percent foreign material, 7 percent damaged kernels, and 10 percent moisture except that mechanically dried peanuts shall contain at least 6 percent. (There are regional exceptions.)
Peanuts, shelled.....	2.....	Contain not more than 2 percent peanuts of other types, 6 percent damaged or unshelled peanuts, 2 percent minor defects (unused part of tolerance for damaged or unshelled peanuts allowed for minor defects), 2 percent foreign material, 7 percent fall-through and 10 percent moisture.
Rice.....	5.....	Must be one of classes within official standards of the United States other than "mixed rough rice." Moisture limit 14 percent.
Tobacco.....		Flue-cured (tied and loose leaf), Burley, Fire-cured, Dark air-cured and sun-cured, Maryland, Cigar binder, Cigar filler and binder, and Puerto Rican.
Wheat.....	3.....	Or No. 4 or No. 5 on the factor of "test weight" and/or because of containing "Durum" and/or "Red Durum" but otherwise grading No. 3 or better, or "sample" grade on test weight only. Weight of at least 50 or 51 pounds a bushel is the minimum test weight: from 50 to 40 pounds is discounted as "sample grade." In general, moisture limit is 14 percent.
Mandatory nonbasic:		
Barley.....	5.....	Includes No. 5 garlicky. Minimum test weight for No. 5 is 36 pounds per bushel; except that Western barley shall have a test weight of not less than 40 pounds per bushel.
Honey.....	C.....	Must be packed in metal containers with a capacity of not less than 5 gallons or greater than 70 gallons. Must be equal to or better than grade C of U. S. standards for grades of extracted honey and must not be objectionable in flavor.
Butter.....	A and B.	Bulk, print or canned.
Cheese.....	A.....	Cheddar, standard moisture basis.
Milk, nonfat dry.....	Extra.....	Spray and roller process. Grade must be "Extra" except moisture limitation is 3.5 percent and direct microscopic clump bacteria count may not exceed 250 million per gram.
Oats.....	3.....	Or No. 4 on the factor of "test weight" only. Oats grading garlicky meeting above requirements are eligible.
Rye.....	2.....	Or No. 3 on the factor of "test weight" only. Must not contain more than 1 percent ergot. Smutty, garlicky, or weevily rye shall not be eligible.
Sorghums, grain.....	4.....	Or No. 4 smutty or better, or No. 4 discolored or better, and containing not more than 13 percent moisture unless accompanied by a certificate stating ineligibility is due to moisture content only.
Tung nuts and oil.....		Nuts must be matured, air-dried with hard hulls dark in color and suitable for milling. Oil must meet Federal specifications.

Commodity	Minimum grade	Other factors
Other nonbasic:		
Almonds.....	.....	Any portion of surplus holdings, edible kernel weight.
Beans, dry edible.....	2.....	Classes included: Pea, Medium White, Great Northern, Small White, Flat Small White, Pink, Small Red, Pinto, Dark Red Kidney, Light Red Kidney, Western Red Kidney, Large Lima, and Baby Lima. Moisture limit 18 percent. After deduction of foreign material, may not contain more than 8 percent of other defects.
Cottonseed.....	.....	Must be sound and clean and contain not more than 11 percent moisture.
Flaxseed.....	2.....	Moisture limitation 11 percent.
Rosin.....	X to K.....	Must be federally inspected and packed in specified drums in approved storage.
Soybeans.....	4.....	Moisture limitation 14 percent unless accompanied by a certificate stating ineligibility is due to moisture content only. Must not grade garlicky or weevily.

B. BASIS OF ESTIMATE AND SUMMARY OF OPERATIONS

Departmental tables reflect, by commodity, the factors of production, supply, utilization, prices, etc., which form the basis of the estimates. Additional elements included are the actual and anticipated volume of commodities under support, purchase agreements, loans made and repaid, acquisitions, dispositions, end-of-year investment, carrying charges, expenditures and receipts, and gain or loss. The years stated are fiscal years; data for production factors, supply and utilization, and prices are for applicable crop or marketing year, usually 1 year earlier (1961 fiscal year is 1960 crop year, etc.).

The tables also reflect a summary of operations for other programs of the Commodity Credit Corporation, including the commodity export program, the storage facilities program, the supply and foreign purchase program, the special milk program, the special agricultural conservation programs, and the 1962 wheat stabilization program, as well as other items of income and expense.

C. DISPOSITION OF PRICE-SUPPORT COMMODITIES

1. Description of programs

Outlets available for disposal of Commodity Credit Corporation price-support inventory include domestic and export sales for dollars; sales for foreign currency under title I of Public Law 480, as amended; commodities furnished for emergency and other purposes under title II of Public Law 480; sales for dollars under long-term supply contracts under title IV of Public Law 480; wheat furnished under the International Wheat Agreement; grain furnished for migratory waterfowl and game birds under the act of July 3, 1956, as amended, and Public Law 87-152, approved August 17, 1961; barter and exchanges of agricultural commodities for strategic and critical materials abroad; payments in kind to U.S. exporters; payments in kind to producers of certain feed grains who reduce acreage in 1961 and 1962 and certain producers of wheat who reduce acreage in 1962; transfers to other Government agencies for export or for domestic use; and foreign and domestic donations.

a. Sales for dollars.—(1) Domestic: Section 407 of the Agricultural Act of 1949 (7 U.S.C. 1427), as amended, provides that with a few exceptions, the Corporation may not sell any basic agricultural commodity or storable nonbasic commodity at less than 5 percent above the current support price plus reasonable carrying charges. This section also includes legislation authorizing the Corporation to make its commodities available to relieve distress or disaster. This authority has been used to conduct an emergency feed program under which mixed feeds were made available to herd owners for \$1 a hundredweight.

Section 102 of the above act directed the Corporation, during the period August 1, 1959, through July 31, 1961, to offer any upland cotton owned by it for sale for unrestricted use at not less than 10 percent above the current level of price support for choice (B) farms. After July 31, 1961, section 407 as amended by Public Law 85-835, raises this percentage to 15 percent for all cotton, except that any amount by which estimated disappearance exceeds the national marketing quota may be sold at market price.

Section 407 as amended by Public Law 87-127 authorizes sales of Corporation-owned or controlled feed at not less than 75 percent of current support level for preservation of foundation herds of livestock in emergency areas.

Included in the domestic category are sales of cottonseed, flaxseed and rough rice to processors under conditional contracts which provide for repurchase by the Corporation in processed form.

Marketing of feed grain certificates is described under payment-in-kind, domestic, in a following section.

The Corporation issues sight drafts under the 1962 wheat stabilization program, as advance partial payments for acreage reductions agreed to by producers on the 1962 wheat crop. The sight drafts may be presented for payment through normal banking channels or used by the original producer-holders for the purchase of wheat at market price from price-support inventories held by the Corporation. The dollar value of the sight drafts issued is recorded as an expense and included in realized losses for the fiscal year.

(2) **Export:** Section 407 of the Agricultural Act of 1949, as amended, authorizes export sales without price restriction and includes those made on condition that commodities of the same kind of comparable value of quantity be exported in raw or processed form. Export credit sales are made on a deferred payment basis for periods up to 3 years.

Section 203 of the Agricultural Act of 1956, as amended (7 U.S.C. 1853), directs the Corporation to make cotton available at prices not in excess of the level of prices at which cotton of comparable qualities is being offered in substantial quantities by other exporting countries.

Proceeds from sales of wheat include export differentials not paid by the purchasers but charged to the commodity export program or the International Wheat Agreement.

b. Public Law 480 (Export).—CCC commodities are furnished pursuant to Public Law 480. Further details are contained under "Special Export Programs."

c. International Wheat Agreement.—This authorizes furnishing of wheat to importing countries at stable and equitable prices. (See "Special Export Program.")

d. Feed for migratory waterfowl and resident game birds.—Under the Act of July 3, 1956, as amended, and Public Law 87-152, approved August 17, 1961, grain owned by the Corporation is furnished to the Department of the Interior for feeding (1) migratory waterfowl to prevent crop depredations and (2) starving migratory birds; and also furnished to the States, as certified by the Department of the Interior, to feed resident game birds in danger of starvation.

e. Barter (export).—Under its Charter Act and other legislative authority, the Corporation may exchange its agricultural commodities for foreign-produced materials, goods and equipment.

Pursuant to section 4(h) of the Commodity Credit Corporation Charter Act materials acquired by the Corporation are transferred to the national stockpile and the Corporation is reimbursed therefor at the fair market value by General Services Administration. However, for the past few years no funds have been appropriated to General Services for this purpose.

Pursuant to section 206 of the Agricultural Act of 1956, as amended (7 U.S.C. 1856), strategic and other materials acquired by the Corporation are transferred to the supplemental stockpile which is designed to furnish a safety margin beyond national stockpile objectives. The Corporation is reimbursed by appropriation at the lower of cost or domestic market price. More on this item is contained under "Special Export Programs."

In accordance with section 303 of Public Law 480 (7 U.S.C. 1692), agricultural commodities owned by the Corporation are bartered or exchanged for strategic and other materials designated by the President, of which the United States does not produce its requirements, and which entail less risk of loss or substantially less storage charges, or materials required in foreign aid and assistance programs, or materials required in substantial quantities for offshore construction programs.

Pursuant to section 407 of Public Law 765, 83d Congress, as amended (5 U.S.C. 171z-1), foreign currencies received from the export sale of Corporation-owned surplus commodities were used to construct military housing abroad. This is further described under "Special Activities."

f. Payment-in-kind (export).—Under authority of the Charter Act, payment-in-kind programs were developed to stimulate exports from commercial supplies instead of from the Corporation's inventories and thereby reduce the acquisition of current crops by the Corporation. Upon proof of export of commodities obtained from private stocks, the Corporation will issue to U.S. exporters certificates

at applicable subsidy rates redeemable in commodities from its stocks. In the case of cotton, exporters also can export cotton purchased from the Corporation.

g. Payment-in-kind (domestic).—Under authority of Public Law 87-5 and sections 124 and 133 of the Agricultural Act of 1961, approved August 8, 1961, Corporation-owned feed grains and wheat may be furnished in payment of land retirement certificates issued under the 1961 and 1962 special agricultural conservation programs for feed grains and the 1962 wheat stabilization program.

The Corporation makes payments to producers under the 1961 and 1962 feed grain programs by issuance of negotiable payment-in-kind certificates, or by making cash advances in lieu of issuing certificates to producers who elect in advance, under the 1962 program, to have the Corporation market their certificate rights. The payments are recorded as expenses and included in realized losses for the fiscal year. The certificates are redeemable only in specified feed grains from price-support inventories of the Corporation. Most of the certificates issued are surrendered to the Corporation for marketing and cash advances are made to the producers for the certificate value.

All certificates and certificate rights surrendered to the Corporation are placed in a certificate pool. Certificate rights are sold from the pool for use in obtaining feed grains from price-support inventories of the Corporation and the proceeds of such sales are applied as recoveries of the cash advances made to producers. Pooled certificates, or certificate rights, are reflected as a liability and the corresponding amount of cash advances is reflected as an asset in the statement of financial condition. Redemptions of certificates or certificate rights in feed grains are recorded as sales at the dollar value of the certificates or rights redeemed. The value of certificates not surrendered for cash advances or for feed grains is reflected as a liability in the statement of financial condition.

h. Transfers to other Government agencies.—(1) Domestic: Pursuant to section 32, Public Law 320, 74th Congress as amended (7 U.S.C. 612c) and supplemented, Corporation-owned commodities and products are acquired for relief and school lunch programs. (Excludes section 416 donations.)

(2) Export: This includes commodities transferred pursuant to section 402 of the Mutual Security Act of 1954, as amended (22 U.S.C. 1922).

i. Donations.—(1) Domestic: Section 202 of the Agricultural Act of 1949, as amended by the Agricultural Act of 1961 (7 U.S.C. 1446a), directs the Corporation to donate dairy products to the armed services and to veterans' hospitals through December 31, 1964.

Section 407 of the Agricultural Act of 1949 (7 U.S.C. 1427) directs the Corporation to make available its farm commodities or products for use in relieving distress in areas determined by the President of the United States to be acute distress areas and also in connection with any major disaster determined by him to warrant assistance under Public Law 875, 81st Congress.

Section 416 of the Agricultural Act of 1949 (7 U.S.C. 1431) authorizes the Corporation to donate food commodities to the Bureau of Indian Affairs and to Federal, State and private agencies for use in the United States for nonprofit school lunch programs, for training students in home economics (as authorized by Public Law 86-756, 74 Stat. 899), nonprofit summer camps for children, and the assistance of needy persons, and section 210 of the Agricultural Act of 1956 (7 U.S.C. 1859) authorizes the Corporation to donate food commodities to certain penal and correctional institutions.

Pursuant to other legislative authority, various other donations are made for research, experimentation, textile training classes, education and miscellaneous other projects.

(2) Export: Section 416 of the Agricultural Act of 1949, as amended by title III, Public Law 480, 83d Congress (7 U.S.C. 143), authorizes the Corporation to donate commodities acquired under the price-support programs to nonprofit voluntary agencies and to intergovernmental organizations for use in the assistance of needy persons outside the United States.

Under section 308 of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1697), purchases of animal fats and edible oils and products thereof are authorized as will tend to maintain the support level for cottonseed and soybeans without requiring the acquisition of such commodities under the price support program. Such oils may be donated for use in the assistance of needy persons outside the United States.

Under section 9 of the act of September 6, 1958, the Corporation is authorized to purchase products of oilseeds, and edible oils or fats and the products thereof in such form as may be needed for donations abroad.

j. *Market Development.*—Pursuant to the Commodity Credit Corporation Charter Act, agricultural commodities are made available by CCC for use at trade fairs and exhibitions abroad to aid in the development of foreign markets for such commodities.

2. *Summary of operations*

[In millions]

Type of disposition	1961 actual ¹	1962 estimated	1963 estimated
Sales for dollars:			
Domestic:			
Cost value.....	\$2,159.5	\$402.2	\$562.0
Proceeds.....	1,734.7	341.0	539.4
Export:			
Cost value.....	103.3	61.7	122.4
Proceeds.....	54.7	43.8	113.8
Public Law 480 (export) (transfers to special activities):			
Title I:			
Cost value.....	378.7	196.7	155.8
Proceeds credited to price-support program.....	433.8	368.9	317.4
Title II:			
Cost value.....	134.9	123.6	141.0
Proceeds credited to price-support program.....	152.0	211.3	253.2
Title IV:			
Cost value.....		24.0	49.0
Proceeds credited to price-support program.....		38.9	99.1
International Wheat Agreement (export):			
Cost value.....	88.7	57.8	51.7
Proceeds credited to price-support program.....	55.4	60.2	60.2
Feed for waterfowl and game birds (domestic):			
Cost value.....	(3)	.2	.2
Proceeds credited to price-support program.....	(2)	.1	.1
Barter (export):			
Agricultural commodities delivered:			
Cost value.....	251.7	220.6	171.0
Proceeds credited to price-support program.....	155.4	210.7	170.2
Strategic and critical materials:			
Acquired.....	(183.6)	(221.0)	(250.0)
Transferred to supplemental stockpile:			
Cost value.....	200.8	226.0	250.0
Proceeds credited to price-support program (net).....	26.9	4.3	.2
Payment in kind:			
Unrestricted use (cotton):			
Cost value.....	203.8	3.8	-----
Proceeds.....	189.0	3.8	-----
Export:			
Cost value.....	159.5	56.0	35.3
Proceeds.....	95.5	55.9	38.7
Special agricultural conservation program for feed grains:			
Cost value.....	1.3	1,051.1	846.7
Proceeds credited to price-support program.....	.9	782.2	746.5
Purchases of products and processing costs:			
Cost value.....		3.4	6.0
Proceeds credited to price-support program.....		3.5	7.0
Transfers to other Government agencies:			
Domestic:			
Cost value.....	90.9	71.7	14.2
Proceeds.....	87.9	63.7	9.8
Export:			
Cost value.....	3.6	4.8	4.8
Proceeds.....	2.2	2.2	2.2
Donations, cost value:			
Domestic:			
Sec. 202.....	35.4	44.2	44.2
Sec. 407.....	3.2	1.3	1.2
Sec. 416.....	71.9	217.4	309.0
Sec. 210 (penal), research, education, etc.....	1.1	1.2	1.2
Export:			
Sec. 416, Agricultural Act of 1949.....	169.3	247.6	340.4
Sec. 308, Public Law 480 (vegetable oils).....		80.0	100.0
Sec. 9, act of September 8, 1958 (vegetable oils).....	4.6	11.2	-----
Total dispositions:			
Cost value.....	4,062.2	3,106.5	3,206.1
Proceeds.....	2,988.4	2,190.5	2,357.8

¹ Cost value for 1961 includes carrying charges as a part of the inventory value. For subsequent years carrying charges are recorded as current operating expenses rather than as a part of the inventory.

² Less than \$50,000.

II. COMMODITY EXPORT PROGRAM

A. DESCRIPTION OF CURRENT PROGRAMS

1. Objective

These programs are to encourage the export of certain free market stocks in order to reduce price-support inventories and to strengthen domestic market prices. These activities are carried out pursuant to the Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714), and other legislative authorities.

Special authorized programs such as wheat and wheat flour exports pursuant to the International Wheat Agreement Act (7 U.S.C. 1641 et seq.), sale of surplus agricultural commodities for foreign currencies under title I, Public Law 480, 83d Congress, as amended (7 U.S.C. 1701 et seq.), and long-term supply contracts under title IV, Public Law 480, 83d Congress (7 U.S.C. 1731 et seq.) are described under "Special export programs."

2. Operations

a. Upland cotton, feed grain, rice, and wheat.—Under these programs, the Corporation provides for payment in kind (PIK) certificates to be issued to exporters, upon proof of exportation of wheat, rice, and feed grains (barley, corn, oats, grain sorghum, and rye) from commercial stocks. The certificates are redeemable for wheat, rice, and feed grains available in the Corporation's inventory. Such commodities thus acquired from the Corporation must be exported or, in the case of feed grains and wheat, a comparable quantity. Wheat exported will be eligible for transactions under titles I and IV, Public Law 480, 83d Congress, as amended.

In the case of wheat flour, cash payments are made. In addition, PIK credits may be earned by exporters on upland cotton exported from commercial stocks. These credits are redeemable for available cotton from the Corporation's inventory, or as provided, the Corporation may make cash payments when cotton is not available from its inventory. Section 203 of the Agricultural Act of 1956 (7 U.S.C. 1853) directs sale of cotton in such manner as will maintain the fair historical share of the world market for U.S. cotton.

In general, availability of Corporation-owned rice, wheat, and feed grains to the grain trade for export (except as described above) is limited to barters and exchanges, sales relieving port congestion, sales requiring credit arrangements and sales of offgrade grains.

b. Cotton products.—This program is intended to protect the competitive position of the domestic cotton industry in relation to sales of cotton products manufactured abroad from American cotton purchased at export prices. Equalization payments, based on the raw cotton content in the products exported, are made to U.S. exporters on cotton products of upland cotton grown and wholly processed in the United States and which have not been previously exported and returned to the United States. The payment rate is announced monthly by the Corporation. Such rate is based on the weighted average export differential (the export payment rate announced under the payment in kind cotton export program and the difference between domestic market prices for cotton and the price at which the Corporation sells cotton for export.)

c. Agricultural products.—This program is designed to aid in the development of foreign markets for U.S. agricultural commodities and products thereof. The Corporation provides its agricultural commodities or procures same or products thereof for display purposes at fairs and exhibits in foreign countries which are sponsored, approved, or conducted by the Foreign Agricultural Service or the Agricultural Stabilization and Conservation Service. Each project's cost is limited to \$60,000. Upon completion of exhibits, commodities may be disposed of through sales for U.S. dollars or foreign currencies, distribution of free samples, donations to charitable institutions in foreign countries, or if practicable, transfer back to the United States.

B. Summary of operations

[In millions]

Programs	1961 actual	1962 estimated	1963 estimated
1. Upland cotton export:			
Quantity exported (bales)-----	5.7	4.4	4.8
Certificates issued-----	\$179.5	\$188.2	\$201.9
2. Feed grain export:			
Barley:			
Quantity exported (bushels)-----	30.1	22.5	33.0
Certificates issued-----	\$5.4	\$6.1	\$9.0
Corn:			
Quantity exported (bushels)-----	117.0	200.0	200.0
Certificates issued-----	\$7.8	\$13.0	\$13.0
Oats:			
Quantity exported (bushels)-----	10.5	12.0	15.0
Certificates issued-----	\$2.0	\$1.3	\$1.6
Rye:			
Quantity exported (bushels)-----	5.8	1.0	4.0
Certificates issued-----	\$1.8	\$0.4	\$1.7
Grain sorghums:			
Quantity exported (bushels)-----	59.1	71.5	71.0
Certificates issued-----	\$3.4	\$7.9	\$7.8
3. Rice export:			
Quantity exported (hundredweight)-----	6.7	10.7	11.0
Certificates issued-----	\$18.6	\$23.5	\$23.1
4. Wheat export:			
Exports of Corporation-owned wheat (bushels)-----	29.2	40.0	45.0
Net cost-----	\$16.3	\$22.0	\$28.8
Wheat export payments:			
Commercial exports (bushels)-----	95.7	53.0	15.4
Certificates issued-----	\$52.4	\$29.2	\$9.9
Wheat flour export payments:			
Commercial exports (bushel equivalent)-----	7.1	2.0	1.0
Cash payments-----	\$5.6	\$1.6	\$0.9
5. Cotton products export (414,046-bale equivalent in 1961):			
Equalization payments (400,000-bale equivalent in 1962 and 1963)-----	\$12.4	\$17.0	\$17.0
6. Agricultural products: Trade fairs, etc. (value)-----	\$0.03	\$0.03	\$0.03
Total, commodity export program (net expenditures)---	\$305.2	\$310.2	\$314.7

III. STORAGE FACILITIES PROGRAM

A. DESCRIPTION OF CURRENT PROGRAM

1. Objective

The purpose of this program is to provide adequate storage facilities for Corporation-owned and producer-owned commodities; to assist producers in financing the purchase of suitable mobile drying equipment to facilitate safe farm storage; and other related operations, pursuant to section 5 of the Corporation's Charter Act.

2. Operations

a. *Purchases.*—Prior to fiscal year 1958, bins and granaries were purchased by the Corporation in storage deficient areas to provide emergency storage space for deliveries of producer grain at loan maturity in order that new-crop grain could be stored in warehouse space of the producer's election. Currently, no purchases of bins and granaries are contemplated for fiscal years 1962 and 1963.

b. *Loans.*—Producers are provided with recourse loans for financing the construction or purchase of farm storage facilities and mobile drying equipment through the ASCS county committees, and, if specifically authorized, from lending agencies. Loans are for a maximum period of 4 years on facilities and 3 years on equipment, payable in equal annual installments with interest at the rate of 4 percent a year on the unpaid balance. The maximum amount to be lent on facilities is 80 percent of cost or 95 percent of the outlay for storage bins costing 40 cents or less per bushel of capacity, whichever is greater, and 95 percent of cost on equipment. Any past-due, payable, or prepayable installment may be deducted and paid out of any amount due the borrower on any program conducted by the Department of Agriculture, excepting amounts due him out of appropriated funds, when the loan is held by a lending agency.

c. Storage use guarantees.—The Corporation guaranteed the use of specified storage capacity under agreements with commercial firms operating under the uniform grain storage agreement who agreed to construct additional storage capacity for grains and oilseeds. Space covered by outstanding storage occupancy contracts as at June 30, 1960, totaled 30 million bushels. The Corporation has not entered into any of these agreements since August 20, 1954, and all existing agreements expired before the end of fiscal year 1961.

d. Research.—The program provides for tests and experiments under the supervision of the Agricultural Marketing Service to develop improved methods for storing and conditioning Corporation-owned grain stored at bin sites.

B. Summary of operations

[Millions]

	1961 actual	1962 estimate	1963 estimate
Purchase of equipment.....	\$0.6	\$0.5	\$0.5
Equipment loans made.....	\$1.8	\$3.5	\$3.5
Farm storage facilities:			
Loans made.....	\$18.8	\$28.5	\$28.5
Capacity (bushels).....	62.5	100.0	100.0
Storage use guarantee payments.....			
Research.....	\$0.1	\$0.1	\$0.1

IV. SUPPLY AND FOREIGN PURCHASE PROGRAM

A. DESCRIPTION OF CURRENT PROGRAM

1. Objective

Under its Charter Act, the Corporation procures agricultural commodities in the United States and abroad for U.S. Government agencies (principally those administering relief programs abroad), foreign governments, international relief agencies, and to meet domestic requirements.

This program is closely coordinated with the price-support program to provide the maximum benefit to American agriculture. Sales prices are designed to reimburse the Corporation for all costs incident to carrying out the program pursuant to section 4 of the act of July 16, 1943 (15 U.S.C. 713a-9). Operations not subject to this section may involve losses if such are necessary to the accomplishment of the objectives of the particular operation. Generally, purchases are made during peak marketing seasons at the best price obtainable at either an announced price or on an offer-and-acceptance basis in quantities, although purchases may also be made under formal competitive bids.

2. Operations

Purchases, except for a Federal agency, require (1) a firm requisition or contract, and (2) a deposit with the Corporation of cash or its equivalent, or other acceptable financial arrangements. Purchases for Federal agencies require a firm written order. Purchases may be made in advance of firm commitments and deposit of cash only as approved by the Board of Directors. In addition, they may authorize the purchase and stockpiling of commodities in the interest of the national security.

The main activity now carried on is procurement for other Government agencies of certain specialized commodities which are not in the Corporation's inventory.

In conjunction with Agricultural Research Service, the Corporation is conducting a program wherein limited supplies of breeder, foundation and registered seeds are purchased and maintained in order to increase the seed supplies of improved varieties of grasses and legumes for American farmers.

The production or stockpiling of agricultural commodities under sections 303 and 304 of the Defense Production Act of 1950, as amended, was also carried out under this program. These activities included a program to encourage and develop sources of supply of castor beans within the Continental United States and to insure a supply of castor beans, oil and planting seed for industrial uses and stockpiling in connection with national defense. These operations have been completed and full reimbursement has been made from funds authorized under the Defense Production Act.

B. Summary of operations

[Millions]

	1961 actual	1962 estimate	1963 estimate
Acquisitions and carrying charges.....	\$0.2	\$0.3	\$0.3
Sales:			
Cost value.....	.3	.4	.4
Proceeds.....	.3	.4	.4
Inventory, end of year.....	.5	.4	.3
Other receipts.....	2.5	1.5	1.5
Other expenditures.....	.5	.5	.5
Net receipts.....	2.1	1.1	1.1
Net gain.....	2.0	1.0	1.0

V. SPECIAL AGRICULTURAL CONSERVATION PROGRAM FOR FEED GRAINS (FINANCED BY COMMODITY CREDIT CORPORATION)

A. DESCRIPTION OF CURRENT PROGRAM

The Agricultural Act of 1961, approved August 8, 1961 (Public Law 87-128), provides that producers of corn, grain sorghums, and barley must participate in the special agricultural conservation program for 1962 in order to be eligible for price support. Under regulations of the 1962 special agricultural conservation program, payments are made to producers of corn, grain sorghums, and barley who divert an acreage of these crops to approved conservation crops or practices. Details of the program are described under "Agricultural Stabilization and Conservation Service" in these explanatory notes.

B. Summary of operations

	1961 actual		1962 estimated		1963 estimated		Total program	
	Quantity ¹ (bush- els)	Value (mil- lions)	Quantity ¹ (bush- els)	Value (mil- lions)	Quantity ¹ (bush- els)	Value (mil- lions)	Quantity (bush- els)	Value (mil- lions)
1961 PROGRAM PAYMENTS								
Corn:								
Advance.....	981.0	\$270.2					} 981.0	\$623.0
Final.....				\$352.8				
Grain sorghums:								
Advance.....	260.0	63.0					} 260.0	145.0
Final.....				82.0				
Total:								
Advance.....	1,241.0	333.2					} 1,241.0	768.0
Final.....				434.8				
1962 PROGRAM PAYMENTS								
Corn:								
Advance.....			898.0	270.2			} 898.0	570.0
Final.....					\$299.8			
Grain sorghums:								
Advance.....			232.0	63.0			} 232.0	130.0
Final.....					67.0			
Barley:								
Advance.....			93.0	23.5			} 93.0	47.0
Final.....					23.5			
Total:								
Advance.....			1,223.0	356.7			} 1,223.0	747.0
Final.....					390.3			
1963 PROGRAM PAYMENTS								
Corn:								
Advance.....					898.0	270.2		
Final.....								
Grain sorghums:								
Advance.....					232.0	63.0		
Final.....								
Barley:								
Advance.....					93.0	23.5		
Final.....								
Total:								
Advance.....					1,223.0	356.7		
Final.....								
Fiscal year totals.....		333.2		791.5		747.0		

¹ Quantity applicable to estimated total payments under each crop year program.

VI. WHEAT STABILIZATION PROGRAM (FINANCED BY COMMODITY CREDIT CORPORATION)

A. DESCRIPTION OF CURRENT PROGRAM

Title I, of the Agricultural Act of 1961, Public Law 87-128 (75 Stat. 296-301), provides for payments to producers who divert acreage from wheat to approved conservation practices or uses.

Payments in cash or in kind are made by Commodity Credit Corporation. Details of the program are described under "Agricultural Stabilization and Conservation Service" in these explanatory notes.

B. Summary of operations

	1962 estimated		1963 estimated	
	Quantity (bushels) ¹	Value (millions)	Quantity (bushels) ¹	Value (millions)
1962 crop:				
Advance.....	305	\$164		
Final.....				\$164
1963 crop:				
Advance.....			305	164
Final.....				
Total, fiscal years.....		164		328

¹ Quantity applicable to estimated total payments under each crop-year program.

VII. SPECIAL MILK PROGRAM

A. DESCRIPTION OF CURRENT PROGRAM

1. Objective

Under Public Law 85-478, as amended by Public Law 87-67, approved June 30, 1961 (7 U.S.C. 1446, note), the Commodity Credit Corporation provides funds to finance a special milk program to increase milk consumption by children in nonprofit schools and child-care institutions. Maximum authorizations for fiscal years 1960, 1961, and 1962 are \$85 million, \$95 million, and \$105 million, respectively.

2. Operations

Payments are made through the facilities of the school lunch program administered by the Agricultural Marketing Service upon certification of use of additional milk by local schools or institutions.

Public Law 85-478, as amended, provides that for fiscal year 1961, the Corporation shall be reimbursed by a separate appropriation for any amounts advanced by it under this program. The 1963 estimates include a separate appropriation for 1962 costs. Previously, reimbursement was effected through the general restoration of capital impairment. Public Law 85-478, as amended by the Agricultural Act of 1961 (Public Law 87-28) provides annual appropriations to the Secretary of Agriculture through June 30, 1967, so that Commodity Credit Corporation financing will not be required after the fiscal year 1962. Beginning with the 1963 fiscal year, a separate appropriation is being requested under the Agricultural Marketing Service.

B. Summary of operations

	1961 actual	1962 estimated (millions)	1963 estimated
Net expenditures:			
Program.....	\$85.0	\$102.7	
Interest.....	1.6	1.5	
Administrative.....	.7	.8	
Subtotal.....	87.3	105.0	
Prior year adjustment.....	1.4		
Total.....	86.9	105.0	

¹ Designates receipt item.

VIII. SPECIAL ACTIVITIES

In addition to the special activities for which specific annual appropriations are made to the Corporation, discussed in other sections under "Special Export Programs" and "Reimbursement to Commodity Credit Corporation, National Wool Act," the following operations are also financed by the Corporation pursuant to specific provisions of law. A description of each activity and the specific method of financing follows:

1. MILITARY HOUSING (BARTER AND EXCHANGE)

A. Description of current program

Under provisions of the Corporation's Charter Act negotiations were completed in 1957 involving exchange of \$50 million worth of Commodity Credit Corporation owned surplus agricultural commodities acquired under the price support program for construction of military housing in France. Costs incurred under this program represent the Corporation's investment in the commodities exchanged. No interest is charged on the Corporation's investment in this housing. Under a long-term agreement between the Corporation and the Department of Defense, Commodity Credit Corporation will be reimbursed for the export value of commodities exchanged from proceeds from rental receipts and quarters allowances (5 U.S.C. 171z-1).

The Corporation's investment in French military housing at June 30, 1961, was \$46,910,000. At the present rate of reimbursement, it is apparent that the Corporation's investment in this asset will not be liquidated for at least 24 years.

B. Summary of operations

[In thousands of dollars]

Activity	1961 actual	1962 estimated	1963 estimated
Costs incurred (completed prior to 1961)-----			
Reimbursements-----	\$1,987	\$2,022	\$2,888
Total net receipts-----	1,987	2,022	2,888

2. GRAIN FOR MIGRATORY WATERFOWL

A. Description of current program

Pursuant to the act of July 3, 1956 (7 U.S.C. 442 et seq.), the Commodity Credit Corporation transfers to the Secretary of the Interior, upon his requisition, corn, wheat, or other grains acquired from price-support operations and certified by the Corporation to be unfit for human consumption or otherwise available for transfer. Grain transferred is used to lure migratory waterfowl away from crop deprecations. Authority for this program is continuous and indefinite. Costs incurred under this program represent the Corporation's investment in the commodities transferred.

In fiscal year 1962 funds have been appropriated to the Department of the Interior for this program. These funds remain available until expended and will be used to reimburse the Corporation for its investment in the grain furnished. Previously the Corporation was reimbursed for its costs under this program by subsequent appropriations.

B. Summary of operations

Activity	1961 actual	1962 estimated	1963 estimated
Commodities transferred:			
Quantity (bushels)-----	Thousands 11	Thousands 32	Thousands 32
Value-----	\$41	\$35	\$35
Advances and reimbursements from Department of the Interior-----		-35	-41
Total net expenditure or receipts-----	41		-6

3. SURPLUS GRAIN FOR GAME BIRDS

A. Description of current program

1. *Migratory birds.*—The Secretary of the Interior under Public Law 87-152, approved August 17, 1961 (75 Stat. 389), is authorized to requisition Commodity Credit Corporation grain for feeding starving migratory birds. The estimates assume that the Department of the Interior will include about \$5,000 in its budget for fiscal year 1963 to reimburse the Corporation for 1962 costs.

2. *Resident game birds.*—Any State, under Public Law 87-152, cited above, upon the finding of the Secretary of the Interior that resident game birds and other resident wildlife are threatened with starvation, may also requisition grain from Corporation stocks. Appropriations will be requested in subsequent budgets to cover costs incurred.

B. Summary of operations

Activity	1962 estimated	1963 estimated
1. Commodities transferred to Department of the Interior:		
Quantity (bushels).....	<i>Thousands</i>	<i>Thousands</i>
Value.....	4.55	4.55
Advances and reimbursements from the Department of the Interior.....	\$5	\$5
Total net expenditures.....	\$5	
2. Commodities transferred to States:		
Quantity (bushels).....	90.5	90.5
Value.....	\$100	\$100
Net expenditures (recoverable in subsequent years).....	\$100	\$100

4. GRADING AND CLASSING ACTIVITIES

A. Description of current program

Prior to fiscal year 1962, the Commodity Credit Corporation has financed, on a reimbursable basis, costs of classing and grading cotton and tobacco eligible for free classing or grading when such costs exceed appropriations available to the Agricultural Marketing Service which does the classing and grading. In fiscal year 1962 funds have been appropriated to the Agricultural Marketing Service for this purpose.

B. Summary of operations

Following is a summary of operations for fiscal year 1961:

Cotton:

Total number of classings.....	18,037,980
Cost of classings.....	\$4,461,010
Average cost per classing.....	\$0.247312
Total bales classed under Smith-Doxey Act going under support.....	8,318,694
Advance from Commodity Credit Corporation.....	\$2,429,300
Less cost of classing price-support cotton.....	2,057,313
Repaid Commodity Credit Corporation.....	371,987

Tobacco:

Total quantity inspected and graded at auction markets without charge to producers (pounds).....	1,972,761,014
Quantity of such tobacco placed under loan (pounds).....	67,373,466
Percent of such tobacco entering the loan program.....	3.415
Cost of inspection.....	\$2,347,292
Advance from Commodity Credit Corporation.....	\$1,112,000
Less cost of inspecting loan tobacco.....	106,077
Repaid Commodity Credit Corporation.....	1,005,923

Total cost charged to special activities for cotton classing and tobacco grading..... \$1,377,910

NOTE.—A balance of \$32,644 remained after application of 1961 costs. It is anticipated that this amount will be paid to the Agricultural Marketing Service for use in the fiscal year 1962.

5. SOIL BANK PROGRAM

A. Description of current program

The Soil Bank Act (7 U.S.C. 1801, et seq.) authorized acreage reserve and conservation reserve programs to assist farmers to divert a portion of their cropland from the production of excessive supplies of agricultural commodities and to carry out soil, water, forest, and wildlife conservation practices. The Secretary of Agriculture was authorized to use the facilities of the Commodity Credit Corporation in administering the programs.

Prior to June 30, 1957, Corporation funds were advanced to carry out these programs. Beginning with the 1958 fiscal year, the Corporation received funds in advance from soil bank appropriations. Unused advances at the end of each fiscal year remain in the Corporation's accounts for payments in the next year under existing contracts.

a. Acreage reserve program.—Under this program, producers were compensated for reducing their acreages of 1956, 1957, and 1958 crops of basic commodities through negotiable certificates redeemable either in cash or in Corporation-owned grain. This program is in process of liquidation. Certificates amounting to \$12,000 were redeemed in the fiscal year 1961.

b. Conservation reserve program.—Under this program, producers are compensated for removing cropland from production and establishing long-range conservation practices through cost-sharing assistance and annual payments. Contracts of 3 to 10 years' duration were negotiated during the calendar years 1956-60. The period for entering into contracts expired with the 1960 program. Details of the program and financing are described under "Agricultural Stabilization and Conservation Service, Conservation Reserve Program," in these explanatory notes.

B. Summary of financing, 1956-63

[Thousands]

Item	1956-57	1958	1959	1960	1961	1962 estimate	1963 estimate
Advanced from Commodity Credit Corporation.....	\$545,020	-----	-----	-----	-----	-----	-----
Repaid from 1958 appropriation.....	¹ -565,927	-----	-----	-----	-----	-----	-----
Advanced to Commodity Credit Corporation from annual appropriations.....	-----	\$602,493	\$742,137	\$316,560	\$319,422	\$321,562	\$312,696
Sight drafts issued by CCC.....	-545,020	-563,397	-746,513	-306,921	-351,507	-333,836	-312,696
Unused advances retained by the Corporation for use in future years.....	-----	39,096	34,720	44,359	12,274	-----	-----

¹ Includes \$20,907,000 for interest.

Beginning with the fiscal year 1961, the Appropriation Act provides under the item "Conservation Reserve Program" that unexpended balances of prior year funds heretofore appropriated shall remain available until expended.

6. TRANSFER OF LONG-STAPLE COTTON FROM NATIONAL STOCKPILE FOR SALE BY COMMODITY CREDIT CORPORATION

A. Description of current program

Under Public Law 85-96 (71 Stat. 290), 50,000 bales of extra-long staple cotton were transferred to Commodity Credit Corporation's inventory in 1957 from the national stockpile for sale by the Corporation. The transfer was made at no cost to the Corporation. Sales proceeds less administrative expenses and transportation and maintenance costs incurred in financing sales are covered into the Treasury as miscellaneous receipts.

B. Summary of operations

Of the 50,000 bales transferred, 28,991 were sold through June 30, 1961. It is estimated that 7,500 bales will be sold in the fiscal year 1962. The following table reflects net expenditures or receipts of the Corporation in financing sales:

[Thousands]

Activity	Fiscal year 1961 actual	Fiscal year 1962 estimated	Fiscal year 1963 estimated
Sales proceeds	\$3,749	\$2,250	\$2,250
Costs incurred	90	100	75
Amounts covered into Treasury as miscellaneous receipts.....	1,124	4,567	2,175
Total expenditures or receipts (*).....	*2,535	2,417	-----

7. LOANS TO SECRETARY OF AGRICULTURE FOR CONSERVATION PURPOSES

A. Description of current program

Section 391 of the Agricultural Act of 1938, as amended (7 U.S.C. 1391) provides a means whereby the Commodity Credit Corporation advances funds in the form of loans to the Secretary of Agriculture for the purchase of conservation materials and services in advance of the agricultural conservation program appropriation made therefor.

Loans in amounts not to exceed \$50 million in each fiscal year are authorized for advance payments to farmers for conservation materials and services in connection with programs applicable to crops harvested in the calendar year in which the fiscal year ends and for administrative expenses of county agricultural conservation associations for the calendar year in which the fiscal year ends.

Loans are repaid with interest during the succeeding fiscal year from the ACP appropriation available for that year or from any unobligated balances from prior year appropriations.

B. Summary of operations

[Thousands]

Activity	Fiscal year 1961, actual	Fiscal year 1962, esti- mated	Fiscal year 1963, esti- mated
Balance at start of year.....	\$29,200	\$30,200	\$36,700
Add loans made.....	42,200	42,200	32,000
Less repayments.....	41,200	35,700	36,700
Balance at end of year.....	30,200	36,700	32,000
Net expenditures or receipts (*).....	1,000	6,500	*4,700

IX. EXPENSES DISTRIBUTED TO PROGRAMS

Included in the foregoing programs were expenses in connection with the acquisition, operation, maintenance, improvement, or disposition of property which the Corporation owns or in which it has an interest which have been treated as program rather than administrative expenses. Such expenses include inspection, classing, and grading work performed on a fee basis by Federal employees or Federal- or State-licensed inspectors and work performed on a contract basis by agricultural stabilization and conservation county committees. Similarly, expenses of other Federal agencies whose services are utilized in the handling of Commodity Credit Corporation property are treated as program expenses. These include the fleet storage operation of the Maritime Administration, the services rendered by the General Services Administration in connection with the strategic, critical, and other materials acquired by the Corporation, and tests and experiments conducted by the Agricultural Marketing Service and the Agricultural Research Service in connection with the management of the Corporation's inventories. Such expenses are included in program costs applicable to the particular commodities handled.

As of June 30, 1961, as explained previously, the carrying charges incurred for storage, handling, and transportation in connection with Commodity Credit Corporation inventories of commodities will be treated as expense items instead of adding these charges to the inventory values of commodities as done in the past.

X. INCOME AND EXPENSE NOT DISTRIBUTED TO A SPECIFIC PROGRAM

A. INCOME

1. Description of items of income

a. Interest income.—This includes:

(1) Interest at 3½ percent on nonrecourse commodity loans (6 percent for recourse commodity loans extending beyond regular loan period, and interest at 4 percent on recourse storage facilities loans).

(2) Reimbursable programs—for the International Wheat Agreement (7 U.S.C. 1641); Titles I, II, and IV of Public Law 480 (7 U.S.C. 1703); the National Wool Act (7 U.S.C. 1784); and classing and grading activities related interest costs are charged at the average rate paid by the Commodity Credit Corporation on Treasury borrowings on portions requiring Corporation financing; and

(3) Other—including primarily interest on amounts due on credit sales of commodities.

b. Other income.—This includes income from claims, sale of nonexpendable administrative property, administrative expense reimbursements, and various other sources.

B. EXPENSES

1. Description of items of expense

a. Administrative expense.—

(1) Subject to limitation.—These are for the operating staff including the services of ASCS engaged in Corporation activities, services performed by other agencies of the Department, costs of audit, reimbursement for services rendered by other agencies, and payments to General Services Administration for rent. Of the authorized limitation, \$1 million is available only to expand and strengthen the sales program of the Corporation; and not less than 7 percent of the authorization shall be placed in a contingency reserve.

(2) Reimbursable.—Corporation funds are used for the administrative expenses of—

(a) The supply and foreign purchase program for which reimbursement is obtained by a markup on invoices evidencing sales credited on the books of the Corporation as a deferred income account, which, in turn, is charged with all of the program's administrative expense;

(b) The International Wheat Agreement for which reimbursement is obtained by appropriation;

(c) The wool and mohair program under the National Wool Act of 1954 for which reimbursement is obtained by appropriation;

(d) The sale of long-staple cotton transferred from the national stockpile for which expenses are reimbursed from sales proceeds; and

(e) Miscellaneous services performed for other agencies.

b. Interest expense.—

(1) Treasury Department.—This includes interest on borrowings from the Treasury and on capital stock. Treasury policy directs payment at a rate based upon the average interest rate on all outstanding marketable obligations (of comparable maturity date) of the United States as of the preceding month.

(2) Loan financing expense.—Interest is paid on loans and certificates held by lending agencies for the period their funds are invested.

c. Purchase (depreciation) of administrative equipment.—This includes office furniture and fixtures, office machines, appliances, etc. These purchases are treated as operating expenses and are fully depreciated immediately after purchase.

d. Other expense.—This covers such items as:

(1) Payments for services rendered.—This includes payments to—

(a) Federal Reserve banks.—Pursuant to Public Law 151, 78th Congress (12 U.S.C. 395), these banks are authorized to act as depositories, custodians, and fiscal agents for the Corporation. For related services, the Corporation reimburses the banks monthly;

(b) Servicing agents.—This covers amounts paid to lending agencies for service fees in connection with peanut, tobacco, and cotton loans;

(c) Agricultural stabilization and conservation county committees.—This covers reimbursement by the Corporation of special services rendered including expenses related to acquisition of collateral, reinspection, repayments on grain loans, and other commodities handled by the county committees;

(d) Expenses of the 1961 and 1962 feed grains program and 1962 wheat stabilization program through June 30, 1962; and

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(e) Expenses in 1962 and 1963 for self-help stabilization programs.

(2) *Accounts and notes receivable charged off.*—This represents uncollectible amounts.

(3) *Miscellaneous expense.*—This includes such expenses incident to claims, and other expenses not allocated to a specific program.

C. Summary of operations

[Millions]

	1961 actual	1962 estimated	1963 estimated
INCOME			
Interest income.....	\$67.1	\$46.0	\$26.0
Other.....	1.2	1.3	1.3
Total income not distributed to specific programs.....	68.3	47.3	27.3
EXPENSE			
Administrative expense:			
Subject to limitation:			
Limitation (excluding special milk).....	(45.4)	(47.1)	(47.2)
Reserve or unobligated.....	(4.0)	(3.0)	(3.7)
Obligations (excluding special milk).....	41.0	44.1	44.3
Reimbursable.....	.6	.7	.7
Purchase of administrative equipment.....	.4	2.5	.4
Total, administrative expenses.....	42.0	47.3	45.4
Nonadministrative expense:			
ASC county offices:			
Price support and related programs.....	7.7	12.4	11.6
Special agricultural conservation programs for feed grains.....	24.4	17.7	
Wheat stabilization program.....		12.8	
Subtotal, ASC offices.....	32.1	42.9	11.6
Federal Reserve banks.....	.3	.3	.3
Loan servicing agencies.....	15.5	.5	.2
Loss on accounts receivable charged off.....	3.2	1.0	1.0
Self-help stabilization programs.....		.2	.6
Other expenses.....	.3	.3	.3
Total, nonadministrative expenses.....	51.4	45.2	14.0
Interest expense:			
Treasury Department.....	409.5	347.0	350.0
Loan financing expense.....	11.6	9.5	9.3
Total, interest expense.....	421.1	356.5	359.3
Total expense not distributed to specific programs.....	514.5	449.0	418.7

D. Summary of income and expense

[Millions]

	1961 actual	1962 estimated	1963 estimated
Total income not distributed to specific programs.....	\$68.3	\$47.3	\$27.3
Total expense not distributed to specific programs.....	514.5	449.0	418.7
Net expense.....	446.2	401.7	391.4

National Wool Act

Appropriation act, 1962 and base for 1963..... \$75,277,593
 Budget estimate, 1963..... 65,000,000

Decrease in reimbursement to CCC..... —10,277,593

Project statement

Project	1961	1962	Decrease	1963 (estimated)
Reimbursement to Commodity Credit Corporation for expenditures under National Wool Act (appropriation or estimate)-----	\$67,189,909	\$75,277,593	-\$10,277,593	\$65,000,000

EXPLANATION OF PROGRAM

The objective of this program is to encourage an annual domestic production of approximately 300 million pounds of shorn wool. This is accomplished by incentive payments to eligible producers on a percentage basis reflecting the amount required to bring the national average received by all producers up to the announced incentive level. The incentive level shall not exceed 110 percent of parity. Pulled wool is supported in a comparable relationship to shorn wool by payments on the sale of lambs that have never been shorn. Mohair is supported at a level not in excess of 15 percent above or below the comparable percentage of parity at which shorn wool is supported.

Payments are made to eligible producers through the Agricultural Stabilization and Conservation county offices and are financed by the Commodity Credit Corporation. The Corporation is authorized to be reimbursed for expenditures made under the wool payment program. However, such reimbursement for any fiscal year is limited to an amount equal to 70 percent of the gross receipts from duties collected on imports of wool and wool manufactures during the period January 1 to December 31 preceding the beginning of such fiscal year. The accumulative total of all payments made under the program at any time may not exceed an amount equal to 70 percent of the accumulated totals of the gross receipts from duties collected on and after January 1, 1953, on wool and wool manufactures subject to duty under schedule 11 of the Tariff Act of 1930, as amended.

Support by payments is available on domestic wool and mohair shorn on or after January 1, 1955, and marketed on or after April 1, 1962, but not later than March 31, 1963, and on domestic unshorn lambs marketed on or after April 1, 1962, but not later than March 31, 1963.

Costs incurred under this program comprise:

1. Incentive payments to producers. Deductions are made from producer payments for promotional and advertising programs.
2. Operating expenses.
3. Interest expense.

Summary of operations, 1961-63

Marketing years 1959-61.—It is estimated that payments in the fiscal year 1963 (applicable to the 1961 marketing year) will be made on 264 million pounds of shorn wool amounting to \$55.4 million and on 10.1 million hundredweight of unshorn lambs amounting to \$8.5 million, or an aggregate of \$63.9 million. This compares with estimated total payments of \$61.4 million during the 1962 fiscal year (applicable to the 1960 marketing year) consisting of \$53.4 million on 267 million pounds of shorn wool and \$8 million on 10 million hundredweight of unshorn lambs. Actual payments made in the fiscal year 1961 (applicable to the 1959 marketing year) amounted to \$53.9 million consisting of \$45.4 million on 242.9 million pounds of shorn wool and \$8.5 million on 11.3 million hundredweight of unshorn lambs.

No payments on mohair are anticipated in fiscal years 1962 and 1963, and none have been required in past years.

Marketing year, 1962.—Price of domestic shorn wool is supported by incentive payments to producers, based on their net sales proceeds from shorn wool marketed during the 1962 marketing year. The incentive price announced October 6, 1961, for the 1962 marketing year is 62 cents per pound, grease basis, which is approximately 83 percent of the October 1961 parity price. The support price for unshorn lambs (pulled wool) will be figured at a rate per hundredweight of live lambs that have never been shorn to compensate for the wool on them at a price relationship comparable to the incentive payment rate for shorn wool. The rate of payment for unshorn lambs will be determined after the end of the marketing year when the average price received by growers for shorn wool is known and the

rate of payment to bring the average price received in the open market for shorn wool up to the announced incentive level can be determined.

Price of domestic mohair is supported at 74 cents per pound which is approximately 70 percent of the October 1961 parity price. For the first 6 marketing years under the National Wool Act, the support price for mohair was established at 70 cents. For the 1961 and 1962 marketing years the support price was set at 73 and 74 cents per pound, respectively. An increase in the parity price for mohair greater than the parity increase for wool necessitated a higher level of support for mohair, in order to comply with the 15-percent requirement of the act.

Following are the pertinent data upon which the estimates are based:

Wool production.—The estimated U.S. production of shorn wool in 1961 is 264 million pounds compared with 267 million pounds in 1960 and 236 million in 1954 before the wool payment program started. Sheep numbers decreased slightly during 1961 which may result in a somewhat smaller wool production in 1962.

Sales of wool subject to payments.—In the 1960 marketing year, sales of shorn wool subject to payments are estimated at 267 million pounds, an amount about equivalent to the estimated production. Sales during the 1961 and 1962 marketing years are also estimated to about equal the production in those years.

World wool production and consumption.—Production and consumption of wool on a worldwide basis was about in balance in 1961. World wool production at a high level in 1961 is estimated to continue at a record level in 1962. World consumption, up a little in 1961, is also estimated to continue at a high level in 1962.

Market prices for wool.—The average of prices received by U.S. producers for wool during the 1960 marketing year was 42.0 cents per pound compared with 43.3 cents during the 1959 marketing year. The average of prices during the first 9 months of the 1961 marketing year was about the same as for the corresponding period of the prior year. The trend in wool prices in the United States during the past 2 years has followed closely the trend in the world market.

At present prices, domestic wools are considered competitive with manmade fibers. For the past year, the relationship between the proportion of raw wool and manmade fibers used by U.S. wool mills has remained relatively stable.

Imports and consumption of apparel wool.—The U.S. imports of apparel (durable) wools during 1960 were nearly 29 percent smaller than a year earlier, but the raw wool equivalent of imports of wool products in 1960 was approximately the same as a year earlier. U.S. mill consumption of apparel (durable) wool in 1960 was about 10 percent lower than in 1959. During the first 8 months of 1961 imports of apparel wool were 14 percent more than for the corresponding period a year earlier, while the raw wool content of wool products imported for the first 7 months was down 10 percent. The U.S. mill consumption of apparel wool will be about the same as a year earlier.

Mohair production.—Production of mohair in the United States has increased from 12.2 million pounds in 1952 to a record 24.4 million pounds in 1960. A further increase is expected in 1961 and, if the strong export demand for domestically produced mohair continues, a further moderate rise can be expected in 1962. The number of goats and kids on farms and ranches in Texas, January 1, 1961, was 6 percent above a year earlier.

Exports of mohair.—This country has shifted from a domestic use to an export basis on mohair. Exports of U.S. mohair in 1960 were down 27 percent from the prior year but were still equivalent to nearly two-thirds of the 1960 production. For the first 8 months of 1961, U.S. exports of mohair were 17 percent above the corresponding period a year earlier. It is expected that a substantial portion of the domestic mohair will continue to find outlets abroad during the 1961 and 1962 marketing years.

Market prices for mohair.—The average of prices for mohair during the 1960 marketing year was 89.7 cents per pound compared with 96.4 cents in the prior year. Prices during the 1961 marketing year to date have been above the 73 cent support level, but have fluctuated between 96 and 85 cents per pound. However, mohair generally is subject to wide fluctuations in demand and price. Hence, declines in prices and exports of domestic mohair are not necessarily indicative that the average prices for the 1961 and 1962 marketing years will decline to levels below the support prices for those years.

The following tables reflect costs and reimbursements under the National Wool Act since inception of the program and the detail of payments by States for the 1959 and 1960 marketing years:

Payments, by States under the 1959 wool program through June 30, 1961

State	Shorn wool		Unshorn lambs		Total payments	Promotion deduction	Payments to producers
	Pounds	Payments	Pounds	Payments			
	(Thousands)		(Thousands)				
Alabama.....	181	\$34,947	775	\$5,804	\$40,751	\$2,199	\$38,552
Alaska.....	39	6,447			6,447	387	6,060
Arizona.....	3,037	439,513	9,730	69,957	509,470	34,024	475,446
Arkansas.....	248	44,572	1,181	8,657	53,229	3,037	50,192
California.....	17,008	3,063,419	62,173	444,011	3,507,430	190,769	3,316,661
Colorado.....	14,377	2,577,459	123,869	729,388	3,306,847	184,196	3,122,651
Connecticut.....	31	5,839	11	692	6,531	319	6,212
Delaware.....	17	3,351	113	770	4,121	225	3,896
Florida.....	24	3,643	17	126	3,769	243	3,526
Georgia.....	162	31,477	753	5,524	37,001	1,995	35,006
Hawaii.....	28	5,164			5,164	283	4,881
Idaho.....	11,984	2,187,875	116,312	695,697	2,883,572	161,572	2,722,000
Illinois.....	4,359	703,874	34,871	163,324	867,198	51,831	815,367
Indiana.....	3,221	557,533	19,603	116,566	674,099	39,251	634,848
Iowa.....	10,794	1,810,654	84,007	382,307	2,192,961	122,760	2,070,201
Kansas.....	8,396	658,223	54,170	187,619	845,842	101,036	744,806
Kentucky.....	3,586	645,830	31,508	240,666	886,496	50,552	835,944
Louisiana.....	337	60,088	435	3,128	63,216	3,576	59,640
Maine.....	197	41,229	607	4,495	45,724	2,266	43,458
Maryland.....	176	33,140	1,145	8,555	41,695	2,330	39,365
Massachusetts.....	73	15,543	20	149	15,692	737	14,955
Michigan.....	3,271	611,813	14,326	98,718	710,531	37,554	672,977
Minnesota.....	6,409	1,116,011	50,058	286,150	1,402,161	79,873	1,322,288
Mississippi.....	340	61,424	1,027	7,440	68,864	3,889	64,975
Missouri.....	5,469	932,864	30,049	202,692	1,135,556	65,959	1,069,597
Montana.....	15,077	2,930,193	74,068	505,137	3,435,330	179,057	3,256,273
Nebraska.....	4,410	639,127	48,782	180,625	819,752	48,430	771,322
Nevada.....	2,804	511,024	10,511	76,973	587,997	33,199	554,888
New Hampshire.....	36	7,118	30	219	7,337	370	6,967
New Jersey.....	61	12,208	165	359	12,567	631	11,936
New Mexico.....	9,483	1,614,311	29,053	201,279	1,815,590	106,252	1,709,338
New York.....	973	188,021	5,804	38,853	226,904	12,115	214,789
North Carolina.....	258	51,717	1,521	11,037	62,754	3,311	59,443
North Dakota.....	5,882	1,058,165	37,101	230,888	1,289,053	72,583	1,216,470
Ohio.....	9,097	1,693,367	31,359	211,797	1,905,164	100,907	1,804,257
Oklahoma.....	1,777	247,040	7,964	56,107	303,147	20,841	282,306
Oregon.....	7,197	1,392,262	34,484	243,054	1,635,316	84,581	1,550,735
Pennsylvania.....	1,461	290,299	4,223	32,761	323,060	16,634	306,426
Rhode Island.....	11	2,279	14	67	2,346	112	2,234
South Carolina.....	56	10,269	99	735	11,004	608	10,396
South Dakota.....	14,902	2,748,737	106,272	645,239	3,393,976	182,752	3,211,224
Tennessee.....	1,297	273,774	12,120	87,058	360,832	18,684	342,148
Texas.....	47,954	8,800,622	110,683	811,436	9,612,058	510,689	9,101,369
Utah.....	10,730	1,925,481	72,803	457,659	2,383,140	136,240	2,246,900
Vermont.....	67	10,397	145	3,979	14,376	740	13,636
Virginia.....	1,525	327,920	16,864	116,852	444,772	23,319	421,453
Washington.....	3,174	492,539	13,607	96,966	589,505	32,933	556,572
West Virginia.....	1,411	291,004	13,240	95,295	386,299	20,433	365,866
Wisconsin.....	1,744	333,316	10,153	64,892	398,208	21,616	376,592
Wyoming.....	21,196	3,913,496	89,054	616,438	4,529,934	249,769	4,280,165
Total ¹	256,347	45,416,618	1,366,879	8,448,170	53,864,788	3,017,579	50,847,209

¹ Gross unadjusted poundage.

Payments, by States, under the 1960 wool program through Aug. 31, 1961

State	Shorn wool		Unshorn lambs		Total pay- ments	Promotion deduction	Payments to pro- ducers
	Pounds	Payments	Pounds	Payments			
	(Thou- sands)		(Thou- sands)				
Alabama.....	146	\$33,685	698	\$5,528	\$39,213	\$1,809	\$37,404
Alaska.....	36	5,449			5,449	355	5,094
Arizona.....	3,787	597,430	10,740	85,327	682,757	40,837	641,890
Arkansas.....	212	38,348	883	6,468	44,816	2,543	42,273
California.....	18,473	3,512,377	71,752	572,083	4,084,460	208,398	3,876,062
Colorado.....	14,643	2,691,618	131,722	800,388	3,492,006	184,185	3,306,841
Connecticut.....	30	6,005	12	879	6,884	303	6,581
Delaware.....	17	3,969	92	732	4,701	214	4,487
Florida.....	18	3,209	7	78	3,287	181	3,106
Georgia.....	101	21,647	483	3,899	25,546	1,246	24,300
Hawaii.....	72	11,258			11,258	716	10,542
Idaho.....	11,702	2,256,067	105,485	718,152	2,974,219	157,666	2,816,553
Illinois.....	4,469	826,260	32,337	169,099	995,359	49,790	945,569
Indiana.....	3,010	615,506	17,386	111,500	727,006	37,051	689,955
Iowa.....	9,933	1,892,971	72,111	385,824	2,278,795	115,265	2,163,530
Kansas ¹	109	625,389	931	171,897	797,286	131	797,155
Kentucky.....	2,774	635,243	24,014	202,285	837,528	38,996	798,532
Louisiana.....	334	69,029	356	2,972	72,001	3,447	68,554
Maine.....	181	44,954	559	4,446	49,400	2,082	47,318
Maryland.....	166	38,473	1,060	8,242	46,715	2,170	44,545
Massachusetts.....	69	16,086	28	165	16,251	693	15,558
Michigan.....	2,591	525,767	13,694	98,509	624,276	29,954	594,322
Minnesota.....	6,379	1,208,053	53,648	294,474	1,502,527	79,364	1,423,163
Mississippi.....	277	62,537	855	6,714	69,251	3,181	66,070
Missouri.....	5,083	1,034,487	29,607	208,490	1,242,977	62,300	1,180,677
Montana.....	15,226	3,211,025	82,301	646,816	3,857,841	186,746	3,671,095
Nebraska.....	4,703	735,929	49,224	201,067	936,996	50,708	886,288
Nevada.....	2,654	458,074	11,048	86,507	544,581	31,896	512,685
New Hampshire.....	29	6,588	29	220	6,808	303	6,505
New Jersey.....	71	16,171	542	1,841	18,012	762	17,250
New Mexico.....	9,596	1,725,587	28,226	196,663	1,922,250	108,143	1,814,107
New York.....	901	204,962	5,848	38,947	243,909	11,401	232,508
North Carolina.....	230	61,187	1,334	10,122	71,309	2,934	68,375
North Dakota.....	5,263	1,098,800	34,967	233,858	1,332,658	66,716	1,265,942
Ohio.....	7,665	1,535,163	27,256	194,454	1,729,617	85,703	1,643,914
Oklahoma.....	1,512	257,129	6,913	54,346	311,475	17,861	293,614
Oregon.....	6,968	1,456,761	35,783	268,708	1,725,469	84,027	1,641,442
Pennsylvania.....	1,403	326,439	4,533	36,560	362,999	16,225	346,774
Rhode Island.....	11	2,641	17	134	2,775	120	2,655
South Carolina.....	40	8,820	84	553	9,373	442	8,931
South Dakota.....	14,770	2,944,064	115,785	683,701	3,627,765	186,527	3,441,238
Pennsylvania.....	1,081	256,315	10,257	81,122	337,437	15,787	321,650
Texas.....	55,249	10,716,448	121,396	958,259	11,674,707	596,117	11,078,590
Utah.....	10,817	1,973,270	73,819	502,011	2,475,281	137,112	2,338,169
Vermont.....	53	12,294	149	1,181	13,475	600	12,875
Virginia.....	1,507	359,413	15,882	154,714	114,127	22,475	491,652
Washington.....	2,234	442,253	15,427	110,957	553,210	29,119	524,091
West Virginia.....	1,333	329,995	12,754	100,775	430,770	19,603	411,167
Wisconsin.....	1,512	328,180	10,348	66,521	394,701	19,003	375,698
Wyoming.....	20,947	3,861,479	104,648	771,139	4,632,618	255,354	4,377,264
Total ²	250,387	49,104,804	1,337,030	9,259,327	58,364,131	2,969,571	55,394,560

¹ Adjusted for duplication in previous table. Actual figures for July and August 1961 marketings 4,210 pounds shorn wool and 27,148 pounds unshorn lambs.

² Gross unadjusted poundage.

Promotional and advertising programs.—In a September 1959 referendum called by the Secretary of Agriculture, as provided by the National Wool Act, as amended, 68.9 percent of wool and lamb producers voting favored continuing in effect for 3 more years an agreement between the Secretary and the American Sheep Producers Council, Inc. This agreement provides for the conduct of an extensive advertising, sales promotion, and market development program for wool, sheep, or the products thereof. The expense of this program is financed from deductions from the wool payments due producers in each marketing year. The maximum rates of the deductions are 1 cent per pound of shorn wool marketed and 5 cents per hundred pounds of unshorn lamb marketed. The program is designed to improve and expand the market for the industry's products and ultimately to reduce the extent of Government-price assistance required.

Receipts from deductions and council expenses (or, in the case of fiscal year 1962, the approved budget) are:

Receipts from 1955-59 wool program.....	¹ \$15,045,379
Expenses and commitments, Sept. 12, 1955, to June 30, 1961.....	² -11,789,853
Balance June 30, 1961.....	3,255,526
Estimated receipts from 1960 wool program.....	2,969,571
Budget approved fiscal year 1962.....	-3,367,500
Estimated balance for future operations, June 30, 1962...	2,857,597

¹ Includes \$153,000 interest and \$3,466 miscellaneous income.

² Includes commitments of \$182,096 not due and payable until after July 1, 1961.

The excess of receipts over expenditures is carried as a reserve to maintain continuity of programs through a year when the deductions may be less than the budget or when payments may not be required and no deductions are made.

Advertising and promotional contracts are entered into by the council with private firms. These firms undertake programs under the guidance of the council directed at creating a greater consumer demand for lamb and wool. The council also does some work directly in this field, especially with reference to lamb merchandising. The budget is divided between lamb and wool in about the same proportion as they account for the producers' sales dollars, with about 55 percent of the funds allotted for advertising and promoting lamb and about 45 percent for advertising and promoting wool.

An audit is made after the end of each fiscal year by a private accounting firm in accordance with standards agreed on by the Agricultural Stabilization and Conservation Service and the council. In addition, the accounts of the principal contractors through which council funds are expended are audited by ASCS as such accounts relate to council contracts.

AFTERNOON SESSION

Mr. WHITEN. The committee will come to order. With the committee's permission, I will ask some questions on each program and then pass the witness.

ACREAGE ALLOTMENTS AND MARKETING QUOTAS

Turning to acreage allotments and marketing quotas, as I understand the figures submitted here, they are based on the continuation of the 1958 act?

Mr. GODFREY. That is right.

Mr. WHITEN. It is understood that in the event any changes in the law take place which will affect this, we will have a report from the Department.

Mr. GODFREY. Yes, sir.

Mr. WHITEN. In recent weeks, I have had one or two complaints, Mr. Godfrey, from individuals I know. In the case of one person for whom I have a high regard, he said that this measuring business in the long run probably costs you more. In this particular instance he said it was impossible to do anything like what they were accustomed to in years gone by.

I pass that on as just one man's statement but here is a man of high caliber who makes that statement.

Mr. GODFREY. I could make a comment on that.

Mr. WHITEN. I would be glad to have you explain what the general picture is.

PAYMENT ON PIECEWORK BASIS

Mr. GODFREY. We have had quite a bit of personal experience because of operating at the State level for many years. We operated on a daily rate for many years and we found we were not getting the job done as rapidly as we felt it should be done. So, we switched about 15 years ago, in my home State, to the piecework basis paying a man what he actually accomplished. We also had complaints prior to switching from many people that we had to use to do the measuring.

Among these people were schoolteachers, college students, and community committeemen who said it was difficult for them to do what they felt they should do within what was generally termed an 8-hour day. They would much rather be paid for what they could accomplish during the heavy measuring season, 12 months, and in a 12-hour period.

We found as a result of switching over to the piece-work rate in North Carolina that our ultimate savings were approximately 25 percent and in addition to that we finished the job about 30 days quicker than we had been completing it in years past.

Mr. WHITTEN. That is in North Carolina and that experience would naturally give you some rather strong views about the best way to do it. The complaint I had was from my State. I am trying to develop the facts for the record, and if the present system does not work as effectively, I would like to know it.

Do the States differ? Is it up to a State committee?

Mr. GODFREY. It has been up to the State committee in the past to establish its rate of pay within certain guidelines, if it was paying on a daily rate, and if it was paying on a piecework basis. It was entirely within the State's jurisdiction to set the piecework rate, but they had to stay within their budgetary figure.

Mr. WHITTEN. Could we get for the record the States that follow one system as against another, and the dates on which they changed?

Mr. GODFREY. I would be glad to do so.

(The information requested follows:)

Method of paying reporters—1962 program year

<i>State</i>	<i>Method used</i>
Northeast area:	
Connecticut.....	Daily rate.
Delaware.....	Unit rate. Date of conversion not known.
Maine.....	Daily rate.
Maryland.....	Combination. Unit rate used in most counties for initial compliance check.
Massachusetts.....	Daily rate.
New Hampshire.....	Do.
New Jersey.....	Do.
New York.....	Combination. 6 counties on unit rate. Probably will use unit rate for all counties in 1963.
Pennsylvania.....	Daily rate.
Vermont.....	Do.
Virginia.....	Unit rate. Have been on unit rate for several years. Date not known.
West Virginia.....	Combination. Unit rate used for tobacco only.
South-east area:	
Alabama.....	Unit rate. Have used unit rate for several years. Exact date not known.
Arkansas.....	Combination. Daily rate used in counties where workload is light. Began unit rate in 1960.

Method of paying reporters—1962 program year—Continued

State	Method used
Southeastern area—Continued	
Florida	Daily rate. Unit rate under consideration.
Georgia	Combination. Majority of work performed on unit rate. Have used unit rate since 1952.
Louisiana	Combination. Daily rate used in small counties only. Began unit rate in 1959.
Mississippi	Combination. One county in each fieldman's district on unit rate. More extensive use of unit rate being considered.
North Carolina	Unit rate. Have set up a payment system based on job to be done. Have used unit rate for many years.
South Carolina	Unit rate. Have been on unit rate since 1952 or 1953.
Tennessee	Unit rate. Have set up a payment system based on job to be done. Began unit rate in early 1950's.
Midwest area:	
Illinois	Unit rate. Began in 5 counties on experimental basis in fall of 1961. Will use unit system in all counties for spring and summer of 1962
Indiana	Daily rate.
Iowa	Do.
Kentucky	Combination. For unit rate, have set up a payment system based on type of job to be done. Daily rate used for conservation reserve work. Have been on unit rate for several years. Exact date not known.
Michigan	Daily rate.
Missouri	Do.
Ohio	Combination. Unit rate used in 3 counties for wheat only.
Wisconsin	Combination. In process of converting to unit rate for regular performance work.
Northwest area:	
Idaho	Daily rate.
Minnesota	Do.
Montana	Do.
Nebraska	Combination: To report on extent of use of each method. Date use of unit rate began not known.
North Dakota	Unit rate: Began unit rate in 1961.
Oregon	Daily rate.
South Dakota	Daily rate. May try unit rate in 1 or more counties in 1962.
Washington	Daily rate.
Wyoming	Do.
Southwest area:	
Arizona	Combination: Unit rate used in larger counties. Date unit rate was adopted not known.
California	Combination: Unit rate used in 2 counties for cotton only.
Colorado	Daily rate.
Kansas	Do.
Nevada	Do.
New Mexico	Combination: Daily rate used in counties with small workload. Date unit rate was adopted not known.
Oklahoma	Combination; Daily, hourly, and unit rates used. No report on extent of use of each method. Date, some use of unit rate adopted not known.
Texas	Combination: 150 counties or more on unit method. Used unit rate prior to enactment of Soil Bank Act. Reverted to daily rate until 1960.
Utah	Combination: Daily, hourly, and unit rates used. Daily and hourly rates used in counties where workload is light and farms are scattered. Began unit rate in 1961.

Mr. WHITTEN. In this particular county, part of it is delta land and part of it is hill area. In some areas, you doubtless have many small plots that enter into that. Do you make any distinction for that type of operation at the national level?

Mr. GODFREY. The State makes the distinction. They can set separate rates for counties or separate rates within a county. They have that authority.

Mr. WHITTEN. My home county is the county involved, part delta and part hill. Back through the years they have had it in two different areas and they have had different acreages for the delta area, as against the hill area. I do not know whether they got a piece rate for the whole county but, if so, it runs contrary to the fact that one of eight counties is involved. What is the distinction between the different types?

Mr. Cox. Administrative areas.

Mr. GODFREY. We had administrative areas on cotton.

Mr. WHITTEN. My memory may be faulty, but I understand there are only 78 in the United States of that type. That may be the situation.

Mr. GODFREY. We wound up over a period of years in North Carolina with a distant coastal plane, the Piedmont and the mountainous areas. We have a few counties which are lowland and hilly also. We would up with about four counties with varying rates within the county.

Mr. Cox. I am of the opinion that most of the States have switched to a piece rate basis.

Mr. WHITTEN. I want the record to show what the facts are.

DAYS WORKED BY COUNTY, STATE, AND COMMUNITY COMMITTEEMEN

With regard to the county and State committeemen and even the community committeemen, do you have any guidelines as to how many days they can work each month or year?

Mr. GODFREY. We removed the restrictions that had been placed on the work of the State committeemen by the previous administration. We said they should work the number of days required to get the job done, and of course, further, they are under the supervision of our area directors. As far as the county committees and committeemen are concerned, their primary limitation is for county committees and the whole workload, while, for the community committeemen, budgetary limitations apply.

Mr. WHITTEN. Could we have for the record the average before and what the change is, if any, since then?

Mr. GODFREY. I have it here for the last several years for the State, county, and community committeemen.

Mr. WHITTEN. Could we have that inserted at this point in the record?

Mr. GODFREY. Yes, sir.

(The material requested follows:)

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE
Employment, ASC State, county, and community committeemen

Fiscal year	All committeemen (man-years)			Average per committeeman (man-days)		
	State	County	Communi- community	State	County	Communi- community
1954.....	52.8	1,966	1,854	71.9	55.8	5.5
1955.....	44.9	1,258	970	76.3	35.8	3.0
1956.....	44.3	1,477	1,085	76.3	41.9	3.4
1957.....	49.9	1,975	1,448	82.6	56.1	4.6
1958.....	45.2	1,618	525	77.8	46.0	1.7
1959.....	43.3	1,378	354	74.6	39.0	1.1
1960.....	41.0	1,140	224	68.3	32.0	.7
1961.....	46.6	1,581	794	72.1	44.8	2.6
1962 (9 months ending Mar. 31, 1962).....	¹ 44.2	1,482	933	¹ 65.4	42.0	3.0

¹ Puerto Rico employment estimated.

AGRICULTURAL CONSERVATION PROGRAM

Mr. WHITTEN. In recent weeks, I heard—and this is not a new story, as I have heard many reports—that the ACP people were being pressured into getting farmers to wire and write in connection with the farm bill. I will say for the record that I have heard of that every year since I have been on this committee, in season and out of season. I am talking about rumors and reports and, on occasion, claims.

I have no personal knowledge of it at all, but I would point out that utilization of ACP folks is in violation of two or three statutes. It may come back what somebody has said, "A lobbyist is somebody on the other side of the measure. If he is on your side, he is just a friend of the measure."

I do say for the record that this is a matter that needs to be carefully avoided.

A few years ago, our committee was instrumental in having the ACP group make a survey to see if they could not get the land in the ACP program which needed it worse rather than on a first-come, first-served basis. That, too, happened to hit in an election year. I am sure that our committee had no idea of politics at all. If we happened to hit on some other year, we would have gotten an even better use out of the programs than we have.

It just happened to be an election year by accident, and I did want to mention that, for what it is worth.

EFFECT OF \$150 MILLION 1963 ADVANCE AUTHORIZATION LEVEL ON PROGRAM PAYMENTS

I note that on the agricultural conservation program in your earlier testimony, a request by the Bureau of the Budget for \$100 million less than we have had for a number of years.

The record also shows that the Department asked for the regular amount of \$250 million. In the event the program announced for next year were reduced by this \$100 million, what amount would go

into the conservation practices and what part would go into administrative expense?

Mr. GODFREY. I believe the best estimate we have, and I would like for Mr. Hunt to follow me on this, but if I recall the figures correctly, they would be about \$91 million out of the \$150 million that would go for actual conservation.

Mr. HUNT. I believe the amount available for State allocations would be about \$111 million.

Mr. GODFREY. I had one figure right but \$111 million would go for actual conservation and the remainder would go for administrative expenses and for small cost-share increases. That is, small cost-share increases you estimate would go up some?

Mr. HUNT. Yes; the amount required would be in the neighborhood of \$10 million.

Mr. WHITTEN. If the administrative costs remained approximately the same, it would amount to a large reduction in the Federal contribution.

Mr. GODFREY. \$98 million is the way we figured it.

Mr. WHITTEN. As against \$111 million?

Mr. GODFREY. \$111 million as against \$209 million.

A \$250 million authorization would provide about \$209 million for conservation, exclusive of small cost-share increases.

Mr. WHITTEN. It would mean a cut of about half if you kept all of your practices and all of your participation?

Mr. GODFREY. Yes.

Mr. WHITTEN. The funds for conservation would go just about half as far?

Mr. GODFREY. That is right.

Mr. WHITTEN. We have spent so much money in trying to reclaim foreign countries and do this type of work in other areas. I hope we might give a little attention to seeing just what programs we have sponsored in other areas.

As you know, through the years I have felt that conservation is about the best investment we have in this country, considering all other things involved.

CONTINUATION OF CONSERVATION PRACTICES

Has there been any substantial change in the overall catalog of practices available?

Mr. GODFREY. No, sir. We are offering essentially the same practices for the next program as in the past.

Mr. WHITTEN. For the record again, the local communities build up the desired practices, recommend them at the ground level, and follow through to the State committee, and to the national level. Then they are passed on and sent back. Has the Federal Government or the Department of Agriculture instituted any practices that were not requested from some local area?

Mr. GODFREY. No, sir.

Mr. WHITTEN. By the same token, is there any practice approved in the national catalog that you require any local community or county to select?

Mr. GODFREY. No, sir.

Mr. WHITTEN. It means they are built up from the ground level. Are they selected by the local, county, and community units?

Mr. GODFREY. Yes.

Mr. WHITTEN. In turn, they are selected by the individual farmers; is that right?

Mr. GODFREY. That is right.

Mr. WHITTEN. In every case, the individual farmer who selects his practice has to put up something, usually about 50 percent of the monetary cost, plus whatever labor is required?

Mr. GODFREY. That is right.

Mr. WHITTEN. It means that if the individual farmer passes up a good practice for one that is less good, he does so by his own choice and puts his money into it?

Mr. GODFREY. Right.

SUGAR ACT PROGRAM

CHANGES UNDER PENDING LEGISLATION

Mr. WHITTEN. Now, turning to the Sugar Act program, would there be any substantial change in the amount required as a result of the bill passing the House or the Senate, or would you have to wait and take another look at that?

Mr. GODFREY. I do not know the exact change because the House bill did provide for about 59.7 percent of the total quota for domestic; included in that was offshore also. The total production this past year, because of a deficit in other areas, amounted to a little over 61 percent of our total consumption.

Mr. WHITTEN. I realize that nobody knows what will eventually come out, but I would like to ask the Department to submit for the record an estimate on any variation that might come about in the event the Sugar Act is signed prior to our markup.

Mr. GODFREY. There is no argument, as I understand it, between anyone on the share that the domestics will have of the total quota. This has been agreed upon by everyone concerned and we could provide this estimate without too much difficulty.

(The information follows:)

STATEMENT OF EFFECTS OF NEW SUGAR LEGISLATION ON FISCAL YEAR 1963 BUDGET

H.R. 12154 to amend and extend the Sugar Act of 1948 was forwarded to the President, for approval, on July 3, 1962. Further legislative action was taken on July 5, 1962, when the Senate passed two amendments to the Sugar Act through the medium of H.R. 8050, a bill relating to the importation of adult honey bees.

The budget estimates reflected an increase of \$180 million in import tax receipts under proposed legislation. This estimate was based on retaining the difference between the domestic and world price of sugar on all foreign sugar importations, except from the Philippines, rather than paying it to foreign suppliers. Pending legislation modified the administration's recommendation.

Assuming the President approves H.R. 12154 and that the amendments to H.R. 8050 are accepted by the House, and also approved by the President, Treasury revenues will be affected as set forth in the following paragraph.

Under the proposed sugar quota provisions of H.R. 12154 and H.R. 8050, foreign sugar importations for the balance of this calendar year and for the first 6 months of calendar year 1963, would be about 1,074,000 and 1,448,000 short tons, raw value, respectively, assuming a sugar requirements level of 9,700,000 tons for calendar year 1962 and 9,860,000 tons for next year. This excludes importations

authorized under the Philippine quota which are not subject to the quota premium recapture. Assuming further that the full quota premium will be about 2½ cents per pound, or \$50 per ton, revenue accrual to the Treasury from the assessment of the quota premium fee should approximate \$74,600,000 as shown in the attached table, for the fiscal year 1963, rather than \$180 million as reflected in the budget.

The budget for this appropriation item states (p. 115 of the 1963 budget appendix) that "in the event new legislation varies materially from the present act with respect to the bases for payments to producers, or if later production estimates confirm current forecasts, consideration may need to be given to a budget amendment or supplemental estimate for 1963."

Nothing in the revised Sugar Act would specifically affect the bases for payments to producers on 1962 crops. As indicated in Mr. Godfrey's opening statement, the 1963 requirements were based upon earlier production estimates and a revision may be required based on later production estimates.

Current indications are that some additional funds may be required during 1963 to meet payments on 1962 crops. Production data will be continually reviewed and a supplemental estimate submitted if necessary.

Period covered	Foreign suppliers	Authorized importations, or quotas (short tons, raw value)	Quota premium per ton	Quota premium revenue
July to December 1962.....	All countries, other than Cuba and the Philippines.	532,000	¹ \$5.00	\$2,660,000
	Global quota (reserved quota for Cuba).	542,000	50.00	27,100,000
	Subtotal.....	1,074,000		29,760,000
January to June 1963.....	All countries, other than Cuba and the Philippines.	689,000	² 10.00	6,890,000
	Global quota (reserved quota for Cuba).	759,000	50.00	37,950,000
	Subtotal.....	1,448,000		44,840,000
	Grand total.....			³ 74,600,000

¹ 10 percent of quota premium.

² 20 percent of quota premium.

³ Based on assumptions and qualifications in above statement.

CONSERVATION RESERVE PROGRAM

Mr. WHITTEN. Let us turn now to the conservation reserve.

This program has expired, except for paying out contracts?

Mr. GODFREY. Except for carrying out existing contracts.

SPECIAL AGRICULTURAL CONSERVATION AND ADJUSTMENT PROGRAMS

Mr. WHITTEN. Let us turn briefly to the special agricultural conservation adjustment program.

What is involved in that?

Mr. GODFREY. This is the special program for the feed grain and wheat stabilization program.

Mr. WHITTEN. That is this year's special program?

Mr. GODFREY. That is right, 1962.

Mr. WHITTEN. How is that money used for the present year? Is that for the extra costs of enforcement or administration or does that represent payments?

Mr. BEACH. That does not represent payments. It is entirely in compliance checks, actually making the payments to farmers, the costs of travel, and other expenses related to that program. The total is \$18.5 million. We will not use \$2.5 million of that \$18.5 million which was put in budgetary reserve by this committee last year. Our actual expense will be less than the \$18.5 million.

SUMMARY OF PROGRAM TO DATE

Mr. WHITTEN. Will you supply for the record a statement on what your experience has been up to date in connection with this special program, including any reduction in acreage, payments in kind or cash, the cost of administration, plus any estimate you may have as to savings?

Mr. BEACH. Yes, sir.

(The information requested follows:)

The farm programs of the 1950's cost far too much and created ever larger carryovers and Government holdings, which committed the Government to continued high costs. A steady increase in budget expenditures and in carryovers was certain to occur if these programs were continued.

The 1961 emergency feed grain program has been effective in reducing total stocks and Government holdings for the first time in 10 years. Under this program, farm income has increased and related retail food prices have shown great stability. Government costs for feed grains have decreased in the current year, and the Government has gained an ultimate net savings by reason of the reduced production and decrease in holdings.

The sign-ups for the 1962 feed grain program and the 1962 wheat program indicate that production will be less than utilization and total stocks will be reduced further and the costs to the Government will be further reduced.

The direct effect of these programs upon total budget expenditures is summarized as follows:

[In millions of dollars]

Program and activity	Fiscal year 1961	Fiscal year 1962	Fiscal year 1963
1961 feed grains:			
Producer earned for land retirement	\$333.2	\$448.8	-----
Administrative expense	25.0	17.0	-----
1962 feed grains:			
Producer earned for land retirement		336.0	\$568.0
Administrative expense		23.0	17.0
1962 wheat:			
Producer earned for land retirement		70.0	275.0
Administrative expense		12.8	2.2

Compared to any continuation of the farm programs of the 1950's, these emergency programs have been remarkably effective and were clearly better for farmers and for taxpayers. However, these programs too are costly, participation is uncertain, results are uncertain, and the benefits are limited accordingly.

Detailed data are shown in the following tables, based on current reports and estimates.

Fact sheet—1961 and 1962 feed grain programs

	Corn	Grain sorghum	Total corn and grain sorghum	Barley	Total, 3 feed grains
PARTICIPATION					
Number of farms (thousands):					
1961 feed grain program: ¹					
Total farms.....			2,861		
Farms signed up.....			1,174		
Farms signed up not participating.....			28		
Farms signed up and participating.....			1,146		
Percent participating.....			40.1		
1962 feed grain program:					
Total farms.....			2,763.9	418.4	² 3,182.3
Farms signed up.....			1,221.8	119.8	² 1,341.6
Percent signed up.....			44.2	28.6	42.2
Base acreage (thousand acres):					
1961 feed grain program: ¹					
Total base acres.....	87,355	20,536	107,891		
On participating farms.....	48,365	15,590	63,955		
On nonparticipating farms.....	38,990	4,946	43,936		
Percent participating.....	55.4	75.9	59.3		
1962 feed grain program:					
Total base acres.....	86,326	20,920.8	107,246.8	16,045.4	123,292.2
On participating farms.....	50,535.5	15,506.9	66,042.4	7,875.8	73,918.2
On nonparticipating farms.....	35,790.5	5,413.9	41,204.4	8,169.6	49,374
Percent participating.....	58.5	74.1	61.6	49.1	60
Acreage diverted (thousand acres):					
1961 feed grain program: ¹					
Total acreage intended for diversion.....	20,091	6,597	26,688		
Estimated withdrawals.....	976	497	1,473		
Estimated acreage diverted for payment.....	19,115	6,100	25,215		
Percent diverted to total intended.....	95.1	92.4	94.5		
1962 feed grain program:					
Total acreage intended for diversion.....	22,881	6,710	29,591	3,094	32,685
Estimated withdrawals.....	2,081	710	2,791	394	3,185
Estimated acreage diverted for payment.....	20,800	6,000	26,800	2,700	29,500
Percent diverted to total intended.....	90.9	89.4	90.6	87.3	90.3
Payments (million dollars):					
1961 feed grain program: ¹					
Maximum payments.....	646	138	784		
Estimated withdrawals.....	1	1	2		
Estimated total payments.....	645	137	782		
Percent of total payments to maximum.....	99	99	99		
1962 feed grain program:					
Maximum payments.....	780	152	932	45	977
Estimated withdrawals.....	59	14	73	4	77
Estimated total payments.....	721	138	859	41	900
Percent of total payments to maximum.....	92.4	90.8	92.2	91.1	92.1
CROP ACREAGE AND YIELD DATA—ALL FARMS					
Planted acreage (thousand acres):					
Without program:					
1959-60 average.....	82,226	19,545	101,771	16,216	117,987
1960.....	81,711	19,588	101,299	15,614	116,913
1961.....	81,700	19,500	101,200	15,800	117,000
1962.....	81,700	19,500	101,200	17,500	118,700
With program:					
1961.....	66,965	14,366	81,331	(¹)	(¹)
1962.....	67,000	14,616	81,616	14,500	96,116
Comparison:					
Decrease 1961 with program.....	14,735	5,134	19,869	(¹)	(¹)
Decrease 1962 with program.....	14,700	4,884	19,584	3,000	22,584
Harvested acreage (thousand acres):					
Without program:					
1959-60 average.....	71,870	15,497	87,367	14,428	101,795
1960.....	71,649	15,592	87,241	13,939	101,180
1961.....	71,600	15,500	87,100	12,969	100,069
1962.....	71,600	15,500	87,100	15,000	102,100
With program:					
1961.....	58,691	11,026	69,717	(¹)	(¹)
1962.....	59,000	11,300	70,300	12,500	82,800
Comparison:					
Decrease 1961 with program.....	12,909	4,474	17,383	(¹)	(¹)
Decrease 1962 with program.....	12,600	4,200	16,800	2,500	19,300
Yield per acre (bushel):					
Without program:					
1960.....	54.5	39.8		30.9	
1961.....	59.4	43.0		30.3	
1962.....	59.5	43.2		30.8	

See footnotes at end of table, p. 1948.

Fact sheet—1961 and 1962 feed grain programs—Continued

	Corn	Grain sorghum	Total corn and grain sorghum	Barley	Total, 3 feed grains
Yield per acre (bushel)—Continued					
With program:					
1961	61.8	43.8		(1)	
1962	62.0	44.0		31.0	
Comparison:					
Increase 1962 with program	2.4	.8		(1)	
Increase 1962 with program	2.5	.8		.2	
Production (million bushels):					
Without program:					
1960	3,908	620	4,528	431	4,959
1961	4,241	660	4,901	393	5,294
1962	4,254	670	4,924	461	5,385
With program:					
1961	3,624	483	4,107	(1)	(1)
1962	3,660	495	4,155	385	4,540
Comparison:					
Decrease, 1961, with program	617	177	794	(1)	(1)
Decrease, 1962, with program	594	175	769	76	845
Disappearance (million bushels):					
Domestic utilization:					
Without program:					
1960-61	3,396	429	3,825	376	4,201
1961-62	3,560	437	3,997	366	4,363
1962-63	3,610	450	4,060	366	4,426
With program:					
1961-62	3,494	410	3,904	(1)	(1)
1962-63	3,541	415	3,956	365	4,321
Comparison:					
Decrease, 1961-62, with program	66	27	93	(1)	(1)
Decrease, 1962-63, with program	69	35	104	1	105
Exports (million bushels):					
Without program:					
1960-61	292	70	362	86	448
1961-62	340	75	415	60	475
1962-63	345	80	425	65	490
With program:					
1961-62	340	75	415	(1)	(1)
1962-63	345	80	425	65	490
Comparison:					
1961-62				(1)	(1)
1962-63					
Carryover stocks end of marketing year (million bushels):					
Without program:					
1960	2,008	702	2,710	153	2,863
1961	2,350	850	3,200	140	3,340
1962	2,100	840	2,940	190	3,130
With program:					
1961	1,800	700	2,500	(1)	(1)
1962	1,575	700	2,275	115	2,390
Comparison:					
Decrease 1961 with program	550	150	700	(1)	(1)
Decrease 1962 with program	525	140	665	75	740
CCC costs (million dollars):					
Net CCC expenditures (price support and related):					
Without program:					
1961	959	367	1,326	(1)	1,326
1962	995	353	1,348	52	1,400
With program:					
1961 (including final payments)	955	366	1,321	(1)	1,321
1962 (including final payments)	989	351	1,340	50	1,390
Comparison:					
Decrease 1961 with program	4	1	5	(1)	5
Decrease 1962 with program	6	2	8	2	10
Carrying charges (storage, handling, transportation, resale payments, and interest):					
Without program:					
1961	405	188	593	(1)	593
1962	426	235	661	7	668
With program:					
1961	342	163	505	(1)	505
1962	285	150	435	3	438
Comparison:					
Decrease 1961 with program	63	25	88	(1)	88
Decrease 1962 with program	141	85	226	4	230

See footnotes at end of table, p. 1948.

Fact sheet—1961 and 1962 feed grain programs—Continued

	Corn	Grain sorghum	Total corn and grain sorghum	Barley	Total, 3 feed grains
Estimated ultimate savings to the Government—1962 crop programs:					
Acquisition costs avoided (50 percent of total).....	278	60	338	30	368
Carrying charges avoided (storage, transportation, handling, and interest).....	700	300	1,000	20	1,020
Land retirement payments.....	-721	-138	-859	-41	-900
Administrative expenses.....	-28	-8	-36	-4	-40
Net savings.....	229	214	443	5	448
Price data (per bushel):					
Support prices:					
Without program:					
1960.....	\$1.06	\$0.85		\$0.77	
1961.....	1.05	.85		.93	
1962.....	1.05	.85		.93	
With program:					
1961.....	1.20	1.08		(1)	
1962.....	1.20	1.08		.93	
Comparison:					
Increase 1961 with program.....	.15	.23		(1)	
Increase 1962 with program.....	.15	.23			
Season average price:					
Without program:					
1960.....	\$1.00	\$0.84		\$0.84	
1961.....	.98	.83		.97	
1962.....	.98	.83		.97	
With program:					
1961.....	1.07	.96		(1)	
1962.....	1.07	.98		.97	
Comparison:					
Increase 1961 with program.....	.09	.13		(1)	
Increase 1962 with program.....	.09	.15			
Farm income—value of production (million dollars):					
Without program:					
1960 crop.....	3,892	515	4,407	357	4,764
1961 crop.....	4,156	548	4,704	372	5,075
1962 crop.....	4,169	556	4,725	447	5,172
With program:					
1961 crop: ¹					
Value of production.....	3,890	459	4,349	(1)	
Payments for land diversion.....	645	137	782	(1)	
Total value plus payments.....	4,535	596	5,131	(1)	
1962 crop:					
Value of production.....	3,916	485	4,401	373	4,774
Payments for land diversion.....	721	138	859	41	900
Total value plus payments.....	4,637	623	5,260	414	5,674
Comparison:					
Increase 1961 with program.....	379	48	427	(1)	
Increase 1962 with program (except barley).....	468	67	535	3-33	502

¹ Barley not included in 1961 program.² Total number of farms may contain some duplication.³ Decrease in 1962 crop barley value of production caused by decrease in production (from 461,000,000 to 385,000,000 bushels) with no change in season average price.

Fact sheet—1962 wheat program

PARTICIPATION

Number of farms (thousands):	
Total eligible farms.....	1,811
Farms signed up.....	822
Percent farms signed up (percent).....	45.4
Acreage diverted (thousand acres):	
Allotment.....	49,500
Total acres on farms signed up.....	45,643
Total acreage intended for diversion.....	15,065
Estimated withdrawals.....	2,215
Estimated acreage diverted for payments.....	12,850
Percent of estimated acreage diverted to total intended (percent).....	85.3

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Fact sheet—1962 wheat program—Continued

PAYMENTS (MILLION DOLLARS)

Maximum payment.....	\$406
Estimated withdrawals (slippage).....	\$61
Estimated actual total payment.....	\$345
Percent of actual to maximum (percent).....	85. 0

CROP ACREAGE AND YIELD DATA—ALL FARMS

Planted acreage (thousand acres):	
1959-60 average.....	55, 819
1960.....	54, 919
1961.....	55, 648
1962 without program.....	57, 000
1962 with program.....	49, 500
Decrease 1962 with program.....	7, 500
Harvested acreage (thousand acres):	
1959-60 average.....	51, 838
1960.....	51, 896
1961.....	51, 620
1962 without program.....	53, 500
1962 with program.....	44, 300
Decrease 1962 with program.....	9, 200
Yield per acre (bushels):	
1960.....	26. 2
1961.....	23. 9
1962 without program.....	24. 8
1962 with program.....	25. 2
Increase 1962 with program.....	. 4
Production (million bushels):	
1960.....	1, 357
1961.....	1, 235
1962 without program.....	1, 320
1962 with program.....	1, 116
Decrease 1962 with program.....	204

DISAPPEARANCE

Domestic utilization (million bushels):	
1960-61.....	605
1961-62.....	590
1962-63 without program.....	598
1962-63 with program.....	589
Decrease 1962-63 with program.....	9
Exports (million bushels):	
1960-61.....	662
1961-62.....	685
1962-63 without program.....	620
1962-63 with program.....	620
Decrease 1962-63 with program.....	-----

CARRYOVER STOCKS (END OF MARKETING YEAR—MILLION BUSHELS)

1960-61.....	1, 412
1961-62.....	1, 380
1962-63 without program.....	1, 490
1962-63 with program.....	1, 295
Decrease 1962-63 with program.....	195

CCC COSTS (MILLION DOLLARS)

Net CCC expenditures (price support and related):	
1961.....	1, 248
1962 without program.....	1, 429
1962 with program (including \$345 military payments).....	1, 325
Decrease 1962 with program.....	104

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Fact sheet—1962 wheat program—Continued

CARRYING CHARGES (STORAGE, HANDLING, TRANSPORTATION), RESEAL PAYMENTS AND INTEREST (MILLION DOLLARS)	
1961.....	300
1962 without program.....	324
1962 with program.....	272
Decrease 1962 with program.....	52

ESTIMATED ULTIMATE SAVINGS TO THE GOVERNMENT (MILLION DOLLARS)	
Acquisition costs avoided (50 percent of total).....	162
Carrying charges avoided (storage, handling, transportation, and interest).....	290
Land retirement payments.....	-345
Administrative expenses.....	-15
Net savings.....	92

PRICE DATA (PER BUSHEL)	
Support prices:	
1960.....	\$1.78
1961.....	\$1.79
1962 without program.....	\$1.79
1962 with program.....	\$2.00
Season average price:	
1960.....	\$1.74
1961.....	\$1.84
1962 without program.....	\$1.75
1962 with program.....	\$2.00

FARM INCOME—VALUE OF PRODUCTION (MILLION DOLLARS)	
1960.....	2,362
1961.....	2,272
1962 without program.....	2,275
1962 with program:	
Value of production.....	2,172
Land retirement payments.....	345
Total 1962 with program.....	2,517
Increase 1962 with program.....	242

Mr. WHITEN. You realize, there is quite a wide difference of opinion as to what the savings amount to, but the Department is entitled to put its estimate in the record. I would like for you to break it down for us. Any estimate you provide, I would like you to show what it is based on.

Do not pick a figure out of the sky.

Mr. GODFREY. I might add here that it appears now there will be a total pull-down of 300 million bushels on corn stocks where we estimated only 200 million bushels.

Mr. WHITEN. You are entitled to give your latest figures. I am not trying to tie you down to anything. But I would like for you to support it, so we can see whether or not it does or does not tie in with what the committee and the Members of Congress believe.

STORAGE RATES

In 1960, there was a reduction in storage rates throughout the country. Could you supply for the record what those reductions were, by commodity and what the results have been in total savings?

Mr. GODFREY. Yes, sir.

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(The information is contained in the following press release issued by the Department May 5, 1960:)

STORAGE RATES AND HANDLING CHARGES FOR 1960-61 UNDER UGSA
ANNOUNCED

Storage rates and handling charges under a revised uniform grain storage agreement, to be effective for the storage year beginning July 1, 1960, were announced today by the U.S. Department of Agriculture.

The storage agreement (UGSA) establishes rates and terms for commercial storage of price-support grain and related commodities. This includes grain in the inventory of the Commodity Credit Corporation and that which is stored by farmers as security for price-support loans. The eight commodities covered are: wheat, corn, oats, grain sorghums, barley, rye, soybeans, and flaxseed.

The new schedules of rates and charges represent substantial reductions from those of the current agreement.

Storage rates are reduced an average of about 3 cents a bushel on an annual basis, or from about 16½ to 13½ cents. This represents an average reduction of 19 percent.

The new rate schedule contains no geographic variations and fewer commodity variations than are currently in effect. This will simplify the overall rate structure. Except for oats, the annual storage rate for commingled storage of all the commodities will be the same—fractionally above 13.5 cents a bushel. For oats, the annual rate will be 10.22 cents.

Changes in the handling charges (for loading in and loading out) vary considerably, as shown in the tables at the end of this release. These charges were adjusted to reflect the additional and current information gained in a detailed field survey of storage and handling costs which was carried out last fall. Some handling charges have been increased somewhat. These are more than offset by decreases in others.

It is currently estimated that CCC will have about 2,500 million bushels of the eight UGSA crops in commercial storage in the 1960-61 year. On the basis of this estimate, each reduction of a cent per bushel in storage rates will mean an annual saving of \$25 million. With an average cut of 3 cents a bushel in the new storage rates, the total reduction in CCC costs for the year will be about \$75 million for storage alone.

To reflect more complete information which was developed in later studies, some of the handling charges which were suggested by the Department in a press release on March 16 (USDA 766-60) were increased somewhat. These changes, which will be incorporated in the new schedule, result in slightly lower estimates of CCC savings on handling charges. Actual realized savings will depend largely on the volumes of grain which move into and out of the CCC holdings (receiving and loading out). It is now expected that these savings will be in the 5- to 10-percent range.

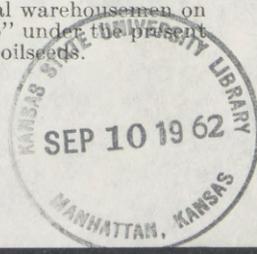
Taking reduced storage rates and handling charges together, best current estimates are that the Government will save from \$85 to \$100 million during the 1960-61 storage year, as a result of the revised rates and charges.

Farmers who store grain commercially will also benefit materially from the reduced storage rates. When a farmer has grain in a warehouse, held as security for price-support loans, he pays the UGSA rates which now will be lower. Producers who resale price-support grain on their own farms after the first loan year will receive less in storage fees. However, this will be more than offset by the lower costs farmers will pay for the larger quantities of their grain normally stored in commercial warehouses. Overall, the reduced rate structure will mean substantial gains for farm producers as a group.

Various revisions and clarifications in the terms and conditions of storage under UGSA will be included in the new contracts. These revisions, which were worked out in substantial agreement between representatives of the storage industry and CCC, reflect current developments in storage operations.

The new agreement, which will include all of the terms and conditions in detail, is now being put in final form. As soon as this work is finished, and the agreements are duplicated, copies will be available.

The new agreement will be offered to all eligible commercial warehousemen on an individual basis. About 11,000 warehouses are "signed up" under the present UGSA and therefore eligible to store price-support grain and oilseeds.



1952

The two following tables give rate and handling charge comparisons. The first gives the schedule which will be in effect July 1, for the 1960-61 year. The second gives the current schedule, which has been in effect since the UGSA was last revised in 1956.

Handling and storage charges under new (1960 revision) uniform grain storage agreement

[Cents per bushel]

Commodity	Truck grain			Rail or water grain			Commingled storage	
	Receiv- ing	Load- out	Total	Receiv- ing	Load- out	Total	Daily	Annual
Oats.....	2.75	0.75	3.50	1.75	0.75	2.50	0.028	10.220
Barley.....	4.25	.75	5.00	1.75	.75	2.50	.037	13.505
Corn.....	4.25	.75	5.00	1.75	.75	2.50	.037	13.505
Wheat.....	5.00	.75	5.75	1.75	.75	2.50	.037	13.505
Grain sorghums.....	5.00	.75	5.75	1.75	.75	2.50	.037	13.505
Soybeans.....	5.00	.75	5.75	1.75	.75	2.50	.037	13.505
Rye.....	5.00	.75	5.75	1.75	.75	2.50	.037	13.505
Flaxseed.....	6.50	.75	7.25	2.00	.75	2.75	.037	13.505

Handling and storage charges under present (1956 revision) uniform grain storage agreement

[Cents per bushel]

Commodity	Area	Truck grain			Rail or water grain			Commingled storage	
		Receiv- ing	Load- out	Total	Receiv- ing	Load- out	Total	Daily	Annual
Oats.....	All.....	2.75	0.75	3.50	1.50	0.75	2.25	0.032	11.680
Barley.....	do.....	4.75	.75	5.50	1.50	.75	2.25	.045	16.425
Corn.....	do.....	3.75	.75	4.50	1.50	.75	2.25	.045	16.425
Wheat, grain, sorghums, soybeans, rye.	I.....	5.75	.75	6.50	1.50	.75	2.25	.043	15.695
Do.....	II.....	5.75	.75	6.50	1.50	.75	2.25	.045	16.425
Do.....	III.....	6.25	.75	7.00	1.50	.75	2.25	.046	16.790
Do.....	IV.....	7.25	.75	8.00	1.50	.75	2.25	.047	17.155
Do.....	V.....	7.25	.75	8.00	1.50	.75	2.25	.049	17.885
Flaxseed.....	All.....	6.50	.75	7.25	2.00	.75	2.75	.049	17.885

COMMODITY CREDIT CORPORATION
 Savings on storage and handling costs—Based on the 1960 uniform grain storage agreement rates for the fiscal year 1961

Commodity	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Storage paid, fiscal year 1961	1960 UGSA storage rate	Bushel or hundredweight, years of storage paid (col. 1 + col. 2)	Bushel or hundredweight rate decrease (1960 versus 1956 UGSA rates)	Amount of savings (col. 3 X col. 4)	Quantity received by truck	Bushel or hundredweight rate decrease (1960 versus 1956 UGSA rates)	Amount of savings (col. 6 X col. 7)	Quantity received by rail	Bushel or hundredweight rate increase (1960 versus 1956 UGSA rates)	Amount of loss (col. 9 X col. 10)	Total savings received versus 1956 UGSA rates (col. 8 + col. 9 - col. 11)
Barley.....	\$6,981,961	\$0.13505	1 51,699,082	0.02920	\$1,509,613	1 23,126,149	0.00500	\$115,631	1 30,012,461	0.00250	75,031	\$1,550,213
Corn.....	90,810,129	.13505	1 739,090,553	.02920	21,580,568	1 252,033,668	2 .00500	2 1,260,168	1 77,128,636	.00250	192,822	20,127,578
Flaxseed.....	3,661	.13505	1 27,108	.04380	1,187	1 123,659			1 9,736		334,146	1,187
Grain sorghum.....	83,013,100	.24090	3 344,695,683	.06205	21,382,162	3 49,383,350	.03125	1,543,230	3 74,920,633	.00446	6,046	22,591,246
Oats.....	1,194,287	.10220	1 11,685,783	.01460	170,612	1 6,472,350		38,224	1 2,418,424	.00250	8,754	194,596
Rye.....	535,164	.13505	1 3,952,710	.03285	130,175	1 2,636,106	.01450	224,630	1 3,501,680	.00250	6,227	139,648
Soybeans.....	1,395,504	.13505	1 10,118,504	.03285	332,393	1 15,491,683	.01450	2,056,659	1 356,901,245	.00250	892,253	556,396
Wheat.....	166,356,108	.13505	1 1,231,811,240	.03285	40,464,999	1 141,838,568						41,629,405
Total.....	359,260,914				85,571,709			2,718,206			1,509,079	86,780,236

1 Bushels.
 2 Negative item.
 3 Hundredweight.
 NOTE.—Information obtained for cols. 1, 6, and 9 from financial records.

Mr. WHITTEN. My attention has been called to storage practices for rice, whereby it is said you pay storage for a full month, although the rice may be in there only a short time. What is your practice as to paying for actual storage over a flat period of time?

The GAO has taken some exception to this practice on pages 66 and 67 of their latest report.

Mr. GODFREY. They raised this question with us about 3 months ago, I believe, and I want to ask Mr. Ballou to answer this for you on the commodity setup.

Mr. BALLOU. That is being changed on rice.

FAIR SHARE OF WORLD COTTON MARKET

Mr. WHITTEN. For several years, the GAO has insisted the Department make some determination of the fair share of the world cotton market. I come from a cotton section, and I realize that when you sell a lot more than usual, we think that is a fair share, and when you sell a lot less, we do not think that is a fair share.

What is the position of the Department on what the GAO has recommended?

Mr. GODFREY. The Department has determined what it considers the fair share and they make this on an annual determination as the GAO demanded we do, and as the Congress pointed out we should do.

ESTIMATED COMMODITY COMPETITIVE SALES

Mr. WHITTEN. Is there any change in the amount of competitive sales? Is there any change in the earlier figures the Department may have given? I would like for you to bring those figures up to date with regard to various commodities where there has been any substantial change.

Mr. GODFREY. The expected sales of commodities?

Mr. WHITTEN. Yes; sales to date and the expected sales by commodity.

Mr. GODFREY. Yes, sir.

(The information requested follows:)

COMMODITY CREDIT CORPORATION

Commodities offered for export sale on a competitive bid basis during calendar year 1961

[Thousands]

Commodity and unit of measure	Date first offered	Quantity on hand Jan. 1, 1961	Quantity offered	Quantity sold	Purchase price (estimated) ¹	Sales value (estimated)
Dairy products:						
Butter..... pounds	April 1954.....	66,295	3,000- 5,000	1,385	\$835	\$390
Cheese..... do	November 1955.....		1,078- 2,043	393	150	97
Milk, nonfat dry..... do	May 1955.....	279,836	9,496-28,020	60,322	8,881	3,644
Peanuts:						
Farmers' stock..... do	January 1954.....	15,446	34- 7,421	² 75,637	7,908	4,188
Shelled ³ do	..... do.....	61,934	34- 3,456	102,854	16,101	8,644
Rye..... bushels	October 1954.....	4,268	185- 185			
Tung oil..... pounds	February 1955.....	24,150	200- 1,500	10,647	2,282	2,687
Turpentine..... gallons	March 1959.....	76	35- 1,730	76	42	35
Total.....	.....	.....	.....	.....	36,199	19,685

¹ The estimated purchase price, including loan collateral forfeited, is a rough approximation only since inventory records of most commodities acquired from various crop years at various prices are maintained on a commingled basis. Since commodities in the Corporation's inventory are generally disposed of on a first-in, first-out basis, it has been assumed for the purpose of this statement that the purchase price of commodities sold related predominantly to the oldest commodities in inventory.

² Includes combination sales (for domestic crushing or export).

³ Practically all of the 13,650,000 pounds of shelled peanuts in inventory Dec. 31, 1961, were committed to the peanut butter program under sec. 32.

INTERNATIONAL WHEAT AGREEMENT

MR. WHITTEN. What is the status of the International Wheat Agreement?

MR. GODFREY. Mr. Lewis attended the Conference as the U.S. delegate to the International Wheat Conference and I will ask him to report on that.

MR. LEWIS. The agreement has been negotiated and signed, but remains to be ratified by the requisite number of countries to put it into force. The deadline for acceptance and accession will be the 15th of July and legislation whereby the United States would accept the new agreement is now before the Senate Foreign Relations Committee.

MR. WHITTEN. Could we have supplied to the committee a copy of the tentative agreement?

MR. LEWIS. Yes, sir.

MR. WHITTEN. And a copy of the prior act?

MR. LEWIS. Yes, sir.

(The material was furnished to the committee.)

MR. GODFREY. They were able to negotiate an increased price which we thought was really helpful.

MR. SANTANGELO. Mr. Chairman, can I interrupt here?

MR. WHITTEN. Yes.

MR. SANTANGELO. Can you tell us what was the agreement with respect to the minimum and maximum price in the International Wheat Agreement?

MR. LEWIS. The minimum was increased from \$1.50 to \$1.625 per bushel. The maximum price was increased from \$1.90 to \$2.025.

PARTICIPANTS IN THE AGREEMENT

Mr. SANTANGELO. Do you have any other countries participating in the International Wheat Agreement other than those presently in it? Did any withdraw?

Mr. LEWIS. We do not know for sure whether all the countries that were in the agreement, or additional ones, will come in. The deadline for going along has not come yet, but on the basis of signatures received so far, it appears that all of the exporting countries, plus the Soviet Union, which was not in the past agreement, will be in the new agreement.

This means that all of the major exporting countries would be in the agreement if Russia ratifies. Most of the importing countries and all of the major exporting countries have indicated they will go into the new agreement.

Mr. SANTANGELO. Is Communist Red China a participant in this agreement?

Mr. LEWIS. No; they did not participate. They were not invited to attend the negotiating session because they are not members of the United Nations.

Mr. SANTANGELO. England is a member of this International Wheat Agreement; is she not?

Mr. LEWIS. Yes, sir.

Mr. SANTANGELO. When a country joins the International Wheat Agreement, does it take with it its territories, possessions, and colonies?

Mr. LEWIS. Yes, sir; that is done. I believe in most cases, that is done, and they come in, in a somewhat different capacity. Their obligations are considered separately from the mother country but the government which has responsibility for their foreign policy determines whether they come in or not.

Mr. SANTANGELO. Does the Big Six which constitutes the Common Market come in as a unit or separately?

Mr. LEWIS. In this agreement, they would come in separately.

Mr. SANTANGELO. What is the situation with respect to France and Algeria? Are they coming in separately or as one unit?

Mr. LEWIS. In terms of the negotiations carried out, they are treated as one country, as an exporting country.

Mr. SANTANGELO. No further questions.

COST OF CONSERVATION RESERVE PROGRAM

Mr. WHITTEN. I asked earlier some questions about the conservation reserve and I believe the record will show rather completely the story on that. I would like for you to show the total cost of the program projected into the future, and the approximate amount each year.

Mr. GODFREY. All right, sir.

(The information requested follows:)

Conservation reserve program

Fiscal year	Payments	Administrative expenses
Actual:		
1956.....		\$156,482
1957.....	\$18,547,355	11,211,510
1958.....	94,925,095	15,670,541
1959.....	141,888,534	16,153,220
1960.....	306,135,728	18,428,236
1961.....	350,574,224	12,350,895
Estimated:		
1962.....	333,925,328	12,500,000
1963.....	312,696,000	10,304,000
1964.....	299,078,000	
1965.....	203,417,000	
1966.....	157,384,000	
1967.....	152,110,000	
1968.....	131,867,000	
1969.....	117,030,000	
1970.....	43,095,000	
1971.....	750,000	
1972.....	8,600	
Total.....	2,663,431,864	

QUESTION OF COUNTY OFFICES MAKING LOANS

Mr. WHITTEN. There is one other point I would like to raise at this time. I have heard numerous reports that there was a desire on the part of some people to centralize the operations in connection with CCC in the county offices and build up a big organization there.

For the record, I would hate to see any change which would upset the local trade with regard to any of these commodities any more than is absolutely necessary. I say that both from the standpoint of building up Federal personnel and increasing the load, plus the bad effect it would have on local business. The point was made some years ago, when the Congress insisted these things be handled through banks and other local commercial channels, that you would have a terrific bonding problem in requiring surety bonds and various other things for personnel who might handle these things.

I say for the record that any move in that direction, if anything is contemplated, would be going counter to the position of the Congress in the past.

Is there any such move on hand that you know of?

Mr. GODFREY. This is some misinformation that got out into the field. How, we do not know, as you say, but there are many rumors that get out. We have taken certain steps in connection with the cotton loan program to eliminate some paperwork, cut down on total expenditures.

In a review of our total operations, we felt we could eliminate some forms that are now being used and we felt we could shorten some forms that are now being used and make it easier for the farmer to secure a loan on his cotton, and easier for him to redeem.

Mr. WHITTEN. You still are using local channels?

Mr. GODFREY. Still using the present ones.

We merely said that in addition to the lending agencies that we have had set up in the past, we would permit county offices to make loans also where the State committee determined that it is necessary for the county offices to make loans.

Mr. WHITTEN. Would the State committee be expected to make a survey of the institutions which formerly handled these and be certain they would be no longer available before they could exercise that discretion?

Mr. GODFREY. No; we would assume the State committee would determine whether or not lending agencies were available to the farmer within his area or county of production.

Mr. WHITTEN. I would say for the record that the best test of that was whether they had been able to do so in the past; any change from that would indicate that there was a desire to change rather than a shortage. I can realize there are some isolated areas where that could prevail, but if it has prevailed, it has been evident.

I think any change would be bad and it would raise a presumption, at least, that some change was probably desired, rather than required.

Mr. GODFREY. There was no intent to change the method of making loans but to make it easier for farmers, if they wanted to secure loans, not to have to travel a distance of several miles in order to make application for a loan.

Mr. WHITTEN. If you start your county offices dealing in warehouse receipts and in various and sundry other things, you then have a question of surety bonds and a lot of other things involved.

I would hope you would keep this committee advised of any State committee in any case trying to use the county offices as against the other.

Mr. GODFREY. Our people are now bonded under the standard bond. We are now using our county offices and they are handling warehouse receipts on all grains. They make the loans right in the county office and this was merely an effort to make it a little easier for a farmer, if the facility were not available, make it easier for him to get his cotton loan.

Mr. WHITTEN. I would like for you to advise the committee of any changes made any place. Keep us advised of that.

It is a little on the risky side so far as the prior attitude of Congress and the committee is concerned.

Mr. Santangelo?

Mr. SANTANGELO. I have just two areas I want to cover, Mr. Chairman.

COMMODITY CREDIT CORPORATION INVESTMENT

I was really surprised this morning when I learned that the Commodity Credit Corporation has in purchases or in loans agricultural commodities in the amount of about \$6.6 billion. I would like you to set forth, if you could, the amount of commodities which the CCC has, either by purchase or loan, and with respect to the six basic commodities.

Mr. GODFREY. We can go even further than that if you would like for the record, the total investment.

Mr. SANTANGELO. I would like the total investment, the acquisition cost of each item, the number of bushels you have and the present market value of each.

Mr. GODFREY. Would you want the present market value based on domestic price or ultimate disposition price?

Mr. SANTANGELO. I would like it with respect to what is realistic. If it is the domestic price, I would like that; and you can indicate it is domestic or foreign.

Mr. GODFREY. All right, sir.

Mr. SANTANGELO. In connection with that, I would also like to have a column in that report showing the amount of storage charges the CCC has had to pay for the wheat, rice, corn, or other commodities for the past year.

Mr. GODFREY. All right, sir.

Mr. SANTANGELO. Give us a bird's-eye view of what the farm program is costing us together with what we have in inventory.

Mr. GODFREY. All right, sir.

(The information requested follows:)

COMMODITY CREDIT CORPORATION

Quantity, investment value, and net book value of commodities pledged for outstanding loans and commodities in price-support inventory, as of Apr. 30, 1962

[All figures in thousands]

Commodity	Unit of measure	Pledged for loans		In inventory		Total		Reserves for losses *	Total net book value
		Quantity	Investment value	Quantity	Investment value †	Quantity	Investment value		
Basic commodities:									
Corn.....	Bushel.....	890,862	\$998,456	825,065	\$953,367	1,715,927	\$1,951,823	\$202,431	\$1,749,392
Cotton, extra long staple.....	Bale.....	11	2,777	15	4,127	26	6,904	38	6,866
Cotton, upland.....	do.....	3,854	648,900	1,449	245,273	5,303	894,173	61,623	832,550
Peanuts.....	Pound.....	116,016	16,976	4,032	475	120,048	17,457	68	17,583
Rice.....	Hundredweight.....	49	242	697	4,461	4,703	4,703	3,436	1,267
Tobacco.....	Pound.....	466,147	320,949	466,147	320,949	466,147	320,949	18,951	301,898
Wheat.....	Bushel.....	82,601	147,415	1,174,332	2,312,079	1,256,933	2,450,494	661,041	1,798,453
Bulgar.....	Pound.....	918	52	918	52	918	52	51	1
Total basic commodities.....									
			2,135,715		3,519,894		5,655,549	947,539	4,708,010
Designated nonbasic commodities:									
Milk and butterfat:									
Butter.....	Pounds.....			316,746	191,154	316,746	191,154	180,242	1,912
Cheese.....	do.....			83,799	32,116	83,799	32,116	31,153	963
Milk, dried.....	do.....			477,499	80,291	477,499	80,291	60,378	20,973
Barley.....	Bushels.....	34,860	29,478	26,870	22,295	61,730	51,753	1,239	30,514
Grain sorghum.....	Hundredweight.....	16,690	28,438	403,724	781,124	420,414	809,592	27,320	782,042
Honey.....	Pounds.....	2,030	255			2,030	255		255
Oats.....	Bushels.....	31,599	16,586	6,808	4,250	38,407	20,836		20,836
Rye.....	do.....	1,729	1,536	3,228	3,188	4,957	4,724		4,724
Tung oil.....	Pounds.....	7,809	1,884			7,809	1,884		1,884
Total designated nonbasic commodities.....									
			78,157		1,114,418		1,192,575	309,372	883,203
Other nonbasic commodities:									
Almonds.....	Pounds.....	8,714	1,743			8,714	1,743		1,743
Beans, dry edible.....	Hundredweight.....	3,491	23,982	44	240	3,535	24,222	240	23,982
Flaxseed.....	Bushels.....	179	499	1	1	180	500		500
Naval stores:									
Rosin.....	Pounds.....	64,310	6,231			64,310	6,231		6,231
Turpentine.....	Gallons.....			1,730	906	1,730	908	501	6,407

	Bushels	214,399	1	2	94,246	214,401	8,711	214,401
	Pounds	94,245	47,270	8,712	47,270	8,712	8,711	8,711
Soybeans.....								1
Vegetable oil products.....								1
Total other nonbasic commodities.....		246,854		9,863		256,717	9,452	247,265
Exchange commodities: Strategic and critical materials.....				78,816		78,816	149	78,667
Total.....		2,460,726		4,722,981		7,183,657	1,266,512	5,917,145

¹ Represents acquisition cost plus cost of any packaging or processing performed after acquisition. Inventories reflected in the Apr. 30, 1962, statement of financial condition are valued at acquisition cost, plus the cost of any packaging or processing performed after acquisition.

The Corporation changed its accounting policy with respect to inventory cost as of June 30, 1961, and adjusted its former cost value of inventories to acquisition cost, plus the cost of any packaging or processing performed after acquisition. Formerly, inventory cost as reflected in the accounts included recorded acquisition costs; storage, handling, packaging, processing, transportation, and accessory expenses incurred after acquisition; costs of storing on farms certain grain commodities while under extended loans prior to acquisition; and loan financing expenses (interest paid to lending agencies) relating to commodities acquired from 1957 and prior crop year loans. Beginning July 1, 1961, costs of storing, handling and transporting inventories are recorded as operating expenses and do not increase the cost value of inventories.

² Reserves for losses: The amounts established in the accounts for valuation reserves against commodity loans, commodity inventories, and accounts and notes receivable reflect the estimated loss on ultimate disposition of the respective assets, based on estimated realizable values after giving consideration to all known factors. Estimated realizable value for quantities of storable commodities which are in excess of foreseeable dispositions is based on the lowest of cost, market price, or the Corporation's price for export sales. Reserves equal to the full inventory value are established for quantities of perishable commodities which are in excess of foreseeable dispositions.

Program results, by program and commodity, fiscal year 1962 through Apr. 30, 1962

Program and commodity	Commodity inventory operations							Export and other payments
	Sales ¹	Cost of sales ²	Gain (or loss) ³ on sales	Cost of commodities donated ³	Storage and handling expense	Transportation expense	Net gain (or loss) ³ on commodity inventory operations	
Price support program: Basic commodities:								
Corn.....	\$894,329,763.31	\$1,190,381,857.11	*\$316,052,093.80	*729,466.46	*\$104,446,946.17	*\$36,666,297.02	*\$457,888,803.45	
Corn-eal.....	212,963.56	208,757.96	4,205.60	*14,710,421.17	*474.18	*6,827.48	*14,713,517.23	
Cotton, extra long staple.....	8,904,086.89	7,950,103.97	953,982.92	*279.63	*117,280.30	*159.76	*836,263.23	
Cotton, upland.....	77,751,306.10	82,573,203.22	*4,821,897.12	*2,353.38	*6,085,643.79	*7,264.56	*11,517,158.85	
Peanut.....	4,672,101.22	8,568,489.02	*3,886,387.80	*4,554.79	*275,006.85	*236,825.46	*4,402,774.40	
Peanut butter.....	8,870,707.73	11,340,459.96	*2,469,752.23				*2,469,752.23	
Rice.....	24,241,190.61	22,303,948.06	1,931,242.55	*11,761,915.53	*1,350,707.95	*1,332,219.06	*12,513,600.99	
Tobacco.....	38,801,799.81	38,801,799.81						
Wheat.....	510,219,694.98	389,677,013.69	120,542,681.29	*1,313,978.28	*129,684,111.73	*25,420,665.77	*35,776,104.49	
Wheat, rolled.....	18,208,132.94	17,847,905.71	360,227.23	*3,103,853.25		*47,716.12	*3,151,569.37	
Wheat flour.....	4,679.92	4,694.91	75.01	*69,755,682.20		*18,410.29	*69,414,498.21	
Bulgur.....				*2,076,493.75		*1,656.48	*2,084,024.48	
Total, basic commodities	1,526,216,427.07	1,729,654,143.42	*203,437,716.35	*103,452,999.44	*242,466,752.08	*63,738,072.00	*613,095,540.47	
Designated nonbasic commodities:								
Milk and butterfat:								
Butter.....	49,151,764.70	51,035,929.47	*1,884,164.77	*52,565,765.14	*4,294,640.77	*1,490,203.41	*60,234,774.09	
Cheese.....	467,105.34	709,440.35	*242,335.01	*36,413,354.45	*779,858.97	*1,501,315.95	*38,936,804.38	
Milk, dried.....	15,146,138.63	28,969,638.91	*13,823,500.28	*103,005,765.30	*2,004,732.19	*6,458,012.23	*125,292,010.00	
Milk, fluid.....				*14,433,714.93			*14,433,719.93	
Subtotal.....	64,765,008.67	80,715,008.73	*15,950,000.06	*206,418,604.82	*7,079,231.93	*9,449,531.59	*238,897,368.40	
Barley.....	29,420,916.23	29,531,383.83	*110,467.60		*3,990,617.93	*866,326.61	*4,907,412.14	
Grain sorghum.....	171,666,005.45	192,398,033.07	*20,732,027.62	*503,667.42	*73,467,210.59	*8,107,412.96	*102,810,318.59	
Oats.....	1,784,768.78	2,239,914.19	*455,145.41		*712,877.02	*242,281.34	*1,410,403.77	
Oats, rolled.....	1,192,313.95	1,147,947.46	44,366.49				44,366.49	
Rye.....	1,324,750.33	1,264,717.21	60,033.12		*403,951.11	*145,560.60	*489,478.59	
Tung oil.....	1,267,068.71	1,011,484.30	255,584.41		*4,713.87	*1.07	250,869.47	
Total, designated nonbasic commodities.....	271,420,832.12	308,308,488.79	*36,887,656.67	*206,922,272.24	*85,658,702.45	*18,811,114.17	*348,279,745.63	

Program results, by program and commodity, fiscal year 1962 through Apr. 30, 1962—Continued

Program and commodity	Commodity inventory operations							Export and other payments
	Sales 1	Cost of sales 2	Gain (or loss*) on sales	Cost of commodities donated 3	Storage and handling expense	Transportation expense	Net gain (or loss*) on commodity inventory operations	
Special feed grain and wheat programs:								
1961 feed grain program.....								*449,165,249.63
1962 feed grain program.....								*344,791,429.31
1962 wheat stabilization program.....								*61,907,682.29
Total, special feed grain and wheat programs.....								*855,864,361.23
Procurement and donation of vegetable oil products.....	85,262.82	40,201.16	18,061.66	*14,124,330.29	*455.66	*52,502.41	*14,159,226.70	
Accounts and notes receivable.....								
Adjustment for interprogram sales 4.....	*78,642,554.81	*78,642,554.81						
Recoverable by specific appropriations: Special milk program for children.....								
Total, program results.....	1,887,090,845.40	2,140,974,100.34	*253,883,254.94	*356,902,414.73	*330,220,972.51	*85,804,278.52	*1,026,870,920.70	*1,143,814,159.77

Program and commodity	Reseal loan storage expense	Loan and other chargeoffs*	Other costs* and re-coveries	Special recoveries authorized	Net realized gain (or loss), program	Memorandum (See schedule 6a for further detail)	
						Adjustments to reserves, fiscal year 1962	Reserves as of Apr. 30, 1962
Price support program:							
Basic commodities:							
Corn.....	*\$42,369,737.05	* 4 \$86,631.73	\$42,873.92	-----	*\$90,282,298.31	\$508,316,000	\$202,431,000
Cornmeal.....	-----	-----	76,027.46	-----	*14,637,489.77	-----	-----
Cotton, extra long staple.....	-----	-----	-----	-----	836,263.23	1,405,000	38,000
Cotton, upland.....	-----	*5,911.97	35,172.56	-----	*12,383,538.85	2,833,000	61,523,000
Peanuts.....	-----	-----	*860,468.03	-----	*4,367,601.84	5,388,000	68,000
Peanut butter.....	-----	-----	5,190.00	-----	*2,464,562.23	-----	-----
Rice.....	-----	-----	40,131.42	-----	*12,473,469.57	9,383,000	3,436,000
Tobacco.....	-----	*197,949.83	239,336.64	-----	41,336.81	52,000	-----
Wheat.....	*8,202,324.81	* 4 \$14,155.54	21,647.94	-----	*43,970,936.90	193,953,000	18,951,000
Wheat, rolled.....	-----	-----	1,139.75	-----	*3,150,429.62	-----	661,041,000
Wheat flour.....	-----	-----	221,288.00	-----	*69,183,210.21	-----	-----
Bulgar.....	-----	-----	-----	-----	*2,084,024.48	*51,000	51,000
Total, basic commodities.....	*50,572,061.86	*284,649.07	*177,660.34	-----	*684,129,911.74	721,289,000	947,539,000
Designated nonbasic commodities:							
Milk and butterfat:							
Butter.....	-----	-----	41,517.55	-----	*60,193,256.54	*138,665,000	189,242,000
Cheese.....	-----	-----	214,183.65	-----	*88,722,680.73	*24,522,000	31,153,000
Milk, dried.....	-----	-----	104,643.46	-----	*125,157,366.54	*19,714,000	60,218,000
Milk, fluid.....	-----	-----	-----	-----	*14,433,719.93	-----	-----
Subtotal.....	-----	-----	360,344.66	-----	*288,537,023.74	*182,901,000	280,613,000
Barley.....	*3,614,474.18	* 4 \$ 643.00	13,056.00	-----	*8,569,473.32	19,813,000	1,239,000
Grain sorghum.....	*2,015,241.12	* 1,359.97	10,393.78	-----	*104,816,525.90	30,391,000	27,620,000
Oats.....	*1,994,547.28	* 4 \$ 3,134.85	14.63	-----	*3,408,071.27	3,478,000	-----
Oats, rolled.....	-----	-----	383.65	-----	44,760.14	-----	-----
Rye.....	*153,895.58	*34.40	-----	-----	*643,408.57	-----	-----
Tung oil.....	-----	-----	-----	-----	250,869.47	-----	-----
Total, designated nonbasic commodities.....	*7,778,158.16	*5,172.22	384,192.72	-----	*355,678,883.19	*129,219,000	309,372,000

See footnotes at end of table, p. 1967.

Program results, by program and commodity, fiscal year 1962 through Apr. 30, 1962—Continued

Program and commodity	Reseal loan storage expense	Loan and other chargeoffs*	Other costs* and recoveries	Special recoveries authorized	Net realized gain (or loss)*, program	Memorandum (See schedule 6a for further detail)	
						Adjustments to reserves fiscal year 1962	Reserves as of Apr. 30, 1962
Price support program—Continued							
Other nonbasic commodities:							
Beans, dry, edible.....			2,281.57		*7,912,235.79	4,883,000	240,000
Flaxseed.....					1,358.68		
Soybeans.....			*1,077.03		*16,833.90		
Turpentine.....					*36,003.94	*61,000	501,000
Vegetable oil products.....					*25,792,638.41	*8,711,000	8,711,000
Total, other nonbasic commodities.....		*4,975.27	1,204.54		*33,757,251.16	*3,880,000	9,442,000
Exchange commodities, strategic and critical materials.....			43,861.29		1,091,180.84	*149,000	149,000
Total, price support program.....	*58,350,220.02	*294,796.56	251,698.21		*61,052,474,865.25	588,032,000	1,266,512,000
Special milk program for children.....					*37,337,689.55		
Supply program:							
Feed for Government facilities.....			3,080,647.62		3,680,647.62		
General commodities purchase.....					5,458.20		
Grain: Seeds, foundation.....					137.75		
Processed and packaged commodities.....							
Total, supply program.....			3,080,647.62		3,686,263.57		
Commodity export program:							
Cotton.....					*134,273,819.90		
Cotton products.....			33,861.93		*13,098,147.80		
Barley.....					*3,162,171.08		
Corn.....					*884,681.66		
Grain sorghum.....					*1,499,577.63		
Oats.....					*241,159.36		
Rice.....					*22,868,952.56		
Rye.....					*384,109.71		
Wheat.....					*39,676,560.55		
Wheat flour.....					*3,122,058.40		
Poultry products.....			3,880.98		1,009.49		
Total, commodity export program.....			37,742.91		*219,210,229.15		
Storage facilities program.....			*32,431.10		*32,431.10		

Special feed grain and wheat programs:							
1961 feed grain program.....						*449,165,249.63	
1962 feed grain program.....						*344,791,439.31	
1962 wheat stabilization program.....						*61,907,682.29	
Total, special feed grain and wheat program.....						*855,864,361.23	
Procurement and donation of vegetable oil products.....						*14,149,846.91	1,987,000
Accounts and notes receivable.....			9,379.79				5,929,000
Adjustment for interprogram sales ⁵			*741,524.42				4,684,000
Recoverable by specific appropriations: Special milk program for children.....					6	*929,411.92	
Total, program results.....			3,946,937.43			*929,411.92	
Total, program results.....	*58,350,220.02	*1,036,320.98				*227,054,096.96	595,248,000
							1,271,146,000

* Denotes negative item or loss.

¹ Represents the consolidation of proceeds from reflected separate items on schedule 13.

² Represents the consolidation of cost of sales of commodities donated, reflected as separate.

³ See schedule 14 for detail.

⁴ Includes reduction of cost applicable to prior fiscal years.

⁵ Adjustment to eliminate the market value of agricultural commodities (wheat) transferred from price-support programs to the commodity export program.

⁶ Represents an adjustment of costs related to fiscal year 1961 which were recovered by appropriation provided by Public Law 87-112.

REALLOCATION OF WHEAT ALLOTMENTS

Mr. SANTANGELO. One other point: I have taken this up in the past and I do not know too much about it, I am frank to state, but it has disturbed me that inasmuch as we were trying to reduce the surplus we had—and I raised this question in prior hearings—why should we reallocate allotments in wheat when a farmer goes out of business?

This is reallocated to someone else. I heard on the floor the reason, that the purpose, is that roads have been built and people were forced out. I would like to know the attitude of the Department with regard to the reallocation of wheat allotments in the face of the fact that our purpose is to try to reduce surpluses that we have on hand.

Why should we permit any allotments to be reallocated or used by other farmers when our objective is to try to cut down on the surplus? Does the Department have any viewpoint with regard to that?

Mr. GODFREY. Well, are you speaking of the reallocation from the eminent domain pool or the reallocation from released acreage that is turned in, or the mere reallocation of acreage when a farmer goes out of business and the county allotment is distributed on the past history? There are three categories.

Mr. SANTANGELO. Let me give you some of the thoughts I had in mind and then you can tell.

Mr. GODFREY. All right.

Mr. SANTANGELO. Let us take the State of Texas. Ten years ago, you had a lot of farmers there and you had an allotment for the State of Texas. Whether it was 10 years ago, or 5 or 6 years does not matter, but I have noticed that many of the small farmers have gone out of business and the allotments were turned over to larger farmers.

I raised that question a couple of years ago. Why should the allotments be transferred when our objective is to reduce the amount of production and the amount of surpluses?

Mr. GODFREY. I see what you are driving toward now.

Actually, when a lot of the small farmers go out of business they dispose of their farms and it is consolidated with another farm. The other farm then carries on the farming operation that is normally carried on by the other man, plus what is carried on in the other farm. You really have not had too much acreage go out, but you have reduced the number of small operators.

Mr. SANTANGELO. The big have gotten bigger and the smaller have gone out of business. If our objective is to reduce surplus and to cut down on the amount of production, and will you agree that that is the objective?

Mr. GODFREY. That has been the objective.

Mr. SANTANGELO. What is the viewpoint of the Department with regard to the reallocation of wheat allotments?

Mr. GODFREY. It is not an actual reallocation when you purchase land from another farmer. You merely add the two pieces of land together to make one farming unit, and that is not an actual reallocation of allotment.

Mr. SANTANGELO. That is where a farmer buys another person's land?

Mr. GODFREY. That is right.

Mr. SANTANGELO. I can understand that he is picking up another allotment, but where a fellow goes out of business and closes his farm,

what is the procedure there? Is the allotment turned over to the county committee for reallocation or what is the procedure?

Mr. GODFREY. On farms going out of business, the land is not transferred to another owner. He merely stops farming.

Mr. SANTANGELO. Yes.

Mr. GODFREY. The allotment stays with the land for a period of years and varies by commodities for a period of years. Then it is no longer an allotment for that particular farm.

At the same time, the history for the county is being reduced because that farm was not producing during those years. The overall county history is being reduced and the State history is being reduced at the same time.

Mr. SANTANGELO. It was my understanding that the allotment for the State and county remained the same, and in the reapportionment, it went to those who remained in business.

REALLOCATION PROCEDURE FOR COTTON ACREAGE

Mr. GODFREY. Not necessarily so. As I say, it varies by commodities. You are speaking of wheat, but let us use cotton, which is a little better example because it is defined a little better.

The cotton law provides that for the farmer who has an allotment, if he failed to plant it or release it to the county committee for the next year, his base is reduced to 50 percent of his previous year's allotment.

For the next year, it is reduced to 50 percent of his previous year's allotment; and this goes on for 3 years and is reduced to one-eighth of his original allotment.

For the fourth year, since he has not had any history for the preceding years, this is cleaned out entirely.

When he did not plant, the county lost history for the first year, and they lost history for the second year and for the third year, when he did not plant. The State also lost history for those years. When the national allotment is divided among States for cotton, it is divided on the basis of State history and the county history for the cotton.

Mr. SANTANGELO. In other words, there is a reduction of the allotment for the State by reason of the lapse of business by a particular farmer?

Mr. GODFREY. That is right. This same thing happens in the case of wheat but it reacts slower for wheat than it does for cotton. Cotton is a 3-year individual history item and 5 years for the State allotment. Wheat is on a 10-year basis for the State allotment, 10 years for the county, with adjustments for trends and for a 3-year period on farms.

Mr. SANTANGELO. Let us go back to the question I asked before: What is the attitude of the Department with regard to the reuse of these allotments?

Mr. GODFREY. The attitude of the Department is governed entirely by the existing legislation. In the case of wheat, unless we get legislation we go back to the 1958 act which provides a minimum allotment of 55 million acres. If we had only two people in the United States as wheat producers, they would get 55 million acres.

Mr. SANTANGELO. Presently you have about 51 million acres to be planted?

Mr. GODFREY. This year it will be nearer the neighborhood of 48 million acres.

Mr. SANTANGELO. I have no further questions.

Mr. WHITTEN. There is one comment I want to make in connection with this: As you pointed out, it is the law which governs, but there was a feeling in reference to cotton—and I am not as familiar with other crops—that whole communities would be affected if they went out of the money crop.

Congress passed the act and it was a thoroughly sound opinion by those who passed judgment on it. I do know that in some areas it is getting more and more difficult to get small acreages planted. Yet, being a money crop in the community or area, you can see that the pressure comes from the merchants.

In fact, about 2 or 3 years ago, one of the counties in my area had a meeting and I was asked to attend that meeting without knowing the nature of it. When I got there, they wanted me to talk to the State committee and others to see if there was any way to allocate additional acreage to this particular county.

The problem was in getting people to plant the acreage they had, not a case of not having it. It is hilly country where different types of land were common, and you had different types of other things.

Does the law permit the transfer of acreage from one county to another county? Is it limited to counties?

Mr. GODFREY. This can be accomplished in the case of cotton. The law provides that the State committee may hold a reserve. Once a State allotment is determined, a State reserve of 10 percent, this acreage may be used for five purposes: One of those is the trend in cotton production. By holding a 10-percent reserve, which means 10 percent off of every county allotment, they could use that reserve in some counties and not use it in others, based on trends in cotton production.

In that way, we could adjust some counties that are willing to plant their acreage, and adjust downward those counties that are not planting their acreage.

Mr. WHITTEN. Is that limited to States or can you transfer from one State to another?

Mr. GODFREY. You cannot transfer from one State to another. The law does not give that authority.

PROVISIONS OF EXISTING LAW ON ACREAGE ALLOTMENT

Mr. WHITTEN. I think it would be well to put the pertinent provisions of the law in the record at this point. I think you might do that with regard to various other commodities under acreage control.

Mr. GODFREY. All right.

(The material requested follows:)

RICE

(e) Any part of the farm rice acreage allotment on which rice will not be planted and which is voluntarily surrendered to the county committee shall be deducted from the allotment to such farm and may be reapportioned by the county committee to other farms in the same county receiving allotments in amounts determined by the county committee to be fair and reasonable on the basis of the past production of rice by the producers on the farm or the past production of rice on the farm, as the case may be; acreage allotments previously

established for the farm or for the producers on the farm, as the case may be; abnormal conditions affecting acreage; land, labor, water, and equipment available for the production of rice; crop-rotation practices; and the soil and other physical factors affecting the production of rice. Any allotment surrendered under this provision shall be regarded for the purposes of subsection (b) of this section as having been planted on the farm from which surrendered, except that this shall not operate to make the farm from which the allotment was surrendered eligible for an allotment as having rice planted thereon, or to make any producer thereon eligible for an allotment as having produced rice, during the five-year base period. (7 U.S.C. 1353(e).)

PEANUTS

(g) Any part of the acreage allotted to individual farms under the provisions of this section on which peanuts will not be produced and which is voluntarily surrendered to the county committee shall be deducted from the allotments to such farms and may be reapportioned by the county committee to other farms in the same county receiving allotments, in amounts determined by the county committee to be fair and reasonable on the basis of land, labor, and equipment available for the production of peanuts, crop-rotation practices, and soil and other physical factors affecting the production of peanuts. Any transfer of allotments under this provision shall not operate to reduce the allotment for any subsequent year for the farm from which acreage is transferred, except as the farm becomes ineligible for an allotment by failure to produce peanuts during a three-year period, and any such transfer shall not operate to increase the allotment for any subsequent year for the farm to which the acreage is transferred: *Provided*, That, notwithstanding any other provisions of this Act, any part of any farm acreage allotment may be permanently released in writing to the county committee by the owner and operator of the farm, and reapportioned as provided herein. (7 U.S.C. 1358(g).)

TOBACCO

Sec. 316. (a) Notwithstanding any other provision of this Act for the crop years 1962 and 1963, the owner and operator of any farm for which a tobacco acreage allotment (other than a burley tobacco acreage allotment) is established may lease any part of such allotment to any other owner or operator of a farm in the same county for use in such county on a farm having a current tobacco allotment of the same kind. Such lease and transfer of allotment shall be recognized and considered valid by the county committee provided the conditions set forth in this section are met. In the case of Maryland (type 32) tobacco, no farm shall be eligible for lease of allotment from the farm unless at least 75 per centum of the allotment for the farm was actually planted during each of the years 1960 and 1961.

(b) Any lease shall be made on such terms and conditions, except as otherwise provided in this section, as the parties thereto agree. No lease shall be entered into for any period in excess of one crop year, but may be renewed for the 1963 crop year, if the parties so agree.

(c) The lease and transfer of any allotment shall not be effective until a copy of such lease is filed with and determined by the county committee of the county in which the farms involved are located to be in compliance with the provisions of this section. Such lease and transfer shall not be effective unless a copy of the lease is filed with the county committee prior to a closing date established by the Secretary, which date shall be no later than the normal planting time in the county. If the normal yield established by the county committee for the farm to which the allotment is transferred does not exceed the normal yield established by the county committee for the farm from which the allotment is transferred by more than 10 per centum, the lease and transfer shall be approved acre for acre. If the normal yield for the farm to which the allotment is transferred exceeds the normal yield for the farm from which the allotment is transferred by more than 10 per centum, the county committee shall make a downward adjustment in the amount of the acreage allotment transferred by multiplying the normal yield established for the farm from which the allotment is transferred by the acreage being transferred and dividing the result by the normal yield established by the farm to which the allotment is transferred.

(d) The lease and transfer of any part of a tobacco acreage allotment determined for a farm shall not affect the allotment for the farm from which such acreage allotment is transferred or the farm to which it is transferred, except with respect to the crop year specified in the lease. The amount of acreage allotment which is leased from a farm shall be considered for purpose of determining future

allotments to have been planted to tobacco on the farm from which such allotment is transferred and the production pursuant to the lease and transfer shall not be taken into account in establishing allotments for subsequent years for the farm to which such allotment is transferred. The lessor shall be considered to have been engaged in the production of tobacco for the purpose of eligibility to vote in the referendum.

(e) Under the provisions of this section not more than five acres of allotment may be leased and transferred to any farm: *Provided*, That the total acreage allotted to any farm after such transfer shall not exceed 50 per centum of the acreage of cropland in the farm.

(f) The Secretary shall prescribe such regulations as he considers necessary for carrying out the provisions of this section. (Public Law 87-200)

POOLED ALLOTMENTS

SEC. 378. (a) Notwithstanding any other provision of this Act, the allotment determined for any commodity for any land from which the owner is displaced because of acquisition of the land for any purpose, other than for the continued production of allotted crops, by any Federal, State, or other agency having the right of eminent domain shall be placed in an allotment pool and shall be available only for use in providing allotments for other farms owned by the owners so displaced. Upon application to the county committee, within three years after the date of such displacement, or three years after the enactment of this section, whichever period is longer, any owner so displaced shall be entitled to have established for other farms owned by him allotments which are comparable with allotments determined for other farms in the same area which are similar except for the past acreage of the commodity, taking into consideration the land, labor, and equipment available for the production of the commodity, crop-rotation practices, and the soil and other physical factors affecting the production of the commodity: *Provided*, That the acreage used to establish or increase the allotments for such farms shall be transferred from the pool and shall not exceed the allotment most recently established for the farm acquired from the applicant and placed in the pool. During the period of eligibility for the making of allotments under this section for a displaced owner, acreage allotments for the farm from which the owner was so displaced shall be established in accordance with the procedure applicable to other farms, and such allotments shall be considered to have been fully planted. After such allotment is made under this section, the proportionate part, or all, as the case may be, of the past acreage used in establishing the allotment most recently placed in the pool for the farm from which the owner was so displaced shall be transferred to and considered for the purposes of future State, county, and farm acreage allotments to have been planted on the farm to which allotment is made under this section. Except where paragraph (c) requires the transfer of allotment to another portion of the same farm, for the purpose of this section (1) that part of any farm from which the owner is so displaced and that part from which he is not so displaced shall be considered as separate farms; and (2) an owner who voluntarily relinquishes possession of the land subsequent to its acquisition by an agency having the right of eminent domain shall be considered as having been displaced because of such acquisition. The former owner of land acquired as described in this subsection shall not be considered for the purposes hereof to have been displaced from such land during any period for which such land is leased to such former owner: *Provided*, That the occupancy of the former owner under the lease follows immediately after his occupancy as owner: *And provided further*, That if a former owner has been displaced prior to the effective date of this amendment and no allotment from the land owned by such former owner has been transferred from the allotment pool and such former owner leases the land formerly owned by him prior to two years from the effective date of this amendment such allotment shall be retransferred from the pool to such land and the occupancy of such former owner under the lease for the purposes of this subsection shall be deemed to have begun immediately after his displacement as owner.

(b) The provisions of this section shall not be applicable if (1) there is any marketing quota penalty due with respect to the marketing of the commodity from the farm acquired by the Federal, State, or other agency or by the owner of the farm; (2) any of the commodity produced on such farm has not been accounted for as required by the Secretary; or (3) the allotment next established for the farm acquired by the Federal, State, or other agency would have been

reduced because of false or improper identification of the commodity produced on or marketed from such farm or due to a false acreage report.

(c) This section shall not be applicable, in the case of cotton, tobacco, and peanuts, to any farm from which the owner was displaced prior to 1950, in the case of wheat and corn, to any farm from which the owner was displaced prior to 1954, and in the case of rice, to any farm from which the owner was displaced prior to 1955. In any case where the cropland acquired for nonfarming purposes from an owner by an agency having the right of eminent domain represents less than 15 per centum of the total cropland on the farm, the allotment attributable to that portion of the farm so acquired shall be transferred to that portion of the farm not so acquired. (7 U.S.C. 1378.)

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 378(a) of the Agricultural Adjustment Act of 1938, as amended, is amended by striking out the last sentence and inserting in lieu thereof the following: "During any year of the 3-year period the allotment from a farm may remain in the allotment pool, the displaced owner may, in accordance with regulations of the Secretary, release for one year at a time any part or all of such farm allotment to the county committee for reapportionment to other farms in the county having allotments for such commodity on the basis of the past acreage of the commodity, land, labor, equipment available for the production of the commodity, crop rotation practices, and soil and other physical facilities affecting the production of the commodity; and the allotment reapportioned shall, for purposes of establishing future farm allotments, not be regarded as planted on the farm to which the allotment was transferred." (Public Law 87-33.)

Mr. SANTANGELO. Mr. Chairman, while you were talking I thought of another item I would like information about.

COMMERCIAL AND GOVERNMENT STORAGE

In connection with the storage, I would like you to set forth, if you can, what is the amount in commercial storage and what is the amount in Government storage.

Mr. GODFREY. Yes, sir, we can do that very easily and will be delighted to do so.

(The material requested follows:)

Commodities in storage¹

Commodity	Unit of measure	Commercial storage	Government storage
Cotton	Bale	1,469,500	-----
Milled rice	Hundredweight	11,000	-----
Rough rice	do	36,000	-----
Dry beans	do	2,253,000	-----
Barley	Bushel	23,531,000	7,273,000
Corn	do	221,072,000	422,727,000
Flaxseed	do	2,000	-----
Grain sorghums	do	683,714,000	4,803,000
Oats	do	13,781,000	1,432,000
Rye	do	1,572,000	149,000
Soybeans	do	12,343,000	-----
Wheat	do	1,037,495,000	59,483,000
Shelled peanuts	Pound	16,063,000	-----
Nonfat dry milk	do	418,206,847	-----
Butter	do	316,391,499	-----
Cheese	do	82,982,805	-----
Cottonseed salad oil	do	7,746,537	-----
Soybean salad oil	do	8,252,108	-----
Shortening	do	40,125,264	-----
Canned meat (sec. 32)	do	10,790,486	-----
Lard (sec. 32)	do	19,534,144	-----

¹ Based on operating reports; the figures are the latest available for each commodity (varies from June 1 to June 22).

Mr. WHITTEN. Mr. Andersen.

CORN PRICES

Mr. ANDERSEN. Mr. Godfrey, I refer to part 1 of our hearings of this year on page 114 where I was questioning the Secretary relative to the policy of Commodity Credit putting corn stocks on the terminal markets.

Mr. GODFREY. Yes, sir.

Mr. ANDERSEN. Let me quote in part from letter to the Secretary of November 7, 1961, in which I say:

As a midwest Congressman, from a corn-producing area, I personally expressed my opinion, during the debate on the floor of the House—

that refers to the debate that took place a year ago this spring—

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—

that is, November 7, 1961—

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.

Dr. Cochrane has previously provided the committee a table—and I refer to page 347 of the same hearings—at my request. I asked this:

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.

On page 347, at the top of the page, the table shows us, making a hurried summary of the total, that 300 million bushels of corn—this includes nonstorable corn as well as storable corn—were sold during the period September 29, 1961, to January 5, 1962, and if you will average that up, gentlemen, you will find the average price for those sales was around \$1.01 or \$1.02 on the terminals, and a quotation below says:

It is estimated that one-half 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 one-half was sold for delivery at country points.

I make the point again, Mr. Godfrey, that my partner and I, on our farm in Tyler, Minn., had to take less than 90 cents a bushel last September for free corn. That year I was not in the program—this year I am in the program. I make the point that when sales of CCC corn on the terminals are at such price levels as to put the price level

at Tyler, Minn., at less than \$1 a bushel, we are doing a disservice to agriculture.

I refer again to that table at page 347 showing the sale of approximately 300 million bushels of corn and the average price is shown for storable bushels but nothing is shown for the nonstorable bushels.

Since January 5, how much corn, certificate and nonstorable corn, has gone on the terminal market?

Mr. GODFREY. I will be glad to supply that for the record.

Mr. ANDERSEN. You might embody the table on page 347 as a part of the table and extend it.

Mr. GODFREY. Very well.

(The information requested follows:)

Corn sales against certificate pool total storable and nonstorable and average prices received for storable¹

Date	Total ²	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	2,304,130	24,344,029	1.03
Nov. 24, 1961	27,183,002	2,559,422	24,623,580	1.05
Dec. 1, 1961	26,780,499	2,528,752	24,251,747	1.03
Dec. 8, 1961	55,651,864	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
Jan. 12, 1962	40,367,576		40,367,576	.95
Jan. 19, 1962	34,703,306		34,703,306	.97
Jan. 26, 1962	25,420,110		25,420,110	.97
Feb. 2, 1962	17,150,812		17,150,812	1.00
Feb. 9, 1962	15,958,942		15,958,942	.96
Feb. 16, 1962	11,518,340		11,518,340	.95
Feb. 23, 1962	9,989,654		9,989,654	.95
Mar. 2, 1962	14,696,821		14,696,821	.93
Mar. 9, 1962	15,635,972		15,635,972	.97
Mar. 16, 1962	14,054,171		14,054,171	1.00
Mar. 23, 1962	19,982,425		19,982,425	.95
Mar. 30, 1962	18,077,586		18,077,586	1.03
Apr. 6, 1962	16,271,323		16,271,323	1.04
Apr. 13, 1962	21,676,162		21,676,162	.99
Apr. 20, 1962	20,155,443		20,155,443	.99
Apr. 27, 1962	20,541,925		20,541,925	1.01
May 4, 1962	12,184,591		12,184,591	1.01
May 11, 1962	7,062,933		7,062,933	1.05
May 18, 1962	3,587,887		3,587,887	1.05
May 25, 1962	1,588,627		1,588,627	1.06
June 1, 1962	1,711,229		1,711,229	1.04
June 8, 1962	1,608,272		1,608,272	1.09
June 15, 1962	955,292		955,292	1.00

¹ Weekly operating figures.

² Sales through June 15, 1962, have been adjusted downward from total of weekly sales to correct for over applications which accumulated in this operating report.

NOTE.—It is estimated that 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 half was sold for delivery at country points.

Mr. ANDERSEN. I do not feel it is good for agriculture to permit our basic farm commodity, corn, to sell anywhere in the interior for less than \$1 a bushel for good No. 2 or No. 3 corn. I feel that when the price of corn is held down to less than \$1 per bushel it is doing harm to our agricultural economy as a whole. That is all I have to say.

If you would care to put in the record any further comment on this, I would appreciate it.

Mr. GODFREY. I might say our intent in selling corn represented by certificates issued to farmers for participation in the feed grain program was to permit the market to follow its usual course, and insofar as we could we did this.

Mr. ANDERSEN. The Secretary informed me that was his policy.

Mr. GODFREY. We did not break it by dumping corn on the market.

Mr. ANDERSEN. I did not say you broke it but you kept it so weak my partner and I were not able to get more than 90 cents last September. We held the balance of our corn, which was good corn, and we did get \$1 a bushel last week. That would indicate to me that the Department did perhaps pay a little attention to my plea last fall or last February in regard to this and that they slowed up on the sales of this commodity to permit the farmers to get \$1 per bushel. We did get \$1 per bushel last week.

Mr. GODFREY. We slowed our sales and followed the normal pattern in the past years. I know your intense interest in the farm program, so I would say we have attempted to do exactly what we committed to do when we asked for the feed grain bill.

Mr. ANDERSEN. It is my feeling when you want to get cooperation—I am for the voluntary feed grain program—if you want to get cooperation from the farmers I think there should be a spread of at least 30 cents between the compliers and the noncompliers. I do think the least the noncomplier should receive is \$1 per bushel for free corn in the country markets.

Mr. GODFREY. I would like to quote three figures. We have received criticism about our sale of corn from the trade and others. But in December 1959 the average price received by farmers throughout the country for corn was 96 cents per bushel. In December 1960 it was 91 cents per bushel; and in December 1961 it was 95 cents per bushel.

Mr. ANDERSEN. I gave the Secretary credit last February for raising the price level of corn about 7 cents a bushel in comparison to a year previous, but I think that is not enough. I think it should be at least \$1 per bushel in Tyler, Minn., or we cannot do business and buy new machinery.

I am not criticizing the Secretary directly. I know he has a very tough job. But I say the policy should be very carefully watched as to how much should be put on the market. I will say if the market can stand it, the quicker we can get rid of that CCC corn the better.

Mr. GODFREY. That is what we are attempting to do and we have had daily meetings on it since we started selling last October until a month and a half ago when we stopped selling.

Mr. ANDERSEN. Thank you, Mr. Chairman.

Mr. WHITTEN. Mr. Michel.

COMPENSATION OF STATE COMMITTEEMEN

Mr. MICHEL. Before getting in the specifics of your testimony, the Department in 1960 did away with the regulations which placed a ceiling on the amount State committeemen could receive. How much additional money has this cost the Department?

Mr. GODFREY. Well, sir, as I related earlier, there was no ceiling unless the State set it for its committeemen. The table we submitted I think shows there has been very little material change in the number of days worked by county and community committeemen in the last years.

Mr. MICHEL. Why was the ceiling lifted?

Mr. GODFREY. To give the State committees a little more feeling that they were the key individuals in the State for the operation of the farm programs; that men of the caliber we select for committeemen would not have to be supervised as to the actual number of days they worked, that they had the ability to know when they were needed and when they were not needed.

Mr. MICHEL. How much more do you think we got for our money in lifting the ceiling?

Mr. GODFREY. We have found that a ceiling is an incentive for people to go to it, and I think we are getting more for our money now.

Mr. MICHEL. Does the Department intend to continue its policy of paying committeemen for an unlimited number of meetings?

Mr. GODFREY. We do not pay for an unlimited number of meetings. We pay for the meetings necessary.

Mr. MICHEL. But there is no limitation on the number?

Mr. GODFREY. There is no limitation on the number and I do not think there could be a realistic figure placed on the number.

Mr. MICHEL. Some time ago about 150 ASCS people were brought to Washington, for what purpose I do not know, but they congregated at the White House. Could you tell us about that?

Mr. GODFREY. I will be glad to explain why they came. They came for the first meeting we had of committeemen on a nationwide basis since the change in administration. It has been the policy in prior administrations, even prior to 1952, to have meetings to discuss policies, procedures, and programs. This meeting was planned before we knew what legislation might come up and when it might come up and we called them in for the first national meeting. We wanted them to meet the people they were working with at this level and become friendly with them so they would know whom they were talking to or writing to.

Mr. MICHEL. When was the last meeting?

Mr. GODFREY. There had been none under this administration, but under the prior administration I do not remember when they were called together. There was a policy under the previous administration of holding regional meetings at least once each year.

Mr. MICHEL. What would be your estimate of the cost of bringing them here for a conclave like that?

Mr. GODFREY. I have not figured it.

Mr. MICHEL. Could you supply a figure for the record?

Mr. GODFREY. Yes, we could.

Mr. MICHEL. I would be interested in it.

(The information requested follows:)

Estimated cost of ASC State committees meeting in Washington, D.C., in April 1962

Salary:	<i>Amount</i>
50 chairmen, 4 days, at \$47.04-----	\$9, 408
108 members, 4 days, at \$40.96-----	17, 695
Total salary-----	<u>27, 103</u>
 Travel:	
Transportation, 158 round trips, Kansas City, Mo., to Washington, D.C., at \$137.20-----	\$21, 678
Per diem in lieu of subsistence, 158 committeemen, 4 days each at \$16 per day-----	10, 112
Total travel-----	<u>31, 790</u>
Total cost-----	<u>58, 893</u>

The estimate is based on first-class travel, by air, from Kansas City, Mo., to Washington, D.C., and return, as representative of an average of travel from each of the 50 States. It is not the sum of the actual reimbursement vouchers. Meetings were held on April 3 and 4 and 1-day travel time each way was included.

Mr. ANDERSEN. Will the gentleman yield?

Mr. MICHEL. Yes.

Mr. ANDERSEN. On that, Mr. Godfrey, I had hoped that by this time we would have provision whereby the chairman of the various county committees could vote by secret ballot for two of the three State committeemen and thereby remove the committees from politics, leaving to the Secretary the right to appoint the chairman at all times. I am sorry to see that each administration that comes in disrupts the entire State committee and it is a matter of patronage. I am not blaming one party more than another.

Mr. GODFREY. Legislation at the present time would not permit it.

Mr. ANDERSEN. I understand that. I did get pretty close to getting the Committee on Agriculture to agree to let the chairmen of the county committees select one man out of the three. I think if we are to have the grassroots represented that the selection of the State committee should be nonpolitical with the Secretary of Agriculture having the power to name the chairman. Thank you.

Mr. MICHEL. That is a very good suggestion.

AGRICULTURAL CONSERVATION PROGRAM

In the ACP program we know that the list of conservation practices includes lime, gypsum, sulfates, and many new materials that are used to stimulate the growth of so-called conservative crops, but in more than 14 of the States, according to my calculation, 25 percent or more of the ACP payments are going into repetitive practices that go beyond the conservation program.

Would you supply for the record an up-to-date list of the States where 25 percent or more of the ACP payments are going into this type of practice instead of what I would call a long-range conservation practice, and I am certainly not opposed to that. What I do oppose in this particular program is the stimulation that comes from the Federal Government sharing.

Mr. GODFREY. I would hesitate to argue with the Congressman but in many States of the country it is necessary to use lime before we get grass. In my State, for example, we have been farming the

land a good many years and we have 55 to 60 inches of rain a year. The application of lime has to be repeated every 5 or 6 years at least.

(The material requested follows:)

Since the beginning of the 1954 program, all conservation practices for which ACP cost sharing is offered have been classified in two categories: (1) Conservation practices with enduring benefits and (2) conservation practices with benefits of limited duration. Those in the first category are practices having long life spans, ranging from the life of vegetative cover in a several-year rotation up to such very long-term practices as terraces, farm ponds, or forest tree plantings. Those in the second category are practices for establishing temporary protective vegetative cover or temporary protection of soil from wind and water erosion; for example, a winter cover or green manure crop, stubble mulching, or other temporary erosion control operations, which usually require repetition each year. Under some farming systems, due to climatic and other conditions, practices of this type are about the only feasible way to meet the conservation problem.

Eight States—Alabama, Arkansas, Delaware, Florida, Georgia, New Jersey, North Dakota, and Texas—utilized more than 25 percent of their 1960 ACP funds for conservation practices with benefits of limited duration. Countrywide, 13 percent of 1960 ACP cost-sharing funds were in that group.

Mr. MICHEL. My contention is, this is a cost we should bear ourselves rather than the Federal Government.

Is the removal of stonewalls or hedgerows still a bona fide practice for the ACP program?

Mr. RITCHIE. Yes, it is, because this is a necessary part of realining fields in order to allow contour farming.

EXPORTS UNDER TITLE II OF PUBLIC LAW 480

Mr. MICHEL. In your testimony on page 11, under special export programs, there is a marked increase from 1962 to 1963 in the item of commodities disposed of for emergency famine relief to friendly peoples under title II of Public Law 480. The amount of increase is \$223,132,000. What accounts for this sizable increase or, better still, what are the countries we are concerned with?

Mr. GODFREY. The estimate includes \$64 million for unrecovered 1962 costs. That is one item. And there is an estimate of \$18.5 million to finance shipments. That accounts for \$82 million of the total of \$223 million.

Mr. MICHEL. So you have about \$140 million left?

Mr. GODFREY. I have a total for the commodities but not the countries.

Mr. MICHEL. Will you supply that for the record?

Mr. GODFREY. Yes.

(The material requested follows:)

Commodities disposed of for emergency famine relief to friendly peoples (title II)

Commodity	Unit of measure	Fiscal year 1962		Fiscal year 1963		Increase (+) or decrease (-)	
		Quantity	Value	Quantity	Value	Quantity	Value
Wheat.....	Bushel.....	25,000,000	\$107,500,000	30,000,000	\$132,000,000	+5,000,000	+\$24,500,000
Wheat flour.....	Pound.....	650,000,000	35,750,080	850,000,000	46,750,000	+200,000,000	+11,000,000
Corn.....	Bushel.....	8,000,000	28,800,000	10,000,000	37,500,000	+2,000,000	+8,700,000
Barley.....	do.....	11,500,000	24,725,000	8,000,000	18,400,000	-3,500,000	-6,325,000
Sorghums, grain.....	do.....	2,000,000	4,500,000	3,000,000	7,050,000	+1,000,000	+2,550,000
Rice, milled.....	Hundredweight.....	420,000	4,200,000	590,000	5,600,000	+170,000	+1,400,000
Beans, dry edible.....	do.....	25,000	192,500	25,000	192,500	-----	-----
Milk, nonfat, dry.....	Pound.....	25,000,000	4,700,000	25,000,000	4,750,000	-----	+50,000
Vegetable oil.....	do.....	5,000,000	1,000,000	5,000,000	1,000,000	-----	-----
Total commodity costs.....			211,397,500		253,242,500		+41,875,000
Ocean transportation:							
Title II shipments (above).....			25,120,718		14,757,500		-10,363,218
Title III donations (sec. 416).....			45,000,000		32,000,000		-13,000,000
Subtotal, ocean transportation.....			70,120,718		46,757,500		-23,363,218
Total expenses of shipments.....			281,488,218		300,000,000		+18,511,782
Portion of costs financed by Commodity Credit Corporation from 1961 balance.....			-76,620,218		-----		+76,620,218
Unrecovered 1962 costs included in 1963 budget estimate.....			-64,000,000		64,000,000		+128,000,000
Total appropriation or estimate.....			140,868,000		364,000,000		+223,132,000

NOTE.—Because of the nature of the program, estimates are not made by countries. The following table shows authorizations issued in fiscal year 1962 through Mar. 31, 1962:

Authorizations Issued—Public Law 480, Title II, July 1, 1961, through Mar. 31, 1962

[In thousands]

	Unit of measure	Quantity	Amount		Unit of measure	Quantity	Amount
Austria:				India:			
Milk, dry.....	Pounds	a 137	a 39	Milk, dry.....	Pounds	2,499	518
Corn.....	Bushels	1,182	4,500	Rice, milled.....	Hundredweight	1,115	1,115
Wheat flour.....	Pounds	a 1,496	a 351	Wheat.....	Bushel	309	1,700
Total.....			4,110	Total.....			3,333
Afghanistan: Wheat.....	Pounds	88,181	a 1,042	Iran:			
Brazil: Milk, dry.....	Pounds		18,500	Corn.....	Bushels	a 1	a 321
Cyprus:				Barley.....	do	a 123	a 1,599
Barley.....	Bushels	2	a 199	Wheat.....	do	301	a 924
Wheat.....	do	1,464	6,041	Total.....			a 996
Total.....			5,842	Italy:			
China:				Milk, dry.....	Pounds	1,101	237
Milk, Dry.....	Pounds	496	195	Wheat flour.....	do	9,383	a 53
Soybean oil.....	do	1,742	385	Total.....			184
Wheat.....	Bushels	900	4,800	Jordan:			
Total.....			5,320	Barley.....	Bushels	a 8	a 346
Dahomey:				Wheat flour.....	Pounds	2,202	64
Rice, milled.....	Hundredweight	35	446	Total.....			a 282
Bulgur.....	do	12	140	Kenya:			
Bulgar.....	Pounds	2,360	124	Milk, dry.....	Pounds	5,512	1,160
Cornmeal.....	do			Vegetable oil.....	do	2,866	650
Total.....			710	Corn.....	Bushels	952	3,571
Ethiopia:				Total.....			5,381
Grain sorghums.....	Hundredweight	108	63	Morocco:			
Wheat.....	Bushels	182	507	Milk, dry.....	Pounds	596	120
Total.....			570	Vegetable oil.....	do	661	150
Hong Kong:				Beans, dry, edible.....	Hundredweight	10	74
Cotton.....	Bale	0.3	55	Wheat.....	Bushels	272	1,204
Rice.....	Hundredweight	80.0	1,000	Wheat flour.....	Pounds	1,654	123
Total.....			1,055	Total.....			1,761

BARTERED MATERIALS FOR SUPPLEMENTAL STOCKPILE

Mr. MICHEL. In the item "Bartered materials for supplemental stockpile" you have an increase of \$218 million. What would these commodities be?

Mr. GODFREY. \$92.9 million was for unrecovered 1962 costs; \$24.9 million was for increase in supplemental stockpile, and we have a list of the commodities that we will supply for the record. It is quite a long list. Bauxite is one of the largest. The largest is manganese.

Mr. MICHEL. I want a complete list in the record.

Mr. GODFREY. We will be glad to furnish it.

(The material requested follows:)

Transfers to supplemental stockpile for fiscal year 1962 through May 31, 1962

Material	Value
Antimony metal.....	\$1, 245, 784. 61
Asbestos:	
Amosite.....	1, 461, 107. 87
Chrysotile.....	195, 317. 92
Crocidolite.....	1, 149, 494. 18
Bauxite.....	31, 319, 254. 74
Beryllium copper master alloy.....	467, 832. 13
Bismuth.....	1, 085, 549. 30
Boart.....	5, 557, 901. 68
Cadmium.....	957, 271. 03
Chrome ore:	
Chemical grade.....	3, 306, 708. 18
Metallurgical grade.....	1, 397, 869. 39
Refractory grade.....	78, 595. 27
Chromium metal.....	118, 572. 20
Diamonds.....	28, 555, 748. 81
High carbon ferrochrome.....	575, 027. 81
Low carbon ferrochrome.....	1, 382, 615. 82
Ferromanganese.....	15, 210, 935. 95
Fluorspar, acid grade.....	3, 379, 557. 38
Crude iodine.....	102, 341. 20
Lead.....	11, 846, 620. 40
Manganese ore:	
Chemical grade.....	4, 032, 922. 34
Metallurgical grade.....	18, 441, 079. 23
Natural battery grade.....	1, 212, 219. 58
Mica.....	3, 707, 021. 85
Palladium.....	2, 296, 241. 60
Platinum.....	4, 042, 524. 34
Rare earth.....	2, 869, 899. 43
Rutile.....	115, 039. 88
Silicon carbide.....	3, 306, 747. 81
Thorium nitrate.....	586, 817. 04
Titanium sponge.....	2, 327, 347. 60
Tungsten carbide powder.....	2, 352, 531. 64
Total.....	154, 684, 498. 21

NOTE.—Because of the possible adverse effect on contract prices, no detailed listing of future deliveries of materials is furnished at this time.

RAIL RATES FOR GRAIN

Mr. MICHEL. Sometime ago the Department requested section 22 relief from the railroads on bulk grain rates and as a result I received a number of telegrams from my constituents dealing in grain. Could you comment on that?

Mr. GODFREY. This I am delighted to talk about because in this instance we were selling grain primarily along the eastern seaboard

and the Southeast to fulfill one of the two commitments we made in connection with the emergency feed grain program. We made an agreement that the noncooperator would not benefit by not cooperating and that we would not increase the feed grain cost to users.

We found in certain deficit areas where the supply of grain was short, prices were taking a rapid rise. So we decided to sell grain into these areas. First we decided at what price we should sell it. In making that decision we related the market price in prior years to the Chicago market. We then set the price at which we should sell it. Once we set that price and had decided to sell it in the deficit areas, we then said, "Why not save the Government money and use the section 22 rate?" So that was done to save the taxpayer money. The decision to sell the grain was to live up to our commitment under the feed grain program.

CCC BIN SITES

Mr. MICHEL. I would like to have supplied for the record, by States, the number of Commodity Credit Corporation bin sites in the State together with the capacity of those bin sites by States and the latest date on which you have a compilation which would show the occupancy of those CCC bin sites.

Mr. BEACH. Very well, sir. We have that list.
(The material requested follows:)

Bushel capacity and number of bin sites—CCC-owned bins as of June 27, 1962

State	Bushel capacity	Number of bin sites	State	Bushel capacity	Number of bin sites
Colorado.....	7,841,514	72	Nebraska.....	91,409,124	282
Florida.....	126,798	1	New Jersey.....	28,000	1
Georgia.....	4,000	1	North Dakota.....	45,029,734	345
Illinois.....	188,847,677	739	Ohio.....	18,436,332	101
Indiana.....	48,929,722	250	Oklahoma.....	78,712	1
Iowa.....	288,774,211	831	South Carolina.....	513,750	4
Kansas.....	45,336,625	285	South Dakota.....	80,184,050	297
Kentucky.....	829,140	3	Texas.....	233,868	3
Louisiana.....	8,733	1	Virginia.....	1,337,000	8
Michigan.....	13,696,744	42	Wisconsin.....	6,721,110	27
Minnesota.....	102,279,531	370			
Missouri.....	22,181,736	76	Total.....	980,256,964	3,824
Montana.....	17,428,850	84			

Bin-site inventories as of Mar. 31, 1962

[Net bushels]

State	Corn	Wheat	Barley	Oats	Rye	Grain sorghums	Total (all grains)
Illinois.....	128,274,311	-----	-----	-----	-----	-----	128,274,311
Indiana.....	33,387,672	-----	-----	-----	-----	-----	33,387,672
Iowa.....	208,665,753	-----	-----	-----	-----	-----	208,665,753
Michigan.....	9,906,178	-----	-----	-----	-----	-----	9,906,178
Ohio.....	8,316,359	-----	-----	-----	-----	-----	8,316,359
Colorado.....	373,171	801,736	1,969	-----	7,049	-----	1,183,925
Kansas.....	11,986,119	11,937,648	61,900	1,271	42,068	571,757	24,600,763
Missouri.....	10,845,581	194,590	6,255	-----	-----	1,291,039	12,337,465
Nebraska.....	52,000,969	486,449	12,703	2,577	8,148	2,646,836	55,157,682
Minnesota.....	58,298,743	151,245	1,007,475	261,595	-----	-----	59,719,058
Montana.....	-----	641,430	978,013	-----	8,041	-----	1,627,484
North Dakota.....	867,310	2,080,541	6,349,853	231,593	14,595	-----	9,543,892
South Dakota.....	32,895,024	6,733,686	427,031	22,566	56,712	131,909	40,266,928
Wisconsin.....	4,928,775	-----	-----	-----	-----	-----	4,928,775
Total.....	560,745,965	23,027,325	8,845,199	519,602	136,613	4,641,541	597,916,215

STORAGE CHARGES

Mr. MICHEL. What would the Department give as the cost of storing a bushel of grain today?

Mr. BEACH. Where? In commercial storage or in CCC-owned bins?

Mr. MICHEL. In CCC-owned bins?

Mr. BEACH. I think the figure we are using is roughly 10.3 cents. That would include the in-and-out charge and the storage charge. That is about 10.3 cents per bushel per year.

Mr. ANDERSEN. Will the gentleman yield?

Mr. Beach, does that offset in any way the difference in local taxes paid by private storage?

Mr. BEACH. No; that is completely out-of-pocket cost.

Mr. ANDERSEN. What would the additional cost be for taxes paid by private storage?

Mr. BEACH. We have never made a calculation of that that I know of.

Mr. ANDERSEN. Thank you.

Mr. MICHEL. This is a different figure than has been cited on previous occasions, which I am sure were taken from a certain House report, which I did not agree with, but on occasions in years past we have had the Department refer to that House report.

Mr. Cox. Are those not just storage charges you are talking about?

Mr. MICHEL. I do not know, but I think they are erroneous figures and I am glad to see a more realistic figure.

Mr. Cox. I believe the one Mr. Beach gave included the in-and-out charge and the storage charge.

LOAD-OUT POLICY ON STORED GRAINS

Mr. MICHEL. What is the up-to-date load-out policy of the Department as to whether or not we will take from CCC-owned bins or commercial storage?

Mr. FITZGERALD. It is unchanged from what it has been in the past. It is pretty much on a first-in-first-out basis. In a given area if there is capacity commercially, the commercial elevators get filled first. On the other hand, when there is need to take out, they would be emptied first.

Mr. MICHEL. Could we have a compilation by States of where these load-outs have come in the past year, either from CCC-owned bins or from commercial storage?

Mr. BALLOU. Would you be able to amend that to October 1?

Mr. MICHEL. Very good. All I am interested in is a comparison, and the easiest figures you can come out with, without additional cost, will be satisfactory.

(The information requested follows:)

The records used for operational purposes indicate that the approximate quantity of corn loaded out of CCC-owned bins in the various States from October 1, 1961, through June 15, 1962, to be as follows:

State:	Bushels	State—Continued	Bushels
Colorado.....	391, 920	Nebraska.....	22, 006, 851
Illinois.....	79, 833, 884	North Dakota.....	813, 578
Indiana.....	11, 661, 321	Ohio.....	4, 403, 956
Iowa.....	68, 332, 234	South Dakota.....	20, 410, 839
Kansas.....	2, 185, 744	Wisconsin.....	397, 093
Michigan.....	2, 813, 358		
Minnesota.....	27, 070, 199	Total.....	246, 481, 978
Missouri.....	6, 161, 001		

The above figures are the approximate quantities of corn that were loaded out of bin sites either on local sales, loading orders, or both.

Mr. MICHEL. That is all I have for the moment.

EFFECT OF FARM BILL'S FAILURE TO PASS

Mr. WHITTEN. Turning back to the Commodity Credit Corporation, I pointed out earlier that this committee, from time to time, is charged with the responsibility of recommending to the Congress the restoration of capital impairment so that the Corporation will not have to ask for new borrowing authority to carry out the directives in the basic law.

Briefly for the record, Mr. Beach, tell us briefly what will be the situation if we return to the basic 1958 act.

Mr. BEACH. If the 1963 programs for feed grains and wheat reverted to the 1960 type law, feed grain price support levels would be set at 65 percent of parity or 90 percent of the average market price for the preceding 3 years, whichever is higher. Right now 65 percent of parity is the higher and this would mean about \$1.05 for corn and other feed grains in proportion. There would be no restriction on the production of corn or other feed grains under the 1960 type program. All producers would be eligible if they met the eligibility requirements for grade, moisture, et cetera, and the CCC would have to finance the loans.

In the case of wheat you would revert back to the 55 million acre minimum allotment without the 10-percent reduction provided in the 1962 program. Under current conditions of supply, support for wheat would have to be at the minimum of 75 percent of parity, which right now is about \$1.82 per bushel. There would be no special payments in either the feed grains or wheat.

Mr. WHITTEN. Could you extend your remarks in the record and show a comparison between the existing law and a return to the 1958 law?

Mr. BEACH. Yes, sir.

(The material requested follows:)

The following tables show a comparison of estimated supplies, utilization, and costs for 1963 crop feed grains and wheat under two assumptions as to legislative requirements. The columns identified "With 1960 programs" are estimated on the basis of the Agricultural Act of 1949, as amended by the Agricultural Act of 1958. The columns identified "With 1962 programs" are estimated on the basis of subtitles B and C of title I of the Agricultural Act of 1961.

TABLE 1.—*Feed grains: Estimates for 1963 crop under assumptions of 1960 type program and 1962 type program*

	With 1960 program	With 1962 program
Acreage (thousand acres):		
Diverted:		
Soil bank.....	12,029	12,029
Special programs.....		29,500
Harvested.....	125,100	105,800
Yield (tons per harvested acre).....		1.37
Supply (million tons):		
Beginning stocks.....	70.4	70.4
Production.....	166.0	144.6
Imports.....	1.0	1.0
Total supply.....	237.4	216.0
Utilization (million tons):		
Domestic.....	141.5	138.1
Export.....	14.0	14.0
Total use.....	155.5	152.0
Carryout (million tons).....	81.9	64.0
Increase (+) or decrease (-) in carryover during year (million tons).....	+11.5	-6.4
Payments for land diversion (million dollars).....		1 900
Season average price to farmers for corn.....	\$0.98	1 \$1.07

1 Assumes support price for corn would be \$1.20 per bushel.

TABLE 2.—*Wheat: Estimates for 1963 crop under assumptions of 1960 type program and 1962 type program*

	With 1960 program	With 1962 program
Acreage (thousand acres):		
Diverted:		
Soil bank.....	2,729	2,729
Special programs ¹		14,000
Planted ¹	57,000	48,300
Harvested.....	53,500	43,100
Yield (bushels per acre).....	25.0	25.5
Supply (million bushels):		
Beginning stocks.....	1,295	1,295
Production.....	1,340	1,100
Imports.....	8	8
Total supply.....	2,643	2,403
Utilization (million bushels):		
Domestic.....	603	585
Export.....	625	625
Total use.....	1,228	1,210
Carryout (million bushels).....	1,415	1,193
Increase (+) or decrease (-) in carryover during year.....	+120	-102
Payments for land diversion (million dollars).....		2 345
Season average price to farmers ²	\$1.75	2 \$1.80

¹ Takes into consideration about 11,000,000 acres as "small farm" base acreages under 1962 type program.

² Assumes support price of wheat at \$1.80 per bushel.

³ Feed and seed wheat value assumed to be \$1.40 per bushel.

TABLE 3.—*Feed grains and wheat: Major elements of CCC costs for 1963 crop under assumptions of 1960 type program and 1962 type program*

[Millions of dollars]

	With 1960 program	With 1962 program
Feed grains:		
Cost of acquisitions.....	750	932
Proceeds from dispositions.....	-300	-1,285
Export subsidies.....	45	52
Carrying charges and interest.....	710	419
Public Law 480, excluding export subsidies.....	167	182
Subtotal.....	1,372	300
Payments for land diversion.....		1,900
Total.....	1,372	1,200
		1962 program
Wheat:		
Cost of acquisitions.....	592	153
Proceeds from dispositions.....	-420	-454
Export subsidies.....	375	313
Carrying charges and interest.....	310	252
Public Law 480, excluding export subsidies.....	608	608
Subtotal.....	1,465	872
Payments for land diversion.....		1,345
Total.....	1,465	1,217

¹ Assumes support price for corn at \$1.20 per bushel and wheat at \$1.80 per bushel.

CCC BORROWING AUTHORITY

Mr. WHITTEN. Looking at the justifications you submitted to us. I think the Department is sound in changing your bookkeeping so that whatever commodity you have in hand you show your original investment and then show what additional costs you have by reason of storage and handling, by reason of interest paid, and all of that. I think that is sound, to show to the Congress and to the country what part is which.

Now, then, when you get through showing the true picture, there are two ways to approach it. One way is to keep the CCC's capital stock at all times fully restored to meet whatever might occur, or else to restore only that part which is essential to meet your foreseeable obligations under the law.

At various times the Congress, on the recommendation of this committee, has approached it in one of the two different ways. If Congress fails to restore a sufficient amount the only other recourse is to ask Congress to increase its borrowing authority, which would call for legislation.

Mr. BEACH. Yes.

Mr. WHITTEN. In your recommendation to the Congress for the coming year for restoration of the capital of the Commodity Credit Corporation, what part is based on gradually getting the CCC on a current basis? How much is for that method as against the other?

Mr. BEACH. The total of the CCC reimbursement is \$2,186,935,000. The portion representing the reimbursement for this writeoff of inventory values is \$423 million, which is one-third of this \$1,268 million that was written off. This is the approach that we took to supply the Corporation just with that portion of the writeoff that was actually needed to finance this operation.

On the basis of the assumption that we would have a continued voluntary feed grain program and the continuation of the 1962 wheat program—this was last fall before any legislation was actually presented—we estimated what the requirements of borrowing power would be and used the \$423 million on that basis. As it stands on the basis of our estimate right now, we will come out with about \$299 million of unused borrowing power at the end of June this year and by the end of June next year, on the same assumption, with about \$274 million, which is quite a narrow margin for this size operation.

Mr. WHITTEN. In the projection for next year, that is based on what law?

Mr. BEACH. On existing law and the assumption of advance payments on a 1963 voluntary feed grain program and a 1963 wheat program like the one we had this year. Those payments that we had in the estimate amounted to \$520 million. We had in the estimate an outlay of \$164 million on wheat and \$356,700,000 on feed grains so if you would add on \$520 million you would make your margin about \$800 million, if you assume no legislation. On the other hand, you would have to reestimate what effect there would be on the loan volume that would result from the increased production on the 1963 crops which would offset a portion of this. We would have to make a complete new estimate to tell what the final result would be.

Mr. MICHEL. Is that consistent with several of the figures that were used in debate on the bill?

Mr. BEACH. No, sir. Those were based on the Food and Agriculture Act of 1962.

Mr. MICHEL. This is what I am talking about. Under the terms of that act in the first full year of operation of the feed grains bill, the Department said it cost \$782 million.

Mr. BEACH. For payments.

Mr. MICHEL. The committee report stated that with a 3-percent increase in 1962 it looks as though this figure will be \$900 million. With the report in mind, would you come up with the same answer or would there have to be an adjustment in what you were talking about last year?

Mr. BEACH. These figures I read here were only the advance payments on assumption of continuation of a voluntary program for feed grains and a continuation of the 1962 program.

Mr. MICHEL. With more participation in the future, your figures then, considering what you need for restoration, are really shy of the mark; are they not?

Mr. BEACH. No, sir. They might be slightly shy of the mark. There might be some offsetting reductions in the price support loan volume that would result from the additional acres that went into diversion. The figures that you are referring to—

Mr. MICHEL. I do not want us to come up under the gun and be so far off in our figures that we look ridiculous. Appreciating the fact that you want to spread this impairment over 3 years; if we could come up after the end of 3 years and see that those figures were close to what you had predicted, then I would say we are on good ground. But, if there has to be an adjustment I would rather it come now so we can be forthright with the Members of the House, rather than come back a year or two later and say, "We were way off and we have to

make another adjustment." I think this is what concerns Mr. Santangelo.

Mr. BEACH. In the event the money restored is insufficient to meet the operations our procedure would be either an increase in borrowing authority through action by the House Banking and Currency Committee and the Senate Agriculture Committee, or a supplemental appropriation for restoration of capital impairment or reimbursement for other costs.

Mr. ANDERSEN. When would that supplemental be necessary, Mr. Beach?

Mr. BEACH. Based on the estimates we now have, it would not be necessary if this budget is approved. As I said before, the margin is rather slim.

CCC ADMINISTRATIVE EXPENSE

Mr. WHITTEN. I did not ask you anything about the administrative expenses. I notice that your administrative expenses run about the same for CCC.

Mr. BEACH. I would like to make one comment, Mr. Whitten. We are quite proud of the fact we are not using contingency reserves at all this year. We have held it in reserve. Our workload did not develop to the point we needed it. In fact, we will save some money in addition to the contingency reserve.

Mr. WHITTEN. There, again, this administrative fund is a limitation on what you can use of the Corporation's funds. If you do not use it, it remains available for the general purposes of the Corporation?

Mr. BEACH. Yes, sir.

SALE OF COMMODITIES

Mr. WHITTEN. In connection with the sales manager of CCC, you have transferred that operation to the Foreign Agricultural Service. How has that worked out? Has that made any substantial change?

Mr. BEACH. It has worked all right as far as we are concerned. The relationship between the divisions of ASCS, the Grain Division, the Cotton Division, et cetera, and the General Sales Manager's Office is substantially the same as it always has been. The Administrator of the Foreign Agricultural Service is a Vice President of the CCC and thereby has access to the CCC Board, with no problem.

Mr. WHITTEN. Some years ago this committee insisted that the Secretary report monthly to the appropriate committees of the Congress concerning the sales for dollars. Subsequent to that I have had several requests that we forego any such request. I know it was a duplication to some degree. As far as I am concerned, if you keep us advised, with perhaps less detail, but in letter form, the month-to-month situation, it might serve the same purpose. In other words, if you want to scale it down.

Mr. BEACH. All right, sir.

Mr. WHITTEN. I do think it well for the Congress to be kept current on what you are selling for dollars as compared to other means.

Mr. BEACH. In other words, a simple breakdown of sales by commodity and the nature of the sales.

Mr. WHITTEN. That is right. I think you could do that with much less trouble. I think it would be a case of transferring from records you already have.

SPECIAL EXPORT PROGRAMS

I notice your estimate on Public Law 480 for 1963 is some \$340 million in excess of 1962, International Wheat Agreement jumps from \$70 million to \$96 million, bartered materials jumps from \$125 million to \$343 million. In other words, the overall estimate for these programs goes from \$1,600 million in 1962 to \$2,186,935,000 for 1963. What is the basis for this? How do you go about estimating this?

Mr. BEACH. Let's take them individually. In title I of Public Law 480, we have an estimate of \$1,293 million. That represents two portions. One is \$212,368,000, representing 1962 costs that were not reimbursed previously and \$1,080,632,000 representing the 1963 costs.

The basis for the estimate is the same as, generally speaking, with respect to all of our commodity estimates. We actually have a committee setup which is comprised of representatives of the Agricultural Marketing Service, Economic Research Service, the Foreign Agricultural Service, and our own people. In other words, all of the commodity experts we can get together whose brains can be brought to bear on estimating what will happen in the future under a given set of circumstances. Given the economic assumptions and then given the estimates of production and availability of supplies, these people come up with the best estimate they can of the shipments that actually will be made of each commodity into export under these programs. They are always subject to some error and some difference, due to timing of shipments, weather or a number of other things, but they are the very best estimates that can be made of actual shipments because the shipment date is the initial point where the cost is committed.

CCC RECEIPTS

Mr. WHITTEN. In connection with the CCC, in addition to the funds that we mentioned earlier, you have available funds that you collect in the way of cash. How much did the Corporation handle during the last period for which you have figures from actual sales?

Give us a rough figure and supply it for the record.

Mr. BEACH. Roughly, \$3 billion of receipts other than from appropriations in this fiscal year.

Mr. WHITTEN. What is the outlook next year?

Mr. BEACH. We will have very heavy receipts, depending on the sales policy with respect to feed grains. We sold a billion bushels of corn this year, which added to receipts greatly.

Mr. WHITTEN. Could you provide for the record an estimate as to what we would have from that source for the coming year?

Mr. BEACH. Yes, sir.

Mr. WHITTEN. It is highly questionable as to whether you have a surplus of cotton. That comes back to the fact that, with the announced change there was pretty much of a run on cotton last year. You anticipated a higher support level and other things for the coming year.

I believe I asked you earlier to provide for the record for the last several years the sales for cash and the sales through various assistance programs for the various price-supported commodities.

Mr. BEACH. Yes, sir.

Mr. WHITTEN. If we have not covered that fully, I would like to have it at this point.

Mr. BEACH. Yes, sir. About 50 percent of our total disposals in 1961 was for cash.

(The material requested follows:)

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE—COMMODITY CREDIT CORPORATION

Price-support program: Dispositions of commodities by type of disposition, for fiscal years ended June 30, 1957, through June 30, 1961, and fiscal year 1962 through Apr. 30, 1962

[In thousands of dollars]

Type of disposition	Fiscal year 1957		Fiscal year 1958		Fiscal year 1959		Fiscal year 1960		Fiscal year 1961		Fiscal year 1962 through Apr. 30, 1962	
	Cost value	Proceeds	Cost value	Proceeds	Cost value	Proceeds	Cost value	Proceeds	Cost value	Proceeds	Cost value ¹	Proceeds
Sales for dollars:												
Domestic ²	\$52, 871	\$443, 674	\$694, 032	\$513, 024	\$2, 113, 733	\$1, 751, 427	\$2, 159, 421	\$1, 734, 741	\$2, 159, 421	\$1, 734, 741	\$510, 138	\$392, 010
Export ³	1, 361, 551	858, 597	772, 842	214, 775	48, 819	31, 812	103, 337	54, 660	103, 337	43, 512	43, 512	30, 220
Public Law 480 (export): ⁴												
Title I.....	624, 169	497, 921	594, 257	355, 379	299, 612	339, 869	378, 684	433, 786	378, 684	433, 786	134, 797	235, 765
Title II.....	74, 747	86, 449	88, 104	58, 786	61, 456	68, 133	134, 770	151, 907	134, 770	151, 907	81, 444	127, 960
Title IV ⁵	630, 583	451, 127	119, 493	137, 180	227, 744	141, 336	251, 695	155, 422	251, 695	174, 697	1, 643	2, 879
Barter (export) ³												
Unrestricted use.....	104, 627	86, 434	123, 667	90, 538	246, 038	221, 431	205, 116	189, 921	246, 038	189, 921	933, 553	687, 056
Transfers to other Govern- ment agencies.....					134, 755	84, 811	243, 243	150, 866	134, 755	84, 811	98, 984	98, 705
Domestic (includes sec. 32).....	365, 977	362, 722	231, 497	407, 957	220, 506	218, 781	291, 727	288, 842	291, 727	288, 842	159, 332	162, 392
Export (includes AID).....	11, 176	7, 852	3, 988	5, 203	480	311	3, 620	2, 146	3, 620	2, 512	1, 143	1, 143
Donations:												
Domestic.....	219, 011	111, 892	111, 892	123, 061	113, 519	111, 005	111, 005	190, 376	111, 005	190, 376	190, 376	190, 376
Export.....	234, 132	254, 331		178, 071	130, 894		169, 314		169, 314		152, 461	
Subtotal:												
Domestic dispositions.....	1, 167, 859	806, 396	1, 064, 579	849, 635	2, 693, 796	2, 191, 639	2, 767, 869	2, 213, 504	2, 693, 796	2, 191, 639	1, 793, 399	1, 242, 358
Export dispositions.....	3, 039, 985	2, 161, 754	2, 394, 397	1, 607, 874	903, 760	666, 272	1, 289, 663	948, 787	903, 760	666, 272	690, 079	663, 001
Total dispositions.....	4, 207, 844	2, 968, 150	3, 458, 976	2, 457, 509	3, 597, 556	2, 857, 911	4, 057, 532	3, 162, 291	3, 597, 556	2, 857, 911	2, 483, 478	1, 905, 359

¹ Acquisition cost, is shown for fiscal year 1962; cost for prior years is comprised of acquisition cost plus carrying charges.

² Includes sales of cottonseed, flaxseed, and rough rice to processors under conditional contracts which provided for repurchase by CCC in processed form. Also includes sales of farmers' stock peanuts to oil refiners under contracts providing for the repurchase of peanut oil by CCC.

³ In the case of proceeds from sales of wheat, includes export differentials not paid by the purchasers but charged to the commodity export program or the International Wheat Agreement.

⁴ Proceeds represent the Corporation's investment in commodities, recoverable from specific appropriations.

⁵ Deliveries of commodities in redemption of export payment certificates or credits earned on exportations under Public Law 480, title I, are reported as dispositions under title I. This includes cotton which is not required to be exported.

⁶ Deliveries of commodities in redemption of export payment certificates earned on exportations under Public Law 480, title IV, are reported as dispositions under title IV.

Price support program: Sales proceeds from agricultural commodities (in 1963 budget)

[Millions of dollars]

Commodity	Fiscal year		
	1961	1962 estimate	1963 estimate
Corn.....	\$319.6	\$865.0	\$946.6
Cornmeal.....	.4		
Barley.....	46.1	65.8	58.5
Oats.....	3.4	6.7	6.3
Rye.....	3.0	2.4	2.7
Sorghums, grain.....	45.6	203.9	199.0
Wheat.....	619.5	689.8	748.0
Wheat flour.....	28.4	35.7	46.7
Rice:			
Rough.....	28.6	29.7	32.6
Milled.....	4.9	4.2	5.6
Flaxseed.....	.3	(¹)	2.8
Soybeans.....	48.7	24.4	158.2
Beans, dry edible.....	1.6	4.4	8.1
Rolled oats.....	1.8		
Cotton:			
Upland.....	1,644.4	100.0	56.0
Extra long staple.....	7.0	5.6	1.6
Vegetable oils.....	.1	6.0	1.0
Linseed oil.....	(¹)		
Tung oil.....	5.2	1.2	
Peanuts:			
Farmers stock.....	4.7	1.8	2.0
Shelled.....	13.1	11.7	10.5
Peanut butter.....	4.0	17.4	9.2
Honey.....	(¹)		.6
Tobacco.....	25.6	35.0	35.0
Turpentine.....	.1	(¹)	.1
Butter.....	81.7	49.0	2.8
Cheese.....	3.1	.5	.5
Milk, nonfat dry.....	20.6	26.0	28.2
Total agricultural commodities, price support program ²	2,961.5	2,186.2	2,357.6

¹ Less than \$50,000.

² Excludes strategic and critical materials: 1961, \$201.0; 1962, \$225.3; 1963, \$250.2.

Sale of price support commodities,¹ July 1, 1961, through Apr. 30, 1962

Commodity	Unit of measure	Quantity	Sale price per unit	Sales value (proceeds)
Basic commodities:				
Corn.....	Bushel.....	804,671,704	\$1.036	\$833,944,472
Cornmeal.....	Pound.....	6,360,900	.033	212,964
Cotton:				
Extra long staple.....	Bale.....	28,595	307.947	8,805,742
Upland.....	do.....	482,559	161.046	77,714,323
Peanuts:				
Farmer stock.....	Pound.....	16,777,465	.041	690,656
Shelled.....	do.....	44,154,839	.089	3,940,508
Peanut butter.....	do.....	46,319,925	.192	8,870,708
Rice:				
Milled.....	Hundredweight.....	459,160	9.937	4,562,581
Rough.....	do.....	3,768,882	5.215	19,655,359
Tobacco, owned.....	Pound.....	64,829,629	.599	38,801,800
Wheat.....	Bushel.....	180,644,838	2.815	508,428,263
Wheat flour.....	Pound.....	321,645,160	.057	18,207,242
Bulgur.....	do.....	81,600	.057	4,680
Total.....				1,523,839,298
Designated nonbasic commodities:				
Barley.....	Bushel.....	30,367,338	.968	29,399,672
Grain sorghum.....	Hundredweight.....	90,175,925	1.900	171,371,835
Milk and butterfat:				
Butter.....	Pound.....	83,517,041	.588	49,123,116
Cheese.....	do.....	1,786,222	.244	435,940
Milk, dried.....	do.....	176,615,160	.083	14,741,476
Oats.....	Bushel.....	3,633,842	.490	1,781,131
Oats, rolled.....	Pound.....	17,807,004	.067	1,192,314
Rye.....	Bushel.....	1,124,651	1.178	1,324,485
Tung oil.....	Pound.....	4,653,435	.272	1,267,069
Total.....				270,637,038
Other nonbasic commodities:				
Beans, dry edible.....	Hundredweight.....	182,516	6.963	1,270,860
Flaxseed.....	Bushel.....	1,288	3.555	4,579
Soybeans.....	do.....	17		10,079
Vegetable oil products.....	Pound.....	8,914,724	.167	1,486,823
Total.....				2,752,183
Total agricultural commodities.....				1,797,228,519
Strategic and critical materials.....				104,963,034
Total price support.....				1,902,191,553

¹ Excludes other recoveries, claims established for storage and other transit losses.

² Denotes adjustment.

Mr. WHITTEN. If there are no further questions, the committee will stand adjourned.

We have several budget amendments that will be coming up, so we are advised. In case there are other matters we wish to go into we can do it at that time.

In addition to that, we would like for the Department to keep us advised of any changes in the estimates or justifications that may occur by reason of any action the Congress may take on the new farm bill.

Mr. BEACH. Yes, sir.

Mr. WHITTEN. Gentlemen, we wish to thank you for presenting this matter. You have been very courteous and cooperative through the years. From time to time the committee calls on the Department to supply information. You are most responsive. We know that if we have overlooked something that will help us, we can call you and ask you to supply it. We appreciate it.

Mr. BEACH. We are happy to be of service. Thank you.

MONDAY, JULY 9, 1962.

AMENDMENTS TO THE 1963 BUDGET

AGRICULTURAL RESEARCH SERVICE

WITNESSES

DR. M. R. CLARKSON, ASSOCIATE ADMINISTRATOR, AGRICULTURAL RESEARCH SERVICE

DR. G. W. IRVING, JR., DEPUTY ADMINISTRATOR FOR UTILIZATION RESEARCH AND DEVELOPMENT, ARS

DR. W. L. POPHAM, DEPUTY ADMINISTRATOR FOR REGULATORY PROGRAMS, ARS

V. H. BEACH, CHIEF, BUDGET DEVELOPMENT BRANCH, ARS

CHARLES L. GRANT, DIRECTOR OF FINANCE AND BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

SCREW-WORM ERADICATION PROGRAM IN SOUTHWEST

Mr. WHITTEN. The subcommittee will come to order.

Dr. Clarkson, we have before the committee what originally was a supplemental request for funds for screw-worm eradication in Texas in 1962 and 1963 fiscal years. It is my recollection that the committee approved this several months ago in H.R. 11038, the second supplemental for 1962, because of the terrific weather conditions which prevailed in that area last winter. They had depleted the screw-worm population to the point that by moving in then the problem could be met at much less expense than waiting until later.

Due to a delay, that item has not yet been passed on by the Congress. As I understand it, it is to be treated by this subcommittee as though it were, in effect, an amendment to the budget before us for fiscal year 1963.

With that background, I wish you would present your justifications to the committee, based on the current situation.

Dr. CLARKSON. Thank you, Mr. Chairman. I would like to do that and to give you just a brief review of the current status of the work in the Southwest.

Mr. WHITTEN. We will be glad to have the present status, but if you will, trace the background.

Dr. CLARKSON. I have a prepared statement.

Mr. WHITTEN. We shall be glad to have you present that.

Dr. CLARKSON. An additional \$2,750,000 would be required for fiscal year 1963 to continue the screw-worm eradication program initiated in February 1962. The purpose of this program is to eradicate the screw-worm in Texas, New Mexico, and adjacent areas north and east of Texas and to determine the requirements for maintaining an artificial barrier zone of sterile screw-worm flies along the Mexican-U.S. border to prevent reinfestation of areas from which the screw-worm has been eradicated. Cooperators in the program are the Southwest Animal Health Research Foundation, the State of Texas and other agencies.

The screw-worm eradication program in the Southwest was initiated in February 1962 following unusually severe winter weather believed to have killed off screwworm flies far south of the average overwinter-

ing area. This presented an exceptional and unforeseen opportunity to commence an eradication program when screw-worm populations would be less than normal.

SUPPLEMENTAL ESTIMATE, FISCAL YEAR 1962

As we informed your committee in Assistant Secretary Welch's letter dated February 9, 1962, the initial program operations were financed by a nonrecurring redirection of \$800,000 within the sub-appropriation, "Plant and animal disease and pest control" and a supplemental budget estimate (H. Doc. 333, p. 12) was submitted on February 7, 1962. It requested an additional \$3 million to meet the Federal share of the program through the remainder of fiscal year 1962 and until June 30, 1963. The second supplemental appropriation bill, 1962, as passed by the House and the Senate provided funds for the program (House bill \$2,500,000; Senate bill, \$3,000,000, the budget estimate).

PROGRAM IN FISCAL YEAR 1962

The program in fiscal year 1962 was financed entirely from Federal funds redirected on a nonrecurring basis from other activities and from cooperator's funds. Total program costs in fiscal year 1962 were approximately \$1,850,000, of which approximately \$1 million was from Federal funds.

Department facilities at the research station at Kerrville, Tex., were expanded on a temporary basis so that by the latter part of April, 20 million flies per week were being produced and the irradiated flies released. Excess facilities at the Moore Air Force Base, Mission, Tex., were obtained for a permanent fly-rearing facility. The Southwest Animal Health Research Foundation has remodeled and renovated the buildings as part of its cooperation to provide suitable space for producing up to 75 million flies per week for irradiation and release. Originally, it was planned that these facilities could not be located, remodeled, and renovated before late September 1962. The completed plant was dedicated on June 16, 1962, or about 3 months ahead of schedule.

The initial operations in fiscal year 1962 have significantly reduced screw-worm cases, although uncertainties about financing the program have slowed operations. In 13 counties of southern Texas, the number of screw-worm specimens submitted by ranchers has shown a downward trend during the month of June. Collection of egg masses in the release area has shown that significant numbers will not hatch because native female flies have mated with released sterile males. Some spread of screw-worm flies northward from the overwintering area has occurred despite release of sterile flies over approximately 60,000 square miles in southern Texas. These flies were released at the rate of about 20 million per week combined with extensive use of pesticides, but with the limited fly production thus far available, it has been necessary to disperse sterile flies in more widely spaced swathes than were successfully used in the Florida campaign. In order for this program to be successful, the release of sterile flies must be increased to 50 to 75 million per week at the earliest possible date. When full financing is available, it is expected that we will be able to recover lost ground.

CURRENT STATUS OF PROGRAM

By letter of June 28, 1962, the Department called to the attention of your committee the special problems relating to financing the screw-worm eradication activities in Texas, New Mexico, and States adjoining Texas. These activities are continuing at the present time on the basis of a holding type of operation pending a final determination on funds for the full operations necessary to the success of the program.

Now that the permanent fly-producing plant at Mission, Tex., is available, full scale operations are possible and lost ground could be regained.

PROGRAM COSTS SHARED BY COOPERATORS

Mr. WHITTEN. If I may interrupt at this point, I can appreciate some of the problems incident to the present stalemate. However, is this not a program whereby the State of Texas, as well as the Texas Cattlemen's Association, and perhaps other groups, are contributing substantially to this program?

Dr. CLARKSON. They are contributing one-half of the cost of the production, irradiation, and distribution of flies, which is the major cost.

Mr. WHITTEN. If this committee were to give, through you, assurances to the local interests that we have every reason to believe that funds will be provided to meet this need, would it be possible for the local people to proceed at full speed and use up their money first, and you could pick up the cost later? If they put up the funds for the first part of the program and you put up funds for the latter part, could you not proceed in that way so as not to lose any ground?

Dr. CLARKSON. Mr. Chairman, I believe if we were able to tell them that the Federal money would be forthcoming, they would do just what you are suggesting.

Mr. WHITTEN. You cannot tell them, and I cannot tell them, and this subcommittee cannot tell them, but I think, judged by all normal standards, that we can give them reasonable assurance that you could expect funds later. That is as far as anybody could go. From that, it leaves it whether they have interest enough to proceed or not. The question is whether they will make sufficient progress to run the slight risk of whether Federal money will come through, or whether they want to take the delay.

If they delay it too long, and it takes too much money, there is much more chance that they will never get that money than that they will not get this money. Let us put it that way.

Dr. CLARKSON. The information which we have been able to give to the cooperators thus far concerning the supplemental appropriation bill and the likelihood that it will be some weeks before the regular 1963 budget is acted upon, has quite understandably caused them concern. I think if we are able to tell them that the committee feels, as we do, that an appropriation will be made—

Mr. WHITTEN. We have known all along that there are two bodies in the Congress. By and large they work together along the line, but nobody can give a flat assurance.

If they proceeded with the use of their own money fully during this period when the problem exists, there is nothing to keep you from

picking up the full check later, to the point of balancing accounts for the full fiscal year, is there?

Dr. CLARKSON. No, sir. We would be able to do that.

Mr. WHITTEN. I think with that statement we will proceed.

ESTIMATE FOR FISCAL YEAR 1963

Dr. CLARKSON. To provide for full-scale operations in fiscal year 1963, additional funds are needed in the amount of \$2,750,000. It is expected that the State and other cooperators will match the funds required for the production, irradiation, and release of flies and the proposed appropriation language would require such matching. The costs of such Federal activities as international and interstate inspection would be borne by the Department. We have received statements from the Southwest Animal Health Research Foundation and the Texas Animal Health Commission, the State agency having responsibility for animal disease control and eradication work in Texas, that State foundation and local sources should meet at least 50 percent of the costs of production, irradiation, and release of screw-worm flies. It will be essential to the success of the program that they meet this share of the program costs.

The budget estimate of \$3 million submitted in February 1962, included an estimate of \$2 million for fiscal year 1963. The current estimate of \$2,750,000 is \$250,000 less than the original appropriation request, but would provide \$750,000 more than originally estimated for 1963. This is because it has been necessary to defer until fiscal year 1963 purchases of certain equipment, procurement of adequate inventories to meet full operating needs, construction of inspection facilities, and so forth.

The funds required for fiscal year 1963 are to meet the Federal share of the cost of—

1. Round-the-clock production operations averaging approximately 65 million sterile screw-worm flies each week. This requires large quantities of fly-rearing media, irradiation of flies, careful packaging of flies for release by aircraft, and other measures to insure efficient and effective full-time operation of the production facilities.

2. Establishing some 5 or 6 distribution points each capable of holding and storing up to 10 million flies under controlled temperature and humidity conditions. From these points, packaged flies will be loaded on aircraft for release over a wide area.

3. Conducting thorough detection operations in the eradication area and in the barrier zone to evaluate effects of sterile fly release. It is necessary to obtain information and specimens for laboratory verification in order to effect immediately any adjustments in fly dispersal activities.

4. Locating and treating infested animals in remote areas where screw-worm populations normally build up as warm weather occurs, because any such buildup must be promptly eradicated.

5. Expanding inspection and quarantine activities along the Mexico-United States border and at inspection stations along the Arizona-New Mexico boundary to preclude reinfestation of screw-worm-free areas.

It is estimated that a 3-year period will be required to eliminate screw-worm flies in the overwintering area of south Texas and to provide information on the feasibility and cost of maintaining a permanent barrier against reinfestation along the Mexican-United States border from the New Mexico-Arizona State line to the Gulf of Mexico.

PROGRAM ACCOMPLISHMENTS

Mr. Chairman, I would like to add a further statement about the effect of the program to date.

We had the advantage of a very cold winter, which gave the screw-worm flies a late start in this area this year. Of course, as the committee knows, the screw-worms do overwinter all the way down south through Mexico, and as the warm spring weather progresses, the flies multiply in numbers. We were not able, with the small temporary fly-production facility which we had at Kerrville to produce and irradiate enough flies to prevent the northward movement into the northern counties of Texas and into New Mexico and Oklahoma.

I have a small map here which shows the areas which are now involved with some screw-worm flies.

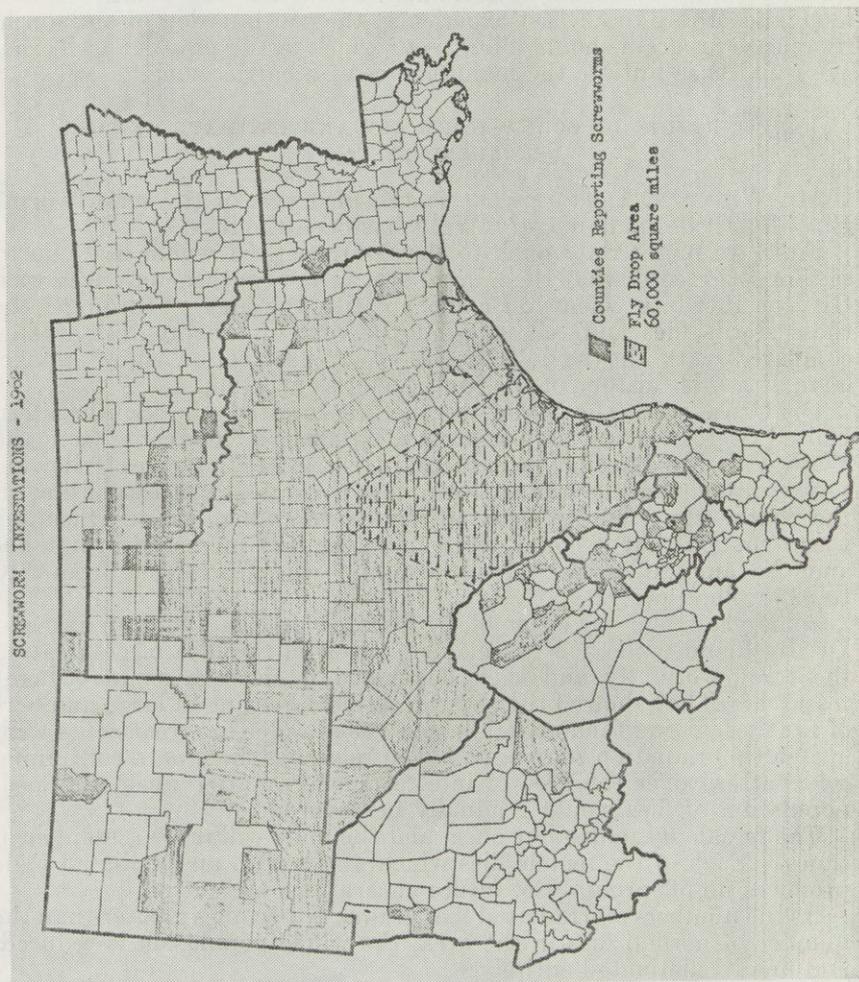
I should point out that the numbers have been vastly reduced. Whereas in any recent week we might have from 1,000 to 2,000 cases of screw-worm infestation throughout this area, in any previous year one rancher alone might have had that many on his own place.

Mr. WHITTEN. That is in such form that you can include it in the record, is it not?

Dr. CLARKSON. Yes, sir.

(The map referred to follows:)

SCREWORM INVESTIGATIONS - 1952



Dr. CLARKSON. While we are disappointed that we have not been able to cut down this northern spread more effectively this spring, we have been very much pleased that the numbers have been so reduced that the losses throughout this area have been minimized very greatly.

The area in which we are working now is where the flies are most likely to overwinter. If during this summer and fall we can keep the numbers down to far below normal, then as the cold weather comes along, according to all past experience, the continuation of our sterile fly release program should allow us to knock fertile flies out in Texas. We could then initiate the maintenance of a barrier zone.

DESCRIPTION OF SCREW-WORM FLY AND ESTIMATE OF LOSS
CAUSED BY IT

Mr. WHITTEN. Doctor, what is the life cycle of the screw-worm? How does it do its damage? What has been the loss?

First, we might refer back to the Southeast. I would like you to say for the record what the annual cost in the southeastern area was. Give us the date when you came up with the idea of turning loose these sterile flies and tell us what the cost of the program was as compared with the savings in livestock destruction and damage. Give us a brief history of the southeastern operation.

Dr. CLARKSON. The screw-worm flies infested the Southeastern United States for the first time in the 1930's. They came from the West with the unusual movement of cattle to that area following severe drought in the western area. As the fly became established in the Southeastern States, especially in Florida where the weather was warm enough that it could overwinter, the flies increased in number and the annual losses to livestock, and wildlife, ranged from \$10 to \$25 million per year.

Some years ago our entomology research people, Dr. Knipling and Dr. Bushland with their associates, conceived the idea of eradicating the screw-worm fly and then developed it through some brilliant research. They showed that by the artificial rearing of large numbers of the flies, giving them carefully controlled radiation treatments with a cobalt-60 radiation source, and then releasing them on a continuing grid pattern over the area of infestation, week after week, the local population of flies would gradually be reduced.

The female fly mates but once, and the male will mate a number of times. Each of the female flies which mates with an irradiated male produces no offspring. So, future generations are cut off.

As the numbers of irradiated flies gradually becomes greater than the number of normal flies in the area, the whole population is reduced, and finally eliminated entirely.

Mr. WHITTEN. What is the life cycle of the male and female?

Dr. CLARKSON. The life cycle would be about 20 days in warm weather; 30 to 45 days in the cooler months.

Mr. WHITTEN. Which means your problem of irradiating flies is a continuous one.

Dr. CLARKSON. It has to be done repetitively on a 1-week series in order to catch the flies after they emerge from the pupal stage in the ground, and before they mate and lay eggs on a host animal. This fly is similar in appearance and in other characteristics with the common blowfly, but it differs in that the screw-worm fly seeks out live tissue.

The female lays her eggs in any wound. It may be pinhead size. It may be a large gash. As soon as the eggs hatch, the larvae immediately burrow into the live tissue. They have enormous appetites. They grow very rapidly. The odor from one infestation attracts females from long distances to lay more eggs in the same wound. So animals often die within 10 to 14 days of an infestation if it has not been treated.

When the larvae have fully grown and matured in the wound, they stop feeding, drop to the ground, burrow into the sand or other soil and pupate. After a short period of pupation they emerge as adult flies and start the cycle all over again.

Mr. WHITTEN. Carrying the matter a little further, what has been your experience since you eradicated the fly in the Southeast? Have you been able to keep them away?

Dr. CLARKSON. We have been able to keep the Southeast clean by establishing an inspection and quarantine line along the Mississippi River and with general interstate restrictions on movement from the West to the East. However, each year, because the flies have developed in large numbers in the West, notably in Texas, Louisiana, Arkansas, Oklahoma, some flies have gotten across the Mississippi River barrier. Last summer and fall we had a rather serious, though comparatively small, outbreak in Tennessee, Alabama, and Georgia. We were able to knock it out before it spread down into the areas of Florida where the flies could overwinter. Due to the combination of our activities and the oncoming cold weather, that outbreak was eliminated.

BLUEBOTTLE FLY DIFFERENTIATED FROM SCREW-WORM FLY

Mr. SANTANGELO. Will the chairman yield at that point?

Mr. WHITTEN. I yield.

Mr. SANTANGELO. It was my understanding that bluebottle fly cleaned up the infection rather than contaminated it.

Dr. CLARKSON. The blowfly or the bluebottle fly does feed on dead tissue, Mr. Santangelo. There is a difference between that fly and the screw-worm fly. The screw-worm fly seeks out live tissue. The blowfly or the bluebottle fly seeks out dead tissue.

Mr. SANTANGELO. Does not the blowfly or the bluebottle fly clear up the dead matter?

Dr. CLARKSON. It tends to do that, yes, but that is not the fly we are talking about here. This is an entirely different fly. The blowfly or bluebottle fly still exists in the Southeast.

Mr. SANTANGELO. It might be wise to use the bluebottle fly to clear up some of these infections.

Dr. CLARKSON. They could not possibly save animals that have been infested with screw-worm flies, because the screw-worm larvae dig in to the living tissue and go right down until they hit vital blood vessels, nerves, and so on.

Mr. SANTANGELO. They have used the bluebottle fly with respect to curing infections in human beings.

Dr. CLARKSON. Yes, sir.

Mr. SANTANGELO. They have been using the maggot treatment for clearing up infections.

Dr. CLARKSON. Yes, sir.

Mr. SANTANGELO. They have gotten a good incidence of recovery, 95 percent.

Dr. CLARKSON. I do not know about the figure, but I know they have used it successfully. Nothing in this program disturbs or interferes with that fly.

Mr. SANTANGELO. No further questions, Mr. Chairman.

LOSSES FROM SCREW-WORM FLY

Mr. WHITTEN. As you know, from time to time members interested in the areas affected talk with me and other members of the committee. Where there is a prevalence of this fly, do they not have to treat newborn calves and their mothers immediately if they are to prevent damage by the screw-worm? Is that not a "must" in the area?

Dr. CLARKSON. Yes, sir. A favorite point of infestation is the unhealed navel of the newborn animal of any species. The calf, being one that heals up slowly, is very vulnerable and susceptible. Owners must maintain a constant surveillance of their herds and flocks at calving and lambing time or when they are dehorning or carrying out any other such activity that causes an open wound.

Mr. WHITTEN. What was the estimated annual damage prior to moving in with this program? You have already testified as to the southeastern region. What is the estimated damage in the Southwest?

Dr. CLARKSON. In the Southwest, the estimates are variable. We think that in Texas they are around \$25 million per year.

Mr. WHITTEN. Does that include only damage to livestock, or does that also include the cost of treatment?

Dr. CLARKSON. That includes both. The livestock people estimate these costs as ranging from \$20 million to \$100 million per year. We have no very accurate way of estimating either the losses or the costs, but we do know that they are very substantial and that they vary from year to year.

There is also damage to wildlife. Deer and other wild animals are also susceptible, as are domestic stock.

Mr. WHITTEN. Do you have any questions, Mr. Michel?

SMALL FRUIT RESEARCH AT CARBONDALE, ILL.

Mr. MICHEL. Dr. Clarkson, I realize you are here this afternoon to testify briefly to the budget amendment but earlier in the year when you came before this subcommittee I neglected to develop as I should have the small fruit research laboratory at Carbondale, Ill.

If my memory serves me correctly, you have asked for a language change that would permit you to accept an offer from the University of Illinois, southern branch, at Carbondale to donate some land for construction of some facilities. Am I correct in that?

Dr. CLARKSON. The university has offered to donate the land. The papers that would be filed if it were accepted are being reviewed by the Office of the General Counsel and the Attorney General's Office.

In response to inquiries from Senator Dirksen, we have advised him that, subject to such review of the documents, the land to be offered is suitable; that it would take about \$165,000 for the facility that was intended there; that we would need language to authorize us to accept this land and to construct the facility.

Mr. MICHEL. In the 1963 budget there is a proposed language change that would cover it in a general category. It would cover all similar acquisitions, provided there would not be a purchase price or cost not to exceed \$100.

Dr. CLARKSON. That is correct. That would be new language for us. If that is included in the bill for the 1963 appropriation that would take care of the authority to accept this transfer.

Mr. MICHEL. If I might ask one further question, this \$165,000 which you speak of is the amount that would be required then to construct the facility and is it a good proposition as far as you folks are concerned?

Dr. CLARKSON. It is a good proposal. The work that is envisaged there would be very much worth while. The university has offered its full cooperation. The funds are not included in our request.

Mr. MICHEL. They are not budgeted for this year, are they?

Dr. CLARKSON. No, sir, not for fiscal year 1963.

Mr. MICHEL. Is it unfair to ask whether or not they would be contemplated for the next fiscal year?

Dr. CLARKSON. All I could say, Mr. Michel, is that this would be considered along with other matters.

Mr. MICHEL. That is all, Mr. Chairman.

Mr. WHITTEN. Are there any questions, Mr. Natcher?

CONSUMER INTEREST IN SCREW-WORM ERADICATION

Mr. NATCHER. Dr. Clarkson, I want to thank you for the fine statement that you made to our committee on this matter of the screw-worm eradication program. This, of course, is an important program and applies to the consumer, as well as to the owner of livestock in the section of the United States affected at the present time. Just how does it affect the consumer, Dr. Clarkson?

Dr. CLARKSON. The devastations of the screw-worm fly add materially to the cost of production of meat. While the elimination of the fly is an immediate benefit to the farmers and ranchers of the area, it is also a real benefit to the purchasers of meat in terms of lower costs.

Second, the wounds that are developed on animals from infestation of this fly are repugnant. Many of these animals go to slaughter. They have to be properly handled there. Many of them are condemned. By elimination of this hazard we give further assurance of the wholesomeness of the meat supply as it reaches the consumer, by eliminating this disease process.

SCREW-WORM FLY BARRIER ZONE

Mr. NATCHER. Dr. Clarkson, in establishing the artificial barrier in the section involved, just briefly how is this done as far as this barrier is concerned along the border between the United States and Mexico?

Dr. CLARKSON. We know how to eliminate the flies from any area. We have not yet undertaken the experience of trying to prevent reinfestation from an area where they are an all-year-round menace as they would be to the south of Texas.

The idea is that when the flies have been eliminated in the United States that a zone along the border, extending into both countries,

perhaps from 30 to 100 miles in width—depending on the terrain, upon the livestock or wildlife population, and depending upon what we find out as we work with it—will be necessary to eliminate the movement of flies from south to north.

The movements of livestock through that area would also have to be controlled and any with wounds or other evidence of infestation would have to be treated with an insecticide. We have the advantage of the international border for establishing such control over the movement of livestock.

While we have every confidence that the establishment of a fly release barrier zone and the control over the movement of livestock into the screw-worm-free areas will work, this has not been tried and we have to work the program out as we go along. In that sense, this is a trial program.

SUPPLEMENTAL REQUEST FOR FUNDS (H. DOC. NO. 447)

Mr. WHITTEN. I would like for the amendments to the budget appearing in the House Document No. 447 to be included in the record at this point.

(The document follows:)

[87th Cong., 2d sess., House of Representatives, Doc. No. 447]

AMENDMENTS TO THE BUDGET INVOLVING INCREASES FOR THE DEPARTMENT OF AGRICULTURE

Communication from the President of the United States transmitting amendments to the Budget for the fiscal year 1963, involving increases in the amount of \$1,500,000 for the Department of Agriculture

THE WHITE HOUSE,
Washington, June 25, 1962.

THE SPEAKER OF THE HOUSE OF REPRESENTATIVES.

SIR: I have the honor to submit herewith for the consideration of the Congress amendments to the budget for the fiscal year 1963, involving increases in the amount of \$1,500,000 for the Department of Agriculture.

The details of these amendments, the necessity therefor, and the reasons for their submission at this time are set forth in the attached letter from the Director of the Bureau of the Budget with whose comments and observations thereon I concur.

Respectfully yours,

JOHN F. KENNEDY.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., June 22, 1962.

THE PRESIDENT,
The White House.

SIR: I have the honor to submit herewith for your consideration amendments to the budget for the fiscal year 1963 involving increases in the amount of \$1,500,000 for the Department of Agriculture, as follows:

DEPARTMENT OF AGRICULTURE
AGRICULTURAL RESEARCH SERVICE

Budget appendix page	Heading	Original estimate	Revised estimate	Increase
83	Salaries and expenses: Research.....	\$77,982,000	\$78,082,000	\$100,000

This amendment is to develop a process, based on present pilot plant experience, for removing strontium 90 from milk on a full commercial plant scale to be financed jointly with the Public Health Service.

SOIL CONSERVATION SERVICE

Budget appendix page	Heading	Original estimate	Revised estimate	Increase
94	Watershed protection.....	\$59,635,000	\$60,585,000	\$950,000

This amendment is to request funds to finance the Soil Conservation Service's share of eight comprehensive river basin surveys, four of which will be conducted in cooperation with the Army Corps of Engineers, and the remainder in cooperation with State agencies.

CIVIL DEFENSE ACTIVITIES

Budget appendix page	Heading	Original estimate	Revised estimate	Increase
103	Agricultural Marketing Service: Marketing research and service.....	\$40,335,000	\$40,485,000	\$150,000
114	Agricultural Stabilization and Conservation Service: Acreage allotments and marketing quotas.....	44,181,000	44,481,000	300,000

These amendments are to provide funds to enable the Department of Agriculture to strengthen its food management planning activities and other civil defense and defense mobilization functions assigned to it by Executive Order 10998, issued February 16, 1962.

RURAL ELECTRIFICATION ADMINISTRATION

Budget appendix page	Heading	Original estimate	Revised estimate	Increase (+) or decrease (-)
141	Loan authorizations: Rural electrification program.....	\$345,000,000	\$400,000,000	+\$55,000,000
	Rural telephone program.....	135,000,000	80,000,000	-55,000,000

This amendment is to provide for the transfer of \$55 million from the rural telephone program to the rural electrification program. In the electrification program there is now a shortage of loan funds, and the carryover of electric loan recommendations ready for approval into 1963 will greatly increase the need for electric loan funds over previous estimates. At the same time, telephone loan applications are not being received at the rate or in the amount previously anticipated and it is now estimated that carryover funds, plus the revised estimate of \$80 million will be sufficient to meet telephone loan needs in 1963.

Budget appendix page	Heading	Original estimate	Revised estimate	Increase (+) or decrease (-)
168	General provisions (Delete sec. 501 of the provisions under this heading and insert in lieu thereof the following: SEC. 501. Within the unit limit of cost fixed by law, appropriations and authorizations made for the Department under this Act shall be available for the purchase, in addition to those specifically provided for, of not to exceed [three hundred and ninety-eight] <i>four hundred and seventy-six</i> passenger motor vehicles, of which [three hundred and eighty-five] <i>four hundred and forty-three</i> shall be for replacement only, and for the hire of such vehicles.			

This change would authorize the purchase of 16 passenger motor vehicles for use by staff of the Soil Conservation Service in connection with the 8 river basin surveys proposed above.

In addition to the above items, it is proposed that the Department of Agriculture, in connection with its food stockpiling responsibilities, institute an emergency food reserve program. This program would be conducted under the charter authority of the Commodity Credit Corporation and under the authority for the removal of surplus agricultural commodities contained in section 32 of the act of August 24, 1935. It will consist of three components: (1) A reserve of foods regularly acquired under CCC price support and section 32 surplus removal programs to be processed and packaged in a form to be available for immediate distribution; (2) a reserve, primarily of dairy products, acquired under CCC price support programs to be held in the form and packaging in which acquired; and (3) the relocation of some wheat stocks acquired under the CCC price support program. No new obligational authority is involved and the bulk of the commodities would be those acquired by CCC under its price support program. Commodities in these reserves will be regularly rotated. It is estimated that 1963 expenditures for CCC and section 32 will be increased by about \$30 million. Of this amount, about \$12 million would be a part of the budget program of the CCC for the fiscal year 1963, necessary to cover the transportation and handling of CCC commodities under the program. The budget program for the CCC as set forth on pages 124 to 138 in the budget appendix is amended accordingly.

I recommend that the foregoing amendments to the budget for the fiscal year 1963 be transmitted to the Congress.

Respectfully yours,

DAVID E. BELL,
Director of the Bureau of the Budget.

REMOVAL OF STRONTIUM 90 FROM MILK

Mr. WHITTEN. The first item is for the Agricultural Research Service and concerns the removal of strontium 90 from milk. Pages 1 and 2 of the justification shall be inserted at this point.

(The matter referred to follows:)

AGRICULTURAL RESEARCH SERVICE

SALARIES AND EXPENSES

House Document 447 amends the 1963 budget to increase the estimate for research by \$100,000 as follows:

	Research	Plant and animal disease and pest control	Meat inspection	Total
Original budget estimate, 1963.....	\$77,982,000	\$58,902,500	\$25,241,000	\$162,125,500
Amended budget estimate, 1963.....	78,082,000	58,902,500	25,241,000	162,225,500
Increase.....	+100,000	-----	-----	+100,000

INCREASE OVER ORIGINAL BUDGET

For developing the process for removing strontium 90 from milk on
a commercial plant scale..... +\$100,000

Project statement

Project	Original 1963 estimate	Increase	Amended 1963 estimate
1. Research:			
(a) Farm research.....	\$56,527,000	-----	\$56,527,000
(b) Utilization research and development:			
Poultry, dairy, and animal products.....	3,980,000	+100,000	4,080,000
Other.....	14,813,000	-----	14,813,000
Total, utilization research and development..	18,793,000	+100,000	18,893,000
(c) Nutrition and consumer use research.....	2,662,000	-----	2,662,000
(d) Contingency research fund.....	1,000,000	-----	1,000,000
Subtotal.....	78,982,000	+100,000	79,082,000
Deduct reappropriation for special fund.....	-1,000,000	-----	-1,000,000
Total, research.....	77,982,000	+100,000	78,082,000
2. Plant and animal disease and pest control:			
(a) Plant disease and pest control.....	25,137,400	-----	25,137,400
(b) Animal disease and pest control.....	32,348,800	-----	32,348,800
(c) Pesticides regulation.....	1,416,300	-----	1,416,300
Total, plant and animal disease and pest control..	58,902,500	-----	58,902,500
3. Meat inspection.....	25,241,000	-----	25,241,000
Total estimate.....	162,125,500	+100,000	162,225,500

INCREASE

(1) *An increase of \$100,000 for developing the process for removing strontium 90 from milk on a commercial plant scale*

Strontium 90—a long-lasting, radioactive contaminant of foods, including milk, resulting from nuclear fallout—would be a major health hazard in the aftermath of an atomic attack on this country. Since milk is important nutritionally in the diet of the Nation's children, research has been focused on removal of strontium 90 from milk. Development of a practical, economically feasible method of strontium 90 removal would be invaluable in the fight for national survival following a nuclear war.

In cooperation with the Public Health Service and the Atomic Energy Commission, the Agricultural Research Service has already developed an ion-exchange method for removing over 90 percent of the strontium 90 in milk without nutritional loss or appreciable flavor change. This method has been successful in the laboratory and in pilot plant operations involving about 860 pounds of milk per hour. Research on the ion-exchange method has been underway for 2 years. In 1962 it is estimated that the Agricultural Research Service will obligate about \$80,600 for the research; total obligations for the cooperative project will be about \$202,900. This research will continue in 1963 because of the need for studies on removal of other radio nuclides from milk. The method now needs to be worked out in full-scale commercial operations—100,000 pounds of milk per 8-hour day—in order to obtain the cost, design, and operating data necessary for developing a practical, economically feasible method for large-scale use. The National Advisory Committee on Radiation has recommended that this step be made "as soon as possible." The Public Health Service has requested an increase of \$100,000 in its 1963 budget for its share of the operation, and the House has approved the increase. The Agricultural Research Service needs \$100,000 to meet its share of the total estimated cost of \$200,000.

Mr. WHITEN. The request is for \$100,000 for removing strontium 90 from milk. Do you have a general statement on that, Dr. Clarkson?

Dr. CLARKSON. Yes, Mr. Chairman. We are proposing an amendment to our 1963 budget estimates for the appropriation, "Salaries and expenses, research," to provide an increase of \$100,000 for the

development of a process for removing strontium 90 from milk on a commercial plant scale.

Strontium 90—a long-lasting, radioactive contaminant of foods including milk, resulting from nuclear fallout—would be a major health hazard in the aftermath of an atomic attack on this country. Since milk is important nutritionally in the diet of the Nation's children, research has been focused on the removal of strontium 90 from milk.

Development of a practical, economically feasible method of strontium 90 removal would be invaluable in the fight for national survival following a nuclear war.

The Agricultural Research Service, in cooperation with the Public Health Service and the Atomic Energy Commission, as the result of research studies conducted for the past 2 years, has developed in the laboratory an "ion-exchange" method for removing over 90 percent of the strontium 90 from milk without appreciable change in chemical composition or flavor. The method has been tested successfully in laboratory pilot plant operations involving about 860 pounds of milk per hour.

The ion-exchange process should now be tested in full-scale commercial operations—approximately 100,000 pounds of milk per 8-hour working day—in order to obtain the cost, design, and operating data necessary for development of a practical, economical method for large-scale use.

We propose that this test be carried out under contract with a commercial dairy plant. This would enable the Government and the milk processing industry to determine the feasibility and cost of removal of strontium 90 from milk under commercial operating conditions.

The National Advisory Committee on Radiation has recommended that commercial scale testing of the ion-exchange method be accomplished "as soon as possible." Total cost of the test is estimated at \$200,000. It is proposed that this cost be shared by the Agricultural Research Service and the Public Health Service. The Public Health Service included funds in its 1963 budget estimates to share in the cost. The House has approved that budget.

This increase is requested as a continuing item because of the urgent need for studies on the removal of other radioactive contaminants from milk by the three cooperating agencies, the Agricultural Research Service, Public Health Service, and Atomic Energy Commission.

I want to add, Mr. Chairman, that the safety of our milk supply is not now in jeopardy as radioactivity levels are still well below the point of any serious concern. The purpose of this budget amendment is to place the Nation in a posture of preparedness in case of an accident or of nuclear war.

COOPERATIVE NATURE OF WORK

Mr. WHITTEN. I notice that there are three agencies cooperating in this area.

The AEC, as well as the HEW all have their problems in connection with finances but so does the Agriculture Department. Is the purpose of putting these three together in order that you may better protect the public welfare? What is the purpose of a coordinated effort in this instance and how will it operate?

Dr. CLARKSON. The purposes of the cooperation, as the chairman stated, is to take the fullest advantage of the competencies of the three agencies and also to make sure that the public mission and responsibility of each agency will be fully met.

The Department, of course, has responsibility for the wholesomeness of products of our fields, farms, and ranches. The Department of HEW has primary responsibility for health in relation to radioactivity, and the AEC has a basic responsibility in this entire area.

NATURE OF PROPOSED WORK CONTRACT

Mr. WHITTEN. I note further you will do that work by contract. What type of supervision will you have over that contract and what attention will be given to the guidelines by which the experiment will be carried on. Is your contract merely to carry out tests at an actual commercial dairy that the three agencies may agree on or are you contracting out the scientific job of experimentation?

Dr. CLARKSON. It is very definitely the former. The commercial dairy will have all of the facilities other than the ion-exchange unit already in place. They will undertake the job strictly in accordance with the specifications that the three agencies will draw up and agree upon. We will have our scientists there to supervise the operation from beginning to end.

Mr. WHITTEN. Mr. Michel?

Mr. MICHEL. Dr. Clarkson, I serve on the HEW Subcommittee. The figures escape me as to how much the PHS did include in its cost sharing operation. Do you have that figure?

Dr. CLARKSON. We are informed, \$100,000. I do not know what appropriation item it is included in, but \$100,000 is the amount.

Mr. MICHEL. That is all, Mr. Chairman.

MONDAY, JULY 9, 1962.

SOIL CONSERVATION SERVICE

WITNESSES

D. A. WILLIAMS, ADMINISTRATOR, SOIL CONSERVATION SERVICE
 HOLLIS R. WILLIAMS, ASSISTANT ADMINISTRATOR FOR WATER-
 SHEDS, SOIL CONSERVATION SERVICE
 GEORGE R. PHILLIPS, DIRECTOR, RIVER BASINS DIVISION, SOIL
 CONSERVATION SERVICE
 C. H. DORNY, DIRECTOR, BUDGET AND FINANCE DIVISION, SOIL
 CONSERVATION SERVICE
 CHARLES L. GRANT, DIRECTOR OF FINANCE AND BUDGET OFFICER,
 DEPARTMENT OF AGRICULTURE

COOPERATIVE SURVEYS AND INVESTIGATIONS OF WATER RESOURCES

Mr. WHITTEN. We turn now to the next item which has to do with cooperative surveys and investigations of river basin areas, for which you request \$950,000.

In that connection, pages 1 through 3 of the justifications will be included in the hearings at this point.

(The justification pages follow:)

SOIL CONSERVATION SERVICE

WATERSHED PROTECTION

House Document 447 amends the 1963 budget to increase the estimate for this item by \$950,000 as follows:

Original budget estimate, 1963.....	\$59, 635, 000
Amended budget estimate, 1963.....	60, 585, 000
Increase.....	+ 950, 000

INCREASE OVER ORIGINAL BUDGET

Increase to make cooperative surveys and investigations with other agencies in additional river basin areas.....	+ 950, 000
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Project statement

	Original 1963 estimate	Increase	Amended 1963 estimate
1. Investigations and planning.....	\$5, 500, 000	-----	\$5, 500, 000
2. Installation of works of improvement:			
(a) Pilot demonstration watersheds.....	1, 000, 000	-----	1, 000, 000
(b) Public Law 566 watersheds.....	48, 802, 000	-----	48, 802, 000
3. Loans and related expense.....	3, 000, 000	-----	3, 000, 000
4. Surveys and investigations of water resources programs.....	1, 333, 000	+ \$950, 000	2, 283, 000
Total estimate.....	59, 635, 000	+950, 000	60, 585, 000

INCREASE

(1) *An increase of \$950,000 to make cooperative surveys and investigations in additional watersheds of rivers and other waterways*

The increase would permit the Department to respond to additional requests from State and Federal water resource management agencies for participation in cooperative surveys and investigations of various river basin areas with a view toward coordinating the departmental watershed programs with the water resource development projects of other Federal, State, and local agencies. Requests have been received for such surveys and investigations from the Corps of Engineers and other agencies contemplating water resource developments in eight river basins including the Genesee River in New York, the Elkhorn and Big Blue Rivers in Nebraska, the Meramec River in Missouri, the Poteau River in Oklahoma and Arkansas, the Willamette River in Oregon, Florida west coast tributaries in Florida, the Ohio River in Pennsylvania, New York, West Virginia, Virginia, Tennessee, Kentucky, Ohio, Indiana, Illinois, and the Red River in Louisiana, Arkansas, Oklahoma, and Texas. Because of urgent problems which have recently developed in the timing and coordination of these cooperative surveys, it is important that the Department participate in the upstream surveys and investigations at the same time that the downstream problems and needs are being considered by the Corps of Engineers. The increase would permit timely consideration of the upstream aspects of these particular river basins and the development of coordinated plans and reports for development of both upstream and downstream areas. Without participation by the Department, adequate consideration cannot be given to water and related land problems and needs in upstream watershed areas and to the opportunities and means to cope with those problems and to satisfy those needs. Also, when upstream development opportunities are not adequately investigated and evaluated, the best and most effective means of providing for all basin needs, including downstream needs, may not become evident.

Participation in these surveys would require the establishment of eight additional field survey parties. The increase would be used for salaries, equipment,

and other expenses for additional engineers, hydrologists, economists, other technical specialists, and necessary clerical assistance.

PASSENGER MOTOR VEHICLES

The amended estimates for the watershed protection item for the fiscal year 1963 will require the purchase of 16 additional passenger motor vehicles which will be acquired without exchange of old vehicles.

These vehicles will be urgently needed by technical specialists assigned to field survey parties in each of the eight additional river basins where surveys are proposed to be started. It would not be practical to use pickup type trucks or other transportation due to the nature of the river basin survey work which often requires two or more technical specialists to travel together to remote rural areas not served by common carrier.

The original estimates provided for a total of 858 passenger motor vehicles to be on hand as of June 30, 1963, 180 of which were to be replaced. Under the amended estimates no change would be made in the number of vehicles to be replaced. The 16 additional passenger motor vehicles would be purchased to fully implement the use of the funds requested, making a total of 874 passenger motor vehicles.

A language change to section 601 of the general provisions has therefore been proposed and is included at the end of these estimates.

Mr. WHITEN. We would be glad to have your general statement, Mr. Williams. We are always glad to have you and your associates with us.

GENERAL STATEMENT

Mr. D. A. WILLIAMS. Mr. Chairman, this concerns a budget amendment with respect to the surveys and investigations of water resources as a part of Public Law 566, the Watershed Protection Act activities.

On February 16, 1962, we presented information in support of an increase of \$165,000 for cooperative surveys and investigations of river basins. This would have made a total of \$1,333,000 available for this activity in the fiscal year 1963. That statement appears on page 899 of part 2 of the Department of Agriculture hearings on appropriations for 1963.

Since that time a revised estimate for 1963 has been submitted which would provide an additional \$950,000 for cooperative surveys and investigations of river basins, making a total of \$2,283,000 for that purpose.

This additional amount is urgently needed by the Department to permit a timely response to eight additional requests from State and Federal water resource agencies for participation in cooperative river basin surveys. Most of these requests have been received since development of the original budget.

Participation by the Department in these surveys is necessary to assure that adequate consideration is given to the varied problems and interests of farmers, ranchers, and others in upstream areas in making coordinated river basin plans for development of water and related land resources.

Four of the requests for such participation have been received from the Corps of Engineers and four from various State water resource agencies in which the Corps of Engineers is also indirectly involved. Local interests in many instances have strongly urged active coopera-

tion by the Department in surveys. The eight requests for surveys are as follows:

	States involved	Cooperating agency
Meramec River.....	Missouri.....	Corps of Engineers.
Poteau River.....	Oklahoma and Arkansas.....	Do.
Willamette River.....	Oregon.....	Oregon Water Resources Board.
Florida west coast tributaries.....	Florida.....	Florida Department of Water Resources.
Ohio.....	Pennsylvania, New York, West Virginia, Virginia, Tennessee, Kentucky, Ohio, Indiana, and Illinois.	Corps of Engineers.
Red River.....	Louisiana, Arkansas, Oklahoma, Texas.	Do.
Elkhorn and Big Blue Rivers.....	Nebraska.....	Nebraska Soil and Water Conservation Committee.
Genesee.....	New York.....	New York Conservation Department.

The increase would permit the Department to survey the agricultural and upstream aspects of these river basins cooperatively with the surveys of the Corps of Engineers and State agencies. This would make possible the development of coordinated plans for the development of both the upstream and the downstream portions of the basins.

Without participation by the Department, little consideration is given to water and related problems and needs in upstream watershed areas and to opportunities and means to cope with those problems and to satisfy those needs. Further, unless upstream development opportunities are adequately investigated and evaluated, the best and most effective means of providing for all basin needs, including downstream needs, may not become evident.

With participation by the Department the opportunities to utilize Public Law 566 projects in development of basin water and related land resources can be identified and evaluated. Potential Public Law 566 projects can be coordinated with prospective main stem improvements of other Federal agencies. Such coordination at the planning stage facilitates the development of Public Law 566 projects and other needed improvements.

Mr. WHITTEN. Mr. Williams, the more I have observed U.S. funds going to the other areas of the world the more I have felt attention to our own country was justified.

INVESTIGATIONS AND PLANNING OF PUBLIC LAW 566 PROJECTS

This committee, notwithstanding the fact that we have had quite a backlog of planned projects, nevertheless has felt that those areas where they were not getting started at all needed these planning crews. We increased the amounts last year about half a million dollars for additional planning in your budget. What disposition was made of those funds or did you use them at all? If so, how much, and what are you doing with them?

— Mr. D. A. WILLIAMS. First, may I differentiate for the record, Mr. Chairman, that the item you have just referred to has to do with the planning of the specific Public Law 566 projects. As I recall, the committee a year ago did provide for a half million dollars, or permissive use of a half million dollars more than the specifically earmarked item for planning of those specific projects. A portion of those funds was used late in the fiscal year, particularly to meet one-time emergency situations. Because we were unaware of what the outlook might be for the ensuing fiscal year, we did not believe that it would be proper administratively to build up the planning parties to the level of the additional half million dollars but rather to provide for special allocations to those States where more critical situations were evident. A considerable sum of that \$500,000 was allocated to the States for that purpose during the year.

Perhaps Mr. Dorny can supply for the record the specific amount.

Mr. DORNY. Yes; allotments for watershed planning in 1962 totaled \$5,680,000.

Mr. WHITTEN. My purpose in asking that is to determine what the Department's attitude was. We know as a practical matter there is just no way for the Government to proceed as expeditiously with construction work throughout the country in this watershed program as there is public demand for the program. However, there are areas where the people, seeing such programs carried on in other sections, cannot understand why they cannot even get a start.

May I agree with you that in connection with the \$500,000 of last year, there was different language in the House report as compared with the Senate report, which left the Department in somewhat of a quandry as to which way to turn. That I agree with.

PROGRAM UNDER ORIGINAL BUDGET

I notice that your original estimate is \$1,333,000. For what was that money requested? Will you briefly describe that and fit that in with the request for the additional \$950,000? Will you place that in the record at this point?

(The information requested follows:)

SURVEYS AND INVESTIGATIONS OF WATER RESOURCES

Funds provided under this budget item are used for participation by the Department of Agriculture in cooperative surveys and investigations of river basin areas and for interagency program coordination purposes.

The \$1,333,000 in the original 1963 budget estimate would enable the Department to complete, continue, or initiate surveys of the agricultural and upstream aspects of the river basin areas listed below in cooperation with surveys of the Corps of Engineers, Department of the Interior, or State water resource agencies. Such surveys would facilitate the preparation of coordinated plans for the development of both the upstream and downstream portions of the basins by means of Public Law 566 projects and mainstream projects of other agencies.

River basin	States involved	Cooperating agency
Arkansas River multiple purpose project.	Arkansas, Oklahoma.....	Corps of Engineers.
Colorado River participating projects.	Wyoming.....	Department of the Interior.
Gunnison River.....	Colorado.....	Colorado Water Conservation Board.
Upper Colorado River.....	do.....	Do.
Humboldt River.....	Nevada.....	Nevada Department of Conservation and Natural Resources.
Potomac River.....	West Virginia, Pennsylvania, Maryland, Virginia.	Corps of Engineers.
Sevier River.....	Utah.....	State of Utah.
Tombigbee River.....	Alabama, Mississippi.....	Alabama Water Resources Study Commission and Mississippi State Board of Water Commissioners.
Pearl and Big Black Rivers and intervening areas.	Mississippi, Louisiana.....	Mississippi State Board of Water Commissioners and State of Louisiana.
Middle Willamette and other Oregon rivers.	Oregon.....	Oregon State Water Resources Board.
Upper Mississippi River areas.....	Minnesota, Indiana, Michigan, Illinois.	Corps of Engineers.
Texas River basins outside USSC area.	Texas.....	Texas Board of Water Commissioners.
USSC—Southeast river basins.....	Georgia, Florida, South Carolina, Alabama.	U.S. Study Commission—Southeast river basins.
Susquehanna River.....	New York, Pennsylvania, Maryland.	Corps of Engineers.
James River.....	South Dakota.....	South Dakota State Water Resources Commission.

With funds available under this item the Department also participates with other Federal departments and agencies and with various States in general planning to provide proper coordination of water and related land resource projects. This includes representation on the Interagency Committee on Water Resources. The Department is also represented on river basin interagency committees in the Arkansas-White-Red, Columbia, Missouri, Northeast, and Pacific Southwest areas. Much of the actual coordinating work is done in the field by these committees which serve as points of contact between field representatives of this Department and of other Federal departments and agencies and the States in these basin areas, to keep all concerned mutually informed of the activities of the member agencies and to facilitate matters of interagency coordination.

STATUS OF AGREEMENTS WITH OTHER AGENCIES

Mr. WHITTEN. Have you worked out agreements in these particular areas with the Corps of Engineers and the other cooperative groups, or is that something that has to be done once you secure the funds?

Mr. D. A. WILLIAMS. The details of those agreements have to be completed after the amount of funds available is known. There have been preliminary discussions with the various groups as to what would be involved in terms of state participation in some instances and the Corps of Engineers participation in other instances, such as the Ohio. The Ohio River, which is an extremely large basin and a very difficult task or comprehensive task to complete, will take a considerable period of time and the preliminary discussions to date have had to do with the types of factors that would need to be taken into account rather than the details.

Because the corps did not have funds with which to finance the Department of Agriculture's part in their budget, the specific agreement has to await the opportunity to make a definite commitment.

In terms of the projects listed in the testimony that are sponsored by the State organizations, in all cases we have determined that the States are in a position to proceed with their financial part of these studies so that we have not concluded agreement again because we

could not commit funds we did not have but the preliminary discussions have been held.

REASONS FOR MAKING SURVEYS

Mr. WHITTEN. You have made the determination that the end result is well worth the effort on the part of the Government, operating through the Corps of Engineers and through yourselves. Is that based upon the amount of annual flood damage?

You spend the planning money to see where to go and what you recommend will be determined by what you find. What type of preliminary work do you do in making the determination to do this work in these particular river valleys or watersheds?

Mr. D. A. WILLIAMS. Ordinarily the river basin surveys are prompted by a lack of full information, both on the part of Federal agencies and on the part of cooperating State agencies as to just what is the best objective to shoot for in a given river basin.

Mr. WHITTEN. You do not want to shoot for some objective in every river basin?

Mr. D. A. WILLIAMS. No.

Mr. WHITTEN. Where does this thing start?

Mr. D. A. WILLIAMS. The idea is to try to bring into focus the total land and water resources of a given river basin, not only from a flood protection standpoint, but the opportunities that would be available for further development of water for various purposes—agriculture and nonagricultural purposes and with respect to land, land use adjustments in and out of cultivation, et cetera, that could be made in that river basin.

May I say that these surveys, while they may be in a given instance, such as the Ohio, under the chairmanship or the leadership of the Corps of Engineers as a chairman agency, this does not mean that the Department of Agriculture would supply in that survey only the information requested by the Corps of Engineers. In other words, their part of the survey would have to do with the main stem major type of flood control and water development.

The Department of Agriculture portion will deal with the opportunities for the various kinds of land and water programs in the tributary areas and what the impact of those programs would be upon major developments.

We have found in terms of the southeast basin study, which has involved several States and also in the Texas River Basin study and the Delaware River Basin study that what is done on the tributary areas has a significant bearing upon either the magnitude of the downstream structures or program or modifies it or qualifies it in some way.

If this is not done on a total river basin basis so that you know what the total program objective should be, then independently each agency, Federal or State, might proceed with a program and not have the benefit of those interrelated factors involved with it.

I think there has been little question but what the framework type plans that result from these basin studies, even though they do not often, if ever, result in a specific congressional authorization for a program, it does set forth the goals and the objectives to be reached.

I do not think there is any question but what it is in the best interest of both the Federal Government, in terms of total expenditure over

a period of time, but also in the best interest of the State interests that are involved in it.

ADDITIONAL EMPLOYMENT

Mr. WHITTEN. How many additional man-years are involved in this, Mr. Williams?

Mr. D. A. WILLIAMS. The total number of man-years for the Department of Agriculture would be 82. Of those, 56 man-years would be in the Soil Conservation Service, the others in the Economic Research Service and the Forest Service. This is a cooperative endeavor, U.S. Forest Service, Economic Research Service, and Soil Conservation Service jointly participating in the undertaking.

Mr. SLACK. Mr. Chairman, did I understand him to say 82 additional man-years?

Mr. D. A. WILLIAMS. That is right, as a result of this budget amendment.

Mr. WHITTEN. Mr. Williams, we thank you for appearing before us. This committee has a record of going along with those things that tend to develop our own country. Is it not possible to meet this problem by transfer from other areas.

Mr. D. A. WILLIAMS. To do so would be to leave work already behind in other areas and lengthen the period of time of doing that work.

In other words, you would have to draw personnel from work already underway.

Mr. WHITTEN. How many people do you have in such type work already?

Mr. D. A. WILLIAMS. Mr. Dorny will have to answer that. I do not have the figures.

Mr. WHITTEN. You can supply that for the record.

Mr. DORNY. Yes, sir.

Mr. D. A. WILLIAMS. We will have to supply that for the record, Mr. Chairman. We have it included in another total.

Mr. WHITTEN. Please do so.

(The information requested follows:)

The estimated average annual positions for this item for fiscal year 1962 is 112. The proposed increase in the 1963 budget estimate of \$165,000 would provide for an estimated 16 additional average annual positions and the \$950,000 increase in the amended budget estimate would provide an additional 82 or a total increase of 98 average annual positions in 1963 over 1962.

Mr. WHITTEN. Mr. Williams, we thank you and your associates for your appearance. We are glad to have you.

MONDAY, JULY 9, 1962.

RURAL ELECTRIFICATION ADMINISTRATION

WITNESSES

RICHARD A. DELL, DEPUTY ADMINISTRATOR, RURAL ELECTRIFICATION ADMINISTRATION
 JOHN W. SCOTT, ASSISTANT ADMINISTRATOR, OPERATIONS, RURAL ELECTRIFICATION ADMINISTRATION
 RICHARD H. WOOD, ASSISTANT ADMINISTRATOR, ELECTRIC, RURAL ELECTRIFICATION ADMINISTRATION
 R. W. LYNN, DIRECTOR, TELEPHONE ENGINEERING AND OPERATIONS DIVISION, RURAL ELECTRIFICATION ADMINISTRATION
 LESLIE SURGINER, CONTROLLER, RURAL ELECTRIFICATION ADMINISTRATION
 GEORGE P. HERZOG, CHIEF, BUDGET BRANCH, CONTROLLER'S DIVISION, RURAL ELECTRIFICATION ADMINISTRATION
 ALLEN RAYMOND, ACTING CHIEF, PROGRAM ANALYSIS BRANCH, CONTROLLER'S DIVISION, RURAL ELECTRIFICATION ADMINISTRATION
 RALPH F. KOEBEL, ASSISTANT GENERAL COUNSEL, OFFICE OF THE GENERAL COUNSEL
 LOUIS GORRIN, DIRECTOR, REA OPERATIONS DIVISION, OFFICE OF THE GENERAL COUNSEL
 CHARLES L. GRANT, DIRECTOR OF FINANCE AND BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

LOAN AUTHORIZATION

Mr. WHITTEN. Gentlemen, we come now to the Rural Electrification Administration, for which an amendment to the 1963 budget is before the committee, requesting authority to transfer \$55 million from telephone to electrification loans. I repeat again for the record that the part that this committee plays, subject to the approval of the Congress, is to fix a ceiling on the amount that may be loaned for these purposes.

I notice that Mr. Clapp is not here. I presume Mr. Dell is appearing on his behalf. Earlier, may I say to the subcommittee, Mr. Clapp told me that he had committed himself to a meeting of long standing and would be glad to make himself available later if he was unable to do so today.

I told him we hoped that he could be here but if not, Mr. Dell could present his statement.

At this point, I would like to put in the record pages 1 through 3 of the justifications.

(The justification pages follow:)

RURAL ELECTRIFICATION ADMINISTRATION

LOAN AUTHORIZATIONS

House Document 447 amends the 1963 budget to shift \$55 million from telephone loans to electrification loans as follows:

	Loan authorization	Estimated loans
Electrification loans—Authorization to borrow from Treasury:		
Original budget estimate, 1963.....	\$345,000,000	\$345,000,000
Amended budget estimate, 1963.....	400,000,000	400,000,000
Increase.....	+55,000,000	+55,000,000
Telephone loans—Authorization to borrow from Treasury:		
Original budget estimate, 1963.....	135,000,000	135,000,000
Amended budget estimate, 1963.....	80,000,000	¹ 120,000,000
Decrease.....	-55,000,000	-15,000,000

¹ In addition to the loan authorization of \$80,000,000, it is expected that there will be a carryover of approximately \$40,000,000 in unused loan funds from the fiscal year 1962.

Project statement (on basis of estimated loans)

Project	Original 1963 estimate	Increase or decrease	Amended 1963 estimate
1. Rural electrification loans.....	\$345,000,000	+\$55,000,000	\$400,000,000
2. Rural telephone loans.....	135,000,000	-15,000,000	120,000,000
Total estimated loans ¹	480,000,000	+40,000,000	520,000,000

¹ Represents obligations (loans approved). Capital outlay (loan advances) is estimated as follows: 1963 original estimate, \$360,000,000; and 1963 revised estimate, \$380,000,000.

INCREASE AND DECREASE

An increase of \$55 million in rural electrification loans

Electric loan applications for consideration in fiscal year 1963 are expected to exceed \$700 million. With a total of only \$345 million in electric loan funds available, the backlog of unprocessed loan applications will reach the level of more than \$365 million by the end of fiscal year 1963, which compares with applications of \$108.3 million on hand at the beginning of this fiscal year. Increasing the fiscal year 1963 original estimate for electrification loan authorization by the anticipated \$55 million reduction in telephone loan authorization needed for fiscal year 1963 will help alleviate the more serious situations that will likely develop with this large backup of loan applications.

A decrease of \$15 million is recommended for telephone loans

Surveys and studies of telephone service requirements in rural areas of the country indicate that approximately \$1.5 billion will be needed for loans to REA-financed systems. Earlier estimates indicated that the job could be carried out over the next 10 years at an average annual loan level of between \$135 and \$150 million. Experience during the fiscal year 1962 to date combined with reevaluation and studies indicates that as the program reaches the more difficult stage of extending and improving service in the more remotely and sparsely settled areas, the average annual financing needs will more likely average between \$100 and \$120 million and that the program will more likely require 15 years.

During the fiscal year 1962, telephone loans are expected to total about \$95 million instead of the original estimate of \$135 million, leaving a carryover of about \$40 million in unused telephone loan funds into fiscal year 1963. With a reduction of \$55 million in new loan authorization for fiscal year 1963, from \$135 million to \$80 million, REA will have approximately \$120 million available for telephone loans during the fiscal year 1963.

The following tables reflect loans and funds available for fiscal years 1962 and 1963 under the revised budget estimate:

Electrification loans

	Original 1962 estimate	Amended 1962 estimate
Loan funds available:		
New loan authorization.....	\$245,000,000	\$245,000,000
Carryover from prior year.....	34,171,880	34,171,880
Rescissions of prior year loans.....	3,000,000	5,200,000
Total loan funds available.....	282,171,880	284,371,880
Less—		
Loans approved.....	232,000,000	284,371,880
Reserves not used.....	50,000,000	
Balance to next year.....	171,880	
	Original 1963 estimate	Amended 1963 estimate
Loan funds available:		
New loan authorization.....	\$345,000,000	\$400,000,000
Carryover from prior year.....	171,880	
Rescissions of prior year loans.....		
Total loan funds available.....	345,171,880	400,000,000
Less—Loans approved.....	345,000,000	400,000,000
Balance to next year.....	171,880	

Telephone loans

	Original 1962 estimate	Amended 1962 estimate
Loan funds available:		
New loan authorization.....	\$162,500,000	\$162,500,000
Carryover from prior year.....	979,026	979,026
Rescissions of prior year loans.....	2,000,000	2,000,000
Total loan funds available.....	165,479,026	165,479,026
Less—		
Loans approved.....	135,000,000	95,479,026
Reserves not used.....	30,000,000	30,000,000
Balance to next year.....	479,026	40,000,000
	Original 1963 estimate	Amended 1963 estimate
Loan funds available:		
New loan authorization.....	\$135,000,000	\$80,000,000
Carryover from prior year.....	479,026	40,000,000
Rescissions of prior year loans.....		
Total loan funds available.....	135,479,026	120,000,000
Less—Loans approved.....	135,000,000	120,000,000
Balance to next year.....	479,026	

Mr. WHITTEN. We would be glad to have your general statement. You may proceed, Mr. Dell.

Mr. DELL. Thank you, Mr. Chairman and members of the committee. As the chairman stated, Mr. Clapp had a longstanding engagement for an annual statewide meeting which prevented him from being here today. He wanted me to repeat, Mr. Chairman, what he said to you, that he will be back in town Wednesday night and if the committee wants him he would be very happy to appear any time.

With me today are Mr. Ralph Koebel, Assistant General Counsel of the Department of Agriculture, George Herzog, Chief, Budget Branch of the Comptroller's Division, Mr. Allen Raymond, Acting Chief of the Program Analysis Branch, Mr. Louis Gorrin of the General Counsel's Office, Mr. R. W. Lynn, Telephone Engineering Division, Mr. Leslie Surginer, Controller, Mr. John Scott, Assistant Administrator for Operations, and Mr. Richard Wood, Assistant Administrator for the Electric Program.

I have a statement here from Mr. Clapp which he has asked me to present, if it is agreeable with the committee.

Mr. WHITTEN. Fine.

GENERAL STATEMENT

Mr. DELL. Since we appeared before this committee on February 27, 1962, there have been developments in the electrification and telephone programs necessitating our request for an amendment to the fiscal year 1963 budget request. Needs for electrification loans have exceeded earlier estimates and telephone loans have fallen behind expectations.

Electrification loan needs have been running considerably in excess of loan funds available. During May it became necessary to borrow all of the fiscal year 1962 contingent loan authorization from the Treasury. Use of the contingency authorization made a total of \$284,555,128 available for fiscal year 1962 loans. Even with the availability of the full contingent authorization, the backlog of loan applications as of June 30, 1962, totaled \$209 million, more than a \$100 million increase over applications on hand at the beginning of the 1962 fiscal year.

During fiscal year 1962 we approved a little more than \$261 million in electrification loans. A carryover of approximately \$23 million in loan funds resulted primarily from a delay in the approval of an \$18 million generation and transmission loan, which was actually approved on July 6.

The large increase in the backlog of loan applications at the close of the 1962 fiscal year and the heavy receipt of applications anticipated during this next year will greatly exceed the \$345 million requested in the budget for the fiscal year 1963. Total applications for consideration during the 1963 year are expected to reach over \$700 million. Unless our request to increase the 1963 authorization is approved the applications on hand at the close of the year will reach a level of more than \$350 million. Increasing the 1963 budget request by \$55 million, from \$345 to \$400 million, will help alleviate some of the more serious situations that will likely develop with this large backup of loan applications.

The requested amendment of \$55 million will not increase the total 1963 request for REA loan funds because it is proposed that the request for telephone loan funds be decreased by \$55 million.

Telephone loans have been developing more slowly than had been anticipated. Earlier estimates indicated that the job ahead in the telephone program could be carried out over the next 10 years at an average annual loan level of between \$135 and \$150 million. Our experience during the fiscal year 1962 indicates that as the program reaches the more difficult stage of extending and improving service in

the more remote and sparsely settled areas, the average annual financing needs will more likely average between \$100 and \$120 million; and that the program will more likely require about 15 years. The job ahead will require increased emphasis on technological developments, new engineering methods, and advanced equipment design. The work to be carried out in the years immediately ahead will be more difficult and time consuming than had been anticipated.

During the fiscal year 1962, telephone loans totaled \$91.6 million instead of the \$135 million estimated in developing the 1963 budget request for a new loan authorization. With the smaller loan program for 1962 we now have a carryover of almost \$43 million in unused telephone loan funds to the fiscal year 1963. A new loan authorization of about \$80 million will provide a total of almost \$123 million for telephone loans during the fiscal year. Our latest surveys and studies indicate that the \$123 million will meet our maximum telephone loan needs. Accordingly, we are proposing that the 1963 request for a new telephone loan authorization be reduced by \$55 million; from \$135 to \$80 million.

BENEFITS OF RURAL ELECTRIFICATION PROGRAM

Mr. WHITTEN. I have always been a strong believer in Rural Electrification Administration programs. As the record shows, our subcommittee has always recognized that the provision of electricity to rural consumers has perhaps made it possible for this Nation to maintain its standard of living under all the pressures that we have.

I had the privilege of addressing the NRECA several months ago and I made much of the fact that, with some 60-odd percent of the total national income going into defense, and with the resulting shortage of labor on farms, the presence of electricity contributed greatly to the fact that we haven't suffered any reduction in standard of living, though we all agree we have had some other ill effects such as inflation and things of that sort.

Now I said rural electricity. That does not necessarily have to come from an REA association under the present conditions. At the time the REA program was initiated many folks criticized the private power companies. I have personally always felt that the general feeling was such that there was a question whether you could have sold on the open market bonds to the extent necessary to do a proper job.

Also we have had a record back through the years of insisting that the REA program carried with it an obligation by the local association to give area coverage if at all possible. Now we are reaching the place that a terrific load is placed on the average REA line as well as other electrical lines, because of machinery and equipment, household appliances, and many, many other laborsaving devices. I can recognize that it takes more money to replace a line than it did to build it in the first instance, due to its demand.

At the same time, however, we also can see a growing question as to who is going to generate current, as to what are reasonable rates and what are reasonable terms, and as to how much obligation the Government might have to make funds available and at the present rate of interest.

I mention all this to point out that the mere totaling up of applications lacks a bit of being all that is necessary. Back through the years I have felt that the national interest and the national economy and the fact that we gave an area coverage have justified many of the provisions in that act, including a low rate of interest. Whether that picture changes with time is a matter creating the controversy at the present time.

REA RELATIONSHIPS WITH PRIVATE POWER COMPANIES

Now, in determining the basis for these applications, how many of them are based on the effort to create a better bargaining position for reasonable rates and reasonable terms? I say that because, you must have both "reasonable rates" and "reasonable terms." If you get electricity for nothing for about 3 years, and you have no other source, and you are cut off with no other source in sight, "reasonable rates" are meaningless. I don't know of any such case, but I just use that to illustrate that terms are a part of the contract as well as rates.

How much attention has been given to the authenticity of these applications which you have, before this is brought to us? I just doubt if there is enough money in the Treasury to satisfy the applications of everybody in the country if they should decide to apply. The application as such is just one measure.

Mr. Dell, I want you to go into further detail as to what is involved here.

ELECTRIFICATION LOAN APPLICATIONS

Mr. DELL. Mr. Chairman, these applications are from all over the country. They cover a multitude of purposes. By the very nature of this business, as you pointed out, with loads growing and with the system improvements that come along, we are running something in the neighborhood of \$150 million a year in distribution loan applications. A great part of that is for heavying up, rephasing, and improvements that come along as loads grow on these systems.

The new connections are running a little over 100,000 net a year. Am I about right on those figures?

Mr. HERZOG. Yes.

WORK OF REA WITH PRIVATE POWER COMPANIES

Mr. DELL. We are trying to get fair and equitable wholesale power to help these systems. We have worked with the power companies. I have some figures here which will indicate some of the progress that has been made in the last year in that field.

There are a number of places where the dual wholesale power rate has been eliminated; where the private power companies have eliminated it. Dual rate is when a certain rate is given for one type of service—farm, domestic, and rural service—and a different rate is applied when you get into the larger industrial loads and the larger commercial loads. It varies from company to company. A higher rate is charged the cooperative as you get into the heavier loads.

A number of companies have eliminated these dual rates. We have been working closely on power supply problems this year with Georgia

Power Co., Duke Power Co., Southwestern Public Service Co. which serves 16 rural electric systems in Texas, Oklahoma, and New Mexico; Florida Power & Light Co., Southwestern Electric Co., and the Upper Peninsula Power Co. which serves 2 rural electric systems in Michigan. We have also worked with the Arizona Electric Power Co. There are a number of others.

Those are some examples of the power companies we have worked with to try to resolve these problems.

REA POLICY ON GENERAL FUNDS OF REA BORROWERS

Mr. WHITTEN. Will you put in the record at this point the earlier bulletin on the requirements that you have drawn up having to do with reserves which an REA co-op should have?

Mr. DELL. Yes, sir.

(The information requested follows:)

DEPARTMENT OF AGRICULTURE,
RURAL ELECTRIFICATION ADMINISTRATION,
February 12, 1962.

REA BULLETIN 1-7 (ELECTRIC)

REA BULLETIN 300-5 (TELEPHONE)

Subject: General funds.

I. GENERAL

A. The purpose of this bulletin is to set forth Rural Electrification Administration recommendations with respect to general funds of REA borrowers.

B. "General funds" as used in this bulletin includes all the cash and bonds or similar securities and investments which are not held in trustee or similar accounts specified by contractual agreements.

C. It is the responsibility of each borrower to determine the proper use of its general funds. The Rural Electrification Administration, however, is properly concerned that investments and expenditures of general funds shall not impair the Government's security, the ability of the borrower to repay its notes as scheduled, or the accomplishment of the objectives of the Rural Electrification Act.

II. WORKING CAPITAL AND RESERVE FUNDS

A. *Appropriate level*

The amount of working capital and reserve funds required should be determined by each borrower on the basis of its experience and needs. The following suggestions and recommendations are furnished for consideration by borrowers.

1. Each borrower should have sufficient working capital to meet promptly its operating costs, quarterly debt service requirements, routine plant replacements and interim financing of current construction. Generally, the funds needed for those purposes should not exceed 6 percent of total plant.

2. A borrower should also have a reserve fund to meet unusual or unpredictable requirements such as contingencies and extensive replacements of plant which cannot be financed from current operating income and working capital.

(a) The amount needed for these replacements should reflect such factors as the age and condition of plant and policies on replacements. Reserve funds needed for such replacements generally should not exceed 6 percent of total plant.

(b) In considering the amount of reserve funds needed for contingencies, consideration should be given to possible storm damage and other "acts of God" not covered by insurance and to possible loss of revenue from large and uncertain loads. Generally, the reserve funds needed for contingencies should not exceed 3 percent of total plant.

B. *Deposits and investments*

In the investment and handling of their working capital and reserve funds, it is recommended that borrowers give primary consideration to safety and liquidity.

In the interest of safety, REA recommends that funds be kept in banks whose deposits are insured by the FDIC or invested in securities of the U.S. Government or of institutions insured or guaranteed by the U.S. Government or by an instrumentality thereof. Liquidity is determined by the period of time required to convert the investment into cash without loss.

1. *Demand deposits.*—The funds placed in checking accounts, on which no return is received, should be in banks insured by FDIC and kept at a minimum consistent with the operating needs of the business.

2. *Time deposits and investments.*—After making provision for the funds that should be kept in checking accounts, the remainder of the working capital and reserve funds should be placed in deposits or investments on which a return may be obtained.

(a) Investments should be planned to mature or be converted into cash without loss to meet indicated needs for the funds. It is important, also, that each investment be considered from the viewpoint of the possible need for converting it into cash without loss prior to the stated maturity date.

(b) After provision has been made for the relatively short-term cash needs, funds may appropriately be invested in longer term securities on a planned basis. In the interest of liquidity, investments in securities that are not convertible into cash without loss within 12 months after purchase should ordinarily not exceed at any one time 1 percent of the total plant.

III. OTHER GENERAL FUNDS

REA recommends that general funds not needed for working capital and reserve purposes be used in the following order of priority.

A. *Advance payments*

It is recommended each borrower establish a cushion of advance payments on REA loans in an amount equal to two times the maximum annual debt service requirements.

B. *Capital credit retirements and/or rate reductions*

For the benefit of the consumers and subscribers, borrowers should consider making rate reductions or retiring patronage capital, consistent with bylaw provisions, agreements with REA, requirements of regulatory bodies, and prudent financial management.

C. *Remaining general funds*

Any remaining general funds should be used for additional advance payments, retirement of debt, or additions to plant.

IV. CONSIDERATION OF GENERAL FUNDS IN MAKING LOANS

In reviewing loan applications, the amount and management of a borrower's general funds will be considered by REA on the basis of the above-recommended guidelines. In recognition of the need for some flexibility in the above guidelines, a loan application must be supported by a detailed analysis clearly justifying the amount and form of its deposits and investments where (1) a borrower has general funds exceeding 20 percent of total plant; or, (2) a borrower has more than one-fourth of its general funds deposited or invested other than as recommended in this bulletin; or (3) the borrower is specifically requested to provide such an analysis.

This bulletin supersedes all other material in conflict with its provisions.

NORMAN M. CLAPP, *Administrator.*

PUBLIC AVAILABILITY AND RELEASE OF INFORMATION

Mr. WHITTEN. I also understand that, subsequent to our previous hearings, you made a change in policy insofar as notifying the private companies of applications for power-generation loans.

Mr. DELL. Yes, sir.

Mr. WHITTEN. Do you have a copy of that?

Mr. DELL. I have a copy of that.

Mr. WHITTEN. Could you supply that for inclusion in the record?

Mr. DELL. Yes, sir.

(The information requested follows:)

DEPARTMENT OF AGRICULTURE,
RURAL ELECTRIFICATION ADMINISTRATION,
April 5, 1962.

REA BULLETIN 20-12 (ELECTRIC)

REA BULLETIN 320-16 (TELEPHONE)

Subject: Public availability and release of information.

I. PURPOSE

To state existing policy and new procedure relating to the release of information and the availability of records.

II. POLICY

Under direction of the Secretary of Agriculture and pursuant to applicable Department regulations, it is the practice of the Rural Electrification Administration to make information on its program activities available to representatives of media of public communications, to organizations, individuals, and Members of Congress and to make its official records available to the public, to the maximum extent possible. This policy recognizes and encourages public interest in the REA programs.

III. IMPLEMENTATION

The Rural Electrification Administration will implement this policy in a number of ways:

A. REA will publish annually:

1. Report of the Administrator summarizing the activities of the agency during the fiscal year.
2. Statistical report of its electric borrowers stating detailed information about their operations and their financial status.
3. Statistical report of its telephone borrowers stating detailed information about their operations and their financial status.
4. Report of energy purchased setting forth the amount of power purchased by each electric borrower, the price paid for power and from whom purchased.
5. List of generating units financed by REA by type, location, and capacity.

B. REA will publish quarterly:

1. Statistical bulletin summarizing National and State information on electric borrowers, including miles of lines in operation; consumers served, kilowatt-hours generated, purchased, and sold; and revenues from such sales.
2. Statistical bulletin summarizing National and State information on telephone borrowers, including telephones in service, total subscribers served, subscribers receiving initial service through REA financing, number of central offices, and revenues received from operations.

C. REA will publish monthly:

1. Statistical bulletin summarizing National and State information on the electric program, including amount of loans to borrowers by purpose, loan estimates of miles of line to be constructed and consumers to be served, loan funds advanced to borrowers, and interest and principal payments received from them.
2. Statistical bulletin summarizing National and State information on the telephone program, including amount of loans to borrowers by purpose, loan estimates of miles of line to be constructed and subscribers to be served, loan funds advanced to borrowers and interest and principal payments received from them.
3. Rural Lines, a magazine designed to inform borrowers and interested persons of agency policy and the experience and problems and progress of its borrowers.

D. REA will publish official bulletins on policy, procedures and practices.

E. REA will issue a press release on each loan approval, stating the name of the borrower, the exact amount of the loan, its specific purpose or purposes, the area to benefit, and the approximate number of consumers or subscribers to receive service.

F. REA, upon request, will furnish additional information about its loans and programs to public communications media, to organizations, individuals, and

Members of Congress, including up-to-date reports prepared on a national, regional, State, and local basis.

IV. AVAILABILITY OF RECORDS

REA policy and practices concerning the availability of records are governed by departmental policy as set forth in title I, chapter 9, section 7 (attached) of administrative regulations.

V. PROCEDURES AND CRITERIA RELATING TO LOAN APPLICATIONS

A. REA recognizes its responsibility under Department regulations for treating as administratively confidential information furnished it in expressed or implied confidence in connection with a contract, loan, or other benefit or service when release of the information would impair the legitimate interests of the person supplying the information. In recent years the basic information listed in paragraph B below generally has been made available by the applicants themselves. On the basis of this experience, REA finds that such information about an application for an REA loan usually does not come to the agency in implied confidence and can be disclosed by REA without injury to the legitimate interests of the applicant.

B. Therefore, in response to inquiries from the public or at such other times as REA deems appropriate, REA will, subject to provisions of paragraph C below, make available the following information concerning pending loan applications:

1. Name and address of applicant.
2. Date of the application.
3. Amount of the application.
4. General purpose for which loan funds are requested:
 - (a) In the case of electric loan applications, this will include estimates of the number of miles of line to be constructed and the number of consumers to be served by the facilities; the approximate voltage of transmission lines, and the estimated size and approximate location of generating facilities.
 - (b) In the case of telephone loan applications, this will include the number of new miles of line to be constructed and the approximate number of subscribers to receive service.

C. A loan applicant who desires that the Administrator should not disclose any of the basic information listed in paragraph B, should at the time the loan application is filed specify the particular information he wishes withheld, together with a statement of reasons. If the Administrator determines that such request must be denied, he will inform the applicant of such decision. If the applicant's request is approved, but subsequently the Administrator determines that in the public interest such information must be disclosed prior to the making of any loan, notice thereof will be given to the applicant if time and circumstances permit.

D. Under the provisions of 1 AR 536b(13) of the Department regulations, information received from an applicant for a loan is to be treated as administratively confidential if its release "would impair legitimate interests of the person supplying the information." On the basis of experience, REA finds that release of the following information, while the application is pending, "would impair legitimate interests of the person supplying the information." Therefore, REA will treat such information as administratively confidential unless the applicant consents to its release, or the Administrator specifically determines that in the public interest such information must be disclosed—

1. Status of contracts and contract negotiations involving the applicant's business.
 2. Information relating to the current financial status and structure of the applicant.
 3. Details of the economic and engineering feasibility and plans of the proposed project.
 4. Data submitted on new loads and services.
- E. For purposes of this bulletin, a loan application is considered to be—
1. In the electric program, a board resolution requesting a loan from REA.
 2. In the telephone program, REA form 490, "Application for rural telephone loan" for initial loans, or similar information for supplemental loans.

VI. RECOMMENDATION

Consistent with this policy, REA recommends that borrowers and prospective borrowers, as organizations devoted to community service, recognize the legitimate interest of the public in their operations.

(a) It is recommended that borrowers and prospective borrowers make available to the public, to the maximum extent possible, information about their activities.

(b) It is further recommended that borrowers and prospective borrowers develop policies with regard to the release of information to the public and that they develop continuing information programs to disseminate this information to all appropriate public communications media.

NORMAN M. CLAPP, *Administrator.*

USDA ADMINISTRATIVE REGULATIONS

TITLE I—CHAPTER 9—RESTRICTIONS—INFORMATION

SECTION 7—AVAILABILITY OF INFORMATION AND RECORDS

534. POLICY. a. *General.*—(S) It is the policy of this Department to make its official records available to the public to the maximum extent possible. This policy recognizes that, generally, knowledge of the affairs and activities of Government is a right of citizens and is in the public interest.

Most records of the Department are available to the public for inspection. These comprise the great bulk of information acquired or developed by the Department in carrying out its varied program responsibilities. Such records are intended to be made available to representatives of public communications media, to organizations, individuals, and Members of Congress, except where release is clearly prohibited by legal or other restrictions in the public interest.

b. *Exceptions.*—There are instances when, by direction of the President, the Congress or other authorities, the Department is required to withhold information from the public. The Department, also, in making vital information and records available, must do so in a manner that will protect the public welfare as well as avoid giving undue advantage to any person or to the representatives of special interests. As exceptions to the general policy, these regulations describe the records that are not to be made available, generally, for public inspection except as indicated.

c. *Request for Examination or Copy of Records.*—Request for examination of a record or for a copy thereof shall be made to the agency administering the program relating to the same. Examination of records, where examination is permitted, shall be at times and places and in a manner convenient to the public business; and copies or extracts, when available, shall be furnished and the recipient charged for the costs thereof, where appropriate.

d. *Authentication.*—When a request is received for an authenticated copy of a document which is available to the party requesting same, the agency having custody thereof shall cause a correct copy to be prepared and sent to the Office of the General Counsel which shall certify the same and cause the seal of the Department to be affixed.

535. AUTHORITY.—This section contains basic Departmental authority covering restrictions on the release of information and records. All other Departmental and agency regulations and procedures relating thereto must be consistent therewith and shall be reviewed in the Office of the General Counsel prior to issuance.

536. RESTRICTION ON AVAILABILITY.—The following rules shall govern the availability for examination, or the furnishing of copies, of matters of official records of the Department.

a. *Restricted by Presidential Directive, Statute, or Records Security Regulations and other Regulations.*—The provisions of the applicable directives, statutes, or regulations of this Department or of other agencies govern the circumstances and extent of the restriction.

b. *Administratively Confidential.*—The following records are administratively confidential and shall not be subject to examination except in the performance of official duties, nor shall copies thereof be furnished upon request except in proper cases from Federal official sources or as specifically provided:

(1) Blueprints of meat slaughtering or meat, poultry, or dairy products processing plants and establishments.

(2) Producers' referendum or other ballots pursuant to law.

(3) Minutes of meetings (except resolutions extracted therefrom) of Boards of Directors of Corporation under administrative supervision of the Department of Agriculture; and minutes of meetings of advisory committees prior to public announcement of conclusions or recommendations in due course (see 10 AR 935), or constituting a verbatim transcript or a full and complete record, or where the national security is involved.

(4) Audit records and reports, except (a) information with respect thereto which the head of an agency or the Board of Directors of a Corporation under administrative supervision of the Department of Agriculture authorizes to be made available; and (b) audits in connection with contractual or cooperative relations under the jurisdiction of the Department which the agency head determines may be made available to the contractor, cooperator, or other party whose activities form the basis of the audits.

(5) Information and reports furnished by dealers, manufacturers, associations, or others covering quantities of commodities processed, purchased, or sold during prescribed periods and the prices paid or received therefor.

(6) Individual personnel records, including (a) personnel investigative data of any type, whether relating to loyalty or to other aspects of an individual's record; (b) information contained in personnel records, including medical records, except as authorized by the Director of Personnel to be made available.

(7) Investigation, inspection, and accounting reports and supporting data pertaining to compliance with program laws or regulations.

(8) Records of research, experimentation, and physical analysis of samples and other materials, including patent records, prior to publication or release.

(9) Information furnished voluntarily by individuals or firms, relating to their farm or business operations, for use in making statistical analyses as a foundation for official estimates and reports.

(10) Records, reports, and estimates of crops for consideration and release by Crop Reporting Board and analyses of the Outlook and Situation Board prior to formal release; and listings, tabulations, charts, recommendations, notes, and all other pertinent material for use in connection with such estimates and reports.

(11) Charges, complaints, and other processes in connection with, and prior to being filed in adjudicative proceedings

(12) Research information and data involving research under cooperative agreements, contracts, or grants except as may be provided for in the agreement or contract.

(13) Information received in expressed or implied confidence in connection with a contract, loan, or other benefit or service, when release of the information would impair the legitimate interests of the person supplying the information.

(14) Papers, reports, or other information relating to dealings with foreign governments and execution of foreign programs, when disclosure of such information would interfere with the successful carrying out of policies, programs, and actions of the United States Government.

(15) Data concerning products and formulations provided by industry for research purposes in connection with the Department's registration and other regulatory functions.

(16) Dockets for Section 6 (42 U.S.C. 1755), and Section 32 (7 U.S.C. 612c), purchases and information concerning proposed purchases and contracts under these sections until official release to news media.

(17) Information obtained or received in confidence from individuals, cooperative associations, or others for use in carrying out research, advisory service, and educational activities with farmer cooperatives.

(18) Information relating to policy determinations or administrative decisions in program operations, advance disclosure of which would give an undue advantage to some, or disadvantage to others, or would improperly affect a pending action.

(19) Analyses, data and other materials being prepared for release, prior to actual release.

537. DISCLOSURE OF MATERIAL. a. *Classified or Restricted Material.*—Security information shall not be released as long as it remains classified under Records Security Regulations. Information restricted by Presidential directives, by statutes, or by regulations of other Government agencies (see Exhibit 1) will be released only in accordance with the provisions of the applicable directives, statutes, or regulations.

b. *Administratively Confidential Material.*—

(1) Release for official use: Material which is administratively confidential under these regulations and other regulations of the Department will be released only in accordance with the provisions of the regulations. In any

case where records or reports requested by a General Accounting Office representative are to be withheld, the Department's Director of Finance shall be consulted. Where necessary in any case, release will be made with the agreement that the confidential nature of the material will be maintained. The material also may be released under compulsory process in accordance with 1 AR 538.

(2) Discussion: Administratively confidential material should not be discussed with any other person except where official duties make such information a proper subject for discussion (see 1 AR 448, and Title 6 with respect to confidential nature of testimony before Congressional Committees).

538. REFERRAL TO SECRETARY OF REFUSAL UNDER COMPULSORY PROCESS.—In any case where it is sought by subpoena duces tecum or other compulsory process to require the production of any record or information of the Department which the head of agency has no discretion with respect to disclosure, the matter will be referred to the Secretary for final determination. In those cases where the Secretary determines it would be improper to comply with the subpoena duces tecum or other compulsory process, such officer or employee will appear in answer thereto, and unless otherwise expressly directed by the Secretary, respectfully decline to produce the record or information specified therein on the ground that the disclosure is prohibited by this regulation. (S)

GROWTH RATE OF POWER USED PER CONSUMER—REA BORROWERS
COMPARED TO PRIVATE COMPANIES

Mr. WHITTEN. Now could we have for the record the rate of growth of power used per customer in REA systems for a reasonable period for which you have figures? Could you obtain for us a similar table for the private companies for the last available period?

Mr. DELL. Yes, sir.

Mr. WHITTEN. In each instance I would like for you to get some official publication that each of you may have heretofore issued.

Mr. DELL. We can do that.

(The information requested follows:)

Average kilowatt-hours used per consumer

	REA ¹		Private utilities ²	
	Kilowatt-hours used	Percent of increase over prior year	Kilowatt-hours used	Percent of increase over prior year
1956.....	4,020	9.5	9,669	6.6
1957.....	4,368	8.7	9,925	2.6
1958.....	4,716	8.0	9,980	.6
1959.....	5,184	9.9	10,808	8.3
1960.....	5,592	7.9	11,250	4.1

¹ "REA Annual Statistical Report—1960."

² "Edison Electric Institute Statistical Year Book—1960."

INVESTMENT IN REA SYSTEMS COMPARED TO PRIVATE POWER INDUSTRY

Mr. WHITTEN. May we next have a table showing the present value of the REA associations, what equity they have, and what part they still owe on, together with any information you may be able to obtain as to the total investment in the private power industry. In the case of the private power companies, I would expect you to use their figures, according to such documents as they might have.

I think all of this might help us somewhat in dealing with this broad subject matter.

Mr. DELL. We will be glad to do that, Mr. Chairman.

(The information requested follows:)

Total assets, equity, and long-term debt—REA borrowers and private utilities at Dec. 30, 1960

REA ¹	
Total assets.....	\$3, 508, 976, 597
Equity.....	\$690, 568, 020
Long-term debt.....	\$2, 756, 358, 927
Percent of equity to long-term debt.....	25. 1
Percent of equity to total assets.....	19. 7
PRIVATE UTILITIES ²	
Total assets.....	\$54, 355, 000, 000
Equity.....	\$18, 845, 000, 000
Long-term debt.....	\$20, 947, 000, 000
Percent of equity to long-term debt.....	90. 0
Percent of equity to total assets.....	34. 7

¹ Source: Composite balance sheet in 1960 REA Annual Statistical Report covering 958 electric borrowers. Equity includes membership fees, patronage capital credits, margin, and contributions in aid of construction. Excludes data for jointly financed systems and systems for which complete data were not available.

² Source: Combined balance sheets in Edison Electric Institute Statistical YearBook for 1960. This is the most recent figure available.

EFFECT OF REA POLICY ON BORROWER'S GENERAL FUNDS

Mr. DELL. In connection with the use of general funds and in connection with new loans, this policy bulletin which was issued February 12, 1962, and the matter discussed with the committee last year and again this year, is beginning to have some effect. It has been in force for only a few months and there are indications that up to date, some 200 of these systems have done something about general funds. Now not all of the systems have done something about them. Some are beyond the limits of the requirements of the bulletin. Some of them are not. Many have taken some action on their own. Here are just a few cases we have as examples.

Mr. WHITTEN. An REA association is created under the law of the State and in most instances and in perhaps all it was under the form prepared at the national level. Once organized, like any other State association, they have complete charge of their affairs in line with the law of their State and with the charter, if they are chartered.

Mr. DELL. That is right.

Mr. WHITTEN. So they are beyond your control except when they make application to you for an additional loan. You are in control with regard to what they may do with the loan?

Mr. DELL. That is correct.

Mr. WHITTEN. You have exercised an advisory supervision over most of the cooperatives by giving them the benefit of your counsel and advice and keeping current to a considerable degree. This has been helpful in case they needed a new loan and helpful to you insofar as trying to see that they carry forward the best service to the consumer. Is that approximately correct?

Mr. DELL. That is correct, and we have tried to help them with technical assistance in engineering, legal, and managerial fields. That is in an advisory capacity. We cannot make them do things they are not inclined to do, which are not within the requirements of the

loan contract and mortgage, unless a loan application is before the agency.

Mr. WHITTEN. Except as a banker can make a person do something when he has to borrow money from the bank.

Mr. DELL. Yes, sir.

Mr. WHITTEN. You may proceed.

Mr. DELL. On general funds, we have some examples indicating the kinds of action taken by some of the 200 systems.

Here is a cooperative in Georgia that proposes to reduce its general funds by paying capital credits in August, next month, in the amount of \$276,246.

Here is another one in Iowa which, since the bulletin came out, has reduced its general funds by paying capital credits of \$184,313.

Here is one in Missouri. This one has paid out capital credits in the amount of \$169,000.

Since this bulletin came out a co-op in North Dakota, which has some advance payments now, is increasing its cushion of credit or making another advance payment of \$475,000; \$125,000 has already been sent in and the rest will be sent in in the next 60 days.

Here is one in Texas that has made an advance payment of \$200,000 as a result of the policy bulletin.

Here is one in Missouri that has made an advance payment of \$552,000. One in New Mexico made an advance payment of \$500,000.

We have some cooperatives, and here are three examples, that have applications in for new loans which we have held up and are still holding up until their general funds are reduced to come in line with the bulletin. One of them is in Texas. The second example is in Oklahoma and a third one in Tennessee.

We think the bulletin has been well accepted by the borrowers. The policy generally speaking has been accepted and I believe in a matter of a relatively short time now, Mr. Chairman, we are going to have them all pretty much in line with the policy.

Mr. WHITTEN. Mr. Dell, I am glad to hear you say that. You know in Congress, due to the changing population, I think there are about 28 so-called rural Congressmen who won't be back here in January. About 28 additional Congressmen are going to represent urban districts. There is a shift in population which means a smaller percentage of the House of Representatives will come from rural areas, which means less and less close understanding of these agricultural matters, normally. Because without that background we cannot hope to have the same identical understanding perhaps. I tried to say it at Atlantic City, and as I pointed out earlier, it just takes one or two bad examples to create a problem for all of that which is sound.

Now at the same time, as I pointed out in both instances that I have mentioned, were it not for private enterprise and the taxes private enterprise pays there wouldn't be any money for REA. You could not obtain your funds and there couldn't be any REA. So in trying to strike some sense of balance, I think we have discussed with you before the establishing of standards or criteria which should be considered in connection with power generation loan applications. Has any progress been made in that field or have you made any study of this point?

REA POLICY ON GENERATION AND TRANSMISSION LOANS

Mr. DELL. I believe we discussed this at our hearing in February. The Administrator has a policy with respect to generation and transmission loans. It has had two of the elements in it for a number of years. This policy is a written policy that goes back more than 15 years. It provides that a generation loan would be made under one of two criteria, (1) where adequate power was not available, or (2) where the generation loan would result in lower cost power. Those are the two original elements in the policy. To that Mr. Clapp added a third element a little over a year ago. It provides that a loan will also be made where the facilities are necessary to protect the security and effectiveness of the system the agency has financed.

We made a loan about a year ago to the Alabama Electric Cooperative. It was not an initial generating loan. It was for a second generating unit to a generating and transmission cooperative which was already in existence and had its own generating facility.

The past record between those cooperatives in southern Alabama and the Alabama Power Co. has been one of continual friction and a pirating of consumers. The power company took over a number of consumers that belonged to and were being served by the cooperatives. That is what I mean by piracy—took them over—consumers that were being served by some of the distribution co-ops down in southern Alabama. As I say, there has been a state of friction and confusion for a number of years down there.

This loan to Alabama Electric Cooperative was made under the third element. Those are the elements in this policy bulletin that are taken into consideration in the granting of generation loans. We will, and have ever since Mr. Clapp has been Administrator conferred at great length with a number of the power company officials. We have discussed the applications with everyone who has asked to see us.

We have one application for a generating plant in Arkansas. It has not been in very long. It has had wide publicity. I talked with Mr. McChesney whom I have known for some time, the vice president of the company. I have had an exchange of two letters with the president and chairman of the board of the Arkansas Power & Light Co. We have told them we will sit down with them and try to deal with them fairly as far as this application is concerned. I have no more idea than you do, Mr. Chairman, about whether that loan will ever be made or not. I simply don't know.

Mr. WHITTEN. In asking these questions I have no idea that I can resolve this problem. I feel, however, I should develop it as fully as I can for the record.

COOPERATION BETWEEN REA AND PRIVATE POWER

Mr. DELL. These controversies are hot. A lot of them are not easily resolved. There are some loans though that do not get called to the attention of the committee. I would like to talk about some

that were made just a few days ago, toward the end of the fiscal year. It is known as the associated arrangement in Missouri. I mentioned it earlier here. There were five loans made to four existing generating cooperatives and a newly formed cooperative which is a combination of these four.

This is a complicated arrangement but the plan that has been developed includes three of the large power companies in Missouri in addition to the Southwestern Power Administration.

The power supply plan will be developed and executed in conjunction with Southwestern Power Administration and through commercial companies. The companies are Kansas City Power & Light Co., Missouri Public Service Co., and the Empire District Electric Co.

It is a pooling arrangement and REA money is being loaned for some additional transmission. The association, a local co-op made up of these other power cooperatives, will do the switching and so on in handling this power. It is going to benefit the co-ops; it is going to benefit SPA; and it is going to benefit the power companies who are participating. It is a good arrangement. You won't hear much about that. I am bringing it up to point out that when we work out one of these arrangements—and we are trying to do it as often as we can—little is heard about it.

This one the committee won't hear much about. There is \$15 million of REA funds involved in these loans and it is going to be good for everybody out there.

We in REA have no desire to put the commercial power companies out of business and we couldn't if we did. We don't have that kind of money. This committee of the Congress over the years has been most generous with REA, but there just isn't enough of this kind of money for us to ever become anything besides a small fish in a very big pond.

Mr. WHITTEN. I think that is pretty well covered.

TRANSFER OF TELEPHONE LOAN FUNDS TO ELECTRIFICATION IN THE BUDGET AMENDMENT

Now this transfer of \$55 million. You are transferring these funds to the electrification program from the telephone program. I have always felt having funds available might serve as somewhat of a lever in bringing about power contracts on reasonable terms and rates. I do not know that that same thing prevails with regard to the telephone companies as it does for power, does it?

Mr. DELL. No, sir, it doesn't; the telephone program is so different. The county seats have service, either by the Bell Co. or an independent. If you have a rural county here that is lacking in adequate telephone service the people living out there in that rural area want to get into the town with telephone service. It makes no difference whether it is the Bell Co. or an independent. If the company is not willing to go in and develop that rural area, you are up against a really tough proposition in getting it developed.

First of all, nearly all of the area has been franchised by the public service commission and somebody has the area preempted. It is a case where you cannot build a little system and hook it on to the town system. It is not that simple. For example, in comparing it with electricity, I live out here in Fairfax County, Va. It makes no difference where my electricity comes from. It can come from a plant at Richmond or one over in Maryland or somewhere else. But on my telephone service I want to be sure that I can talk into Washington. That I think points up the difference.

Mr. WHITTEN. In other words, this will not serve as a lever at all in regard to the telephone?

Mr. DELL. No, sir.

Mr. WHITTEN. The farther apart farms are and the more heavy equipment and electricity they use, I can see an increasing need and demand for telephones. But it still hasn't reached the point where a man will keep his telephone and lose his lights.

Mr. DELL. I would say in 99 out of a hundred cases he cannot give up his electric service. The telephone companies have a substantial rate for a commercial phone which is used more regularly than the house phone or the domestic phone.

Mr. WHITTEN. And there is no way to compensate, as there is with the rate charged per kilowatt of electricity?

Mr. DELL. That is right.

Mr. WHITTEN. That puts you into another area of potential income?

TELEPHONE PROGRAM PROGRESSING MORE SLOWLY THAN ANTICIPATED

Mr. DELL. That is right. We were disappointed, frankly, this year in our anticipation of what we would do in the telephone program. The applications have not developed to the extent we anticipated would be the case when we were here in February.

For example, this year on July 1, last week, the beginning of this fiscal year, we have \$56 million in applications on hand in the telephone program. That is 130 some odd applications. At the beginning of the last fiscal year we had nearly \$73 million. In other words, about \$17 million less at the beginning of this year compared with last year. It appears that somewhere between \$100 million and \$120 million—\$120 million being a little bit on the high side I would say—will be what we will be doing in the telephone program for the next several years.

Mr. WHITTEN. That is all I have, Mr. Dell.

Mr. Natcher?

Mr. NATCHER. Mr. Chairman, I have no questions concerning the request for the transfer of the \$55 million, but I do want to commend Mr. Dell and his associates for a job well done. I think all of you are doing a fine job in REA.

Mr. DELL. Thank you, Mr. Congressman.

Mr. NATCHER. That is all, Mr. Chairman.

Mr. WHITTEN. Mr. Michel?

NUMBER OF REA BORROWERS

Mr. MICHEL. Mr. Dell, how many REA co-ops do we now have throughout the country?

Mr. DELL. In the electric, it is 990. The telephone borrowers are divided this way: We have 212 cooperative borrowers, 565 commercial company borrowers, making a total of 777. This is as of the end of May 1962.

ELECTRIC LOAN APPLICATIONS

Mr. MICHEL. You state in your testimony that anticipated applications amount to some \$700 million. How many of the 990 co-ops around the country would be repeaters?

Mr. DELL. You mean how many applicants out of these 990 co-ops would this represent?

Mr. MICHEL. Yes.

Mr. DELL. Probably two-thirds of them, maybe three-fourths. That is a guess on my part. It might be a little higher.

Mr. MICHEL. Then there would be some 600 applications on file. I think that is probably a large figure.

Mr. DELL. It is high. If I follow your question—

Mr. MICHEL. Of the \$700 million requested in additional loans, how many individual requests does this represent?

Would you supply for the record, also, the 10 largest requests in dollars?

Mr. DELL. Yes; we would be glad to do that.

(The information requested follows:)

Estimated electric applications for consideration in fiscal year 1963

	Number of applications	Millions of dollars
On hand as of July 1, 1962 ¹	76	\$208
Estimated to be received during fiscal year 1963.....	275	500
Total estimated for consideration during fiscal year 1963.....	351	708

¹ Listing of 10 largest applications on hand:

1. Central Electric Power Cooperative, Inc., Cayce, S.C.....	\$43,476,000
2. Arkansas Electric Cooperative Corp., North Little Rock, Ark.....	24,232,000
3. Big Rivers Rural Electric Cooperative Corp., Owensboro, Ky.....	18,000,000
4. Puerto Rico Water Resources Authority, San Juan, Puerto Rico.....	12,460,000
5. Northern Minnesota Power Association, Inc., Virginia, Minn.....	10,871,000
6. Sho-Me Power Corp., Marshfield, Mo.....	6,472,000
7. Tri-County Electric Membership Corp., Lafayette, Tenn.....	5,337,000
8. Dakotas Electric Cooperative, Inc., Bismarck, N. Dak.....	3,682,000
9. Bailey County Electric Cooperative Association, Muleshoe, Tex.....	1,544,000
10. Cimarron Electric Cooperative, Kingfisher, Okla.....	1,544,000

BREAKDOWN OF ELECTRIC APPLICATIONS BY GENERATION AND TRANSMISSION AND DISTRIBUTION

Mr. MICHEL. Of the \$700 million of anticipated requests, how does that breakdown by generation and transmission as against distribution lines?

Mr. DELL. Probably 60 to 65 percent of it would be generation and transmission.

Mr. MICHEL. Of those generation and transmission requests, how many would be repeaters?

Mr. DELL. I do not know, but I will get that for you.

Mr. MICHEL. Would you supply that for the record?

Mr. DELL. Yes; any answer I gave you on that would be strictly a guess.

Mr. MICHEL. I would appreciate your supplying for the record the specific figures, even if it is inserted at this point at a later date.

Mr. DELL. I would be glad to furnish them.

(The information requested follows:)

Breakdown of estimated applications between new borrowers and present borrowers for fiscal year 1963

	Generation and transmission		Distribution	
	Number of applications	Millions of dollars	Number of applications	Millions of dollars
New borrowers.....	10	190	2	1
Present borrowers.....	40	318	299	199
Total.....	50	508	301	200

INCREASE IN ELECTRIC LOAN APPLICATIONS

Mr. MICHEL. At the end of fiscal year 1962 there were on file applications aggregating \$108.3 million. You state that at the end of fiscal year 1963 this figure will be \$365 million, or an increase of a quarter of a billion dollars. How do you account for that much increase in 1 year's time?

Mr. DELL. That is based simply on what is happening in this program, Mr. Michel. Last year, for example, we had on hand in the way of a backlog at the beginning of fiscal 1962, July 1 last year, \$108 million in applications. This year, on July 1, we had \$209 million. It is an increase of over \$100 million.

Mr. MICHEL. Would 65 percent of the increase go for generation and transmission?

Mr. DELL. I have a breakdown here for the 1962 fiscal year loans. Generation loans totaled \$98,885,409; transmission, \$56,446,744, making a total for generation and transmission of \$155,332,153.

Distribution totaled \$103,811,847.

Mr. MICHEL. If the committee should go along and approve this transfer from telephone to electric, giving you a total of \$400 million, what could we anticipate would be the breakdown of that \$400 million?

Mr. DELL. As between generation and transmission?

Mr. MICHEL. Yes.

Mr. DELL. Somewhere between \$260 million and \$275 million for generation and transmission, the balance of it, which would be \$125 million to \$140 million, for distribution.

AVERAGE ANNUAL LOAN LEVEL FOR DISTRIBUTION LOANS DURING RECENT YEARS

Mr. MICHEL. What has been the general level of expenditure on distribution in the last several years?

Mr. DELL. It has averaged over the last 5 or 6 years, or possibly a little longer than that, about \$125 to \$140 million.

Mr. MICHEL. Has it pretty well leveled out at \$125 million to \$140 million?

Mr. DELL. It has been in that neighborhood.

Mr. MICHEL. So the increase you are asking for is going principally for generation and transmission.

Mr. DELL. That is right.

Mr. MICHEL. Evidently the distribution lines around the country need beefing up because of the increased number of appliances, motors, etc., being used on the farms. Why isn't there a comparative increase for rural distribution lines rather than in generation and transmission for industry?

Mr. DELL. I am not sure I follow your question, but I will do my best to answer it as I understand it. As these systems are growing and transmission becomes more necessary in order to get the power to the load centers, it is simply a natural thing that the amount in that field is going to increase.

TELEPHONE LOAN FUNDS

Mr. MICHEL. How do you square a reduction in telephone loans with Mr. Clapp's statement:

The job ahead will require increased emphasis on technological developments, new engineering methods and advanced equipment design. The work to be carried out in the years immediately ahead will be more difficult and time consuming than had been anticipated.

Now you are saying we need \$55 million less for rural telephones. How can that be consistent?

Mr. DELL. In this way, Mr. Michel: The telephone program is not moving as fast as we had anticipated. As I indicated a while ago in response to a question from the chairman, in a rural area which has no telephone service or inadequate service, the trading center is the county seat, which may be in the middle of the county. The people want to get communication with that town. It is their trading center and their center of interest. If the company operating in the town is not disposed to develop that rural area, it becomes a really tough problem to get the job done. On electricity, it does not make any difference where electricity comes from. You do not care and I do not care in my home where it comes from. But we have a center of interest in telephone that we want to be able to communicate with. We are concerned about where it comes from. That slows down the whole development in the telephone program. It slows it down considerably. We think to reach anything like the saturation which exists in the electric program, it will take several years, maybe 15 years to get that job done, because it just does not go as fast.

GENERAL FUNDS OF REA BORROWERS—EFFECT ON NEW LOANS

Mr. MICHEL. Now if I may turn to the earlier memorandum which you had inserted in the record with respect to the internal operations of the co-ops, particularly with respect to distribution of their surplus or reinvestment—

Mr. DELL. General funds.

Mr. MICHEL. General funds. How would the REA look upon a co-op that owes REA \$1,855,721, borrowed at 2 percent, which now has an earned surplus of \$1,571,000, none of which has been distrib-

uted as required by Federal and State laws and the bylaws of the cooperative; a cooperative whose net worth is now \$2,435,143; still borrowing from you at 2 percent; with over \$400,000 in cash in the banks of the locality, not drawing interest; investments in excess of \$750,000 all drawing interest in excess of 2 percent? What kind of machinery do you have in the REA to dig out a situation like this? If a situation does exist, as I stated, it obviously has not come within the purview of that memorandum. That memorandum could not be any good and still permit this kind of operation to come to my attention and not yours.

Mr. DELL. Are you saying to me we have made them a loan with that kind of situation existing since the general funds bulletin came out? I do not know what system you are talking about, of course, but I do not believe that we have.

Mr. MICHEL. Let me put it this way: How would you treat an application on file under these hypothetical circumstances?

Mr. DELL. Under the conditions you have stated, we would not make them another loan until we got the situation cleaned up.

ELECTRIC RETAIL RATES OF COOPERATIVES

Mr. MICHEL. Are there many instances where a co-op has no set policy as to the amount the farmers are to be charged?

Mr. DELL. Again, I am not sure that I understand your question, but if I do, all of these systems we have financed have published rate schedules. They may be adjusted upward or downward from time to time, but it is always a published schedule.

Mr. MICHEL. Depending upon the volume that a farmer takes, and not with monthly minimum charges?

Mr. DELL. They are not changed from month to month. There may be a rate adjustment, say, this year in one of these systems all down the line—commercial, residential, industrial schedules. All of their schedules may be adjusted or certain ones of them may be. It may be another 2 or 3 years or longer before there would be another rate adjustment. They are published schedules, and they are not subject to fluctuations from month to month or anything of that kind.

DIRECTORS AND OFFICERS OF REA COOPERATIVES

Mr. MICHEL. Are there provisions that would preclude one from doing a sizable business with the co-op while serving on the board of directors of that cooperative?

Mr. DELL. Some of them do.

Mr. MICHEL. Has there been any general policy by REA on that?

Mr. DELL. As far as REA is concerned, our policy has been that directors and officers of a co-op should not be doing business with the co-op. I believe that is correct, is it not, Mr. Koebel?

Mr. KOEBEL. I believe that is right. There may also be State laws bearing on the subject.

Mr. DELL. Let me add one thing which has been called to my attention here. If they come to us for advice on making up their bylaws, we have a standard provision which prevents that.

Mr. MICHEL. If a situation existed where a member of the board or the president of the co-op is doing better than, say, \$60,000 a year

business with the co-op; with that cooperative operating under your set of bylaws, is there any machinery that you have at all to bring any kind of pressure to bear upon this co-op to change this hypothetical situation?

Mr. DELL. I do not know that we would go in. I do not know whether we could or not. It may be Mr. Koebel or Mr. Gorrin should answer this question from the legal standpoint. Administratively, I do not know that we would do it. When charges are made—I suspect I know now the system you are talking about—if it is the one I think you are talking about, we have had an investigation down there. We sent our own Department of Agriculture investigators in there. We have gone into it thoroughly. We have not been able to find anything criminally wrong.

Mr. MICHEL. I am not suggesting that there is, but I am suggesting that administratively there should be some tightening within the REA to prevent a situation such as this from developing.

Mr. DELL. I am not sure you and I are talking about the same situation.

Mr. MICHEL. It may not be. There is really no need to cite a specific case here. Evidently these figures start falling in line as far as you folks are concerned.

Mr. KOEBEL. I think I could make this comment, Mr. Michel: We did have the situation of a cooperative where apparently a member of the board of directors was an officer of a company doing business with the cooperative. We could not find that there had been any collusion or chicanery. Apparently even the officer was at some time unaware of this business. It apparently was a routinized operation and the company of which he was an officer was a large supplier in the area. So it was a logical organization with which to do business.

However, after consultation with the board of directors, we were given assurances that the cooperative would see that this connection was dissolved. We would certainly have authority under the loan contract to bring such irregularities to the attention of the board, or perhaps what type of practice they have, good or bad, for the board's correction. Normally, we get good cooperation from the boards.

Mr. DELL. If this is the same case, we had our people meet with the board.

Mr. KOEBEL. Yes. This was all done in complete agreement.

MAINTENANCE OF REA ELECTRIC SYSTEMS

Mr. MICHEL. When an REA co-op has some maintenance work to be performed, it is not unique at all for them to farm out that maintenance work to a contractor, is it?

Mr. KOEBEL. Sometimes it is done.

Mr. MICHEL. Is it a generally accepted practice?

Mr. DELL. No. I would say it is not a generally accepted practice to farm it out to contractors. Usually the cooperative has its own maintenance crew.

Mr. MICHEL. Is there a case where an REA co-op ever farmed out this kind of work, without a contract, at cost-plus, and the "plus" was something like 40 percent?

Mr. DELL. If I may interrupt you there, that statement has been made on several occasions. We did not find the plus to be 40 percent.

Mr. MICHEL. What did you find it to be?

Mr. DELL. Considerably less than that. In the one I am talking about—and I am sure now it is the same one—that system has had costwise one of the best operating conditions of any system in that area, and has been commended in a letter from its power supplier on its good operating condition. I am willing to go into that system to any extent that you want to. It is the cooperative at Jefferson City, Tenn., that I am talking about, and I think it is the same one you are talking about.

Mr. MICHEL. Thank you for that information, Mr. Dell. I guess that is about all, Mr. Chairman.

Mr. WHITTEN. Gentlemen, we wish to thank you for making this information available.

I wish to thank you, Mr. Dell, for the way in which you have presented this matter in the absence of Mr. Clapp. I do not see any greater candor that he could have shown. Unless other members of the committee desire to ask him to appear, I do not know of any reason for him to do so.

I wish to thank you and your associates for your appearance.

Mr. DELL. Thank you, Mr. Chairman and members of the committee.

CIVIL DEFENSE ACTIVITIES

WITNESSES

ROBERT S. REED, SPECIAL ASSISTANT TO THE SECRETARY
ROY W. LENNARTSON, ASSOCIATE ADMINISTRATOR, AGRICULTURAL MARKETING SERVICE

ROBERT P. BEACH, DEPUTY ADMINISTRATOR, MANAGEMENT, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE
IRVIN L. RICE, ASSISTANT TO THE DIRECTOR, SPECIAL SERVICES DIVISION, AGRICULTURAL MARKETING SERVICE

HOWARD J. SIMONS, DIRECTOR, DEFENSE SERVICES STAFF, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

HARRY B. WIRING, DIRECTOR, BUDGET DIVISION, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

KATHERINE L. McALEXANDER, CHIEF, BUDGET BRANCH, BUDGET AND FINANCE DIVISION, AGRICULTURAL MARKETING SERVICE

JOSEPH C. CARTER, CHIEF, COMMODITY ANALYSIS BRANCH, INVENTORY MANAGEMENT DIVISION, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

CHARLES L. GRANT, DIRECTOR OF FINANCE AND BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

Mr. WHITTEN. We are glad to have with us Mr. Robert S. Reed, Mr. Roy W. Lennartson, Mr. Robert P. Beach, and others to justify the budget amendments submitted by the President for civil defense activities in House Document No. 447.

I would like those pages of the justifications related to civil defense included in the record at this point.

(The pages requested follow:)

AGRICULTURAL MARKETING SERVICE

Marketing research and service

Original budget estimate, 1963 ----- \$40, 335, 000
 Amended budget estimate, 1963 ----- 40, 485, 000

Increase (for intensifying and stepping up food management
 planning activities) ----- +150, 000

Project statement

Project	Original 1963 estimate	Increase	Amended 1963 estimate
1. Marketing research	\$4, 759, 000	-----	\$4, 759, 000
2. Market news service	5, 686, 825	-----	5, 686, 825
3. Inspection, grading, and classing, and standardization:			
(a) Food management planning and related civil de-			
fense activities	50, 000	+\$150, 000	200, 000
(b) All other	25, 831, 030	-----	25, 831, 030
Total, inspection, grading, classing, and stand-			
ardization	25, 881, 030	+150, 000	26, 031, 030
4. Regulatory activities	3, 925, 145	-----	3, 925, 145
5. Administration and coordination of State payments	83, 000	-----	83, 000
Total estimate	40, 335, 000	+150, 000	40, 485, 000

INCREASE

An increase of \$150,000 under the project "Inspection, grading, classing, and standardization" is urgently needed to begin to meet the needs for food management planning activities.

Need for increase: Executive Order 10998 delegates to the Department of Agriculture responsibility for emergency food management planning. The current work in this field is being financed from a small allocation from the Office of Emergency Planning, and from regular funds of the Department. The 1963 budget contains \$50,000 to provide for some of the increased attention needed in this work. An additional \$150,000 is requested for a small staff to analyze potential problems, begin development of emergency alternative programs, make a start on fully indoctrinating the field organization in the use of emergency food management procedures and techniques and to begin orienting and consulting with the food industry on emergency plans.

This country, in the event of attack with nuclear weapons, would be faced with problems of the gravest nature in the management, conservation and effective distribution of the remaining food supplies. While the exact pattern of attack which might occur cannot be forecast, it is clear that any attack of significant magnitude would result in destruction or damage to thousands of food processing, storage and distribution facilities and would require substantial reorientation of the food industry.

Whatever the pattern and severity of the attack and its impact in any State or locality, or on any particular segment of our food economy, a capability must be developed in industry and government to deal effectively with whatever range of problems may face this country in any and all areas. Conservation measures must be ready to be put into effect to stretch supplies of those foods in most critical supply. If retail outlets cannot obtain supplies because wholesale suppliers are gone, supplies must be channeled through an alternative means. If key livestock markets and slaughtering facilities are destroyed, livestock must be redirected to other facilities. Similarly, if milk processing plants cannot handle available supplies, new patterns of movement of milk must be set up. These are merely a few examples of the problems that would arise.

These and many additional problems, never faced in our economy, would have to be met, possibly under conditions of severely disrupted communications, and with shortages of transportation, fuel, electric power, manpower and other requisites. The importance of pre-arranged plans, training in procedures and methods, and the development of industry understanding of its role in the program cannot be overemphasized.

National preparedness efforts with respect to food are in the nature of an insurance policy against the conditions which would be caused by an attack on the United States. This philosophy of insurance pervades the entire Federal Government program. A similar philosophy is fostered among the State and local governments. The planning is not geared to the expectation of an attack at any given time but to bring about an ever-increasing improvement in the ability of the Nation to survive if an attack should occur. Extensive efforts are being made through the Federal Government to increase survival chances. These efforts encompass resource management planning and civilian protection measures. Of equal importance is the need for the development of adequate emergency plans to utilize surviving food resources and the experience and expertise of Federal, State, and industry personnel accustomed to dealing with food processing, storage, and distribution problems.

To achieve a reasonable state of readiness will take several years. The magnitude of upheaval which would occur in the food industry, were the Nation subjected to an attack, is subject only to estimate, although any attack which might be made would undoubtedly be a massive one causing severe desolation, disruption, and dislocation of the food distribution capability of the country. Planning, therefore, must visualize a means of orderly, rapid, yet complete reorientation of the food industry.

Prudent planning dictates that substantial progress be made in fiscal year 1963 in developing a readiness to cope with a possible national emergency caused by attack on this Nation. To achieve this progress a limited number of personnel must devote their entire efforts toward mobilizing, within the regular staff of the Agriculture Marketing Service and of those agencies assisting AMS in this work, an emergency capability to deal with the exceptionally difficult problems which would be faced in a national emergency.

Plan of work: To implement a reasonably adequate state of readiness will take several years. From time to time even these plans and procedures will have to be revised to meet changing conditions. The \$150,000 requested herein, together with the \$50,000 in the regular budget for 1963, would be used for—

(a) accelerating the development of plans and procedures in each of the commodity and functional areas for carrying out assigned food management missions under emergency conditions. This activity would include identification of key food facilities and their types, capacities, areas, and methods of distribution and sources of raw material. It would include working with State groups to develop practical plans for the emergency management of the food processed, stored, and distributed by the many thousands of food facilities.

(b) training the Department's headquarters staff and its field staff at the State and county levels in (1) the principles and procedures of emergency food management to develop potential capability to act as food management experts in time of emergency; (2) developing methods for quick determination of surviving food supplies and facilities; (3) optimum use of surviving food resources; and (4) arranging food assistance mechanisms to redistribute available food as required by the emergency situation.

(c) beginning the development of appropriate standby orders and regulations to provide the framework for orderly food processing, storage, and distribution under emergency conditions; providing some guidance to food industries in methods of increasing survival in the event of attack; and devising plans for modification of industry practices in an emergency to adjust to the scarcity of certain raw materials, supplies, and other requisites.

The increase requested will not reduce the time and effort currently required of personnel otherwise assigned. However, increased impetus, emphasis and forward planning needed to develop a reasonable capability for coping with emergency food problems which would arise from a national emergency cannot be accomplished without the assignment of some additional personnel. This added personnel and cost cannot be absorbed within regular funds without disrupting essential regular program operations.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

Acreege allotments and marketing quotas

Original budget estimate, 1963	\$44, 181, 000
Amended budget estimate, 1963	44, 481, 000
Increase	+ 300, 000

INCREASES OVER ORIGINAL BUDGET

To provide for a full-time regional liaison representative and secretary at regional headquarters	+ 100, 000
To provide for assistance to USDA State defense boards	+ 200, 000

Project statement

Project	Original 1963 estimate	Increase	Amended 1963 estimate
Acreege allotments and marketing quotas	\$44, 098, 000	-----	\$44, 098, 000
Defense liaison and management	83, 000	+ \$300, 000	383, 000
Total estimate	44, 181, 000	+300, 000	44, 481, 000

BACKGROUND

A nuclear attack on the United States could cause great devastation. To survive as a nation in a situation of this kind flexible plans prepared before the attack occurred must be ready to use immediately. Under these circumstances national direction of agricultural programs may be limited by the disruption of communication and transportation. This means that the field force at regional, State, and county levels must have effective leadership and be equipped to act even if cut off from higher authority. A capable, well-prepared field force is a prime requisite in a postattack situation.

DEFENSE LIAISON AND MANAGEMENT

USDA has many important defense responsibilities under Executive Order 10998 which must be carried out in the field as well as at national headquarters. These functions include management of existing food supplies from the farm through the wholesaler level, production of crops and livestock, stockpiling of food, protection of livestock and crops from biological and chemical warfare, rural defense information and education program, emergency credit, rural fire defense and timber management, and radiological defense.

Planning to carry out these functions in an emergency is a responsibility of the various USDA agencies, but this planning must be coordinated at the regional level by the USDA regional liaison representatives (RLR's) and at State and county levels by the chairmen of the USDA State and county defense boards. The RLR's and State and county defense board chairmen must also maintain liaison with outside agencies and groups and be ready to carry out functions which affect many program areas such as assessment of effects of attack, food requirements and supply analysis, and requesting transportation, fuel, manpower, and other requisites necessary to support USDA program responsibilities.

All these functions are under the policy direction of the Special Assistant to the Secretary of Agriculture with day-to-day servicing provided through the Agricultural Stabilization and Conservation Service in accordance with Secretary's memorandum 1489. Except in Alaska, the ASCS Executive Director is chairman of the USDA State defense board and is also the ASCS representative.

All of these defense responsibilities of RLR's and USDA State and county defense board chairmen are unprecedented and time consuming. Some special financial arrangements are required to cover these new field activities which are Departmentwide in scope. Activities at the national level in the area of preparedness measures relating to food and the domestic distribution of farm equipment and supplies previously financed primarily from this appropriation will continue to be carried out and the cost absorbed at about the same level.

INCREASES

An increase of \$300,000 for defense liaison and management is requested consisting of—

(a) An increase of \$100,000 for defense regional liaison to provide for the employment of a regional liaison representative and a secretary at the headquarters of each of eight regions. The \$83,000 included in the original 1963 budget would finance the equivalent of only four full-time regional liaison representatives and eight secretaries on a half-time basis. In the current fiscal year the salaries and expenses of this inadequate staff are paid from allotments of funds from the Office of Emergency Planning and the Department of Defense. No funds will be available from this source in 1963. In addition, four regional liaison representatives are serving on a part-time basis in an acting capacity in addition to continuing other regular duties. The demands of their regular duties prevent them from spending enough time with State defense boards in their regions and they find it difficult to maintain effective liaison with regional representatives of the Office of Emergency Planning (OEP) and Office of Civil Defense of the Department of Defense (DOD).

The difficulty of maintaining adequate liaison at the regional level has increased with the establishment of separate OEP and DOD regional offices. The regional liaison representatives provide the only channel between OEP and DOD regions and USDA field offices. OEP also uses these channels to cover natural disaster inquiries and information. The regional liaison representatives are responsible for the development of the emergency plans which USDA will need at the regional level in order to direct USDA programs in an emergency when communications with national headquarters are cut off and to provide necessary coordination, liaison, and other services when communications are intact. More work on these plans must be done in the fiscal year 1963. The regional liaison representatives are receiving an increasing number of requests to provide technical assistance to USDA State defense boards on such matters as the preparation of plans for submission to the RLR's concerning requirements for nonfood items in an emergency. Such nonfood items include manpower, fuel, transportation, and so forth. The RLR's also interpret defense instructions of USDA national headquarters in terms of problems in particular States.

(b) An increase of \$200,000 for USDA State defense boards to provide for assistance to the chairmen of such boards where the need arises and is most critical. It would also provide secretarial and clerical assistance on the same basis. The estimate provides for an average of less than one-half man-year in each State.

USDA State defense boards consist of representatives of ASCS and seven other Department agencies. They are responsible for coordinating and supervising development of USDA emergency plans at the State level. The State boards are fully organized and planning guidance has been given to them so that they can carry out their assignments as time permits. In carrying out these assignments it is necessary, for example, for the chairman to maintain close liaison with outside agencies and groups and to take the lead in the development of effective working agreements with the State Government. County defense boards must be given guidance on a continuous basis to maintain interest and insure progress. Plans by individual agencies of USDA must be reviewed to insure coordinated programs for the State as a whole. The board chairman must take the lead in planning emergency board organization and staffing and in arranging to carry out emergency functions which cannot be assigned completely to individual USDA agencies, such as those relating to overall consolidation, analysis, appraisal, and reporting of attack damage.

All this represents a heavy defense workload which is not directly related to the regular work of the chairman. Experience has shown that many of the State chairman cannot carry out their defense duties and their other duties successfully without additional assistance.

EMERGENCY FOOD RESERVE PROGRAM

An amendment to the 1963 budget is proposed to enable the Department to meet emergency food needs in times of natural disaster and to carry out assigned civil defense responsibilities with respect to the establishment of emergency food reserves. It is proposed to conduct a pilot 1-year program to determine the feasibility of an emergency food reserve. This program would be carried out through the existing facilities of the Department for price support and surplus removal. This will involve the Commodity Credit Corporation and the perma-

ment appropriation provided by section 32 of the act of August 24, 1935, for removal of surplus agricultural commodities.

This amendment does not require any change in the appropriations but does involve increases in obligations and expenditures. The effect of this proposal on expenditures would be as follows:

Commodity Credit Corporation expenditures:

Budget estimate, 1963	\$2, 515, 528, 000
Revised budget estimate, 1963	2, 527, 933, 000
Increase	+ 12, 405, 000

Removal of surplus agricultural commodities (sec. 32) expenditures:

Budget estimate, 1963	235, 000, 000
Revised budget estimate, 1963	252, 595, 000
Increase	+ 17, 595, 000

Total increase, emergency food reserves	+ 30, 000, 000
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Need for budget amendment

While this proposal requires no specific action to be taken in the provisions of the appropriation bill, it is necessary to amend the 1963 budget to include the emergency food reserve program within the budgeted programs of the Commodity Credit Corporation. This brings the proposed program within the purview of the language normally carried in the bill in the preamble under the title "Corporations." This language, shown on page 168 of the committee print, reads as follows:

"The following corporations and agencies are hereby authorized to make such expenditures, within the limits of funds and borrowing authority available to each such corporation or agency and in accord with law, and to make such contracts and commitments without regard to fiscal year limitations as provided by section 104 of the Government Corporation Control Act, as amended, as may be necessary in carrying out the programs set forth in the budget for the fiscal year 1963 for such corporation or agency, except as hereinafter provided:" [Italic supplied.]

In view of the above language, the pertinent part of which is underscored, the budget amendment was necessary to bring the emergency food reserve program within the programs included in the 1963 budget of the Commodity Credit Corporation.

Description of program

Under this program it is proposed to provide an emergency food reserve and to initiate plans necessary to carry out the Department's food responsibilities under provisions of Executive Order 10958 and the stockpiling portion of Executive Order 10998. The pilot "emergency food reserve" program would be carried out in connection with the regular price support and surplus removal programs of the Department. It would be confined to commodities acquired by the Department under price support and surplus removal programs administered by the Agricultural Marketing Service and the Agricultural Stabilization and Conservation Service. Overall coordination would be provided by the Special Assistant to the Secretary of Agriculture responsible for defense activities of the Department. The proposed emergency food reserve program consists of the following three segments or pilot programs:

1. Direct distribution program foods comprised of approximately 346 million pounds of the 11 ready-to-use food items or similar items which are now being distributed to institutions, schools, and public assistance agencies.
2. CCC stocks of processed foods, primarily dairy products, but also including, when available, dry beans and rice in warehouses accessible to areas of possible urgent need.
3. Relocation of CCC wheat stocks to strategic areas where little wheat is now stored but where processing facilities are available.

The above three segments or pilot programs could provide in fiscal year 1963, on the average, about 2,000 calories per day for about 60 million people for 30 days. Implementation of these programs would represent an important initial step toward the provision of a reasonably adequate subsistence diet for, on the average, about one-third of our population. The numbers of people fed and the period of time that such food would last would depend, of course, on a number of factors such as rate of distribution in the event of an emergency and food

stockpiles available in the particular areas where food is needed. It is not intended that food from all three sources would be available on all areas as it is the plan to supplement food stocks normally in the pipeline or otherwise generally available in the particular areas.

It is proposed to carry out these activities through existing facilities and authorities of the Department for price support and surplus removal. Program operations would involve some additional program and administrative costs which would not otherwise be incurred under present programs of CCC and section 32. Since CCC may utilize its charter authorities to carry out those budget programs approved by Congress, the proposed amendment to the Corporation's 1963 budgeted activities would permit it to utilize such authorities to carry out its part of the food reserve program.

Purchases under surplus removal programs operating under section 32 have been, as a matter of normal operating policy, limited to quantities which would relatively promptly be channeled into outlets such as school lunch and relief channels. The pilot operation with respect to section 32 funds would be within the authority conferred by that section and would effectuate the purposes thereof, but required revision in the 1963 program with respect to increased activities.

Commodity Credit Corporation

In order to meet emergency domestic requirements, the Corporation pursuant to its charter authority, particularly section 5(c) thereof, proposes to place commodities from its price support inventories suitable for such requirements in locations where they will be available when needed. Under this program, the Corporation would place (1) food products which are available for distribution under section 416 and which are processed and packaged in form suitable for immediate emergency distribution, (2) food commodities in the form and packaging in which acquired and held for price support purposes, and (3) wheat stocks suitable for human consumption. To prevent loss and deterioration, commodities so placed would be rotated by disposition in other regular program outlets of the Corporation for which they are available and replacements made from price support inventories.

Establishment and management of the reserve would involve some transportation, storage, handling, processing and packaging, and administrative costs which would not otherwise be incurred under the regular program operations. Program costs for extra movement and storage of the commodities are estimated at \$11.7 million for 1963. Administrative costs to CCC in the fiscal year 1963 are estimated at \$690,000, and would be financed within the existing limitation on administrative expenses, utilizing the contingency reserve if necessary. Expenditures for the Commodity Credit Corporation as reflected in the 1963 budget would be increased by \$12,405,000.

Removal of surplus agricultural commodities (sec. 32)

The program set forth in the 1963 budget would be amended, as follows:

	<i>Estimated obligations</i>
Original 1963 budget.....	\$225, 000, 000
Amended 1963 budget.....	242, 595, 000
Increase.....	+ 17, 595, 000

The additional obligations include \$16,900,000 for procurement of commodities, \$550,000 for added transportation, storage, and related expenses, and \$145,000 for operating expenses.

PLAN OF WORK

The Department plans, through the "emergency food reserve" program to provide a backup reserve to help meet food needs in natural disaster situations and in the case of national emergency following an enemy attack. The public shelter food stocks provided by the Department of Defense and home stocks provide the food for use while local civil authorities following attack put into effect a food distribution control program. Rationing and mass feeding programs would first utilize retail food stocks, and wholesale stocks released by USDA for local use. These can be further supplemented in many instances by locally produced foods such as milk, meat, and eggs. The USDA "emergency food reserve" is designed to resupply wholesalers and to meet mass feeding requirements after the other stocks listed above become depleted in a postattack emergency situation in areas where transportation and the usual sources of food supply have been cut off. While these were being used, there would be time for much

of the wheat reserve (pilot project 3) to be processed into flour and other types of cereal products.

These USDA pilot program reserves would be located initially in selected food deficit areas which normally rely heavily on shipments of food from other areas. The types of "emergency food reserves" established will vary between areas and would depend, in part, on foods produced or normally available locally. Cooperative studies currently underway by the Office of Emergency Planning, Department of Defense, and USDA would be used as guidance in location of these food reserves.

Such a reserve would be built up in a manner that would avoid affecting markets or disrupting processing schedules. Procurement of such items as meat, lard, and any other items purchased with section 32 funds would be made only when there are market surpluses which need to be removed. Procurement would follow the same policies as in the past—the only difference being that a part of the items purchased would be held temporarily in stockpile warehouses rather than moving immediately to State agencies for direct distribution.

Pilot program 1, direct distribution program foods.—Under this program a food reserve of approximately 346 million pounds of processed ready-to-eat foods would be established in fiscal year 1963. These foods would be held as a part of the inventory of supplies in the distribution pipelines of the domestic direct distribution program. It would consist of the same commodities—in the same packaging—that are currently made available through section 416 and section 32 programs to schools, needy families, and eligible institutions. Commodities would be rotated through regular USDA domestic direct distribution programs as outlets developed and new supplies become available to replace them in the pipelines.

Commodity availability is dependent in large part on the kinds and quantities of foods which the Commodity Credit Corporation acquires under its price support program and those purchased under the Department's surplus removal program. Currently, 11 commodities, including beans, butter, processed cheese, cornmeal, flour, nonfat dry milk solids, rolled wheat, rice, lard, chopped meat, and peanut butter, are being distributed. Only those commodities which are normally available for regular programs would be made a part of the emergency food reserve. The domestic distribution outlets include schools, nonprofit tax-exempt charitable institutions, summer camps for children, and needy persons in family units. Not all commodities are available at all times to all outlets. The present program of distribution for the above-discussed 11 commodities represents an annual distribution of approximately 2 billion pounds. Therefore, approximately one-fourth of the total quantity of commodities distributed domestically would be rotated through the emergency food reserve.

Plans are to store such commodities in commercial facilities, unused military installations, and GSA warehouses, insofar as practicable. There is no plan to build any new storage in connection with this program. The general areas where such food would be stored will be based on estimates of where food shortages would be most likely to occur subsequent to any attack on this country. The purpose will be to store food where it would be available to meet postattack needs. It is impracticable, of course, to make a reasonable prediction of where natural disasters might occur. To the extent practical, warehouses would be selected in medium-sized cities and in areas considered to be relatively unlikely targets for an enemy attack, but from which transportation might be available.

The quantities to be added into the direct distribution pipeline would, for the most part, come from Commodity Credit Corporation stocks. As in the case with other commodities provided under section 416, CCC stocks would, to the extent required, be processed or repackaged into the form suitable for the direct distribution program. In the case of such commodities as are provided under section 416, the Agricultural Marketing Service would indicate the quantities desired and the general areas in which they should be located. The Agricultural Stabilization and Conservation Service for the Commodity Credit Corporation would arrange for the necessary packaging, processing, transportation, and storage. AMS would advise ASCS when such commodities should be rotated and where to send the items as they are moved from the reserves into direct distribution channels for immediate use.

In the case of commodities procured with section 32 funds (primarily canned meats, lard, and peanut butter) procurement for the food reserve would be planned by AMS in the same manner as for regular section 32 distribution. The procurement costs under section 32 would be increased by the amount to which surplus removal permitted building up of the direct distribution pipeline stocks as a part of the emergency food reserve. It is estimated that \$16.9 million would be the value of commodities added in the pipeline in fiscal year 1963.

Total commodity cost will be \$63.7 million—\$46.8 section 416 and \$16.9 section 32.

Added transportation, storage, and administrative costs for this program in fiscal year 1963 are summarized as follows:

Sec. 32 funds

(1) Added transportation, storage, and related expenses.....	\$550, 000
(2) Operating expenses, management:	
AMS.....	100, 000
ASCS.....	45, 000
Total, sec. 32 funds.....	695, 000

Commodity Credit Corporation

(1) Transportation, storage, and handling costs.....	4, 400, 000
(2) Administrative expenses—ASCS.....	225, 000
Total, Commodity Credit Corporation funds.....	4, 625, 000
Total.....	5, 320, 000

Administrative costs within AMS to (1) develop defense food reserve requirements, (2) designate areas of location of reserve stocks, (3) build the reserve, and (4) direct rotation of the reserve, are expected to approximate \$100,000 and 15 man-years. Additional persons are expected to be needed in AMS in Washington and the field to administer this program. This would be done primarily through a new unit to be established in the Food Distribution Division. These costs would be financed from section 32 administrative expense funds, following the normal procedure of paying from these funds the costs within AMS to distribute section 32 and section 416 commodities. It is estimated that \$45,000 would be needed by ASCS to defray expenses involved in contracting for storage, arranging outbound transportation, and maintaining inventory records. Administrative costs within ASCS are expected to total \$225,000 in connection with the CCC stocks used in the food reserve. This would consist of functions, such as contracting for storage, arranging outbound transportation, maintaining inventory records and necessary auditing. The program would be administered through established organizational units, by an addition of persons in Washington and the field.

Pilot program 2, relocation of CCC stocks of processed foods.—This program would involve the relocation of dairy products now owned by the Commodity Credit Corporation or which may be acquired by it as a result of price-support operations. Should suitable other commodities be acquired by CCC such as dry beans or rice, these also might be included. Cost estimates are based on relocation of approximately 683 million pounds of dry milk, butter, and cheese, to areas where they would be more accessible for use in an emergency. The primary difference between this program and pilot program 1 is that these items would, for the most part, be stored in the form in which they are acquired by Commodity Credit Corporation (without additional special processing or packaging) and Commodity Credit Corporation would not have a programed outlet for such foods at the time they go into storage. These items would remain a part of the Commodity Credit Corporation inventory and be available for sale or other types of approved disposition. Since the price-support program authorizes the purchase of dairy products in consumer-size package it is intended that, when such packaging is available, it would be used for stockpiling in locations where it would be to the advantage of CCC in minimizing overall costs.

Insofar as possible, such items would be stored near, but not in metropolitan areas. However, since cold storage is involved, and the amount of such storage outside of metropolitan areas is limited, some use of suitable storage in metropolitan areas would be made. This recognizes that storage in population centers increases its availability and that such stocks and the population they serve would be equally vulnerable. Inasmuch as such commodities would be stored by CCC in any case and the storage in defense locations is not expected to add to total costs, such charges would be borne by CCC rather than being charged to the emergency food reserve. Fiscal year 1963 added costs for this portion of

the food reserve program are estimated at approximately \$3.7 million annually, as follows:

Additional transportation costs.....	\$3, 214, 000
Transportation costs for shipment to Puerto Rico, Hawaii, and Alaska.....	120, 000
Administrative expenses.....	385, 000
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Total estimate.....	3, 719, 000

This amount would provide relocation of food supplies equivalent to about 300 calories per person per day for 57 million people for 90 days. Such foods would be available to supplement commodities provided by pilot programs 1 and 3 or from nonstockpile sources. The value of the commodities to be included is estimated at \$213 million. The procedures and techniques to implement this program would be similar to those currently in use in carrying out CCC price support programs. Administration would be largely through the ASCS commodity offices at Portland and Cincinnati.

Pilot program 3, relocation of CCC wheat stocks.—It is proposed to move approximately 24 million bushels of wheat in fiscal year 1963 to locations where they would provide increased availability of food for use in an emergency. Selection of locations for such wheat will take into account the availability of facilities for processing wheat into products normally used by families as well as the availability of suitable storage, and the movement of stocks of wheat from origins to ultimate or final destinations in a normal pattern insofar as is possible.

CCC already has in the west coast reserve fleet approximately 6,653,000 bushels of wheat and in the east coast reserve fleet approximately 29,910,000 bushels of wheat available for use in line with defense programs. Should the situation demand these ships have a special advantage of being movable and could be relocated most anywhere on the coastal areas to meet eventual needs. The Government plans no construction of facilities in connection with this program. There is no plan to move CCC bins in fiscal year 1963 for storage of wheat under this operation.

It is intended that this program fulfill the needs of a supplemental diet if other foods are unavailable and only in the direst emergency would this wheat be distributed to individuals in an unprocessed form. However, whole grain wheat, if cooked or even if eaten raw, provides a nutritious supplement to any other foods which might be available under critical circumstances immediately following a nuclear attack. Also, a wheat reserve provides a great amount of food availability at a minimum cost. This wheat or the products thereof when coupled with the dairy products from pilot program 2 or the processed foods in pilot program 1 would add greatly to our total national food reserve in the food deficit areas of the country.

It should be noted that the proposed wheat movement would be in addition to stocks of wheat now in commercial elevators or in ships in the food deficit areas. It is planned that wheat so located will be held by CCC in the designated emergency locations until such time as rotation becomes necessary.

The costs chargeable to the emergency food reserve would be computed as the difference between direct movements for export and movements to the reserve locations and subsequently moving such wheat into export position. The storage cost should be the same and therefore would be borne by CCC as would all other CCC wheat stocks. Costs of this program for 1963 are broken down as follows:

Excess transportation costs (estimated 14 cents per bushel).....	\$3, 381, 000
Added handling costs.....	600, 000
Administrative costs.....	80, 000
<hr/>	
Total.....	4, 061, 000

All of these costs would be borne initially by the Commodity Credit Corporation subject to recovery through restoration of capital impairment.

Summary of quantities and value of commodities in reserve as of June 30, 1963, under the 3 pilot programs

[In millions]

	Unit	Quantity	Value
Pilot program 1.....	Pound.....	346	\$63.7
Pilot program 2.....	do.....	683	212.7
Pilot program 3.....	Bushel.....	(24)	48.0
Flour equivalent.....	Pound.....	1,152	-----

Summary of additional costs in 1963 incident to emergency food reserves

The additional costs to the Department in connection with the emergency food reserve programs will involve the added transportation, handling, and administrative expenses, and the procurement of additional surpluses under section 32 which would be used to establish, in part, the reserve of processed foods which would constitute an additional outlet for these commodities.

The estimated additional costs in fiscal year 1963 are summarized as follows:

	Pilot program 1	Pilot program 2	Pilot program 3	Total
Commodity Credit Corporation:				
Transportation, storage, and handling costs.....	\$4,400,000	\$3,334,000	\$3,981,000	\$11,715,000
Administrative expenses.....	225,000	385,000	80,000	690,000
Total, CCC.....	4,625,000	3,719,000	4,061,000	12,405,000
Removal of surplus agricultural commodities (sec. 32):				
Commodity procurement.....	16,900,000	-----	-----	16,900,000
Transportation, storage, and handling costs.....	550,000	-----	-----	550,000
Administrative expenses.....	145,000	-----	-----	145,000
Total, sec. 32.....	17,595,000	-----	-----	17,595,000
Total, USDA.....	22,220,000	3,719,000	4,061,000	30,000,000

Mr. WHITTEN. Mr. Lennartson; I notice that you are asking for \$150,000. Have you a general statement?

Mr. LENNARTSON. I do, Mr. Chairman.

Mr. WHITTEN. We shall be glad to hear you.

AGRICULTURAL MARKETING SERVICE

EMERGENCY FOOD PLANNING ACTIVITIES

Mr. LENNARTSON. Mr. Chairman and members of the committee, thank you for the privilege of appearing before you today in connection with our amendment to the 1963 budget estimate.

To carry out plans for national defense, the President has assigned certain responsibilities to the Department of Agriculture. The Agricultural Marketing Service responsibility in this program is for pre-emergency planning and emergency operations relating to management of food supplies under a defense emergency situation.

The original budget for 1963 made provision for an increase of \$50,000 for emergency food management planning by the Agricultural Marketing Service. With this amount we could expand only slightly our current level of activity in this field. The work we have been doing has necessarily been confined to preliminary planning, determination of organizational assignments and delegations, and development of a general approach to the overall problem. The \$50,000

would permit development of some procedural material and the beginning of a program to orient Washington and field staffs to the importance of civil defense planning and responsibilities in case of emergency caused by nuclear attack.

In recognition of the importance, scope, and nature of food management, conservation, and distribution, which would be inherent in a nuclear attack emergency, an additional \$150,000 is requested for 1963. These additional funds would enable Agricultural Marketing Service to expand its emergency food management activities along three lines.

(1) We would undertake an inventory of the food processing and handling industries. This would involve a methodical assessment of the location, capacities, and types, as well as source of raw materials and patterns of distribution of the important food processing and handling industries. An inventory of this type is fundamental to food management in any emergency. It is basic to this type of emergency.

(2) We would begin the development of appropriate standby food orders and regulations essential to the management of existing and potential food supplies, their processing, storage, and distribution. To do this will require close cooperation with food industry representatives to facilitate work progress as well as industry understanding of the program objectives.

(3) We would develop and begin carrying out training programs at various levels of the organization in Washington and the field in the objectives and procedures of emergency food management. Continuity of operations under this type of emergency condition will require that the regular staff of the agency be adequately informed of their emergency assignments and responsibilities.

The principal phases of the work outlined above are fundamental to the development of an emergency food management program.

EFFECT ON CURRENT PROGRAM LEVEL

Mr. WHITTEN. Thank you, Mr. Lennartson.

How much did you spend on this program during the past fiscal year?

Mr. LENNARTSON. Throughout AMS we would estimate we are spending the equivalent of about \$150,000, about \$32,000 of which we obtained from the Office of Emergency Planning. The balance was absorbed within the agency with no direct appropriation for it. We would continue to do this, sir.

Mr. WHITTEN. How many man-years of time are you taking up with this kind of activity?

Mr. LENNARTSON. I would say something in the neighborhood of 10 to 15 man-years, with only four persons on a full-time basis.

Mr. WHITTEN. That is at present?

Mr. LENNARTSON. Yes.

Mr. WHITTEN. With this increased amount, how much manpower would you anticipate?

Mr. LENNARTSON. We are anticipating another 15 man-years with the \$50,000 reflected in the regular budget and the \$150,000 requested in the budget amendment. We would assign people specifically to

the job on a full-time basis rather than now and then or whenever it was possible for them to engage in some of the activities.

Mr. WHITTEN. In listening to the testimony here, and from various other things, it makes me wonder whether perhaps we are not overdoing this. I read your justifications, which is to bring together various and sundry information but I cannot see for the life of me how we can justify constantly increasing Government to meet this kind of a situation. You have available now I am sure catalogs that cover practically every branch of the food industry. In Washington, and various cities, you have CCC inventories which clearly show where they are and what is available in the way of commodities. It just strikes me that somewhere along the line, with this constantly increasing Government, we have got to draw the line. Were these funds requested by the Department or the Bureau of the Budget?

Mr. LENNARTSON. These were requested by the Department, sir.

PROPOSED USE OF ADDITIONAL FUNDS

Mr. WHITTEN. Just what would you do with this \$300,000? You have \$150,000 here plus the \$150,000 worth of time that the present people down there devote. What would you do?

Mr. LENNARTSON. I would say, Mr. Chairman, I have discerned a real desire on the part of the Department to organize its defense efforts. I think there is a better attitude or a clear-cut desire to take a more objective approach to it than in the past. We desire to do defense planning methodically as it should be done.

Mr. WHITTEN. Shouldn't we take advantage of that wonderful attitude down there, and let them show it as real Americans, and do it in spare time? Don't we penalize that fine attitude that you sense if we start giving them some new people to do it?

Giving them some new people might stifle it before it builds up to where they are willing to do it on their own.

Mr. LENNARTSON. I do not think so, Mr. Chairman. I think the "spare-time" approach has been one that has not permitted essential defense planning in the Department.

Mr. WHITTEN. I have been on this committee long enough to know that we can find out who has got what in just about every place in the United States right now. If that is true already, why do we need \$300,000 to put it in a new package?

Mr. LENNARTSON. I can respond to you, or the only way I can respond, Mr. Chairman, is we feel strongly that to do an adequate job of defense planning—even of the cursory nature this would permit—we need to assign specialists full time to the function of coordinating and developing.

Mr. WHITTEN. Outside of Japan where would we find specialists on nuclear attack?

Mr. LENNARTSON. I am speaking of specialists in the marketing field who could pull together this information.

Mr. WHITTEN. During World War II, we made marketing specialists out of elevator operators, so to speak.

Mr. LENNARTSON. We have no intention of doing that.

Mr. WHITTEN. Who are the specialists in this field we are talking about?

Mr. LENNARTSON. Who are the marketing specialists?

Mr. WHITTEN. In this particular field,

Mr. LENNARTON. In this particular field, the matter of methodically going ahead and determining what facilities are available, what capacity they have.

COORDINATION WITH OTHER AGENCIES

Mr. WHITTEN. How would this be coordinated with overall civil defense planning? How would your people fit in with the various other segments in this same area?

Mr. LENNARTSON. I have Mr. Rice here who is primarily responsible for this program in AMS. I would like to have him comment on that.

Mr. WHITTEN. Mr. Rice?

Mr. RICE. As to the question of how it would be coordinated with other defense activities of agriculture—

Mr. LENNARTSON. He said of the Government.

Mr. RICE. The main coordination between Agriculture and other departments comes from within the Office of the Secretary, Mr. Robert Reed, Special Assistant to the Secretary. He maintains the coordination within Agriculture as well. AMS coordinates the food management planning in the Department.

Mr. WHITTEN. Just describe briefly to me what this would consist of. Some years ago we had a man who put in a rather heavy charge against a drainage district that I happened to know about. He had a lot of days down there when he was in the city of Memphis and he was not even about the area where the drainage district existed. There was no evidence of any work. I asked him about these charges on these particular days where we saw no concrete evidence and he said that he charged them because he sat in his office and thought about them. Other than sitting in an office and thinking about these things, what would you do?

Mr. RICE. We have reached the point where on an absorbed cost basis we have done a substantial amount of planning with respect to—

Mr. WHITTEN. That is splendid generalities but let's go down to the details.

CURRENT ACTIVITIES BY FIELD OFFICES

Mr. RICE. USDA has in the field, State and county defense boards. On each of these State boards the Department has a man we call a food management representative. His job is to lead, on a part-time basis, the emergency food management planning in the State.

We recognize that the kind of emergency food management we would need in a nuclear emergency would be entirely different from anything we may have had in World War II or the Korean incident because of the great disruption of transportation and communications which would prevail.

Mr. WHITTEN. Mr. Rice, you may be right, and as you can tell I start off with a very, very skeptical, and candid point of view. But by that very fact I am giving you every chance to put everything on your side of it in the record. I may be wrong.

Mr. RICE. I think you should be skeptical, Mr. Chairman. We have, so far, been able to issue a handbook for the State and county

offices giving them very general and broad guidance in what we think would be necessary in an emergency in the way of food management. Obviously, we have not had any experience so we must try to visualize this as best we can. We have also issued in AMS itself what we call an AMS defense work program. This gives to each of the division directors a definite defense assignment to carry out in making emergency plans for the continuation of operations under postattack conditions.

We have reached the point, I think, where we have done about as much planning as we can without additional help because I think we need to give, and industry is asking for, specific guidance on what the Government wants it to do in the way of food planning.

I think unless we do have some assistance to coordinate this effort with industry and with the State and local governments we are going to have a lot of uncoordinated efforts being made, all of them sincere, I will grant you, but I think with this additional help we could make a lot more progress and do something to really make ourselves ready for an emergency, should it come.

Mr. WHITTEN. The Department of Agriculture has contributed greatly to a high standard of living. I think it has made it possible, with all the problems that we have, for relatively few on the farm to keep our high standard of living. But the Department of Agriculture as such are not especially experts in dealing with emergency, not nearly as much so as a volunteer organization such as the Red Cross, with its organizational setup and long history.

Your description is that we have a top man and second man and fellow in each State and they have just about used up their minds as far as planning is concerned and unless we get some new people—you are referring to planning now.

Mr. RICE. That is right.

Mr. WHITTEN. When it goes to carrying out programs, I can see that an increase in manpower might be needed. But when it comes to planning, you have about the equivalent of 15 man-years of planning now and you say that you have run out of planning and you need 15 more planners. That is when you lost me. As I say, I was hard to carry along to start with.

Mr. RICE. I can understand that completely, but we have not run out of plans, by any means. We have to be able, I think, to utilize the tremendous amount of know-how that exists in agriculture and in the industry and put it into practical terms and plans for an emergency.

We have carried it up to where we think this should be done, but we have nobody to go into industry and say, "Do you think this would work?" We could do this, but on a hodgepodge basis.

We have no continuity of work with industry or industry groups for making plans.

I would like to make one point: I am sure the chairman does not think that we are trying to substitute these new people for those who have been doing the work that has been done. By no means. We think that with additional help, however, we could utilize better the people who are contributing on a regular basis.

Mr. WHITTEN. The better questions I can ask, and the more skeptical I am, the better chance you have to give whatever answers you

have. I want to make it clear I want the best answers and I want you to put your best foot forward.

I think it might be just as well, since the other items are related, that we turn to them here. The first has to do with Agricultural Stabilization and Conservation Service, where an increase of \$300,000 is requested for this same purpose.

EMERGENCY FOOD RESERVE PROGRAM

Also, on page 3 of the President's message submitting this budget a new program is proposed in the last paragraph as follows:

In addition to the above items, it is proposed that the Department of Agriculture, in connection with its food stockpiling responsibilities, institute an emergency food reserve program. This program would be conducted under the charter authority of the Commodity Credit Corporation and under the authority for the removal of surplus agricultural commodities contained in section 32 of the act of August 24, 1935. It will consist of three components: (1) A reserve of foods regularly acquired under CCC price support and section 32 surplus removal programs to be processed and packaged in a form to be available for immediate distribution; (2) a reserve, primarily of dairy products, acquired under CCC price support programs to be held in the form and packaging in which acquired; and (3) the relocation of some wheat stocks acquired under the CCC price support program. No new obligational authority is involved and the bulk of the commodities would be those acquired by CCC under its price support program. Commodities in these reserves will be regularly rotated. It is estimated that 1963 expenditures for CCC and section 32 will be increased by about \$30 million. Of this amount, about \$12 million would be a part of the budget program of the CCC for the fiscal year 1963, necessary to cover the transportation and handling of CCC commodities under the program. The budget program for the CCC as set forth on pages 124 to 138 in the budget appendix is amended accordingly.

We are dealing with a \$14,500 million corporation here that has just about exhausted its borrowing authority. It has commodities and warehousing all over the United States. The officers of that corporation know where we have those commodities because they are paying for their storage. On dairy products, someone told me they had just about run out of available storage space.

Furthermore, this is an active corporation. It is one that is buying and selling annually, monthly, daily. It is in position always to determine location in connection with the cities where whatever it might have might be available.

It can do that in its orderly daily operations and it just strikes me that this, with all the problems Agriculture has to carry, is unnecessary. I feel somewhat differently from many; I think the total cost of food and fiber in this country is mighty small as compared with the costs that are passed on to the consumer as part of minimum wages, the right of labor to organize, the right of industry to pass on its markup, and subsidies on the maritime, airline, and other industries.

I noticed the other day Congress agreed to finance up to 60 percent for construction of certain ships. I am not in any way trying to condemn all those things. But with all the problems this committee has when it goes to the House floor, I personally do not see how we could justify the added expense involved in this request. I have lumped these three because I think the three are by and large one and the same thing.

Mr. Lennartson and Mr. Rice have presented their part.

Mr. LENNARTSON. Mr. Beach will comment on the next item.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

Mr. WHITTEN. Mr. Beach, do you have a general statement?

Mr. BEACH. I have a short general statement.

Mr. WHITTEN. You might give us your general statement and then we will proceed with questioning.

DEFENSE LIAISON AND MANAGEMENT

Mr. BEACH. Mr. Chairman, this increase of \$300,000 is essential to permit this Service to carry out adequately defense responsibilities at the field level, some of which have been financed by transfers no longer available from other agencies in the past years, and some of which are newly assigned. The increase of \$300,000 is related to two fairly distinct activities; those at regional levels and those at State levels.

The amount of \$100,000 for USDA regional liaison representation contained in this amendment, added to the \$83,000 already in the budget, would provide \$183,000 for the regional liaison representatives in the fiscal year 1963. This is the amount needed to cover expenses of a full-time regional liaison representative and a full-time secretary in each of eight regions. These are the same regions used by the Office of Emergency Planning and the Office of Civil Defense of the Department of Defense. In each case the regional liaison representative and his secretary would be located at the OEP- OCD regional headquarters.

USDA had a full-time regional liaison representative and a full-time secretary in each of the eight regions from the latter part of the fiscal year 1960 through the middle of the fiscal year 1962. Due to lack of funds, the number of full-time regional liaison representatives was reduced from eight to four in the middle of the fiscal year 1962, although the eight full-time secretaries were retained. Regional liaison representative assignments in the other four regions were given to employees with other regular duties, but with workload steadily increasing they have not been able to carry out the full range of regional liaison representative responsibility. The \$83,000 requested for the regional liaison representatives in the original 1963 budget would be sufficient only to continue the four regional liaison representatives on a full-time basis and the eight secretaries on a part-time basis or some equivalent arrangement. Since the original 1963 budget request was submitted there has been a stepup in activity making full-time regional liaison representatives desirable. Both the Office of Emergency Planning and the Office of Civil Defense of the Department of Defense have asked that this Department have a full-time representative in each of the eight regions.

The regional liaison representative is the main USDA representative at the regional level on defense and natural disaster activities. He and his staff must be prepared to carry out liaison and servicing responsibilities in event of an emergency, including direction of policy for all USDA programs in the region as long as communications with national headquarters are cut off.

The regional liaison representative is the only liaison channel between USDA and the Office of Emergency Planning and the Office of Civil Defense of DOD at the regional level on defense and natural

disaster matters. He coordinates development of plans by USDA agencies at the regional level. He also directs the development and maintenance of defense plans at the regional level which cannot be assigned to a particular USDA agency.

The regional liaison representatives are receiving an increasing number of requests from State defense boards for technical assistance in defense planning. Such technical assistance includes interpreting and carrying out planning instructions issued by USDA national headquarters through handbooks and other media.

The \$200,000 would be used to provide defense assistance for the USDA State defense board chairmen where the need is most critical. A defense assistant can follow through on determinations by the chairman of the board thus permitting the chairman to spend more time on basic issues.

A USDA State defense board has been established in each State and in Puerto Rico and the Virgin Islands. The chairman of the board in all cases except Alaska is the ASCS State executive director, and other board members include key representatives of seven other USDA agencies—Agricultural Marketing Service, Agricultural Research Service, Federal Extension Service, Farmers Home Administration, Forest Service, Soil Conservation Service, and Statistical Reporting Service. In all cases defense assignments have been given to the board members in addition to other regular duties.

Many USDA State defense board chairmen now have more work than they can do. The defense assignment is heavy. In an emergency the chairman would be responsible, under direction of an appropriate official at the national level, for administering all USDA programs in the State.

The chairman represents USDA in contacts with State government and other outside agencies and groups.

He must coordinate the development of defense plans at the State level. Each member of the USDA State defense board is responsible for plans to carry out his agency assignment, but it is the job of the board chairman to weld these agency plans into a coordinated whole.

The chairman must direct the development of emergency organization and administrative capability for the State defense board in an emergency. In so doing, he must give attention to staffing, organization, and the location and equipping of an emergency operating site. In addition, the chairman must supervise the planning of across-the-board services, for example, analysis and reporting of requirements for transportation, manpower, fuels, and effects of attack, on resources which cannot be assigned completely to a single USDA agency.

The chairman must guide the development of defense plans at the county level. This involves training in both administrative and program areas and a continuous review of progress.

The chairman serves also as an executive secretary of the State USDA disaster committee dealing with natural disasters, and he must be informed at all times of the progress of natural disaster activities in his State.

All these functions are sufficiently different from regular work of the chairmen that they require special attention. The funds requested would provide assistance to the chairman for managing the many facets and details of this important defense planning activity.

Mr. Chairman, we will be glad to answer any questions you or members of the committee may have.

EMERGENCY FOOD RESERVE PROGRAM

Mr. WHITTEN. Mr. Reed, you might proceed.

Mr. REED. I want to make one statement other than my printed testimony. That is to supply the committee with the secretary's memorandum No. 1489, dated February 1, 1962. That specifically spells out under the Executive orders from the President those duties that are given each agency within the Department of Agriculture.

Mr. WHITTEN. Mr. Reed, may I say in that connection, I think it is appropriate that this be included in the record and I certainly want the record to be full and complete in this connection.

(The memorandum No. 1489 follows:)

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., February 1, 1962.

SECRETARY'S MEMORANDUM NO. 1489

Assignment of Defense Responsibilities in USDA

SECTION 1. GENERAL

1. *Purpose.*—This Memorandum outlines the defense responsibilities of the Department of Agriculture and the organization for carrying them out at the national, regional, State, and county levels. It establishes responsibility for Departmental direction and coordination, and assigns major defense functions to USDA agencies doing related work, so as to build full capability into existing organization. Other defense assignments may be made from time to time. Defense responsibilities will be regarded as equal in importance to regular programs and activities.

2. *Summary of USDA Defense Responsibilities.*—The Department of Agriculture has been delegated defense program responsibilities relating to—

- a. Processing, storage, and distribution of food from the farm through the wholesaler level;
- b. Food production on farms;
- c. Domestic distribution of farm equipment and fertilizer;
- d. Use of facilities associated with food production, processing, storage, and distribution and domestic distribution of farm equipment and fertilizer;
- e. Salvage of food and rehabilitation of food facilities;
- f. Stockpiling of food;
- g. Protection of crops, livestock, and products thereof from biological and chemical warfare;
- h. Purity and wholesomeness of livestock, meat and meat products, poultry and poultry products in establishments subject to USDA inspection and commodities owned by the Commodity Credit Corporation or the Secretary;
- i. Research on matters relating to defense;
- j. Defense information and education program;
- k. Emergency credit;
- l. Rural fire defense and timber production, including production and utilization of forest products;
- m. Emergency use of soils and water;
- n. Agricultural statistics relating to defense;
- o. Radiological defense for agricultural purposes;
- p. Assessment of effects of attack on assigned resources;
- q. Claiming manpower, equipment, supplies, and services needed to support food and other program responsibilities;
- r. Analyzing food requirements and supplies;
- s. Cooperation with the Office of Emergency Planning on economic stabilization and rationing policies.

SECTION 2. RESPONSIBILITIES AT NATIONAL HEADQUARTERS

3. *Direction, Coordination, and Liaison.*—

a. The Special Assistant to the Secretary on Defense (referred to hereafter as Special Assistant) is responsible to the Secretary for directing the total defense planning program of USDA. This includes maintaining liaison with executive departments and the Congress with respect to policy matters, supervision and direction of USDA National, State and County Defense Boards and USDA Regional Liaison Representatives and providing policy guidance to USDA agencies in carrying out specific defense assignments. In an emergency, the Special Assistant would serve as a principal staff assistant to the Secretary for defense matters including estimating effects of the emergency and serving as claimant for requisites for the food and other USDA programs.

b. *USDA National Defense Board.*—A USDA National Defense Board made up of the heads of agencies with major defense assignments has been established to provide help and counsel as may be required by the Special Assistant on Defense in directing and coordinating the defense work of the Department. This Board will also assume responsibilities of the former Secretary's Defense Policy Committee and in an emergency will advise the Secretary on defense matters. Members of the Board as heads of their agencies will be responsible for carrying out the preemergency defense planning and providing technical direction to agency representatives in the field as needed to carry out the Departmental program.

4. *Agricultural Marketing Service.*—The Agricultural Marketing Service is responsible for preemergency planning and emergency operations relating to management of food supplies from the time they leave the farm through the wholesaler level and covering—

- a. Analysis of food processing, storage, and distribution capability;
- b. Control and other actions relating to food processing, storage, and distribution through the wholesaler level and the direct procurement of food as necessary under emergency conditions, including use of related facilities;
- c. Market quality and transportation and facilities research on matters related to AMS defense responsibilities;
- d. Salvage programs for food and rehabilitation of food facilities at and above the wholesale level except on farms;
- e. Inspection and grading of agricultural commodities and inspection for purity and wholesomeness of poultry and poultry products in plants subject to USDA inspection;
- f. Assistance to food processing, storage, and distributing industries including determination of their requirements for manpower, equipment, supplies, services, and credit;
- g. Claiming food for the civilian population;
- h. Analyzing food requirements in relation to supply and recommending basic food allocations to major food claimants;
- i. Advising the food industry of USDA plans for postattack food management;
- j. Radiological monitoring at assigned fixed monitoring stations and in poultry processing plants subject to AMS inspection and for agricultural commodities owned by the Commodity Credit Corporation or USDA (except those stored on farms, ranches, or at bin sites).
- k. Planning and carrying out in the preemergency period programs relating to stockpiles of processed foods and the management of such stockpiles in the emergency period.

5. *Agricultural Research Service.*—The Agricultural Research Service is responsible for preemergency planning and emergency operations covering—

- a. Defense against biological and chemical warfare in relation to crops, livestock, and products thereof and determination of the extent and effects of biological and chemical warfare agents employed by the enemy on agriculture;
- b. Inspection to insure the purity and wholesomeness of livestock, meat, and meat products in slaughtering and processing plants subject to continuous inspection of ARS;
- c. Research in support of defense planning and anticipated emergency operations except as noted under "Agricultural Marketing Service," "Economic Research Service," and "Forest Service."

d. Information and advice concerning equipment, chemicals, and other requisites needed in support of the assigned activities.

The Agricultural Research Service is also responsible for preemergency planning and operations and emergency operations relating to organizing, equipping, and directing a system of radiological monitoring.

ARS is responsible for all administrative functions on behalf of the Secretary relating to radiological safety within the Department. The ARS arranges with the Office of Civil Defense of the Department of Defense for the acquisition, use, and disposition of monitoring equipment. ARS arranges with OCD and by other means for the training of instructors in the use of monitoring equipment; gives general assistance to agencies of the Department in the training of monitors; develops and formulates the guidelines for use in determining the most efficient rehabilitation of affected agricultural lands and commodities; and coordinates radiological training and research within the Department and with OCD.

The radiological monitoring system includes assignments of responsibility to ARS for manning assigned Federal fixed monitoring stations and for maintaining a capability to monitor at meat slaughtering and processing plants and stockyards subject to continuous ARS inspection.

6. *Agricultural Stabilization and Conservation Service.*—The Agricultural Stabilization and Conservation Service is responsible for preemergency planning and emergency operations relating to production on farms of crops and livestock and the following related activities:

a. Production goals and food production program actions involving use of production facilities;

b. Programs for handling and storage of food on farms;

c. Assistance to farmers including determination of requirements for manpower, equipment, supplies and services, and administering actions relating to the domestic distribution of farm equipment, feed, seed, and fertilizer;

d. Developing a program for domestic distribution of farm equipment, feed, seed, and fertilizer, including use of related facilities;

e. Programs for salvaging of food on farms and rehabilitation of facilities on farms and farmland;

f. Planning and carrying out in the preemergency period programs relating to the management and stockpiling of CCC-owned commodities.

The following additional functions will be performed by ASCS as a coordinating service for the Special Assistant:

g. Consolidation of all claims for manpower, equipment, supplies, and services needed to support food and other program responsibilities of USDA and day-to-day contacts with resource agencies of Government;

h. Cooperation with the Office of Emergency Planning on economic stabilization and rationing policies;

i. Servicing USDA State and County Defense Boards and USDA Regional Liaison Representatives;

j. Coordinating activities relating to damage assessment and assessment of attack effects on food and related facilities and other resources that are USDA responsibilities;

k. On assignment, coordinate defense activities of agencies of USDA.

7. *Cooperative Extension Service.*—The Cooperative Extension Service is responsible for preemergency planning and operations and emergency operations covering—

a. Information to farmers and the food industry concerning their role in an emergency and educational assistance in reducing vulnerability of homes, crops, and livestock to either covert or overt attack;

b. Maintaining close working relationships with civic organizations and other local groups and information media to obtain understanding and support of USDA defense activities and support of responsibility included in (a) above;

c. Information and education services essential to carrying out the defense programs of USDA;

d. Information and education services essential to application of science and technology to meet emergency agricultural production goals.

8. *Economic Research Service.*—The Economic Research Service is responsible for conducting appropriate economic research to support defense planning and emergency operations. This will include analysis of food production resources and their capabilities and potential demand for food.

9. *Farmers Home Administration.*—The Farmers Home Administration is responsible for preemergency planning and emergency operations covering—

a. Emergency credit to farmers in support of the food production program;

b. Technical assistance relating to guarantees and other credit arrange-

ments for food processors and distributors in support of the food management program.

10. *Foreign Agricultural Service.*—The Foreign Agricultural Service is responsible for preemergency planning and emergency operations relating to—

a. The acquiring and analysis of information related to food and agricultural commodities on a worldwide basis by commodities;

b. In cooperation with the Department of State the assembling and analyses of food requirements for foreign allies and making recommendations regarding allocations;

c. Export controls under the Export Control Act, and import controls of agricultural commodities;

d. Support of the activities of international defense organizations, such as NATO and SEATO and their respective suborganizations concerned with food and agriculture whether carried on in this or other countries.

11. *Forest Service.*—The Forest Services is responsible for preemergency planning and emergency operations covering—

a. Prevention and control of fires in rural areas caused by effects of enemy attack (in cooperation with State government and appropriate Federal agencies) and determining damage to National Forests and other forested areas resulting from enemy attack;

b. Emergency protection, management, and utilization of National Forest timber, range, water, and related resources;

c. Emergency production, availability, and utilization of timber and timber products;

d. Information and advice concerning equipment, manpower, fuels, chemicals, and other requisites needed for carrying out the assigned activities;

e. Monitoring for fallout at designated fixed monitoring stations and on lands within National Forest boundaries and all State or privately owned forest and range land protected by the Forest Service under cooperative agreement;

f. Research in support of defense planning and emergency operations relating to management and utilization of forest resources and defense against rural land fires.

12. *Office of Budget and Finance.*—The Office of Budget and Finance is responsible for preemergency plans and emergency operations for the budgeting and financing of both administrative and program activities.

13. *Office of General Counsel.*—The Office of General Counsel is responsible for advice and assistance on legal aspects of food orders, and other proposed defense actions in preemergency and emergency periods.

14. *Office of Information.*—The Office of Information is responsible for defense information services at the national level in preemergency and emergency circumstances and or providing advice regarding proper use of informational media in the field.

15. *Office of Personnel.*—The Office of Personnel is responsible for preemergency planning and emergency activities relating to employee survival actions, assistance in staffing emergency groups within the Department and in developing procedures for recruiting and appointing personnel under postattack conditions.

16. *Office of Plant and Operations.*—The Office of Plant and Operations is responsible for preemergency planning and emergency activities relating to office space for employees, office equipment and supplies, reproduction of material, coordination of employee transportation, communications, and other administrative services essential under emergency conditions.

17. *Soil Conservation Service.*—The Soil Conservation Service is responsible for preemergency planning and emergency operations relating to effects of fallout on land use, and the availability and proper use of soils and water under emergency conditions. SCS will also monitor fallout at designated fixed monitoring stations and make necessary plans to monitor agricultural lands and water postattack and advise on safety for livestock. It will also make necessary plans for post-attack monitoring of farm commodities stored or harvestable on farms, ranches, and at bin sites.

18. *Statistical Reporting Service.*—The Statistical Reporting Service is responsible for obtaining and supplying agricultural statistics necessary to support defense planning and emergency operations.

19. *Agency Coordination, Organization, and Staffing.*—

a. Coordination: Each USDA agency or office with a defense assignment will coordinate its responsibility with related responsibilities of other USDA agencies or offices.

b. *Emergency Organization and Staffing:* The head of each agency or office given a defense assignment will consider the internal organization and staff which he would need in an emergency to carry out his assigned area of responsibility at the headquarters level. This organization will conform as nearly as possible to existing organization and existing organization units will be used whenever possible for defense planning.

c. *Assistance to Agencies:* Where existing units appear to be insufficient to carry out defense assignments, the responsible agency will work out arrangements for either setting up defense planning committees or utilizing staffs of other agencies to perform the necessary defense functions. The Special Assistant will continuously evaluate emergency functions of USDA agencies in order to determine priorities for emergency assignments to USDA personnel.

d. *Approval of Emergency Organization Plans:* When adaptations of current organization to meet an emergency have been worked out, they shall be submitted to the Special Assistant for approval.

SECTION 3. RESPONSIBILITIES AT THE REGIONAL LEVEL

20. *USDA Regional Liaison Representative and Staff.*—At the regional level, the USDA has eight Regional Liaison Representatives—one in each of the eight regions. Each RLR is assisted by representatives of the following agencies—

- a. Agricultural Marketing Service.
- b. Agricultural Stabilization and Conservation Service.
- c. Agricultural Research Service.
- d. Cooperative Extension Service.
- e. Farmers Home Administration.
- f. Forest Service.
- g. Soil Conservation Service.

21. *Preemergency Planning.*—Each USDA RLR is responsible for—
- a. Maintaining liaison with the Office of Emergency Planning, Department of Defense and other agencies of Government at the regional level;
 - b. Keeping USDA representatives in the field and at national headquarters informed;
 - c. Developing defense plans for carrying out assignments at the regional level;
 - d. Assisting in servicing the Chairmen of USDA defense Boards at the State level.

22. *Emergency responsibilities.*—In an emergency, each USDA RLR will be responsible to an appropriate official at the national level for—

- a. Liaison with DOD and other agencies of Government at the regional level;
- b. Claiming necessary manpower, equipment, supplies, and services needed to support essential USDA functions at the regional level;
- c. Keeping USDA representatives in the field and at national headquarters informed;]
- d. Working with the Chairmen of USDA State Defense Boards.

If communications with higher authority are cut off, each USDA RLR is responsible for providing policy direction for all USDA programs in his region until communications are restored. This includes policy direction to Chairmen of USDA State Defense Boards.]

SECTION 4. RESPONSIBILITIES AT THE STATE LEVEL

23. *USDA State Defense Boards.*—The USDA has a USDA State Defense Board in each State, plus one covering Puerto Rico and the Virgin Islands. Membership of each Board includes a representative of each of the following agencies:

- a. Agricultural Marketing Service.
- b. Agricultural Stabilization and Conservation Service.
- c. Agricultural Research Service.
- d. Cooperative Extension Service.
- e. Farmers Home Administration.
- f. Forest Service.
- g. Soil Conservation Service.
- h. Statistical Reporting Service.

Where there is a shortage of qualified personnel, agencies may arrange for personnel of other agencies to represent them on USDA State Defense Boards.

If such an arrangement is needed, the National offices of the agencies involved shall be requested to approve the proposed assignments. The Chairman of the USDA State Defense Board is generally the ASCS State Executive Director, who also represents ASCS on the Board. The ASCS State Office will provide supporting services, such as typing, filing, reproduction, and mailing for the Board.

24. *Preemergency Planning.*—The Chairman of the USDA State Defense Board, under direction of the Special Assistant, is responsible for—

- a. Maintaining liaison with the USDA RLR and State defense organization and other appropriate agencies and officials at the State level;
- b. Developing with his State Board an adequate organization and staff to carry out USDA responsibilities at the State level in event of emergency;
- c. Developing program plans at the State level covering assessment of attack effects; food requirements and allocations, claimancy for manpower, equipment, supplies, and services;
- d. Coordinating and guiding defense planning by representatives of each USDA agency at the State level in accordance with assignments listed in Section 2 above;
- e. Supervising and directing defense planning by Chairmen of USDA Defense Boards at the county level;
- f. Collecting and reporting data needed to support defense planning.

25. *Emergency Responsibilities.*—In an emergency, the Chairman of the USDA State Defense Board will be responsible, under direction of an appropriate official at the national level, for administering all USDA programs at the State level. This will include—

- a. Maintaining liaison with the USDA Regional Liaison Representatives, and representing USDA in relations with State government officials and with representatives of other appropriate agencies at the State level;
- b. Obtaining attack data and coordinating assessment of effects of attack;
- c. Determining food requirements and supply situation;
- d. Claiming necessary manpower, equipment, supplies, and services from control authorities;
- e. Directing and coordinating activities of the various USDA agency representatives at the State level in accordance with assignments in Section 2 above;
- f. Directing the activity of the Chairmen of the USDA County Defense Boards.

The Chairman will be assisted by other members of the Board and by the additional staff designated in the preemergency period. When communications with USDA national headquarters are cut off, the Chairman of the USDA State Defense Board will seek policy guidance from the RLR. Failing this, the Chairman of the USDA State Defense Board has authority to make all necessary program decisions.

SECTION 5. RESPONSIBILITIES AT THE COUNTY LEVEL

26. *USDA County Defense Board.*—The USDA has a County Defense Board in each county, except for metropolitan areas or other special situations. Membership of each Board includes, where available, a representative of the following agencies:

- a. Agricultural Stabilization and Conservation Service.
- b. Cooperative Extension Service.
- c. Farmers Home Administration.
- d. Soil Conservation Service.

Where possible, representation from Agricultural Research Service and Forest Service will be provided. In a metropolitan area it will usually be possible for an AMS representative to serve on the Board. Where there is a shortage of qualified personnel, agencies may arrange for personnel of other agencies to represent them on USDA County Defense Boards. If such an arrangement is made, the Chairman of the USDA State Defense Board will be notified. Except in certain metropolitan areas or other special situations, the Chairman of the USDA County Defense Board is the ASCS County Office Manager, who also serves as ASCS representative on the Board. The ASCS county office will provide supporting services such as typing, filing, reproduction, and mailing for the Board.

27. *Preemergency planning.*—The Chairman of the USDA County Defense Board, under direction of the Chairman of the USDA State Defense Board, is responsible for—

- a. Maintaining liaison with the county government defense organization and other officials in the county as necessary;

b. Developing with his County Board an adequate organization and staff to carry out USDA responsibilities at the county level in event of an emergency;

c. Developing program plans covering assessment of effects of attack, food requirements and supply analysis and claiming nonfood requisites;

d. Coordinating and guiding the planning done by representatives of each USDA agency at the county level in accordance with assignments listed in Section 2 above;

e. Collecting and reporting data needed to support defense planning.

28. *Emergency Responsibilities.*—In an emergency, the Chairman of the USDA County Defense Board will be responsible to the Chairman of the USDA State Defense Board for the following functions, when communications are intact:

a. Maintaining liaison with county government and other officials at the county level;

b. Obtaining attack information and coordinating assessment of effects of attack;

c. Coordinating development of food requirements and supply data;

d. Claiming nonfood materials and manpower;

e. Directing and coordinating activities of USDA agency representatives in the county, in accordance with assignments listed in Section 2 above.

In an emergency, when communications with higher authority are cut off, the Chairman of the USDA County Defense Board has authority to make all necessary program decisions.

SECTION 6. SUPERSEDEANCE OF EXISTING DIRECTIVES

29. *Superseded Documents.*—This Memorandum supersedes and cancels the following documents:

a. Statement of June 1960 entitled "Defense Mobilization Planning To Assure Continuity of Essential Functions in Event of Civil Defense Emergency" and related Secretary's Memorandum No. 1443 of July 15, 1960;

b. Memorandum (classified) of December 1959 related to assignments of defense responsibilities to officials of USDA at the national level;

c. Secretary's Memorandum 1346 of March 3, 1954, entitled "Assignment of Defense Mobilization Functions Within the U.S. Department of Agriculture and Related Delegations of Authority" and supplements to Secretary's Memorandum 1346;

d. Secretary's Memorandum No. 1350 of March 30, 1954, entitled "Activities Under the Federal Civil Defense Act of 1950 as Amended";

e. Secretary's Memorandum No. 1376 of April 20, 1955, entitled "Implementation of Defense Mobilization and Civil Defense Responsibilities" and its supplements;

f. Secretary's Memorandum No. 1427 of August 26, 1958, entitled "Liaison and Coordination of Defense and Civilian Mobilization Activities";

g. Secretary's Memorandum No. 1430 of May 22, 1959, entitled "Responsibilities for Radiological Monitoring";

h. Secretary's Memorandum No. 1437 of January 18, 1960, entitled "USDA Regional Liaison Representatives";

i. All USDA emergency organization charts (classified and otherwise) which were in existence prior to the date of this Memorandum.

30. *Review of other documents.*—Each Official of USDA given responsibility by this Memorandum will examine the defense documents which he or his predecessor has issued. Any which are inconsistent with provisions of this Memorandum will be canceled or updated.

CHARLES S. MURPHY, *Acting Secretary.*

Mr. WHITTEN. I hope you will supply any information to support the budget request that you have with you or that you think you have. I may appear to be critical, and I have been to some degree, but I think this is one area where we must approach it carefully.

SECRETARY'S MEMORANDUM ON NATIONAL DISASTERS

Mr. REED. I want to supply the Committee with a copy of Secretary's Memorandum No. 1502 dated May 28, 1962, in an effort to give particularly Congressmen and the public in general one place to go when they want help in connection with natural disasters.

Mr. WHITTEN. We will be glad to have that included in the record at this point.
(Memorandum No. 1502 follows:)

U.S. DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., May 28, 1962.

SECRETARY'S MEMORANDUM NO. 1502

Assignment and Coordination of Natural Disaster Responsibilities in USDA

SECTION 1. GENERAL

1. *Purpose.*—This Memorandum outlines the natural disaster and emergency responsibilities of the Department of Agriculture and the organization for carrying them out at the National, regional, State and county levels. It establishes a central point within the Department for assembly of information relative to natural disasters and for overall coordination of the natural disaster programs. It assigns major natural disaster functions to USDA agencies doing related work. It provides for use of the experience gained in dealing with natural disasters in building a capability to handle USDA defense responsibilities.

2. *Summary of USDA Natural Disaster and Emergency Responsibilities.*—The Department of Agriculture has the following natural disaster program responsibilities:

- a. Provide assistance where needed to assure safe and adequate food in natural disaster areas;
- b. Provide assistance to farmers in maintenance of their livestock and repair of damage to farms;
- c. Salvage of agricultural commodities and facilities affected by the natural disaster;
- d. Provide credit where not available from other sources for restoration of farms and farm facilities and for continuing normal farming operations;
- e. Control of plant diseases and insect infestations;
- f. Control of contagious and infectious livestock diseases;
- g. Perform emergency measures necessary to suppress fires on or adjacent to national forests and provide aid in suppressing other rural fires;
- h. Extend credit and provide technical assistance for restoration of electric and telephone service by REA financed systems;
- i. Give technical advice on emergency protection and rehabilitation;
- j. Provide and encourage utilization of insurance of crop investments against loss from the many natural hazards beyond the farmer's control.

SECTION 2. COORDINATION AND LIAISON

3. *National level.*—The Special Assistant to the Secretary on Defense (referred to hereafter as Special Assistant) is responsible to the Secretary for coordinating and facilitating operations of natural disaster programs of USDA. This includes maintaining liaison with executive departments and the Congress with respect to natural disaster matters. Each agency shall inform the Special Assistant of requests for its programs and of the commencement, scope, and termination of any program which is undertaken by the agency. Within the broad general guidance and coordination provided, each agency will continue to carry out its own program responsibilities. The Special Assistant may call on the USDA National Defense Board to provide needed advice.

4. *State level.*—In order to provide a point of contact in each State where information will be available on USDA agency operations with respect to natural disasters or other emergency programs, each USDA agency which administers such programs through offices within the State shall advise the Chairman of the USDA State Defense Board of program actions undertaken in that State with respect to any disaster or emergency. Agencies which operate emergency programs from area offices or through agreements with State Government agencies shall utilize other available means of keeping the appropriate USDA State Defense Board Chairman advised of disaster or emergency actions undertaken. The USDA State Defense Board Chairman will assist in the exchange of such information between USDA agencies and other Government agencies which have need for the information. Other USDA agency representatives who receive inquiries in connection with overall USDA disaster activities within the State shall refer

such inquiries to the Chairman. Except for his responsibilities as a focal point for information on all USDA emergency activities, the State Defense Board Chairman will not have direct responsibility for the administration of any natural disaster program except those programs for which he has responsibility in his agency capacity.

SECTION 3. ASSIGNMENTS OF RESPONSIBILITIES TO AGENCIES

5. *Agricultural Marketing Service.*—The Agricultural Marketing Service is responsible for the following functions in connection with natural disasters:

- a. Arrange for release of foods available for direct distribution programs for use in feeding needy persons under emergency or disaster conditions;
- b. Assist, as appropriate, in obtaining freight rate reductions to facilitate the movement of necessary hay and feed supplies to areas affected by natural disasters or in the movement of livestock from such areas to other areas where adequate pasture or forage exists;
- c. Carry out programs necessary to assure a wholesome supply of poultry and poultry products.

6. *Agricultural Research Service.*—The Agricultural Research Service is responsible in natural disasters for the operations covering—

- a. Control of animal and plant diseases and insects (except forest pests);
- b. Carry out necessary control measures to eradicate or prevent spread of such plant and animal diseases and insect infestations;
- c. Carry out programs necessary to assure a wholesome supply of meat and meat products.

7. *Agricultural Stabilization and Conservation Service.*—The Agricultural Stabilization and Conservation Service is responsible in case of natural disasters for programs relating to farm production of crops and livestock affected and for necessary measures for conservation and restoration of farmland including—

- a. Donation of CCC-owned feed grain to provide relief for livestock when needed as a result of a disaster;
- b. Sale of CCC-owned feed grain in designated emergency areas;
- c. Authorization of grazing or haying on conservation reserve acres or other acres under supply-adjustment programs;
- d. Provision for emergency conservation measures to control severe wind damage of farmland or to rehabilitate farmlands damaged by wind erosion, floods, hurricanes, and other natural disasters;
- e. Emergency wildlife feeding assistance and provision of measures for protecting farm crops from heavy concentrations of migratory waterfowl and protecting both migratory and resident wildlife.

8. *Cooperative Extension Service.*—The Cooperative Extension Service is responsible for providing advice to farmers on cleanup of damage property, sanitary measures, water supply and sewage disposal, insect infestations, disaster-caused power failures, feed and water for livestock and many other problems of safety and welfare that accompany a major disaster.

9. *Farmers Home Administration.*—The Farmers Home Administration is responsible for making emergency loans available to farmers in areas designated by the Secretary upon his finding that natural causes have created a need for agricultural credit which cannot be met temporarily by responsible local sources. Emergency loans may be made to enable farmers to resume their normal farming operations, including the rehabilitation and repair of farm facilities, the purchase of feed for livestock, farm operating and living expenses, and for other related purposes.

The Farmers Home Administration is also responsible for recommending to the Secretary, in accordance with established procedures, the designation of natural disaster areas in which emergency loans may be made. The Special Assistant and State and County USDA Defense Board chairmen should be informed by FHA of emergency loan designations as they are made.

10. *Rural Electrification Administration.*—The Rural Electrification Administration is responsible for providing credit, advice, and technical assistance on restoration of electric power and telephone service.

11. *Forest Service.*—The Forest Service responsibilities in a natural disaster include—

- a. Assistance to the States in control of forest fires including providing trained overhead suppression forces, equipment, materials, and supplies as may be required to meet the emergency;
- b. Provide fire control on national forest and adjacent lands;

c. Provide emergency forest pest control on national forests and, in cooperation with State agencies, on State and privately owned forest lands;

d. Provide assistance, including use of equipment, materials, and supplies in flood, hurricane, and other similar disasters.

e. Restore facilities and perform other emergency measures on national forest lands damaged by natural disasters.

12. *Soil Conservation Service.*—The Soil Conservation Service is responsible for providing technical assistance in the rehabilitation of disaster-damaged agricultural lands, emergency protection against high water, loan of heavy earth-moving equipment, and assistance in transportation problems when major highways cannot be used.

13. *Federal Crop Insurance Corporation.*—The Federal Crop Insurance Corporation is responsible for providing immediate service to insured farmers through indemnity checks when natural disasters destroy their crops and providing farmers through its insurance guarantees a risk-sharing way to strengthen their financial and credit status following natural disasters.

SECTION 4. PROGRAM ADMINISTRATION

14. *Agency Programs.*—Each of the USDA agencies assigned natural disaster responsibilities under Section 3 shall develop and maintain the appropriate program or programs needed to carry out these assignments. The administrative channels and procedures established to carry out assigned defense responsibilities shall be utilized to the extent feasible. Whenever possible, the agency representative with responsibility for the agency program in a defense emergency should also direct or coordinate agency responsibilities relative to natural disasters in the same area. Natural disaster operations should be utilized to develop a capability to meet a National defense emergency and programs and procedures developed to handle natural disaster shall, to the maximum extent possible, be the same plans or adaptations of the plans to be used in a defense emergency.

15. *Natural Disaster Requests to USDA Field Officers.*—Any USDA county or other field office employee receiving a request for natural disaster assistance shall refer such a request—

a. If within his own agency's area of responsibility, to the agency's county, State, or National office, as appropriate;

b. If outside of the area of responsibility of his own agency, to the responsible agency official.

Each agency official operating at the county or local level is responsible for keeping the Chairman of the USDA County Defense Board advised of natural disaster activities of his agency within the county.

16. *Liaison With OEP Area Officers.*—Liaison with the Area Offices of the Office of Emergency Planning (OEP) relative to natural disasters shall be provided by the USDA Regional Liaison Representatives following directions from the Special Assistant. These USDA Regional Liaison Representatives will serve as a clearing house for exchange of information on requests for disaster assistance, but will not participate in the operation or direction of agency programs.

17. *Liaison With Other Federal Agencies.*—The Office of the Special Assistant shall have primary responsibility for maintaining and coordinating liaison with agencies outside USDA at the national level on natural disasters.

18. *State and County USDA Disaster Committees.*—All State and County USDA Disaster Committees are hereby established as subcommittees of the State and County Defense Boards. These natural disaster subcommittees shall continue to be called State and County USDA Disaster Committees and shall retain the authority and functions previously performed. The membership of the State USDA Disaster Committee shall comprise the Chairman, ASC State Committee, who shall also be chairman of the State USDA Disaster Committee, and the State Directors respectively of the Extension Service and the Farmers Home Administration. The County USDA Disaster Committee shall comprise the Chairman, ASC County Committee, who shall also be Chairman of the County USDA Disaster Committee, the County Extension Agent and the County Supervisor of the Farmers Home Administration. The Chairman of the State and County Defense Board respectively shall be the Executive Secretary of the State and County USDA Disaster Committee. The Executive Secretary of the State and County USDA Disaster Committee respectively shall be responsible for keeping members of the Defense Boards fully informed of requests for disaster assistance and of commencement, scope and termination of approved programs.

SECTION 5. SUPERSEDEANCE OF EXISTING DIRECTIVES

19. *Superseded Documents.*—This Memorandum supersedes and cancels Secretary's Memorandum No. 1459, "Assignment of Responsibility for Disaster Relief and Distress Programs," and any parts of other documents which are inconsistent with this Memorandum.

ORVILLE L. FREEMAN, *Secretary.*

Mr. WHITTEN. Will you proceed with your general statement, Mr. Reed?

GENERAL STATEMENT

Mr. REED. Mr. Chairman and members of the committee, I am Robert S. Reed, special assistant to the Secretary, and I am here today to explain our plans for initiating action to carry out the Department's assigned food stockpiling responsibilities and to answer any questions which you gentlemen may have. My responsibilities include coordination for the Secretary of both the Department's defense work and natural disaster operations. This includes coordination of the various agency programs in these fields.

The program I am here to explain today is an example of our efforts to integrate special defense plans with our regular Department programs. Our emergency food reserve program is designed to utilize foods acquired by the Government as a result of regular price support and surplus removal operations to build up limited stocks in areas where they would be readily available in case of an emergency. This is a 1-year pilot program to determine the possibility of establishing the type of emergency food reserve that would meet minimum food needs under emergency conditions. These stocks will be rotated through the Department's current direct distribution program to schools, needy people, and certain eligible institutions. In case of a natural disaster, these reserves, like other foods in the direct distribution system pipelines, could be used to meet natural disaster emergency needs. In part, the same distribution channels as are used to meet natural disasters and to distribute to the schools and other direct distribution outlets would be utilized in a defense emergency.

The pilot programs included in this defense food reserve will result in only a very slight increase in Government-owned food stocks. Of the total of over a billion pounds of processed foods in parts one and two of the program, over 95 percent would come directly or indirectly from CCC stocks acquired as a result of price support operations. A relatively small amount of canned meats, lard or shortening, and other items procured as a result of section 32 surplus removal operations would be the only net addition to the Government stocks.

The three parts of the proposed defense food reserve program may be briefly summarized as follows:

1. Direct distribution program foods comprised of approximately 346 million pounds of the 11 ready-to-use food items or similar items which are now being distributed to institutions, schools, and needy families.

2. CCC stocks of processed foods, primarily dairy products, but also including, when available, dry beans and rice in warehouses accessible to areas of possible urgent need.

3. Relocation of CCC wheat stocks to strategic areas where little wheat is now stored but where processing facilities are available.

The emergency food reserve program was developed taking into account the recommendations of the congressional committees with which this matter has been discussed. In general, their recommendation was that any food reserves should be primarily processed foods which would be readily available for use immediately following an attack. The food reserves which would be established if this program is approved, in general meet these criteria. It is our intention that such foods would be used to support the food distribution programs established by the State and local civil authorities. In other words, for the first few days subsequent to an attack, primary reliance would necessarily be for food in shelters and in homes.

Presumably there would be a freeze on wholesale and retail distribution while civil authorities are putting into effect their plans for a food distribution program. Also, in some areas, it may be that radiation will make activities during these first few days unsafe. Initial stocks to support the State or local food distribution control program would be those in the retail stores and certain day-to-day produced foods. USDA will also release certain wholesale stocks under its control to support such a program.

The defense food reserve would be utilized as retail and wholesale stocks become depleted to support the State governments' food rationing program and any mass feeding operations which may be necessary. In general, the use of such defense food reserves would probably not begin for 1 or 2 weeks after an attack. This means that such reserves must be in relatively close proximity to the eventual destination, but may be stored a short distance from population concentrations. By the time that such supplies will be needed, at least a limited amount of local transportation should be possible. The primary purpose of such reserves is to meet local requirements until the national transportation system can be restored to a degree making possible shipments of food between major sections of the country.

Pilot program 1 is designed to increase stocks of food in the direct distribution pipelines, for the normally food-deficit sections of the country. Plans are to store such commodities in commercial facilities, unused military installations, and GSA warehouses, insofar as practicable. There is no plan to build any new storage in connection with this program. The general areas where such food would be stored will be based on estimates of where food shortages would be most likely to occur subsequent to any attack on this country. The purpose will be to store food where it would be available to meet post-attack needs. It is impracticable, of course, to make a reasonable prediction of where natural disasters might occur. To the extent practical, warehouses would be selected in medium-sized cities and in areas considered to be relatively unlikely targets for an enemy attack, but from which transportation might be available.

The size of this initial program, 346 million pounds, is about one-fourth of the quantity that could be rotated annually through present domestic direct distribution outlets. The program could be further expanded if the experience gained in the initial pilot phase indicates that this is feasible and if the situation so requires.

Pilot program 2 is concerned with relocation of CCC stocks of ready-to-use foods, primarily in the form and container sizes in which acquired under price-support programs. This will consist mostly of dairy products. However, when available, dry beans and rice may also be included. Because of the large accumulation, the Commodity Credit Corporation is already finding it necessary to move portions of such stocks, and emphasis will be on relocating such stocks in the food-deficit areas and where they will be available to supplement other available types of food. Generally speaking, these products will not be stored in the same area as foods from pilot program 1. While some of the same foods are included in both pilot programs 1 and 2, the difference is that the items in pilot program 1 would be processed into the size containers and forms in which they are normally distributed before going into storage, while those items in pilot program 2 will generally be stored in the form acquired by CCC.

The size of pilot program 2 depends on the inventories of CCC. The pilot nature of this program is to gain experience in how CCC stocks can be managed to serve both as a stockpile, and at the same time, be available to meet any market requirements that may develop. It should be recognized that the total quantity of foods contained in this part of the food reserve will vary both seasonally and from year to year.

Pilot program 3, which concerns relocation of CCC wheat stocks, should be regarded as a supplement to the other food reserves and usually would be utilized after reserves in pilot program 1 have become depleted. Wheat products resulting from processing of the wheat reserve together with the dairy products in pilot program 2 provide excellent supplements to other kinds of locally produced foods for use in an emergency. Relocation of pilot project wheat would be limited to 24 million bushels which is only a little over 2 percent of Government stocks. This relatively small proportion of our wheat stocks would be moved to food deficit areas where little or no wheat is now normally stored. The intent is that such wheat, subsequent to an attack could be processed locally if in-shipments of cereal products cannot be received due to transportation difficulties. We intend that all such wheat would be processed into cereal products before emergency distribution. I would like to underline that statement. The relocation of wheat to the areas where such supplies are not now available would provide the same type of backup food reserves in these areas which is now provided in the rest of the country by CCC storage stocks.

Plans are for all wheat relocated for defense purposes to be located in facilities currently owned by the Government or in commercial grain storage warehouses. There is no plan to move CCC bins or construct new Government storage in connection with this wheat movement. For this reason, the location of the emergency food reserve stocks will be in part influenced by the location of suitable storage facilities.

In the case of all three phases of the proposed defense food reserve, the locations of food stocks will be related to probable postattack

needs. Results of studies currently underway cooperatively with the Office of Civil Defense of the Department of Defense, and the Office of Emergency Planning will be used. This will provide us with guidance both as to the relative vulnerability of specific sites and the relative need of additional food stocks to meet emergency requirements.

USE OF WHEAT FOR FOOD IN NATIONAL EMERGENCIES

I would like to add one point. Due to the rather unfavorable publicity we received about the projected or possible storage of wheat under last year's presentation, I have a separate paper here which discusses the use of wheat for food in a national emergency, the main point of which is, there is no plan to distribute wheat as wheat.

Mr. WHITEN. We will be glad to have that included in the record. (The document follows:)

U.S. DEPARTMENT OF AGRICULTURE

WASHINGTON, D.C.

THE USE OF WHEAT FOR FOOD IN A NATIONAL EMERGENCY

In a national emergency, stocks of foods in homes and public shelters will feed people until local civil authorities put into effect a food distribution control program. Local authorities with support from USDA will then administer mass feeding programs and rationing, initially using retailers', wholesalers', and processors' stocks. These stocks can be supplemented in many instances by locally produced foods such as milk, meat, and eggs. As these commercial food supplies are depleted, USDA plans to draw on processed foods from the "emergency food reserve" (USDA-owned food stocks stored at strategically located points for use in a national emergency), to replenish wholesaler stocks. While these other food stocks are being drawn upon, especially where transportation and the usual sources of food supply have been cut off, plans are that wheat owned and stored by USDA can in the meantime be processed.

Whole grain wheat is a good product to store to supplement processed cereal products such as flour, rolled wheat, rice, and cornmeal which will also be a part of the reserve. USDA has large quantities of wheat acquired through price support activities. Some of it can be moved to strategic places throughout the country with a minimum of additional cost for transportation and handling. Whole wheat is less expensive to store than processed foods and has a much longer storage life than most of the processed wheat products. In an emergency, wheat products could be processed out of the strategically placed reserve wheat.

From the standpoint of nutrition, wheat products are an economical source of energy, and can provide a significant amount of protein and other essential nutrients. For example, three-fourths of a pound of whole wheat products provide 1,100 calories or 37 percent of the recommended peacetime daily allowance for an adult man according to the National Academy of Sciences-National Research Council. It would also provide 50 percent of the amount of protein recommended daily for an adult man, 80 percent of the iron, 18 percent of the calcium needs, 100 percent of the thiamine, 75 percent of the niacin, and 20 percent of the riboflavin.

The 24 million bushels of wheat proposed to be relocated as a defense reserve would be the equivalent of about 1.2 billion pounds of 80 percent extraction whole wheat flour. Assuming that wheat products would constitute about half of the postattack daily ration (1,100 calories), this wheat reserve would be sufficient to supply cereal products equal to half the total food needed for 60 million people for about 30 days. These cereal products, together with currently pro-

duced foods and the dairy products included in the defense food reserves, would assist areas isolated by an attack to maintain a nutritionally adequate diet while transportation, refrigeration, and other facilities are being restored.

A large number of commercial facilities now process wheat into such diverse forms as flour, breakfast cereals, rolled wheat, bulgur, ready wheat, and cracked wheat. In an emergency, these facilities would be utilized to process the wheat reserve where available, but their possible unavailability would not make the wheat reserve useless.

There are many local facilities normally used for processing other types of food which could, in an emergency, be utilized to process wheat into a form that requires less cooking. Some grocery stores have small mills for grinding whole grain wheat. Coffee grinders will produce a usable coarse whole wheat flour. Many farms have feed grinders which could be used for the same purpose. Commercial feed mills usually have grinding equipment and some have rolling equipment suitable for converting wheat into highly nutritious products. Many such facilities either have their own sources of power or could be operated from alternate sources while commercial electric power service is being restored.

The wheat cereal products resulting from emergency processing of wheat will be both nutritious and highly palatable, and the products resulting would not necessarily be an unfamiliar type of food. Whole wheat flour is preferred by many people. Many people cook and use coarse ground wheat, cracked wheat, and whole wheat as breakfast cereals. Rolled wheat, like rolled oats, is a commercially marketed product used both as a cereal and in baked products.

The primary reason for keeping some wheat in grain form rather than in processed form is cost and storability. Flour is expensive to store in a stockpile and requires frequent rotation or expensive packaging. The same is true of most other processed cereal products. Wheat, by contrast, can be stored for 5 years or more in most parts of the country without any serious deterioration in nutritional quality. It can be stored less expensively than processed products, in commercial storage, surplus ships, or in other Government-owned facilities. Generally speaking, relocating wheat in an emergency food reserve would provide more food per dollar of cost than stockpiled processed foods.

There is no thought of passing wheat out to people to eat in unprocessed form. In an emergency, USDA State and county defense boards would take the necessary steps to get such wheat processed, available for mass feeding, or into the hands of wholesalers to replace depleted stocks of cereal products. USDA defense boards have the authority to make such arrangements. They will, when this program is put into effect, be provided with specific instructions on how to handle any USDA defense food reserves including wheat stocks in their area of responsibility. They will be given instructions to follow in getting wheat processed for emergency use.

COST OF CIVIL DEFENSE ACTIVITIES

Mr. WHITEN. Mr. Reed, I would hope that someday, somehow, and somewhere we might pull our burdensome reserves down to a more manageable level.

Mr. Marshall, a former member of this committee, and I, joined by others, were of the opinion that payment-in-kind was the way to do that, with regard to many of these commodities. I was never in favor of payment in cash when you could pay in kind. But with all the problems we have and with the figures that we have to pass judgment on, and take before the whole Committee on Appropriations, and then before the House of Representatives, I would hate to go out there and say that \$30 million or \$40 million or \$50 million of this is for moving commodities around from one place to another.

Mr. Reed, what is the estimated cost of this whole thing, including Mr. Lennartson's part, Mr. Beach's part, your part, and the Commodity Credit Corporation's part? What is the total cost in dollars?

Mr. REED. The section 32 expenditures under this to fill the pipeline are recoverable. They amount to about \$17 million.

Mr. WHITTEN. You wouldn't recover any freight would you?

Mr. REED. No; I am talking about the commodities involved.

Mr. WHITTEN. Section 32 is 30 percent of import duties on everything coming in this country, that is set aside for the purpose primarily of getting rid of surpluses—either by providing new uses or by exportation. How would it be recoverable if you are going to put it in storage and keep it until an emergency?

Mr. REED. That is the point. In the case of the purchases under section 32 of processed foods, we would put it into warehouses for rotation in 3 to 6 months and such food will find its same ultimate destination, whether it came out of these warehouses or whether it was bought directly. New food would move in as the old is rotated out.

Mr. WHITTEN. Do you hold the official position as Director of this?

Mr. REED. Yes, sir.

Mr. WHITTEN. That is your full-time job?

Mr. REED. Well, no, not my full-time job. I am an assistant to the Under Secretary as well as special assistant—

Mr. WHITTEN. Most of your time is taken up with this?

Mr. REED. Yes.

QUESTION OF COMMODITY CREDIT CORPORATION DOING JOB

Mr. WHITTEN. Based on your experience and based on such information as you can obtain from the military or from the Joint Chiefs of Staff, if you were to write a little simple document to the Commodity Credit Corporation and say, "As you proceed with the present program, keep in mind this problem," wouldn't that meet this need without any extra cost?

Mr. REED. Well, it might. You would have an additional cost of transportation and handling if you shipped to a place out of the line of normal handling.

If I may make one point, as we envision the operation, it would fall into the regular operations of the Department as dockets went before the Commodity Credit Board and they would have that segment of it set aside for—

Mr. WHITTEN. Mr. Reed, I want to thank you for making a rather full statement. I know the Subcommittee on Independent Offices is dealing with this subject generally, trying to keep these things from being divided out department by department. Within the realm of what is available I think you have pretty well covered it.

Is there any other statement you would like to leave with the committee?

Mr. REED. Yes; I would like to say these two items that Mr. Beach and Mr. Lennartson have discussed are separate and apart from this pilot food stockpiling or food reserve that we have talked about, and the main thing in connection with the Agricultural Marketing Service, Mr. Chairman, is that the vast amount of food in this country from the processing end and from the production end is way over and

above the amount handled by the Commodity Credit Corporation, even though it seems to handle a lot. The main objective of this increase that the Agricultural Marketing Service needs to have is in connection with getting a good inventory of the processing plants and other plants that handle agricultural commodities so that in case of an emergency with our field organization we can determine what we have left in the way of food production and in the way of food stockpiling on a commercial, non-Government basis. Plus the fact that we haven't yet—and capability is measured as of this moment—

Mr. WHITTEN. Mr. Reed, excuse me, but I am a little hard to convince at times. You say all these commodities, and the locating and all, is separate from the planning that Mr. Lennartson and Mr. Rice mentioned. Why have planners if you are going to take the planning away from them?

Mr. REED. That is in a different area.

Mr. WHITTEN. They can plan, but they cannot do anything with the plans.

Now, if you weren't so busy at the Department, and I was not so busy, we both could go over to the Pure Food and Health people and ask them for a list of those places that they inspect. If you had time to go by Mr. Lennartson's shop and see how many processing plants his poultry inspection service has to inspect, and if we could take off about a day or a day and a half, we could bring all this information together. And if we didn't have time, we could get on the phone and they would send it to us.

Mr. REED. I disagree with you. We have been working on it for a couple of years—

Mr. WHITTEN. Do you mean Mr. Lennartson won't tell you?

Mr. REED. Mr. Lennartson and the other agencies mentioned do not have all the information. We have been trying to get a bakery survey, Mr. Chairman, and flour and so on, and it has been about 3 years since we started and we haven't got it yet. It would take a man another 3 years to get a real survey of the retail bakeries of this country.

Mr. WHITTEN. And the minute you got it the first atomic bomb would hit right on top of your survey report and we would be right where we started.

Mr. REED. We have copies put in what we hope are bomb-free locations.

Mr. WHITTEN. You might be right about it. At any rate, Mr. Thomas is dealing with the subject generally under the Independent Offices Subcommittee. I have the highest regard for each of you people, as you well know, because of the good job that I know you do.

We want to thank you again for your appearance and I trust that you will bear with us in the way in which we have proceeded with this matter.

Thank you.

MONDAY, JULY 9, 1962.

LANGUAGE CHANGES AND GENERAL PROVISIONS

WITNESS

**CHARLES L. GRANT, DIRECTOR OF FINANCE AND BUDGET OFFICER,
DEPARTMENT OF AGRICULTURE**

Mr. WHITTEN. Now we come to language changes and general provisions. We have with us Mr. Charles L. Grant, budget officer of the Department. In that connection we would like to have pages 266 through 297 of the justifications included in the record and the proper page in the budget amendments included in the record at this point.

(The justifications and the page follow:)

LANGUAGE CHANGES

AGRICULTURAL RESEARCH SERVICE

The 1963 budget estimates include the proposed changes in appropriation language listed and explained below. New language is in italic and deleted matter is enclosed in brackets.

SALARIES AND EXPENSES

- "For expenses necessary to perform agricultural research relating to production, utilization, and home economics, to control and eradicate pests and plant and animal diseases, and to perform related inspection, quarantine and regulatory work, and meat inspection: *Provided*, That * * * *Provided further*, That appropriations hereunder shall be available for the operation and maintenance of aircraft and the purchase of not to exceed two [, of which one shall be] for replacement only: *Provided further*, That appropriations hereunder shall be available pursuant to title 5, United States Code, section 565a, for the construction, alteration, and repair of buildings and improvements, and for acquisition of sites therefor by donation, exchange, or purchase at a nominal cost not to exceed \$100, but unless otherwise provided, the cost of constructing any one building (except headhouses connecting greenhouses) shall not exceed \$15,000, except for five buildings to be constructed or improved at a cost not to exceed \$30,000 each, and the cost of altering any one building during the fiscal year shall not exceed \$5,000 or 5 per centum of the cost of the building, whichever is greater: * * *
- "Research: For research and demonstrations on the production and utilization of agricultural products, home economics, and related research and services, [including administration of payments to State agricultural experiment stations, \$77,311,000] \$77,982,000: *Provided*, That the limitations contained herein shall not apply to replacement of buildings needed to carry out the act of April 24, 1958 (21 U.S.C. 113a) [: *Provided further*, That the Secretary of Agriculture may sell the Entomology Research Laboratory at Orlando, Fla., in such manner and upon such terms and conditions as he deems advantageous and the proceeds of such sale shall remain available until expended for the establishment of an entomology research laboratory: *Provided further*, That in the establishment of such laboratory the Secretary may acquire land therefor by donation or exchange: *Provided further*, That the Secretary may acquire approximately 35 acres of land at Kerrville, Tex., by donation, for research purposes];
- "Plant and animal disease and pest control: For operations and measures, not otherwise provided for, to control and eradicate pests and plant and animal diseases and for carrying out assigned inspection, quarantine, and regulatory activities, as authorized by law, including expenses pursuant to the Act of February 28, 1947, as amended (21 U.S.C. 114b-c), [\$55,352,500]

\$58,902,500, of which \$1,500,000 shall be apportioned for use pursuant to section 3679 of the Revised Statutes, as amended, for the control of outbreaks of insects and plant diseases to the extent necessary to meet emergency conditions: *Provided*, That [no funds shall be used to formulate or administer a brucellosis eradication program for fiscal year 1963 that does not require minimum matching by any State of at least 40 per centum: *Provided further*, That the Secretary is authorized to acquire land for the plant pest control activities presently located at Gulfport, Mississippi], *in addition, in emergencies which threaten the livestock or poultry industries of the country, the Secretary may transfer from other appropriations or funds available to the agencies or corporations of the Department such sums as he may deem necessary, to be available only in such emergencies for the arrest and eradication of foot-and-mouth disease, rinderpest, contagious pleuropneumonia, or other contagious or infectious diseases of animals, or European fowl pest and similar diseases in poultry, and for expenses in accordance with Act of February 28, 1947, as amended, and any unexpended balances of funds transferred under this head in the next preceding fiscal year shall be merged with such transferred amounts;*

8

"Meat inspection: * * *

"Special fund: To provide for additional labor to be employed under contracts and cooperative agreements to strengthen the work at research installations in the field, not more than \$1,000,000 of the amount appropriated under this head for the fiscal year 1961 may be used by the Administrator of the Agricultural Research Service in departmental research programs in the fiscal year [1962] 1963, the amount so used to be transferred to and merged with the appropriation otherwise available under "Salaries and expenses, Research."

9

The first change would authorize the replacement of two planes needed for plant pest control activities. In one case a larger, faster, and more powerful type of aircraft is needed to supervise aerial application contract work. The other plane, a 1957 model Cessna, should be replaced for reasons of safety and operating cost, since it will have outlasted two motors by the scheduled replacement date. The planes to be purchased would be of a type designed specifically for agricultural work. It is unlikely that they would be available from Government surplus sources. The net cost of the two planes is estimated at \$26,000.

The second change would authorize the acquisition of land by donation, exchange, or purchase at a nominal cost, to provide suitable building sites. Present construction financed from this appropriation under the prescribed limitations is chiefly of prefabricated metal, except for foundations which are usually concrete slabs. In many cases, more permanent type buildings of masonry construction or with varying foundations are more desirable but such features would place the buildings in the category of permanent buildings, which would require Federal ownership of land for their construction. This is the case also with head-houses for greenhouses, for which features of a more permanent nature are needed so that personnel may have satisfactory space for required recording or evaluating of scientific data obtained from greenhouse studies. On occasion some co-operators or other public spirited groups have offered to donate land or to exchange land for use as building sites. Some co-operators can legally convey land only at a nominal cost. This language would authorize acceptance of these offers or purchase at a nominal cost not to exceed \$100.

The third change results from the transfer of administrative activities related to the Federal grant program to the Cooperative State Experiment Station Service.

The fourth change would delete two provisions contained in the 1962 Appropriation Act relating to the sale of the Orlando, Fla., entomology research laboratory, and the establishment of a new laboratory to replace it at Gainesville, Fla. The Orlando property has been sold and the land acquired at Gainesville. The authority in the Appropriation Act is no longer needed.

The fifth change would delete language contained in the 1962 Appropriation Act authorizing the acquisition of land by donation at Kerrville, Tex. It is expected that the acquisition of this land will be completed during fiscal year 1962; therefore, the language would no longer be needed.

The sixth change proposes the deletion of the proviso in the 1962 Appropriation Act which establishes a minimum level of cost-sharing by the States in the cooperative brucellosis eradication program. The restriction was originally contained in the 1961 Appropriation Act to be effective in fiscal year 1963. The language is

considered to be permanent for fiscal year 1963 and, therefore, it is not necessary to include it in the 1963 Appropriation Act.

Extension of the restriction to future years is not recommended. The continued inclusion of this restrictive language in future years would seriously impair progress toward nationwide modified-certified status and the ultimate goal of certified brucellosis-free status, since it is necessary that infection be eradicated in all States to prevent reinfection of States otherwise free of the disease.

The inclusion of the proviso increases the complexities of administration due to the necessity to establish accounting and other controls to assure that the requirements of the cost sharing proviso are met.

It is believed the proviso has served its general purpose. A recent continuing level of Federal funds has generated high interest in eradication in most States. In 1962 total cooperative contributions are estimated to exceed by more than \$2 million the total amount for the Federal brucellosis project. On the basis of 1962 availability of funds there would be only six States and Puerto Rico where the minimum cost sharing would not be met.

In 1962 it is estimated that in those States where minimum cost sharing is not met about \$460,000 in Federal funds is being spent in excess of the maximum 60 percent. In 1963 these funds will be used in States meeting the cost-sharing ratio. Although two of the States and Puerto Rico have a modified-certified status, continued infection of any degree there or in the other four States not meeting required cost sharing, would defeat the ultimate goal of eradication of the disease in the United States.

The seventh change would delete language contained in the 1962 Appropriation Act authorizing the acquisition of land at Gulfport, Miss., for plant pest control activities. It is expected that the land will be acquired in fiscal year 1962; therefore, the language would no longer be needed.

The eighth change proposes to consolidate under the subappropriation, "Plant and animal disease and pest control," the authority which the Secretary has available for emergency livestock and poultry disease outbreaks under the appropriation, "Diseases of Animals and Poultry." There has been no need to exercise this authority since fiscal year 1960 when the program to eradicate vesicular exanthema in swine was completed. However, it is essential that the authority to undertake emergency operations dealing with highly contagious diseases be continued in the annual appropriation act in order to enable the Department to undertake eradication efforts immediately without losing the time which would be involved in the preparation of a budget estimate and its approval by the Congress. Some diseases, such as the foot-and-mouth disease, require emergency activities within a matter of hours, at times when the Congress might not be in session. Unless such work is started promptly, control and eradication efforts become very expensive. The absence of this language would cripple the Department's ability to deal with such situations.

To assure the continuation of this emergency authority and to simplify the appropriation structure, the consolidation of the emergency authority with this item is recommended. This change would not affect in any way the manner in which these programs are conducted.

The ninth change would up-date the authorization for reappropriation of prior year unobligated balances for the purpose of providing additional labor at research field stations in fiscal year 1963.

SALARIES AND EXPENSES (SPECIAL FOREIGN CURRENCY PROGRAM)

- 1 "For purchase of foreign currencies which [accrue under title I of the Agricultural Trade Development and Assistance Act of 1954, as amended (7 U.S.C. 1704)] *the Treasury Department determines to be excess to the normal requirements of the United States, for market development research authorized by section 104(a), and for agricultural and forestry research authorized by*
 - 2 *section 104(k) of [that Act,] the Agricultural Trade Development and Assistance Act of 1954, as amended (7 U.S.C. 1704 (a) (k)), to remain available*
 - 3 *until expended, \$5,265,000: Provided, That [the dollar value of the un-*
 - 4 *expended balances, as of June 30, 1960, of allocations of foreign currencies heretofore made available to the Agricultural Research Service for the fore-*
 - 5 *going purposes of section 104(a) is appropriated as of that date and shall be*
 - 6 *merged with] this appropriation shall be available, in addition to other appropriations for these purposes, for the purchase of the foregoing currencies: Provided further, That [funds appropriated herein shall be used to purchase*
- such foreign currencies as the Department determines are needed and can

be used most effectively to carry out the purposes of this paragraph, and such foreign currencies shall, pursuant to the provisions of section 104(a), be set aside for sale to the Department before foreign currencies which accrue under said title I are made available for other United States uses] not to exceed \$25,000 of this appropriation shall be available for purchase of foreign currencies for expenses of employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (5 U.S.C. 574), as amended by section 15 of the Act of August 2, 1946 (5 U.S.C. 55a)."

The first change would delete the reference designating title I of Public Law 480 as the sole source of foreign currencies eligible for purchase by this appropriation. This would make the appropriation available for purchase of foreign currencies derived from other sources, in addition to those foreign currencies accruing from sales of surplus agricultural commodities under title I of Public Law 480.

The second change would add language limiting the use of this appropriation to the purchase of foreign currencies of those countries where the United States owns foreign currencies in excess to the normal requirements of the United States. It is estimated that there would be excess currencies in nine countries in 1963—Burma, India, Israel, Pakistan, Poland, United Arab Republic (Egypt), Yugoslavia, Indonesia, and Syria.

The third change would add the title of the act to the citations of the sections of Public Law 480 which define the program purposes for which this appropriation may be used.

The fourth change would delete the language reappropriating June 30, 1960, unexpended balances. This reappropriation has been accomplished and the language is no longer needed.

The fifth change would add a proviso assuring that this appropriation would not be regarded as an exclusive appropriation and would not thereby preclude the use of other regular dollar appropriations to purchase foreign currencies for these programs.

The sixth change deletes the proviso authorizing the Department to determine its foreign currency needs for these programs and the requirement that such currencies be set aside for sale to the Department before being made available for other U.S. uses.

The seventh change inserts language to provide for employment of consultants, translators, etc., on a contract basis as needed in foreign countries from time to time, within a limitation of not to exceed \$25,000. The principal use of funds under the limitation would be for persons with both technical knowledge and familiarity with foreign language to assist in administration of the research program with Public Law 480 funds.

CONSTRUCTION OF FACILITIES

"For construction of facilities and acquisition of the necessary land therefor by purchase, donation or exchange, [\$800,000] \$1,680,000, to remain available until expended [; Provided, That the Secretary may purchase land at a price not in excess of \$10 for construction of facilities at Columbia, Missouri]."

The first change would authorize the purchase of building sites. In the case of the Canadia border inspection stations proposed at Portal, N. Dak., Houlton, Maine, and Blaine, Wash., it is expected that it may be necessary to purchase small sites. Federal land is available for sites at the proposed facilities at East Lansing, Mich., and at the Agricultural Research Center at Beltsville, Md. It is expected that the site for the proposed facility at Sidney, Mont., may be donated.

The second change would delete the proviso, included in the 1962 Appropriation Act, authorizing the purchase of land for \$10 at Columbia, Mo. Since the \$10 for land purchase is available until expended, the purchase authority would continue until the site is acquired. Therefore, the proviso is no longer needed. Negotiations are in progress to complete acquisition in 1962.

STATE EXPERIMENT STATIONS

"[Payments to States and Puerto Rico: For payments to agricultural * * * and payments authorized under section 204(b) of the Agricultural Marketing Act * * * Penalty mail: For penalty mail costs of agricultural experiment stations under section 6 of the Hatch Act of 1887, as amended, \$250,000.]"

The proposed change would delete the entire appropriation item. This program has been transferred to the Cooperative State Experiment Station Service.

DISEASES OF ANIMALS AND POULTRY

“[Eradication activities: For expenses necessary in the arrest and eradication * * * *Provided*, That this appropriation shall be subject to applicable provisions contained in the item ‘Salaries and expenses, Agricultural Research Service.’]”

The proposed change would delete the entire appropriation item and consolidate it with other authorities provided under the appropriation, Salaries and Expenses, Agricultural Research Service, Plant and Animal Disease and Pest Control.” The explanation of this change is included under the language changes for “Salaries and Expenses” change No. 8.

COOPERATIVE STATE EXPERIMENT STATION SERVICE

The 1963 budget estimates propose a new appropriation item as follows:

PAYMENTS AND EXPENSES

“For payments to agricultural experiment stations and other expenses, and for grants for basic research, including \$36,053,000 to carry into effect the provisions of the Hatch Act, approved March 2, 1887, as amended by the Act approved August 11, 1955 (7 U.S.C. 361a-361i), including administration by the United States Department of Agriculture; \$500,000 for payments authorized under section 204(b) of the Agricultural Marketing Act of 1946 (7 U.S.C. 1623); \$950,000 for grants for support of basic scientific research under the Act approved September 6, 1958 (42 U.S.C. 1891-1893); \$250,000 for penalty mail costs of agricultural experiment stations under section 6 of the Hatch Act of 1887, as amended; and \$454,000 for necessary expenses of the Cooperative State Experiment Station Service, including administration of payments to State agricultural experiment stations, of which not more than \$25,000 shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (5 U.S.C. 574), as amended by section 15 of the Act of August 2, 1946 (5 U.S.C. 55a); \$38,207,000.”

The proposed appropriation language merges the former item, “State experiment stations, Agricultural Research Service,” and that portion of “Salaries and expenses, Agricultural Research Service, research,” which pertains to administration of payments to State experiment stations. The reorganization establishing the Cooperative State Experiment Station Service was effective September 11, 1961, and was in accordance with Reorganization Plan No. 2 of 1953, under terms of the Reorganization Act of 1949, as amended (5 U.S.C. 133z). The new appropriation language covers the same authorizations and limitations provided in the 1962 Appropriation Act for the activities transferred, and also provides authority for a new program of grants for basic research. No change in scope of the activities transferred from ARS or method of financing is contemplated.

The language would also authorize the initiation of a program of grants for support of basic scientific research. Such grants are authorized under the act approved September 6, 1958 (42 U.S.C. 1891-1893). An increase of \$1 million is provided for this program of which \$950,000 would be for grants, and \$50,000 would be for administration of the program and is included with the \$454,000 amount for administrative funds.

A provision has also been inserted to authorize the continued employment of persons, such as consultants or organizations, on a temporary basis, by contract or otherwise, under the provisions of section 706(a) of the Organic Act of 1944 (5 U.S.C. 574), as amended by section 15 of the act of August 2, 1946 (5 U.S.C. 55a). Funds for such employment are limited to an amount not to exceed \$25,000. Such employment for the program has been necessary in previous years for employment of consultants for program review; it was authorized under a similar provision in the appropriation, “Salaries and expenses, Agricultural Research Service.”

SOIL CONSERVATION SERVICE

The 1963 budget estimates include the proposed changes in appropriation language listed and explained below. New language is in italic and deleted matter is enclosed in brackets.

WATERSHED PROTECTION

“For expenses necessary * * * : *Provided further*, That not to exceed [\$2,500,000] \$3,000,000, together with the unobligated balance of funds pre-

viously appropriated for loans and related expense, shall be available for such purposes."

This change increases the amount of the appropriation which may be used for loans and related expense. An explanation of this increase follows the project statement in these justifications of the Soil Conservation Service.

FLOOD PREVENTION

"For expenses necessary, in accordance with the Flood Control Act, approved June 22, 1936 (33 U.S.C. 701-709, [74 Stat. 131] *16 U.S.C. 1006a*), * * * for such purposes."

This change eliminates the statutory reference and substitutes therefor the United States Code reference. This change has no effect on the nature or scope of the program.

STATISTICAL REPORTING SERVICE

The 1963 budget estimates include the proposed change in appropriation language explained below. Deleted matter is enclosed in brackets.

SALARIES AND EXPENSES

"[For an additional amount for 'Salaries and Expenses', \$20,000.]"

This change deletes the language included in the Supplemental Appropriation Act, 1962 (Public Law 87-343), which provided \$20,000 for an expansion of the cattle-on-feed reports.

AGRICULTURAL MARKETING SERVICE

The 1963 budget estimates include proposed changes in appropriation language explained below, new language is in *italic*, and deleted matter is enclosed in brackets.

MARKETING RESEARCH AND SERVICE

"For expenses necessary to carry on research and service to improve and develop marketing and distribution relating to agriculture as authorized by the Agricultural Marketing Act of 1946 (7 U.S.C. 1621-1627) and other laws, including the administration of marketing regulatory acts connected therewith; *research and development, including related cost and efficiency evaluations, and services relating to agricultural marketing and distribution, for carrying out regulatory acts connected therewith, and for administration and coordination of payments to States; and not to exceed \$25,000 for employment at rates not to exceed \$50 per diem, except for employment in rate cases at not to exceed \$100 per diem, pursuant to Section 706 (a) of the Organic Act of 1944 (5 U.S.C. 574), as amended by Section 15 of the Act of August 2, 1946 (5 U.S.C. 55a), in carrying out section 201(a) to 201(d), inclusive, of title II of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1291) and section 203(j) of the Agricultural Marketing Act of 1946, \$40,335,000: Provided,* That appropriations hereunder shall be available pursuant to 5 U.S.C. 565a for the construction, alteration, and repair of buildings and improvements, but unless otherwise provided, the cost of erecting any one building shall not exceed \$15,000, except for two buildings to be constructed or improved at a cost not to exceed \$30,000 each, and the cost of altering any one building during the fiscal year shall not exceed \$5,000 or 5 per centum of the cost of the building, whichever is [greater:] *greater.*

"[Marketing research: For research and development relating to agricultural marketing and distribution, including related cost and efficiency evaluations, \$4,740,000:]

"[Marketing services: For services relating to agricultural marketing and distribution, for carrying out regulatory acts connected therewith, and for administration and coordination of payments to States, \$33,299,500, including not to exceed \$25,000 for employment at rates not to exceed \$50 per diem, except for employment in rate cases at not to exceed \$100 per diem, pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (5 U.S.C. 574), as amended by section 15 of the Act of August 2, 1946 (5 U.S.C. 55a), in carrying out section 201(a) to 201(d), inclusive, of title II of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1291) and section 203(j) of the Agricultural Marketing Act of 1946]."

The proposed changes reflect the transfer of functions to the Economic Research Service and the Statistical Reporting Service, authorized by the Secretary on April 3, 1961. This transfer has materially reduced the scope of the research activities formerly financed from the subappropriation "Marketing research and agricultural estimates," and which remain in the Agricultural Marketing Service. Hence the above changes are proposed to provide funds for marketing research and marketing service activities in the Agricultural Marketing Service under one main head appropriation and to eliminate the two subappropriations thereunder. This would not, in any way, change the activities to be carried on or the manner in which they would be presented in budget estimates. It would, however, simplify the financing of and accounting for these activities.

CONSTRUCTION OF FACILITIES

"For construction of facilities and acquisition of the necessary land therefor, as authorized by law, \$1,600,000, to remain available until expended."

The proposed language would authorize, under a new appropriation item, construction of the facility at Dawson, Ga., primarily for marketing research on peanuts, including acquisition of necessary land. It is expected that the land for this laboratory will be donated. The need for this laboratory is discussed in the justification of the estimate for the item "Construction of facilities, Agricultural Marketing Service."

The new appropriation provides that the funds remain available until expended. It is often extremely difficult within 1 fiscal year to design a structure, invite bids, award contracts for construction, and to provide for the possibility of necessary changes during the course of construction. A separate continuing appropriation would facilitate the orderly completion of the project.

SPECIAL MILK PROGRAM

"For necessary expenses to carry out the Special Milk Program, as authorized by the Act of August 8, 1961 (75 Stat. 319), \$105,000,000."

The proposed language is to implement section 402 of the Agricultural Act of 1961, which provides authorization to continue the special milk program and to finance it on a direct appropriation basis beginning July 1, 1962. The change in financing, which replaces the former use of CCC advances, necessitates this new appropriation item in the 1963 budget.

SCHOOL LUNCH PROGRAM

*"For necessary expenses to carry out the provisions of the National School Lunch Act * * * Provided further, That [\$10,000,000 of this appropriation shall be available for assistance under section 6 of the National School Lunch Act, in addition to amounts normally expended for commodity procurement under that section, \$2,500,000 of which may be distributed to provide special assistance to needy schools which because of poor local economic conditions (1) have not been operating a school lunch program or (2) have been serving free or at substantially reduced prices at least 20 percent of the lunches to the children] for the purpose of providing additional assistance based on program participation and needs in the States as may be necessary to aid in meeting the nutritional and other requirements of section 9 of the Act, not to exceed \$10,000,000 of this appropriation shall be available for assistance under sections 4 and 10 of the Act under such regulations as the Secretary may prescribe and without regard to provisions of that Act governing the apportionment of funds."*

The proposed change would delete language carried in the 1962 appropriation act relating to section 6 commodity procurement including special commodity assistance to needy schools, and substitute an authorization to use up to \$10 million of the school lunch appropriation to provide special cash assistance to needy schools in serving meals to needy children. The language would also authorize the Secretary to prescribe standards or criteria under which these funds would be administered.

The appropriation language in the 1962 appropriation act provides for special assistance to needy schools through section 6 commodity distribution. Procedures have been worked out and these operations on an experimental basis were started in December in a limited number of schools, which, because of poor economic conditions, have not been operating a school lunch program. Experi-

ence to date indicates that this type of special assistance is cumbersome and expensive to administer.

The need for special assistance programs is in widely scattered locations; only in areas of West Virginia, eastern Kentucky, and portions of Tennessee and Pennsylvania is there any concentration of needy schools not readily accessible to normal transportation facilities. This eliminates the possibility of carlot shipments and results in costly deliveries in relatively small quantities, thus materially increasing transportation and distribution costs.

Even more important is the very real problem that exists in attempting to meet nutritional needs, particularly of vitamins A and C. Since these schools have very limited or no facilities for preparing lunches, only a very limited variety lunch is practicable under the program. It is almost impossible, for example, to provide fresh or frozen fruits and vegetables.

The urgent need, in these needy schools, is cash that can be used to procure items locally. These foods can then be supplemented by providing larger amounts under the regular section 6 procurement and other donated food programs.

The amendment to the School Lunch Act, presently being considered by the Congress, would provide for special assistance to needy schools on this basis; that is, through cash payments to States based on needs. This bill has been endorsed by the Department. In view of the pending legislation and the problems of using special commodity assistance to meet adequately the needs of these schools, the above change in language is proposed.

FOREIGN AGRICULTURAL SERVICE

The 1963 budget estimates include the proposed changes in appropriation language listed and explained below. New language is in *italic* and deleted matter is enclosed in brackets.

SALARIES AND EXPENSES

"For necessary expenses for the Foreign Agriculture Service * * * *Provided*, That not less than \$255,000 of the funds contained in this appropriation shall be available to obtain statistics and related facts on foreign production and full and complete information on methods used by other countries to move farm commodities in world trade on a competitive basis [*Provided further*, That, in addition, not to exceed \$3,117,000 of the funds appropriated by section 32 of the Act of August 24, 1935, as amended (7 U.S.C. 612c), shall be merged with this appropriation and shall be available for all expenses of the Foreign Agriculture Service] ."

The proposed change would eliminate the transfer of funds appropriated by section 32 of the act of August 24, 1935, as amended. The request for direct appropriation includes this amount. The proposed change in language will not in any way affect the program but is merely designed to eliminate financing from two sources.

SALARIES AND EXPENSES (SPECIAL FOREIGN CURRENCY PROGRAM)

- 1 For purchase of foreign currencies which [accrue under title I of the Agriculture Trade Development and Assistance Act of 1954, as amended (7
- 2 U.S.C. 1704),] *the Treasury Department determines to be excess to the normal requirements of the United States for the purposes of market development activities under section 104(a) of [that Act, \$3,444,000] the Agricultural Trade Development and Assistance Act of 1954, as amended (7 U.S.C. 1704(a)), \$4,000,000, to remain available until expended: Provided, That [the dollar*
- 3 *value of the unexpended balances, as of June 30, 1960, of allocations of foreign currencies heretofore made available to the Foreign Agricultural Service for the foregoing purposes of section 104(a) is appropriated as of that date and shall be merged with this appropriation: Provided further, That funds appropriated herein shall be used to purchase such foreign currencies as the Department determines are needed and can be used most effectively to carry out the purpose of this paragraph, and such foreign currencies shall, pursuant to the provisions of section 104(a), be set aside for sale to the Department before foreign currencies which accrue under said title I are made available for other United States uses] this appropriation shall be available, in addition*
- 4 *to other appropriations for such purposes, for the purchase of the foregoing currencies.*

The first and second changes would—

(1) Restrict the use of the funds in this appropriation to the purchase of foreign currencies which are available in amounts excess to the normal requirements of the United States for such currencies. The 1962 appropriation was not so restricted.

(2) Provide that the appropriation could be used to purchase excess currencies regardless of how acquired by the Treasury. The 1962 appropriation was limited to currencies accruing under title I of Public Law 480.

The third change deletes two provisions as follows:

(a) Language reappropriating the June 30, 1960, unexpended balance. Since the reappropriation has been accomplished, the language is no longer required.

(b) Language authorizing the Department of Agriculture to determine the types and amounts of foreign currencies to be purchased with the appropriation provided, and requiring that such currencies be made available for sale to the Department before being made available for sale to other agencies of the Government.

The 1963 budget proposes that foreign currencies which are not available in amounts excess to the normal requirements of the United States be purchased from the regular salaries and expenses appropriation.

The effect of this provision is to limit the appropriation to the purchase of those foreign currencies that are excess to normal requirements of the United States as determined by the Treasury Department.

The fourth change adds new language to clarify that the provision of this appropriation does not preclude the use of the regular salaries and expenses appropriation for the purchase of such foreign currencies as may be required in carrying out the program.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The 1963 budget estimates include the proposed changes in appropriation language listed and explained below. New language is in *italic* and deleted matter is enclosed in brackets.

["COMMODITY STABILIZATION SERVICE"]

As a part of the Department reorganization, the name of the Service has been changed from "Commodity Stabilization Service" to "Agricultural Stabilization and Conservation Service."

ACREAGE ALLOTMENTS AND MARKETING QUOTAS

"For necessary expenses to formulate and carry out acreage allotment and marketing quota programs * * * of which not more than ~~[\$7,125,000]~~ *\$7,208,000* shall be transferred to the appropriation account "Administrative expenses, section 392, Agricultural Adjustment Act of 1938".

The proposed change would increase the amount available for National and State office operating expenses by \$83,000. This is the same amount as the proposed increase in the total appropriation, and is to finance defense liaison activities which heretofore have been financed by transfer from other agencies.

AGRICULTURAL CONSERVATION PROGRAM

- "For necessary expenses * * * ~~[\$238,000,000]~~ *\$244,500,000*, to remain available until December 31 of the next succeeding fiscal year for compliance
- 1 with the ~~[program]~~ *programs* of soil-building and soil- and water-conserving practices authorized under this head in the Department of Agriculture and ~~[Farm Credit Administration]~~ *Related Agencies Appropriation [Act] Acts, 1961 and 1962*, carried out during the period July 1, 1960, to December 31, ~~[1961]~~ *1962* * * * *Provided further*, That such amounts shall be available for administrative expenses in connection with the formulation and administration of the ~~[1962]~~ *1963* program of soil-building and soil- and water-conserving practices, including related wildlife conserving practices, under the
 - 2 Act of February 29, 1936, as amended (amounting to ~~[\$250,000,000]~~
 - 3 *\$150,000,000*, including administration, except that ~~[hereafter not to exceed 10 per centum of the basic allocation for any State may be used to increase the State's preceding program, and]~~ no participant shall receive more than \$2,500, except where the participants from two or more farms or ranches join to carry out approved practices designed to conserve or improve the agri-

- 4 cultural resources of the community): *Provided further*, That no change shall be made in such 1962 program which will have the effect in any county of restricting eligibility requirements or cost-sharing on practices included in either the 1958 or the 1959 programs, unless such change shall have been recommended by the county committee and approved by the State committee: *Provided further*, That * * * for the [1962] 1963 program \$2,500,000 shall be available for technical assistance in formulating and carrying out agricultural conservation practices [and \$1,000,000 shall be available for conservation practices related directly to flood prevention work in approved watershed]: *Provided further*, That * * *
- 5 available for conservation practices related directly to flood prevention work in approved watershed]: *Provided further*, That * * *

The first change proposes to authorize use of the 1963 appropriation for practices carried out under both the 1961 and 1962 programs in order to implement the proviso contained in the 1962 Appropriation Act which states: "hereafter not to exceed 10 per centum of the basic allocation for any State may be used to increase the State's preceding program". The amount of 1963 fiscal year funds to be used for the 1961 program will be relatively small.

A change in the title of the appropriation act is also reflected here.

The second change reduces the advance program authorization from \$250 million to \$150 million. Under such a reduced program emphasis will be placed on cost sharing for those conservation practices which have enduring benefits. An explanation concerning the 1963 program follows the project statement in these justifications.

The third change omits the provision which authorizes the use of not to exceed 10 per centum of the basic allocation to increase the preceding program. This was included in the 1962 act in such a manner as to make it permanent legislation and it therefore does not need to be repeated in the annual appropriation act.

The fourth change eliminates the proviso first included in the 1959 act which prevents any change in the program that would restrict eligibility requirements in cost sharing on practices included in the 1958 or 1959 programs, except as recommended by the county committee and approved by the State committee. The reasons that brought about the inclusion of this proviso no longer exist, and it is recommended that the Congress delete the language. This change will not hamper State and county committees in administering a sound agricultural conservation program.

There are no plans for major changes in the National Bulletin as a result of the elimination of this proviso. If it later develops that substantial changes are needed they will be discussed with appropriate congressional committees before they are put into operation. Elimination of this language will save administrative work at the county level which has been necessary in order to comply with the proviso.

The fifth change eliminates the requirement that \$1 million of ACP funds shall be available for conservation practices directly relating to flood prevention work in the 11 watersheds approved under the Flood Control Act of 1944. Several times this amount is used for the specified purpose in these watersheds each year. Therefore, the \$1 million minimum provision has served its purpose, and it is recommended that it be eliminated. The Department will continue to use more than \$1 million each year under this item for conservation practices in the specified areas.

EMERGENCY CONSERVATION MEASURES

“[EMERGENCY CONSERVATION MEASURES]

“[For an additional amount for ‘Emergency conservation measures’ to be used for the same purposes and subject to the same conditions as funds appropriated under this head in the Third Supplemental Appropriation Act, 1957, and the Supplemental Appropriation Act, 1958, including necessary administrative expenses, \$5,000,000, to remain available until expended.]”

This change eliminates language which was contained in the Supplemental Appropriation Act, 1962. No appropriation is requested for 1963 and therefore the language is not needed.

CONSERVATION RESERVE PROGRAM

“For necessary expenses to carry out a conservation reserve program * * * *Provided*, That not to exceed [\$12,500,000] \$10,304,000 shall be available for administrative expenses, of which not less than [\$10,625,000] \$8,000,000 may

be transferred to the appropriation account 'Local administration, section 388, Agricultural Adjustment Act of 1938' * * *

The proposed change in administrative expense limitations reflects a lower level of activity. No new contracts are being approved; the program is in process of liquidation. The decrease is explained in these justifications under "Conservation reserve program."

SPECIAL AGRICULTURAL CONSERVATION AND ADJUSTMENT PROGRAMS

1 "SPECIAL AGRICULTURAL CONSERVATION [PROGRAM] AND ADJUSTMENT PROGRAMS

"For necessary administrative expenses to carry into effect a special agricultural conservation program pursuant to section 16[(c)] (d) of the Soil Conservation and Domestic Allotment Act, as added by section [2] 132 of the Act of [March 22] August 8, 1961, (75 Stat. 302), and a special wheat program pursuant to section 124 of such Act, \$18,500,000."

The first change revised the title to "Special Agricultural Conservation and Adjustment Programs". It is proposed to include in one appropriation item all special programs relating to supply adjustment.

The second change provides language for the special wheat program authorized by the Agricultural Act of 1961.

RURAL ELECTRIFICATION ADMINISTRATION

The 1963 budget estimates include the proposed change in appropriation language explained below. New language is in *italic* and deleted matter is enclosed in brackets.

LOAN AUTHORIZATIONS

"For loans in accordance with said Act, * * * [and additional amounts, not to exceed \$70,000,000 for the rural electrification program and \$30,000,000 for the rural telephone program, may be borrowed under the same terms and conditions to the extent that such amount is required during fiscal year 1962 under the then existing conditions for the expeditious and orderly development of the rural electrification and telephone programs]"

This change would eliminate the contingency reserve language for both the electric and telephone programs from the 1963 Appropriation Act. The estimates for 1963 include the amounts estimated to be required in that year. Therefore, provision of a contingency reserve is not needed.

FARMERS HOME ADMINISTRATION

The 1963 budget estimates include the proposed changes in appropriation language listed and explained below. New language is in *italic* and deleted matter is enclosed in brackets.

"[To carry into effect the provisions of titles I, II and the related provisions of title IV of the Bankhead-Jones Farm Tenant Act * * * to convey certain mineral interests, approved September 6, 1950) 7 U.S.C. 1033-1039), as follows:]

"[LOAN AUTHORIZATIONS]

"[For loans (including payments in lieu of taxes * * * and orderly conduct of the loan program under title II of the Bankhead-Jones Farm Tenant Act, as amended.]

"[For an additional amount for 'Loan Authorizations', for loans under the Act of August 28, 1937, as amended, \$8,000,000.]

"DIRECT LOAN ACCOUNT

"*Direct loans and advances under subtitles A and B, and advances under section 335 (a) for which funds are not otherwise available, of the Consolidated Farmers Home Administration Act of 1961 (75 Stat. 307) may be made from funds available in the Farmers Home Administration direct loan account as follows: real estate loans, \$50,000,000; and operating loans, \$275,000,000.*"

The proposed change would eliminate the present preamble containing several obsolete statutory authorities, and the "Loan authorizations" item, and would substitute language for the "Direct loan account" in their place. The language for the new Farmers Home Administration "Direct loan account" provides

authority for obligating funds in the "Direct loan account" for direct loans and advances in specified amounts for all purposes of subtitles A and B and section 335(a) of the Consolidated Farmers Home Administration Act of 1961. This conforms to the act, which requires that amounts available for loans and advances be determined by the Congress in appropriation acts. Advances under subtitles A and B include recoverable cost advances made to borrowers for such purposes as payment of delinquent taxes, the continuation of property insurance coverage, and the payment of costs in connection with property acquired under these loan programs as well as the furnishing of financial assistance or other aid in planning projects in connection with soil and water conservation loans to associations as authorized by section 306(a) of subtitle A of the Consolidated Farmers Home Administration Act of 1961.

Compared to the 1962 appropriation language under "Loan authorizations" the proposed language would combine the previous separate authorizations for farm ownership loans under title I of the Bankhead-Jones Farm Tenant Act, as amended, and for soil and water conservation loans under the act of August 28, 1937, as amended. This is in accordance with the Consolidated Farmers Home Administration Act of 1961 which repeals these two authorities and includes in subtitle A the loan purposes previously included in the repealed statutes. The authorization for operating loans under subtitle B proposed in the new language is comparable to the previous authorization for farm operating loans under title II of the Bankhead-Jones Farm Tenant Act, as amended. The new language eliminates the contingency borrowing authorization contained in the previous "Loan authorizations" language.

The 1962 appropriation language provision which authorizes distributing funds under title I and section 43 of title IV of the Bankhead-Jones Farm Tenant Act, as amended, to States and territories without regard to farm population and prevalence of tenancy for loans in reclamation projects and to entrymen on unpatented public lands is no longer necessary. The distribution formula heretofore contained in title I of the Bankhead-Jones Farm Tenant Act, as amended, is modified by section 338(e) of the Consolidated Farmers Home Administration Act of 1961 so that there is no further need to allocate funds for specific purposes as exceptions to the statutory formula.

The budget estimates anticipate that balances in the "Direct loan account" carried over from 1962, plus receipts in 1963, will aggregate more than the proposed loan program in 1963 plus estimated interest payments to be made to the Secretary of the Treasury in 1963. For this reason, the proposed new language does not provide for any additional borrowing authorization from the Treasury.

RURAL HOUSING GRANTS AND LOANS

["FARM] RURAL HOUSING GRANTS AND LOANS

"For grants and loans for the purposes of subsections 504(a) and 504(b) of the Housing Act of 1949, as amended (42 U.S.C. 1474), \$10,000,000, to remain available until June 30, 1965.

The proposed change would substitute the word "Rural" for "Farm" in the title of the appropriation item. The Housing Act of 1961 expanded the authorities of the Farmers Home Administration to include grants and some types of loans to owners of nonfarm land in rural areas as well as to long-term lessees of farms. The change in title reflects this expanded authority and more accurately describes the nature of the program.

SALARIES AND EXPENSES

Changes in the language of this item are proposed as follows (new language in italic; deleted matter in brackets):

["For making, servicing, and collecting loans * * * and section 10(c) of the Act of August 28, 1937, as amended.]"

["For an additional amount for 'Salaries and expenses', * * * as added by section 805 of the Housing Act of 1961 (42 U.S.C. 1471), \$1,500,000.]"

"For necessary expenses of the Farmers Home Administration, not otherwise provided for, in administering the programs authorized by the Consolidated Farmers Home Administration Act of 1961 (75 Stat. 307), title V of the Housing Act of 1949, as amended (42 U.S.C. 1471-1484), and the Rural Rehabilitation Corporation Trust Liquidation Act, approved May 3, 1950 (40 U.S.C. 440-444); \$35,000,000, together with not more than \$1,020,000 of the charges collected in connection with the insurance

o; loans as authorized by section 309(e) of the Consolidated Farmers Home Administration Act of 1961, and section 514(b)(3) of the Housing Act of 1949, as amended."

The proposed changes would eliminate the old language and substitute simplified wording sufficient to cover the purpose of the appropriation. Also included are necessary statutory references and code citations needed because of the proposed elimination of the present preamble language. The authority to use not more than a specified sum from charges collected in connection with the insurance of loans is continued, except that the source of these funds is identified with the Consolidated Farmers Home Administration Act of 1961 instead of the superseded Bankhead-Jones Farm Tenant Act, and comparable authority recently provided under the Housing Act of 1949, as amended, has been added.

OFFICE OF THE GENERAL COUNSEL

The 1963 budget estimates include the proposed change in appropriation language explained below. Deleted matter is enclosed in brackets.

"For necessary expenses, including payment of fees or dues for the use of law libraries by attorneys in the field service, [\$3,650,000: *Provided*, That the Secretary may, if he finds it necessary for the more effective and efficient operation of the Department, transfer additional amounts to this appropriation from other appropriations available to the Department for salaries and expenses for the current fiscal year, but this appropriation shall not be increased by more than 7 per centum by reason of such transfers] \$3,800,000."

This change would eliminate the language added in the 1962 act to permit transfers of additional funds to this appropriation. This language provided for the transfer of funds, if needed, for possible additional legal services resulting from new or expanded programs not contemplated in the original 1962 budget and it was not intended as a continuing provision. So far, in the current fiscal year, it has not been necessary to exercise the transfer authority. The General Counsel will make every effort to provide necessary legal services to the Department during remainder of this year within the appropriation to his Office.

CENTENNIAL OBSERVANCE OF AGRICULTURE

The 1963 budget estimates propose deletion of appropriation language as explained below. Deleted matter is enclosed in brackets.

"[CENTENNIAL OBSERVANCE OF AGRICULTURE]

"[SALARIES AND EXPENSES]

"[For expenses necessary for planning, promoting, coordinating, and assisting participation by industry, trade associations, commodity groups, and similar interests in the celebration of the centennial of the establishment of the Department of Agriculture; and employment pursuant to section 706(a) of the Organic Act of 1944 (5 U.S.C. 574), as amended by section 15 of the Act of August 2, 1946 (5 U.S.C. 55a); \$100,000, including not to exceed \$20,000 for additional printing costs of the 1962 Yearbook of Agriculture, to remain available until December 31, 1962.]"

This change deletes the language included in the 1962 appropriation act which provided \$100,000 for participation in the centennial observance of Agriculture. Funds made available in the act remain available until December 31, 1962, at which time centennial activities cease. Since no additional funds will be required, the language will not be needed in 1963.

NATIONAL AGRICULTURAL LIBRARY

The 1963 budget estimates include the proposed changes in appropriation language explained below. New language is underscored; deleted matter is enclosed in brackets.

1

"NATIONAL AGRICULTURAL LIBRARY

2

"For necessary expenses [, including dues for library membership in societies or associations which issue publications to members only or at a price to

3

members lower than to subscribers who are not members, \$1,028,500] of the *National Agricultural Library*, \$1,220,000"

The first change would make the title of the appropriation item consistent with the official name of the library, which describes more precisely the scope of its collection and services, its broad responsibilities to scientists throughout the country, and its position, together with the Library of Congress and the National Library of Medicine, as one of the three national libraries.

The second change deletes reference to dues for library memberships. Rulings of the Comptroller General (19 C.G. 937, 31 C. G. 398, 32 C.G. 15, and 33 C.G. 126) permit use of funds for this purpose, thereby eliminating need for specific authority in the appropriation language. The deletion of this language would not affect in any way the continued use of funds for payment of dues for library memberships in societies or associations which issue publications to members only or at a price to members lower than to nonmembers.

The third change would include reference to the National Agricultural Library in the text of the appropriation.

GENERAL ADMINISTRATION

The 1963 budget estimates include the proposed changes in appropriation language explained below. New language is in *italics* and deleted matter is enclosed in brackets:

1 “**[OFFICE OF THE SECRETARY]** *GENERAL ADMINISTRATION*

 “Salaries and Expenses

- 2 “*For necessary expenses of the Office of the Secretary of Agriculture* **[;]**
 3 *and for general administration of the Department of Agriculture, including*
 3 expenses of the National Agricultural Advisory Commission; **[stationery,**
 supplies, materials, and equipment; freight, express, and drayage charges;
 advertising of bids, communication service, postage, washing towels,**]**
 repairs and alterations; and other miscellaneous supplies and expenses not
 otherwise provided for and necessary for the practical and efficient work of
 the Department of Agriculture, **[\$3,096,000]** *\$3,698,000: Provided, That*
 4 *this appropriation shall be reimbursed from applicable appropriations for*
 travel expenses incident to the holding of hearings as required by the Admin-
 istrative Procedures Act (5 U.S.C. 1001): *Provided further, That not to*
 exceed \$2,500 of this amount shall be available for official reception and repre-
 sentation expenses, not otherwise provided for, as determined by the Secretary.”

The first and second changes propose substitution of the title “General Administration” for the present title “Office of the Secretary.” The term “General Administration” is more precisely descriptive of the activities conducted under the appropriation. The appropriation provides not merely for the Secretary’s immediate office but also finances a number of departmental staff services, including budgetary and financial, personnel, property and supply management, management appraisal and systems development, and regulatory hearings and decisions as well as expenses of the National Agricultural Advisory Commission and the Office of Rural Areas Development. The designation “General Administration” is proposed, therefore, since it more accurately describes all of the work under the appropriation.

This change would not affect the authorities provided in the present language, but is merely a redesignation of the title.

The third change is recommended in the interest of brevity in the appropriation language. The items deleted are unnecessary and excess verbiage. The deletion would not affect in any way the authorities provided by the present language, but is proposed only in the interest of simplification.

The fourth change would permit the use of up to \$2,500 of these funds by the Secretary for official reception and representation expenses. The Secretary frequently finds it necessary to provide a luncheon or similar courtesy to small groups and individuals in the conduct of official business. Extension of courtesies of this nature helps to establish conditions which permit the most effective working relationships with representatives of farm, trade, industry, and other groups which are essential to the successful accomplishment of the Department’s work.

Official courtesies of this nature are of overall benefit to the Government, and the Secretary and Under Secretary should not be required to bear these expenses from their own personal funds as is the present case. Frequently, the Secretary’s time schedule leaves only the luncheon or dinner hour for important

discussions with businessmen, trade association officials, delegations of farmers, and distinguished leaders in other walks of life. It is unseemly that the hospitality should always be left to the visitor.

The appropriations of a number of Federal agencies now provide for the payment of such expenses. Similar authority is also available to the Department of Agriculture in the appropriation to the Foreign Agricultural Service but is limited to official courtesies to representatives of foreign countries.

In order that these nominal costs will not always have to be paid by personal funds, the Department strongly recommends approval of the proposal to use not more than \$2,500 for this purpose.

SPECIAL EXPORT PROGRAMS (FOREIGN ASSISTANCE)

The 1963 budget estimates include the proposed changes in appropriation language listed and explained below. New language is in italic and deleted matter is enclosed in brackets.

PUBLIC LAW 480

- "For expenses during fiscal year [1962] 1963, not otherwise recoverable, *and unrecovered prior years' costs, including interest thereon*, under the Agricultural Trade Development and Assistance Act of 1954, as amended (7 U.S.C. 1701-1709, 1721-1724, 1731-1736), to remain available until expended, as follows: (1) Sale of surplus agricultural commodities for foreign currencies pursuant to title I of said Act, [~~\$1,250,451,000~~] *\$1,293,000,000*; (2) commodities disposed of for emergency famine relief to friendly peoples pursuant to title II of said Act, [~~\$140,868,000~~] *\$364,000,000*; and (3) long-term supply contracts pursuant to title IV of said Act, [~~\$13,000,000~~] *\$90,000,000*. *Provided, That \$276,368,000 of this appropriation, representing estimated unrecovered costs incurred under Titles I and II of such Act prior to the fiscal year 1963, shall be available for the fiscal year 1962.*"

The first change makes provision for using part of the appropriation to reimburse Commodity Credit Corporation for unrecovered prior years' costs, including interest thereon. This is consistent with the pay-as-you-go basis for protecting CCC borrowing authority, which was recommended by the Congress last year in establishing this new appropriation item.

The second change would make part of the appropriation available in fiscal year 1962. It is anticipated that a less than desirable margin of borrowing authority will be available to CCC in the latter part of the current fiscal year. This proviso would make it possible to reimburse CCC in 1962 for unrecovered costs incurred prior to 1963, thereby reducing the drain on borrowing authority.

INTERNATIONAL WHEAT AGREEMENT

"For expenses during fiscal year [1962] 1963 *and unrecovered prior years' costs, including interest thereon*, under the International Wheat Agreement Act of 1949, as amended (7 U.S.C. 1641-1642), [~~\$70,681,000~~] *\$96,868,000*, to remain available until expended: *Provided, That \$15,650,000 of this appropriation, representing estimated unrecovered costs incurred prior to the fiscal year 1963, shall be available for the fiscal year 1962.*"

See explanation above under Public Law 480.

BARTERED MATERIALS FOR SUPPLEMENTAL STOCKPILE

"For expenses during fiscal year [1962] 1963 *and unrecovered prior years' costs* related to strategic and other materials acquired as a result of barter or exchange of agricultural commodities or products and transferred to the supplemental stockpile pursuant to Public Law 540, Eighty-fourth Congress (7 U.S.C. 1856), [~~\$125,000,000~~] *\$343,067,000*, to remain available until expended: *Provided, That \$92,867,000 of this appropriation, representing estimated unrecovered costs incurred prior to the fiscal year 1963, shall be available for the fiscal year 1962.*"

See explanation above under Public Law 480.

COMMODITY CREDIT CORPORATION

The 1963 budget estimates include the proposed changes in appropriation language listed and explained below. New language is in italic and deleted matter is enclosed in brackets.

REIMBURSEMENT FOR NET REALIZED LOSSES

“[RESTORATION OF CAPITAL IMPAIRMENT]

1

“REIMBURSEMENT FOR NET REALIZED LOSSES

2 “To partially [restore the capital impairment of] *reimburse* the Commod-
ity Credit Corporation [determined by the appraisal of June 30, 1960,
3 713a-1), \$1,017,610,000] for net realized losses sustained during the fiscal
year ending June 30, 1961, pursuant to the Act of August 17, 1961 (75 Stat.
391), \$2,489,955,000.”

The first change provides for a change in title pursuant to Public Law 87-155, approved August 17, 1961, (see third change).

The second change deletes the provision pertaining to restoration of capital impairment and inserts therefor the word “reimburse” in order to conform with the act approved August 17, 1961, (see third change).

The third change deletes the language pertaining to appraisals pursuant to the act of March 8, 1938, which has been repealed, and adds new language consistent with the act approved August 17, 1961, providing for reimbursement of net realized losses on the basis of such losses incurred during the fiscal year as reflected in the accounts and shown in the report of financial condition of the Corporation.

REIMBURSEMENT TO CCC FOR COSTS OF FOREIGN ASSISTANCE AND OTHER SPECIAL ACTIVITIES

“[REIMBURSEMENT TO COMMODITY CREDIT CORPORATION FOR COSTS OF FOREIGN ASSISTANCE AND OTHER SPECIAL ACTIVITIES]

“[To reimburse the Commodity Credit Corporation for authorized unrecovered costs through June 30, 1961 (including interest through date of recovery), as follows: (1) \$88,790,000 under the International Wheat Agreement Act of 1949, as amended (7 U.S.C. 1641-1642); (2) \$255,685,000 for commodities disposed of for emergency famine relief to friendly peoples pursuant to title II of the Act of July 10, 1954, as amended (7 U.S.C. 1703, 1721-1724); (3) \$1,353,000,000 for the sale of surplus agricultural commodities for foreign currencies pursuant to title I of the Act of July 10, 1954, as amended (7 U.S.C. 1701-1709); (4) \$13,000 for grain made available to the Secretary of the Interior to prevent crop damage by migratory waterfowl pursuant to the Act of July 3, 1956 (7 U.S.C. 442-445); (5) \$163,163,000 for strategic and other materials acquired by the Commodity Credit Corporation as a result of barter or exchange of agricultural commodities or products and transferred to the supplemental stockpile pursuant to Public Law 540, Eighty-fourth Congress (7 U.S.C. 1856); (6) \$1,264,000 for transfers to the appropriation ‘Marketing research and service’ pursuant to the Act of August 31, 1951 (7 U.S.C. 414a), for grading tobacco and classing cotton without charge to producers, as authorized by law (7 U.S.C. 473a, 511d): *Provided*, That the appropriations provided in this paragraph shall be immediately available: *Provided further*, That the unexpended balances of funds heretofore provided for the various purposes under this head may remain available until expended for the purposes for which appropriated and may be merged with the funds provided in this paragraph.]”

The proposed change would delete the entire appropriation item.

The 1962 Appropriation Act established a separate category of “Foreign Assistance Programs” for the current appropriation of estimated costs under Public Law 489, the International Wheat Agreement, and the Public Law 84-540 bartered materials program. In addition, the act provided that amounts formerly appropriated under this head for transfers to the Agricultural Marketing Service for grading tobacco and classing cotton and for expenses of supplying grain to the Department of the Interior for migratory waterfowl feed be appropriated directly to these agencies.

Since appropriations for these programs are now being provided on a current basis, separate from Commodity Credit Corporation appropriations, and since it is proposed that any prior year costs in excess of amounts actually appropriated now be included within the current appropriations for those items, this language is no longer necessary.

REIMBURSEMENT TO COMMODITY CREDIT CORPORATION FOR COSTS OF SPECIAL MILK PROGRAM

"To reimburse the Commodity Credit Corporation for amounts advanced for the fiscal year beginning July 1, [1960] 1961, for the special milk program for children pursuant to the Act of July 1, 1958, as amended ([72 Stat. 276; 74 Stat. 84-85], \$90,000,000] 7 U.S.C. 1446; 75 Stat. 147-148, 319), \$105,000,000, to be available for the fiscal year 1962."

The proposed changes, in addition to updating the language, would make the funds available in fiscal year 1962. It is anticipated that the Corporation's borrowing authority will be inadequate in the latter part of the current fiscal year. This proviso would make it possible to reimburse CCC in 1962 for amounts advanced, thereby reducing the drain on borrowing authority.

GENERAL PROVISIONS

Section 601: Provides authority for the purchase, replacement, and hire of passenger motor vehicles. The following changes are proposed in this section for 1963 (new language in italic; deleted matter in brackets):

"SEC. 601. Within the unit limit of cost fixed by law, appropriations and authorizations made for the Department under this Act shall be available for the purchase, in addition to those specifically provided for, of not to exceed [three hundred and ninety-eight] *four hundred and sixty* passenger motor vehicles, of which [three hundred and eighty-five] *four hundred and forty-three* shall be for replacement only, and for the hire of such vehicles."

The estimates propose the acquisition of 460 passenger motor vehicles from funds provided in the Agricultural Appropriation Act. This number is exclusive of 179 for the Forest Service. Of the 460 vehicles proposed for acquisition, 443 would be acquired to replace existing vehicles and 17 would be purchased without exchange of old vehicles.

Of the 17 vehicles to be acquired without exchange of old vehicles, 14 are for the Agricultural Research Service and 3 for the Agricultural Marketing Service. Two of the new vehicles for the Agricultural Research Service are needed for use in connection with the north central hydrology research watershed for which a program increase was provided in 1962 but no authorization provided for the additional vehicles which were needed. The remaining 12 additional vehicles would be for plant pest control activities for use in expanded work or to meet program needs which have not been satisfactorily served by the use of trucks.

The three additional vehicles for the Agricultural Marketing Service are needed for use in the enforcement of the Packers and Stockyards Act for regular supervision of posted yards and for investigative purposes. As vehicles engaged in investigatory work, these latter vehicles would not be identified as to Government ownership, as permitted by General Services Administration regulations.

The vehicles proposed to be replaced will all be at least 6 years old or will have mileage in excess of 60,000 miles at time of disposal, with the exception of a limited number which may become involved in accidents or damaged through operation over very rough terrain. More detailed justifications of the need for acquisition of the 460 motor vehicles appear in the justifications for the applicable agencies.

Section 602: Provides that provisions of law prohibiting or restricting the employment of aliens shall not apply to employment under the appropriation for the Foreign Agricultural Service.

Section 603: Provides that funds available to the Department of Agriculture shall be available for uniforms or allowances therefor as authorized by the act of September 1, 1954, as amended (5 U.S.C. 2131).

Section 604: Prohibits the Department from issuing any prediction or forecast with respect to future prices or price trends on cotton, except as to damage threatened or caused by insects or pests.

Section 605: Prohibits, with certain exceptions, the purchase of twine manufactured from commodities or materials produced outside the United States.

Section 606: Provides that not less than \$1,500,000 of the appropriations of the Department for research and service work authorized by the acts of August 14, 1946, July 28, 1954, and September 6, 1958 (7 U.S.C. 427, 1621-1629; 42 U.S.C. 1891-1893), shall be available for contract research and service work.

GENERAL PROVISIONS, (BUDGET AMENDMENT—H. DOC. 447)

The amended 1963 estimates include a change in general provisions language to increase the authorization for purchase of vehicles as follows (new language underscored; deleted matter is enclosed in brackets):

"SEC. 601. Within the unit limit of cost fixed by law, appropriations and authorizations made for the Department under this Act shall be available for the purchase, in addition to those specifically provided for, of not to exceed four hundred and [sixty] *seventy-six* passenger motor vehicles, of which four hundred and forty-three shall be for replacement only, and for the hire of such vehicles."

The amended estimates propose the acquisition of 476 passenger motor vehicles from funds provided in the Agricultural Appropriation Act. This is an increase of 16 vehicles over the original estimates for 1963, making a total of 33 additional vehicles in 1963 in lieu of 17 requested in the original budget for that year. The estimate of 443 for replacements of existing cars is not changed by this amendment.

The proposed changes are as follows:

	Original 1963 estimate	Amended 1963 estimate	Increase
Replacements.....	443	443	
Additional.....	17	33	+16
Total.....	460	476	+16

The additional vehicles will be urgently needed by the Soil Conservation Service for use by technical specialists assigned to field survey parties in each of the eight additional river basins where surveys are proposed to be started in the 1963 fiscal year as provided for in the 1963 amended estimates for the watershed protection item. The nature of the work would often require two or more technicians to travel together, sometimes for long distances, to remote rural areas making the use of pickup trucks or other type transportation impractical.

Mr. WHITTEN. Mr. Grant, do you have a general statement?

Mr. GRANT. I have no general statement, Mr. Chairman.

I could review the principal changes, if you like.

Mr. WHITTEN. I would like for you to touch on the principal ones.

AGRICULTURAL RESEARCH SERVICE

Mr. GRANT. If you wish to follow in the committee print, the first change I would like to mention appears near the end of page 1, under the Agricultural Research Service. New language is proposed to authorize the Department to acquire sites by donation, exchange, or purchase at a nominal cost not to exceed \$100. This would permit us to acquire small tracts of land which are offered to the Department from time to time for its laboratories and for which our basic legislation requires specific authorizing language. With the proposed new language, we could accept title to such properties without having to request specific appropriation language each year.

Mr. WHITTEN. I think that speaks for itself. You may proceed.

Mr. GRANT. The next change is on page 3 of the committee print. We propose to eliminate as a separate item the language which has been carried for several years to authorize transfers of funds for emergency operations on foot-and-mouth disease and other infectious diseases. The proposal is made to simplify the bill by merging this language with the appropriation for plant and animal disease and pest control. It would continue the language for emergencies the same as it has been in the past.

Mr. WHITTEN. Mr. Grant, when you include that which is an emergency in with that which is a continuing program haven't you eliminated the controls that you normally might have?

Mr. GRANT. No sir, Mr. Chairman, the controls would be exactly as they are now. Transfers of funds under this proviso could not be made under the language proposed, which is the same as existing law, until a declaration of an emergency has been made by the Secretary.

Mr. WHITTEN. We provide money in here for the control of brucellosis. We have put money in the bill with a set amount for the control of something else. So now you come in here and put in an emergency fund to handle an outbreak by merging the two. You could, if you did not keep faith with the committee, treat them as one instead of separately.

Mr. GRANT. It would be in the same account in the Treasury, but under the language proposed, which is the same as in existing law, we could transfer funds only for emergencies which were declared by the Secretary, and it could be used only for those emergencies.

Mr. WHITTEN. Since it is a part and parcel of the money that is under control, couldn't you double your control program?

Mr. GRANT. It would not be legal to do so, sir. The funds transferred could be used only for the purposes for which the emergency was declared.

Mr. WHITTEN. Presumably you can use the total amount for an emergency if you so declared it. But if no emergency arose, insofar as the bill is concerned, you could use it all on the control program. I am not talking about good faith. I know you have that.

Mr. GRANT. If no emergency is declared there would be no emergency funds in the account since this language does not appropriate any money. It would merely provide standby authority in the event of an emergency. However, since our only purpose is to simplify the wording of the bill, we would not feel strongly about this.

Mr. WHITTEN. If your point is merely to spend it through the control programs, that is one thing, but if you merge the two amounts you might up one at the expense of the other. We will study it further.

Mr. GRANT. We would have no difficulty with it either way.

There is another change on the same page proposing the elimination of the proviso that has been in the bill for the past 2 years requiring 40 percent matching by the States under the brucellosis eradication program. This was discussed at some length when the Agricultural Research Service appeared before the committee.

I do not believe any further discussion is needed at this time.

The next change is on page 10 in the foreign currency item. The budget, consistent with changes in language proposed for all of the special foreign currency appropriations, eliminates reference to title I of Public Law 480 in the first line, primarily because there are foreign currencies available to the Treasury other than those accruing under title I.

There are also changes relating to the availability of the appropriation which limit it to the purchase of foreign currencies which are available to the Treasury in amounts excess to the normal U.S. needs for such currencies. At present there are nine such countries. This change was also discussed earlier.

The change on page 13 under the item "Construction of facilities," proposes authority to purchase land in connection with the proposed Canadian border inspection stations. There are three of those where it appears that we may have to buy small parcels of land. Ordinarily we get land by donation for these facilities.

Mr. WHITTEN. You have already established by letter a limit on how far you will go.

Mr. GRANT. Yes, sir.

Mr. WHITTEN. Proceed.

COOPERATIVE STATE EXPERIMENT STATION SERVICE

Mr. GRANT. The next change is on page 18, under the "Cooperative State Experiment Station Service." This is a new appropriation item, and it results from the establishment of this organization by transfer of functions from the Agricultural Research Service. However, the language provides exactly the same authorities as are available in the fiscal year 1962 under the appropriation to the Agricultural Research Service, with one exception, which concerns the proviso that has been inserted for the employment of persons by contract on a temporary basis. In the past, this authority for the Agricultural Research Service was used by the experiment station people for this purpose.

This item also provides authority to make grants to institutions for scientific research, for which an increase of a million dollars was included in the budget. This was discussed earlier when the experiment station people were before the committee.

AGRICULTURAL MARKETING SERVICE

The next significant change, I believe, is on page 59 under the Agricultural Marketing Service, where we propose to eliminate the two subappropriations under this item and combine them in one appropriation. With the establishment of the Economic Research Service and the Statistical Reporting Service, the amount of funds remaining for research in the Agricultural Marketing Service is substantially reduced. Therefore, we believe it would be more efficient to consolidate these subappropriations into one item. It would not affect the work in any way.

On page 66, new language is proposed under the title "Construction of facilities" for the construction of a research laboratory at Dawson, Ga. It is proposed that the funds remain available until expended.

On page 68, there is a new item for the special milk program, in the amount of \$105 million. This is a new item because in the past this program has been financed by advances from the Commodity Credit Corporation. Under the law approved August 8, 1961, the program is to be financed by direct appropriation beginning with the fiscal year 1963.

The next item, on page 70, concerns the school lunch program. This again was discussed at some length, I believe, when the Agricultural Marketing Service people were before you. The proposal is to eliminate the proviso included in the 1962 appropriation language, relating to assistance under section 6, and to substitute an authorization to use up to \$10 million of the "School lunch" appropriation to provide special cash assistance to needy schools in serving meals to

needy children. This language would authorize the Secretary to prescribe the standards and criteria under which the funds would be used.

FARMERS HOME ADMINISTRATION

The next significant change is on page 150 of the committee print, under the Farmers Home Administration. In view of the enactment of the Consolidated Farmers Home Administration Act of 1961, the language for the loan authorizations and the appropriations heretofore included in the bill is proposed to be eliminated. In lieu thereof, the budget proposes language authorizing the Farmers Home Administration to use the direct loan account established by the Consolidated Farmers Home Administration Act of 1961 for making loans—tenant purchase loans, operating loans, and soil and water conservation loans.

The funds available in this account include receipts from loan collections plus amounts borrowed from the Treasury under the 1962 authorizations. No additional borrowing authorization is requested for 1963, since there will be sufficient resources in the account to provide for the loans estimated for 1963.

There is no change from previous years in the general purposes for which loans can be made or in the manner in which they will be made, with one exception. The 1962 Appropriation Act specified an amount to be set aside for loans in reclamation projects and to entrymen on public lands without regard to the formula in the basic law. This proviso is no longer needed because under the old law all of the funds for farm ownership loans had to be allocated to States under a formula based on farm population and prevalence of tenancy. Under the new law, however, only 25 percent of the total funds are required to be distributed or allocated under such a formula. That means we can take care of the needs for entrymen on public lands and on reclamation projects within the remaining 75 percent.

GENERAL ADMINISTRATION

The next change is on page 128, under "General administration." We are proposing to change the title of this appropriation from "Office of the Secretary" to "General administration" because it is more descriptive of the activities conducted. These funds are not used entirely for the Office of the Secretary, but they finance a number of departmental staff services, and it is believed that the change in title will facilitate understanding of the nature of the item.

We also are proposing to eliminate some words which have been carried in the bill for a number of years referring specifically to stationery, supplies, materials, equipment, freight, express, and drayage charges, et cetera. These words are being deleted because they are unnecessary and represent excess wordage. The deletion of these words would not affect in any way the authorities provided in the present language, and is proposed only in the interest of simplification. We would still carry on these activities just as we have in the past.

There is a fourth change in this item proposing that not to exceed \$2,500 be available to the Secretary for official reception and repre-

sentation expenses. Frequently the Secretary finds it necessary to provide a luncheon or similar courtesy to small groups and individuals in carrying out official business. The extension of courtesies of this nature helps to establish conditions which permit the most effective working relationships with farm, trade, industry, and other groups.

Overall, courtesies of this nature are of official benefit to the Government, and the Secretary and the Under Secretary should not be required to pay these expenses from their personal funds.

GENERAL PROVISIONS

MOTOR VEHICLES

The remaining change, Mr. Chairman, which I want to mention, is under section 601 of the general provisions appearing on page 231 of the committee print, relating to the replacement of passenger motor vehicles. Taking into consideration the change in the budget amendment for watershed protection, we are requesting next year authorization to purchase 476 passenger motor vehicles, of which 443 would be for replacement. All of these replacements would be cars that were 6 years old or had been driven more than 60,000 miles, or else had been wrecked or for some reason were unserviceable. This means we are requesting 33 additional cars. Of these 33, 14 are required by the Agricultural Research Service in connection with its work, 2 at the North Central Hydrology Watershed Laboratory at Columbia, Mo., a new laboratory for which funds were provided in 1962, and 12 in connection with the plant pest control work; 3 of the additional cars are needed by the Agricultural Marketing Service in connection with the enforcement of the Packers and Stockyards Act; and 16 for the Soil Conservation Service for the watershed protection river basin investigations that were discussed earlier today. These additional investigations would be done by survey groups which need transportation in the rural areas where the work must be done.

I believe I have covered the major changes. We will see that there is a complete explanation in the record of all of the language changes.

Mr. WHITTEN. Thank you, Mr. Grant.

MANAGEMENT IMPROVEMENT ACTIVITIES

The committee has been advised of various steps which the Secretary has taken in connection with present investigations. I would like you to include those in the record at this point.

I have reference to the investigations now going on by the Department in connection with warehousing, cotton acreage allotments, and all those things. He has announced the creating of certain offices, the establishment of an Audit Unit, increasing amounts of surety bonds, and so on.

I would like you to insert those in the record. In addition thereto, I would like you to advise the committee whether separate funds should be provided by the committee for the Office of the Secretary, or whether the plans are to draw from the respective agencies. We also need information on what amounts would be involved.

Mr. GRANT. I shall be glad to do that.

(The following information was subsequently supplied:)

In his testimony of June 28, 1962, before the Permanent Subcommittee on Investigations of the Senate Committee on Government Operations, the Secretary cited 10 measures as an illustration of the nature of the administrative actions taken within the Department to tighten up management and increase efficiency. Each of these measures cited by the Secretary is set forth below followed by an explanatory comment including a statement on the financing of the action, or the benefits or savings which it is expected will result.

1. An Office of Management Appraisal and Systems Development, established last December, to provide leadership and coordination for planning and developing automatic data processing and to improve other management policies, programs and systems.

Comment. The basic function of the Office is to provide leadership and coordination to the agencies of the Department in improving management policies, programs and systems. The 1963 estimates for general administration include \$124,000 to finance this basic mission. The Office will be staffed by seven professional and two secretarial employees.

In addition, the Office will direct and provide technical assistance to Department task forces working on urgent surveys and systems studies for agencies of the Department. The costs of OMASD participation will be financed from the 1963 appropriation for general administration mentioned above. The costs of agency participation will be borne by the agencies out of available funds, and no specific budgetary increases have been proposed for these purposes.

This Office will also direct the development and operations of the MODE system including the centralized payroll operations listed as item 4. The costs of development and operation of MODE will be financed through the Department's working capital fund and reimbursed from funds available to the agencies of the Department in proportion to the service rendered.

2. The establishment of a data processing center in Kansas City to handle all of the accounting and reporting for the grain price support loan and purchase agreement activity.

Comment. In September 1961, the Agricultural Stabilization and Conservation Service established a data processing center in Kansas City, Mo. The primary reason for establishing the center was to consolidate the accounting and reporting functions of the grain price support loan program which had been accomplished on computers in the Evanston and Kansas City offices. A study indicated that consolidation of this function into a single center would eliminate some duplication of labor and permit the use of a larger and more economical data processing system. It is anticipated that a further review of ASCS programs will reveal other areas where ADP equipment can be feasibly applied. It is contemplated that some of the data handling relative to inventory management can be processed in the data processing center. These applications are currently being studied by a work group of specialists from Washington and the commodity offices which handle grain.

All costs for this center will be paid from funds of the Commodity Credit Corporation under the limitation for administrative expenses. The establishment of this center is expected to result in the reducing of obligations by \$127,000 in the fiscal year 1963 and \$1,400,000 in 1964.

3. Departmental reorganization to coordinate economic research and statistical reporting.

Comment. On February 24, 1961, Secretary Freeman gave public notice of the plan to reorganize economic research and statistical reporting under the Director, Agricultural Economics. Internal instructions were issued by the Secretary that the reorganization was to be accomplished within the 1961 fiscal year appropriations for the functions thus affected.

The reorganization became effective on April 3, 1961. No increased costs for the performance of the work in economic research and statistical reporting beyond the levels contemplated in the 1961 budget were incurred. The increases in program work authorized in the 1962 fiscal year appropriations and pending in the requests before the Congress for fiscal year 1963 are for program activities requiring additional resources in the Economic Research Service and expansion of the program of the Statistical Reporting Service.

Since the reorganization became effective a little over a year ago significant progress has been made in redirecting and coordinating this work, which was previously carried on in three agencies, and in reducing overhead costs. An

improvement in the quality of research output is already evident. Renewed vigor is being applied to the work and methods of crop and livestock estimates in an effort to achieve greater effectiveness through the use of ADP, including its use in research.

The creation of the consolidated Management Operations Staff to serve the two new agencies made available an estimated \$200,000 for program work which would otherwise have been required if separate staffs had been set up in each agency for administrative services in accordance with the traditional organizational pattern of the Department.

4. Centralized payroll operations.

Comment. As a part of the operations of the MODE system, payroll operations of the entire Department will be centralized in one office, utilizing a Department-owned computer. MODE is a comprehensive system which initially will provide centralized payroll, personnel record keeping and reporting, and related information for financial management. The system is now under development and the initial phases, including centralized payroll, will go into partial operation in January 1963. Full conversion will be accomplished by July 1963. The development and operation of the system will be financed through the working capital fund of the Department and reimbursed from funds available to the agencies serviced.

In summary, the entire MODE system will:

- (1) Reduce administrative costs by an estimated \$1.5 million per year.
 - (2) Centralize into 1 office the payroll work now done in 87 different offices and some of the personnel work presently performed in 130 different offices 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 data looking toward more effective manpower utilization.
 - (6) Give Department officials new management tools for program evaluation.
5. Directive to require analysis and presentation of budget requests in toto, thus requiring a justification "from zero" of all operations rather than just for new and additional operations.

Comment. The Department plans to review all budget requests from the ground up, and not merely in terms of changes proposed for the budget year. To subject the total work program of each agency of the Department to this intensive review and evaluation will require strengthened examination of budgetary proposals and effectiveness of the use of funds. The 1963 estimate for general administration proposes that an increase of \$133,000 for the Office of Budget and Finance to strengthen its staff be provided to permit this more intensive analysis.

6. Steps to coordinate and consolidate field office activities.

Comment. Over 90 percent of Agriculture employees are stationed outside of Washington, and the authorities for program operations are highly decentralized from the viewpoint of administration.

The Department is attempting to consolidate offices serving the same geographical area, such as county, State, or region. Through the consolidation of offices and common services, it is expected to improve coordination of management functions between agencies and insure maximum service and convenience to the public.

It is expected that this new emphasis on coordinating management skills will result in improved efficiency and economy in operations. This program will not require additional funds or personnel. The primary responsibility for the program is placed in the agencies, with technical and administrative assistance being provided from the Department's staff offices.

7. Steps to coordinate, strengthen, and tighten up bonding policies and procedures, including:

- (a) Review of all bonds of over \$200,000 for grain warehouses, and \$100,000 or more for cotton warehouses.
- (b) Review of all new or renewal bonds before approval.
- (c) Assignment of a CPA to the U.S. Warehouse Act Branch to review financial data regarding new and renewal bonds.

Comment. The only significant additional cost of these changes was the assignment of a certified public accountant to the Warehouse Act Branch in Agricultural Marketing Service. Some accounting experience or education has been one of the qualifications considered in the past in employing technical staff for adminis-

tering the Warehouse Act. The principal change here is to provide a professional accountant to assure competent supervision of this phase of the activity. This cost, estimated to be about \$15,000 a year, is being met temporarily through lapses occurring in the Warehouse Act staff and can continue to be met within the amount budgeted in 1963 for the Warehouse Act or through lapses and other adjustments within the funds available for other marketing services activities.

The review of bonds has not required additional employees and has resulted in only minor additional costs for items such as overtime. The review of bonds of grain and cotton warehouses was made by the AMS regular staff primarily in the Internal Audit Division and was completed in June 1962. This review was financed within the marketing services funds available, principally those budgeted for internal audit and investigations of marketing services programs in accordance with the regular financing arrangements for such work. The review of all new or renewal bonds is made by a three-member committee made up of those regularly responsible for administration of the U.S. Warehouse Act, i.e., the Deputy Administrator, Regulatory Programs; the Director, Special Services Division; and the head of the Warehouse Act Branch.

The steps taken are designed to provide for broader and more technical review of the financial condition of the licensed warehouses and thus assure greater protection to the holders of the warehouse receipts.

8. Steps to strengthen the supervision of local committee and other field operations to insure faithful performance of duty and to make for greater efficiency in the administration of farm programs. These include—

(a) Directives to insure that any case involving irregularities be brought immediately to the attention of the Administrator of the Agricultural Stabilization and Conservation Service; and to require that disciplinary action taken by ASCS State offices respecting county employees, including committeemen, be reviewed for adequacy in the Washington office.

(b) Review, by the Washington office, of all acreage allotment transfers under eminent domain pooling provisions.

Comment.—In order to strengthen the supervision of local committee and other field operations of the ASCS, directives and procedures have been issued to all offices involved requiring that evidence of irregularities or indications of possible irregularities be brought immediately to the attention of the Administrator; that all disciplinary actions respecting county, State, or Washington employees be referred to Washington for additional review for adequacy by responsible officials; that reports of audits and reports of investigations be referred immediately for additional review by responsible officials in Washington to assure prompt action upon recommendations; and that all acreage allotment transfers under eminent domain pooling provisions be reviewed by responsible officials in Washington, including the Office of the General Counsel, where indicated.

These efforts represent tightening and strengthening operations which will be performed by the persons designated within the funds available for their usual functions. No additional funds are expected to be required for these actions.

9. Creation of a subcommittee under the National Agricultural Advisory Commission, staffed by outside experts to study the whole problem relating to the responsibilities of farmer elected local and county committees and of appointed State committees and State offices in the administration of farm programs, and to recommend policies that recognize both the importance of local control and participation and the necessity for the highest standards of efficiency, economy and integrity in carrying out accepted programs.

Comment. The membership of this committee includes nine members, seven from the National Agricultural Advisory Commission who do not receive any salary, and two expert consultants. Members of this committee, which will make an intensive survey and submit a report on the effectiveness of the USDA committee system, are being paid for their transportation and other necessary expenses. Funds available for travel and other official expenses of the committee are being paid from funds of the Agricultural Stabilization and Conservation Service.

10. Establishment of an Office of Audit and Investigation, headed by an Inspector General, to report directly to the Secretary and charged with responsibility for maintaining the highest standards of performance in all internal audit and investigation activities within the various agencies that make up the Department of Agriculture.

This includes review, appraisal and policy direction of independent internal audit operations in 10 major agencies now carried out by some 700 people. These

activities are, and will continue to be, essential to insure that the heads of these respective agencies can carry out their responsibilities effectively. However, the growing complexities and increased responsibilities that are imposed upon the Department of Agriculture are such that this new office has been created to insure that the highest possible standards are maintained at all times.

Comment. It is expected that the staff of the Office will consist of about 20 to 25 persons, requiring about \$250,000 annually. This staff will be financed by transfers, under Reorganization Plan No. 2 of 1953, from agencies of the Department where internal audit and program investigative work is now being done, together with amounts for services rendered those agencies which do not have their own audit or investigative services. Thus, the budgetary requirements of the Department in the fiscal year 1963 will not be increased by the operations of this new Office.

Mr. WHITTEN. Are there any other questions?

Mr. GRANT. Mr. Chairman, I believe that completes the testimony from the Department. On behalf of the Department, I would like to express our appreciation for the careful and thorough way in which the committee has gone into our budget estimates for 1963. If you find you need any additional information, we shall be glad to furnish it.

Mr. WHITTEN. Mr. Grant, thank you. We appreciate your appearance. You are always most helpful to us. I do not know what any subcommittee would do without the help of the budget officer of the Department with which it deals. As we have said before Mr. Grant, we feel you do a very excellent job. Certainly you have the respect and regard of this committee, not only for you as a person but for the fine way in which you cooperate with us.

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

EMPLOYMENT, OBLIGATIONS, AND BALANCES

Mr. WHITTEN. I would like to have inserted in the record a table showing the employment within the Department as of the latest date and the usual table showing obligations and balances.

(The material referred to follows:)

Monthly report of paid employment, as of end of May 1962, inside and outside Washington, D.C., metropolitan area ¹

Agencies	Full time			Part time and intermittent	Total paid
	Perma- nent	Tempo- rary	Total		
Total.....	72, 483	9, 389	81, 872	16, 668	98, 540
Office of the Secretary:					
Immediate Office of the Secretary.....	53		53	2	55
Office of Budget and Finance.....	65		65		65
Office of Personnel.....	82		82	1	83
Office of Plant and Operations.....	82	2	84		84
Working capital fund.....	154	8	162		162
Office of Management Appraisal and Systems Development.....	6		6		6
Office of Hearing Examiners.....	7		7		7
Office of Information:					
Office of Information.....	138	5	143	1	144
Office of Information, working capital fund.....	112	1	113		113
Library.....	159	7	166	2	168
Office of the General Counsel.....	387	10	397	8	405
Foreign Agricultural Service.....	812	23	835	7	842
Agricultural Research Service.....	15, 793	1, 229	17, 022	921	17, 943
Cooperative State Experiment Station Service.....	100		100	3	103
Farmer Cooperative Service.....	102	1	103	1	104
Federal Extension Service.....	226	4	230	9	239
Forest Service.....	16, 448	7, 404	23, 852	5, 436	29, 288
Soil Conservation Service.....	14, 643	68	14, 711	3, 059	17, 770
Agricultural Marketing Service.....	6, 853	129	6, 982	399	7, 381
Agricultural Stabilization and Conservation Service.....	7, 806	284	8, 090	340	8, 430
Commodity Exchange Authority.....	123	4	127		127
Federal Crop Insurance Corporation.....	478	33	511	661	1, 172
Farmers Home Administration.....	4, 898	89	4, 987	² 5, 164	10, 151
Office of Rural Areas Development.....	19		19	1	20
Rural Electrification Administration.....	957	3	960	11	971
Economic Research Service.....	876	39	915	61	976
Management operations staff.....	160	4	164		164
Staff economists group.....	7		7		7
Statistical Reporting Service.....	937	42	979	581	1, 560

¹ Includes employees in the 50 States, territories, possessions, and foreign countries.

² Includes 5,118 FFA State and county committeemen who performed service during the month.

Amounts available and related obligations and balances, 1962, as of May 31, 1962

Agency or item	Amounts available ¹	Obligations through May 31, 1962	Unobligated balance as of May 31, 1962	Remarks
Annual appropriations for regular activities: Agricultural Research Service: Salaries and expenses: Research.....	\$79,905,347	\$70,924,590	\$8,980,757	The unobligated balance includes (1) \$42,000 for installation of a reservoir, irrigation system and well at Indio, Calif.; (2) \$100,000 for the construction of a greenhouse-greenhouse at College Station, Tex., on which request for issuance of invitations to bid is pending; (3) \$13,500 for construction of a greenhouse at Los Lunas, N. Mex.; and (4) approximately \$196,000 for issuance of purchase orders for supplies, materials, and equipment for which requisitions were submitted prior to May 31, 1962. In addition, approximately \$150,000 was released from the contingency research fund during the latter part of May for use in meeting increased research needs. It is planned that these funds will be obligated in June 1962. There are also \$398,105 of research contracts in various stages of negotiations as of May 31, 1962. Balance includes \$650,000 in reserves for control of emergency outbreaks of plant and animal diseases.
Plant and animal disease and pest control.....	56,162,056	49,870,365	6,291,691	
Meat inspection.....	33,340,256	30,205,804	3,134,452	
Total, salaries and expenses.....	169,407,659	151,000,759	18,406,900	
Construction of facilities.....	8,096,403	3,439,955	4,656,448	
State experiment stations: Payments to States and Puerto Rico.....	35,553,000	35,446,138	106,862	
Penalty mail.....	250,000	229,167	20,833	
Total, State experiment stations.....	35,803,000	35,675,305	127,695	
Total, Agricultural Research Service ²	213,307,062	190,116,019	23,191,043	
Extension Service: Payments to States and Puerto Rico.....	59,590,000	59,278,490	311,510	
Retirement costs for extension agents.....	6,260,000	5,677,986	582,014	
Penalty mail.....	2,400,000	2,282,500	207,500	
Federal Extension Service.....	2,528,424	2,280,941	247,483	
Total, Extension Service.....	70,863,424	69,519,917	1,343,507	
Farmer Cooperative Service.....	664,600	613,462	51,138	
Soil Conservation Service: Conservation operations.....	100,046,281	90,719,415	9,326,866	
Watershed protection.....	57,966,562	33,012,041	23,354,521	
Flood prevention.....	28,077,769	16,893,003	11,184,766	
Great Plains conservation program.....	10,433,216	9,297,605	1,135,611	
Water conservation and utilization projects.....	129,000	1,314	127,686	
Total, Soil Conservation Service.....	195,952,848	150,823,578	45,129,270	Balance includes \$127,000 for obligations to be incurred in subsequent years.

Includes amounts for the CSBSS, which was established Oct. 1, 1961.

Balance continues available in subsequent years for previously authorized construction projects.

Balance includes \$127,000 for obligations to be incurred in subsequent years.

Economic Research Service.....	10,561,405	9,205,897	1,355,508
Statistical Reporting Service.....	10,035,913	8,935,740	1,100,173
Agricultural Marketing Service:			
Marketing research.....	4,919,000	4,370,107	548,893
Marketing service.....	37,121,405	33,354,593	3,766,812
Total, marketing research and service.....	42,040,405	37,724,700	4,315,705
Payments to States.....	1,325,000	1,321,799	3,201
School lunch program.....	170,000,000	169,234,208	765,792
Total, Agricultural Marketing Service.....	213,365,405	208,280,707	5,084,698
Foreign Agricultural Service ²	15,597,500	12,981,909	2,615,591
Commodity Exchange Authority.....	1,007,000	925,038	81,962
Agricultural Stabilization and Conservation Service:			
Acreage allotments and marketing quotas.....	44,098,000	43,995,500	102,500
Sugar Act program.....	78,000,000	77,996,049	3,951
Agricultural conservation program.....	288,444,000	284,324,236	4,119,764
Emergency conservation measures.....	16,737,909	8,324,986	8,412,923
Special agricultural conservation program.....	18,500,000	16,000,000	2,500,000
Conservation reserve program.....	334,151,475	333,805,678	345,797
Total, ASCS.....	779,931,384	764,446,449	15,484,935
Foreign assistance programs:			
Public Law 480.....	1,404,319,000	1,285,351,000	118,968,000
International Wheat Agreement.....	70,681,000	70,681,000	-----
Bartered materials for supplemental stockpile.....	125,000,000	120,800,000	4,200,000
Total, foreign assistance.....	1,600,000,000	1,476,832,000	123,168,000
Federal Crop Insurance Corporation (operating and administrative expenses, including capital funds authorized for this purpose). Rural Electrification Administration (salaries and expenses).	9,383,428	7,909,332	1,473,496
Farmers Home Administration:	10,055,415	9,140,362	915,053
Salaries and expenses.....	35,691,786	32,797,735	2,894,051
Emergency credit revolving fund.....	109,479,754	62,170,785	47,308,969
Agricultural credit insurance fund.....	118,795,317	109,731,967	9,063,350
Farm housing grants and loans.....	10,000,000	51,220	9,948,780
Total, Farmers Home Administration.....	273,966,857	204,751,707	69,215,150
Office of the General Counsel.....	3,651,105	3,327,258	323,847
Office of the Secretary.....	3,180,000	2,852,795	327,205
Centennial observance of agriculture.....	100,000	65,588	34,412
Information.....	1,829,500	1,649,303	171,197
Library.....	1,143,500	1,023,903	119,597

Balance in reserve for contingencies.

Balance in agricultural credit insurance fund includes requirements to cover redemption of loans in the event of request from lenders to whom they were sold; such redemptions are mandatory if requested.

Balance includes reserve of \$20,000 for obligations to be incurred subsequent to June 30, 1962.

See footnotes at end of table, p. 2107.

Amounts available and related obligations and balances, 1962, as of May 31, 1962—Continued

Agency or item	Amounts available 1	Obligations through May 31, 1962	Unobligated balance as of May 31, 1962	Remarks
Annual appropriations for regular activities—Continued				
Forest Service:				
Forest protection and utilization (and cooperative range improvements):				
Forest land management.....	\$152,453,383	\$146,453,037	\$6,000,346	
Forest research.....	26,365,952	20,726,489	5,639,463	
State and private forestry cooperation.....	15,800,000	15,610,886	189,114	
Total, forest protection and utilization.....	194,619,335	182,790,412	11,828,923	
Forest roads and trails.....	87,092,533	36,813,424	50,279,109	
Access roads.....	2,151,218	343,283	1,807,935	Balance includes \$37,500,000 for obligations to be incurred in subsequent years. Negotiations with landowners behind schedule.
Acquisition of land for national forests:				
Superior National Forest.....	878,496	205,347	673,149	Acquisition of lands slow due to slowdown of purchase negotiations and condemnation.
Cache National Forest.....	112,519	90	112,429	
Special acts.....	10,000	-----	10,000	Purchase negotiations behind schedule, but entire amount of funds will be obligated.
Total, acquisition of land.....	1,001,015	205,437	795,578	
Assistance to States for tree planting.....	1,001,000	981,535	19,465	
Total, Forest Service.....	285,865,101	221,134,091	64,731,010	
Total, annual appropriations for regular activities.....	3,700,452,447	3,344,535,655	355,916,792	
Deduct amount for Forest Service.....	-285,865,101	-221,134,091	-64,731,010	
Total, annual appropriations for regular activities of the Department of Agriculture.....	3,414,587,346	3,123,401,564	291,185,782	
Corporate administrative expense limitation: Commodity Credit Corporation.....	48,016,000	37,403,320	10,612,680	Balance includes reserves for contingencies of \$3,354,200 and estimated unobligated balance of sales expansion limitations of \$515,000.
Rural Electrification Administration loans:				
Rural electrification.....	284,371,880	211,647,000	72,824,880	
Rural telephone.....	164,479,026	69,659,000	94,820,026	
Total, Rural Electrification Administration loans.....	448,850,906	281,206,000	167,644,906	Balance includes reserves of \$30 million telephone contingency loan authorization.
Farmers Home Administration loans:				
Direct loan account:				
Farm ownership.....	40,000,000	30,410,237	9,589,763	
Farm operating (production and maintenance).....	275,000,000	274,598,200	401,800	
Soil and water conservation.....	11,000,000	4,183,394	6,816,606	
Interest payments.....	9,000,000	8,146,440	853,560	
Total, direct loan.....	335,000,000	317,338,271	17,661,729	Does not include \$243,759,085 of anticipated collections for 1962 that are not to be used during this fiscal year.

Balance includes \$32,611,827 for obligations to be incurred in subsequent years out of a total authorization of \$650,000,000.

Rural housing program.....	427, 611, 837	93, 563, 586	334, 048, 251
Total, Farmers Home Administration.....	762, 611, 837	410, 901, 857	351, 709, 980
Total, loan authorizations.....	1, 211, 462, 743	692, 107, 857	519, 354, 886
Permanent authorizations:			
Removal of surplus agricultural commodities (30 per cent of customs receipts).....	573, 178, 099	150, 580, 308	422, 597, 791
Perishable Agricultural Commodities Act fund.....	962, 274	700, 316	261, 958
Payments to school funds, Arizona and New Mexico, national forest receipts.....	99, 211	99, 211	-----
Roads and trails for States, national forest receipts.....	10, 024, 470	10, 024, 470	-----
Expenses, brush disposal.....	14, 095, 275	5, 454, 547	8, 640, 728
Forest fire prevention.....	27, 160	24, 306	2, 764
Restoration of forest lands and improvements.....	200, 270	7, 388	192, 882
Payments to Minnesota (Cook, Lake, and St. Louis Counties).....	123, 550	123, 550	-----
Payments to counties, national grasslands.....	420, 714	420, 714	-----
Payments to States and territories from the national forest receipts.....	25, 056, 348	25, 056, 348	-----
Animal disease laboratory facilities (ARS).....	499, 350	242, 658	256, 692
Establishment of an Entomology Research Laboratory (ARS).....	400, 000	400, 000	400, 000
Total, permanent authorizations.....	625, 086, 721	192, 733, 906	432, 352, 815

Balance includes reserves of \$107,874 for obligations to be incurred in subsequent years.

¹ Includes reimbursements, transfers, and unobligated balances of continuing appropriations.
² As of Apr. 30, 1962, the status of appropriations for purchase of foreign currencies under special foreign currency programs was as follows:

Available	Obligations, Apr. 30, 1962	Balances, Apr. 30, 1962
Agricultural Research Service.....	\$7, 261, 717	\$22, 799, 283
Foreign Agricultural Service.....	8, 269, 710	3, 740, 778
Total.....	9, 780, 649	28, 540, 061

1. The first part of the paper is devoted to a general discussion of the problem of the existence of solutions of the system of equations (1) under the conditions (2). It is shown that the system (1) has a solution if and only if the matrix A is nonsingular.

2. In the second part of the paper, the problem of the construction of the solution of the system (1) is solved. It is shown that the solution of the system (1) can be expressed in the form of a series in powers of the elements of the matrix A .

3. In the third part of the paper, the problem of the construction of the solution of the system (1) is solved. It is shown that the solution of the system (1) can be expressed in the form of a series in powers of the elements of the matrix A .

4. In the fourth part of the paper, the problem of the construction of the solution of the system (1) is solved. It is shown that the solution of the system (1) can be expressed in the form of a series in powers of the elements of the matrix A .

5. In the fifth part of the paper, the problem of the construction of the solution of the system (1) is solved. It is shown that the solution of the system (1) can be expressed in the form of a series in powers of the elements of the matrix A .

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7. In the seventh part of the paper, the problem of the construction of the solution of the system (1) is solved. It is shown that the solution of the system (1) can be expressed in the form of a series in powers of the elements of the matrix A .

8. In the eighth part of the paper, the problem of the construction of the solution of the system (1) is solved. It is shown that the solution of the system (1) can be expressed in the form of a series in powers of the elements of the matrix A .

9. In the ninth part of the paper, the problem of the construction of the solution of the system (1) is solved. It is shown that the solution of the system (1) can be expressed in the form of a series in powers of the elements of the matrix A .

10. In the tenth part of the paper, the problem of the construction of the solution of the system (1) is solved. It is shown that the solution of the system (1) can be expressed in the form of a series in powers of the elements of the matrix A .

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