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POTATO MARKETING ORDERS

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HEARINGS BEFORE THE SUBCOMMITTEE ON DOMESTIC MARKETING OF THE COMMITTEE ON AGRICULTURE HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH CONGRESS
SECOND SESSION

ON

H.R. 10186 and H.R. 12543

JULY 30 AND 31, 1962

Serial KK

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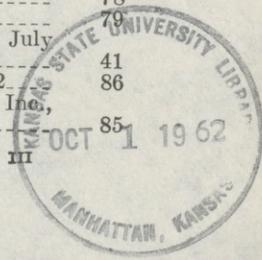
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POTATO MARKETING ORDERS

MONDAY, JULY 30, 1962

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON DOMESTIC MARKETING
OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

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

Present: Representatives Grant, Jones, Hagen of California, Matthews, Harding, McIntire, Teague, Mrs. May, and Beermann.

Also present: John J. Heimburger, counsel; Hyde H. Murray, assistant clerk; and Martha Hannah, staff assistant.

Mr. GRANT. The subcommittee will come to order, please. We have for consideration this morning H.R. 10186, by Mr. Johnson, and a companion bill, H.R. 12543, by Mr. Ullman.

(H.R. 10186 and H.R. 12543 are identical bills; the text of which together with the report from the Department of Agriculture, follow:)

[H.R. 10186, 87th Cong., 2d sess.]

A BILL To amend the Agricultural Adjustment Act as reenacted and amended by the Agricultural Marketing Agreement Act of 1937

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Agricultural Adjustment Act, as reenacted and amended by the Agriculture Marketing Agreement Act of 1937, as amended, is further amended as follows:

"Section 8c(2) is amended (a) by inserting before 'grapefruit,' where it first appears 'potatoes,' and (b) by striking out 'asparagus,' and inserting in lieu thereof 'asparagus and potatoes.'"

DEPARTMENT OF AGRICULTURE,
Washington, D.C., June 27, 1962.

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

DEAR MR. CHAIRMAN: This is in response to your request of February 19 for a report on H.R. 10186 to amend section 8c(2) of the Agricultural Marketing Agreement Act of 1937, as amended.

This Department recommends that the bill be passed.

The bill provides that the handling of fresh potatoes for purposes of canning and freezing could be subject to regulation under a marketing agreement and order, however, canned and frozen potato products would be excluded from regulation.

In 1956, approximately 7 million hundredweight of potatoes were canned or frozen. In 1960, 18 million hundredweight of potatoes were canned or frozen. Of potatoes used for food, 3.8 percent were canned or frozen in 1956 as compared with 8.7 percent in 1960.

Recent history and present expectations indicate that the use of potatoes for canning and freezing will continue to expand. Because of the expected expan-

sion in the demand for canned and frozen potatoes, the effectiveness of a marketing agreement and order would be strengthened if authority were included to regulate the handling of potatoes for the purpose of canning and freezing as well as for fresh market consumption. While providing authority to accomplish this purpose, the bill also excludes canned and frozen potato products from regulations under the Agricultural Marketing Agreement Act of 1937, as amended. Effective regulation can be obtained by including only the sale of fresh potatoes for the purpose of canning or freezing without the necessity of regulating canned and frozen potato products.

The enactment of this proposed legislation would probably result in new marketing orders as well as amendments to existing marketing orders for potatoes. Each new marketing order for fruits or vegetables costs approximately \$25,000 a year on the average. Proceedings to amend marketing orders vary in cost depending on location, complexity, and degree of industry unity. It is estimated that such costs would not exceed \$10,000 for potato marketing orders now in operation.

The Bureau of the Budget advises that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely yours,

ORVILLE L. FREEMAN,
Secretary.

MR. GRANT. Mr. Johnson, will you come forward please? We will be glad to hear from you, sir, at this time.

STATEMENT OF HON. HAROLD T. JOHNSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

MR. JOHNSON. Mr. Chairman, before proceeding with my statement, I think I should say that from Maine to California and from Minnesota to Texas I do believe we are in agreement on this. The National Potato Growers Association, as well as my own State association and the Oregon association, coming from that area of the West with which I am most familiar, are in complete agreement. Also, the American Farm Bureau is on record as being in support of the bill.

Mr. Chairman, on behalf of myself and the potato growers of northern California, I certainly appreciate the courtesy this committee has extended to us in scheduling this hearing on legislation which I believe is very valuable to your potato growers.

I introduced H.R. 10186, to amend the Agricultural Adjustment Act as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, at the request of the potato producers whom I represent, but you will be advised here today that this legislation involves much more than a local problem and has received the full support of the National Potato Council which I believe will testify to this effect. The Farm Bureau has endorsed this proposal at the national level.

As the committee well knows, the purpose of agricultural marketing orders is to provide the consumer with the best quality product from each year's crop at a reasonable price. Certainly, this is the goal of the potato growers of northern California and National Potato Growers Council.

At the present time potatoes moving into the fresh market are regulated under a Federal marketing order authorized by the Agricultural Market Agreement Act of 1937, as amended. At the time that this marketing order was adopted, specific exemptions pertaining to potatoes destined for the canning or freezing market were

included. Canning has not been a major outlet for potatoes. The volume of fresh potatoes moving into the canning market has remained relatively stable over the past 5 years, but the volume of potatoes being frozen has been increasing each season, as is shown in the attached table issued by the Department of Agriculture's Crop Reporting Board covering the 1960 crop. As shown, processing into certain food products as chips, dehydration, and frozen products has been increasing steadily. Other outlets such as starch and livestock feed are largely salvage outlets, and will vary considerably, as shown, from year to year depending upon overall quality and price levels. I might note that under the existing marketing agreements, certain considerations are allowed for potatoes destined for noncompetitive outlets, such as livestock feed, conversion into starch or flour, for export, and similar outlets. I believe this consideration should continue.

The exemption for canning has been in the act since it was passed in 1937 and the exemption for freezing was added August 1, 1947, at which time the impact of the freezing exemption was not too great as far as potatoes were concerned since the volume used was small. The present upward trend in potato food processing, including freezing, is expected to continue.

May I call again your special attention to the increase in freezing of potatoes. The freezing industry uses four times the volume of raw stock frozen 5 years ago. The report also states:

Potatoes used for making frozen french fries from the 1960 crop exceeded by 53 percent the volume used from the 1959 crop—13.4 million cwt. from 1960 compared to 8.7 million cwt. the previous season.

The statistics showed that the use of potatoes for canning and freezing will continue to expand. In view of this expansion, it is my belief and that of the potato producers that quality standards should be provided for potatoes moving into the canning and freezing outlets so that we can accomplish a more orderly and stabilized market. In other words, it is our belief that all potato processors in areas where marketing orders are in effect should be governed by quality standards, the same as the growers and shippers shipping to the fresh market. Processed potatoes are in direct competition with fresh potatoes in the marketplace. We believe that this exemption not only gives canners and freezers an unfair advantage over the grower of potatoes for the fresh market, but also the use of culls or substandard potatoes in frozen or canned products tends to create surpluses and demoralize the market just the same as would the placement of low-quality potatoes on the fresh market.

The spread in price between the fresh product and the processed product is certainly adequate to return a good profit to the processor and should permit him to purchase his raw potatoes in the same manner and on similar quality standards as the fresh market.

It is our feeling that in view of the substantial increase in the canning and freezing potato markets, the consuming public needs to be assured the opportunity for the same quality potato which they buy in the open market. Certainly, it is only logical that this protection be offered the consumer.

Mr. Chairman, H.R. 10186 would remove the exemptions now in force on potatoes to be frozen or canned. We have here today repre-

sentatives of major potato-producing areas, and the National Potato Council, who are the people in the field and I am sure can provide you with any additional information you desire.

I again want to thank you for your courtesy and consideration in your hearing these people on this important subject.

(Table entitled "Irish Potatoes: Utilization of the 1956-60 Crops," was also submitted by the Department and may be found on p. 8.)

Mr. JOHNSON. Mr. Chairman, this is a very important matter to our people in the potato business. It has the full support of the Secretary of Agriculture who has so informed the committee asking that this bill be considered favorably. There was no objection from the Bureau of the Budget.

I might say this does not regulate the end product that would come from a freezing or dehydration or canning operation. It merely would govern the raw materials going into the processing plants. I think there should be consideration given to quality, size, and maturity of the products that are going into the processing of potato products.

In our particular State we have approximately 102,000 acres of potatoes planted in the State of California. In my particular area, while the acreage is rather small, amounting to 11,700, I think it is a very important area because about a third of that crop that is harvested there goes into certified seed potatoes for the planting of potatoes throughout the Western States. The production in California amounts to approximately 34,590,000 hundredweight and the crop is very important to us.

I do believe that most of California's potato crop is marketed in the fresh market, which comes under the existing regulations as to quality, size, and maturity. I see no reason why the potatoes going into the processing plants should not be regulated under a similar regulation.

As to cost, it is said that the cost is going to be increased on the part of the advisory committees, but I think the cost would be rather small, since these committees are now set up to regulate the fresh potato market. I think they could handle this at a very nominal cost. I think the Department has come forward with a figure of something like \$10,000. We know that marketing orders do cost money. There are costs involved. Certainly this would be no different. There would be a small cost.

Mr. Chairman, I want to thank you and members of the committee for this opportunity to appear before you in support of this bill. I would ask your favorable consideration.

Mr. GRANT. Thank you very much, Mr. Johnson. Are there any questions?

Mr. HARDING. I would like to compliment the gentleman from California on his exceptionally fine testimony. I have the greatest respect for Congressman Johnson. I think he is an outstanding Member of the House and does a very fine job in representing not only the people of his district in California but farm people all over the Nation.

Congressman Johnson, in your testimony you mention that the Farm Bureau favored this bill.

Mr. JOHNSON. Yes; I have a letter here from the Farm Bureau in support of the legislation. That is, the American Farm Bureau.

Mr. HARDING. I would like to ask unanimous consent that that letter be made part of the record, Mr. Chairman.

Mr. GRANT. That is up to the witness. I have the letter here from the Farm Bureau that I am going to place in the record.

Mr. HARDING. That would be fine because I did not know whether or not we had a Farm Bureau witness scheduled to testify on this.

Mr. JOHNSON. Yes, Mr. Chairman, the letter was addressed to the chairman of this subcommittee and it was sent to me with a covering letter from Mr. Matt Triggs, assistant legislative director of the American Farm Bureau Federation. So it is perfectly all right for Mr. Grant, chairman of this committee, to place his letter in the record if he sees fit.

Mr. HARDING. That is fine. The second question I would like to ask Congressman Johnson is: Do you anticipate that with the removal of this exemption for canners and freezers, a national marketing order will be initiated or do you anticipate the continuation of regional and local marketing orders that currently exist with farmers in the region or the States where the potatoes are produced administering the order?

Mr. JOHNSON. I think this is anticipated to operate the same as the marketing orders do now on fresh products into the market.

Mr. HARDING. The same as they are presently operated?

Mr. JOHNSON. Yes.

Mr. HARDING. This would give our Idaho-Eastern Oregon Marketing Order Control Board authority to regulate not only potatoes going into the fresh market but also those to the industry?

Mr. JOHNSON. Yes, sir.

Mr. HARDING. That would be my anticipation also. I thank the gentleman.

Mr. GRANT. If there are no further questions, thank you very much for your testimony, Mr. Johnson.

Mr. JOHNSON. Thank you, Mr. Chairman.

Mr. GRANT. Does Congressman Ullman have a representative here? If not, the next witness is Mr. Hedlund. We will be glad to hear from you at this time.

STATEMENT OF FLOYD F. HEDLUND, DIRECTOR, FRUIT AND VEGETABLE DIVISION, AGRICULTURAL MARKETING SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Mr. HEDLUND. Mr. Chairman and members of the committee, my name is Floyd F. Hedlund. I am Director of the Fruit and Vegetable Division, Agricultural Marketing Service, U.S. Department of Agriculture. I have a brief prepared statement which I would like to present.

H.R. 10186 proposes to amend section 8c(2) of the Agricultural Marketing Agreement Act of 1937, as amended. The proposed amendment would authorize the issuance of marketing orders regulating the handling of potatoes for canning and freezing, however, canned and frozen potato products would continue to be excluded from regulation.

The Department recommends that H.R. 10186 be passed. A report by the Department on this bill was filed with this committee on June 27, 1962.

The Agricultural Marketing Agreement Act of 1937 authorizes the issuance of marketing orders for the commodities outlined in section 8c(2) thereof. Generally speaking, this includes among others, all fresh fruits and vegetables. In 1937 the statute confined the regulation of fruits and vegetables for canning to olives and asparagus. In 1947 the canning provision was amended to include freezing. In 1954 the statute was amended to authorize the regulation of grapefruit for canning and freezing. In 1961 the statute was again amended to authorize the regulation of cherries, cranberries, and apples produced in designated States, for canning and freezing. The bill here under consideration proposes further to amend the statute to authorize the regulation of potatoes for canning and freezing under a marketing order.

The purpose of a marketing order is to assist agricultural producers in marketing their crop. The statute authorizes varying types of regulations of marketing in order to improve returns to producers. It continues to be the position of the Department that if agricultural producers are in position to take advantage of such marketing programs, they should be permitted to do so. Before any marketing order can be issued public hearings are required. No order may be issued unless two-thirds of the producers by number or by volume of production voting in a referendum indicate approval.

There are nine marketing orders now in effect for potatoes, six of which are active at this time. These six orders cover about 53 percent of the total potato crop. Each of these orders is administered locally by an industry committee nominated by industry members for this purpose. Although authority exists under several of these orders to regulate potatoes for processing, other than for canning and freezing, the industries find it difficult to regulate potatoes in outlets such as dehydration and potato chips in the absence of regulatory authority for the canning and freezing outlets. Many processing plants produce both dehydrated and frozen potato products, consequently, there are practical difficulties in applying a quality regulation to raw potatoes for one use and not another. As a result, processing outlets are generally not regulated under current marketing orders.

All of the marketing orders now in effect for potatoes authorize regulation on the basis of grade, size, quality, and maturity. Through these orders an effort is made by potato producers to supply the market only with the better quality of potatoes and convert the lower grades and sizes into other outlets thereby increasing total returns to producers. For the most part, these regulations apply only to potatoes destined for fresh consumption outlets. Inasmuch as there is no authority to regulate the quality of potatoes used for canning and freezing, many potatoes, including those of lower quality, are converted into canned or frozen products.

Large acreages of potatoes are grown by producers for processors under contract. Generally speaking, these contracts provide for delivery of potatoes to the processor on a field-run basis, that is, ungraded potatoes as they come out of the ground. All qualities of potatoes are included. The price to be paid is tied to the grade of the potatoes delivered with the producer receiving little or nothing for cull potatoes. Sometimes processors grade out the best potatoes and market them in fresh form; the remainder being utilized in various

types of canned, frozen, or dehydrated products. In other plants, the entire quantity of potatoes may be used in a variety of processed potato products.

Potato producers in many areas are opposed to the use of low-grade potatoes, particularly culls, in the preparation of processed potato products. Their argument is that through the use of marketing orders they attempt to maintain a reasonable price for high-quality potatoes sold for fresh consumption. At the same time low-quality potatoes, including culls, which yield almost no return to the producer, are converted into canned, frozen, or dehydrated potato products and end up in the grocery stores in competition with high-quality fresh potatoes.

The argument is advanced that low-quality potatoes, especially culls, should be kept out of processed potato products in order to establish a more satisfactory market for all potatoes.

Potatoes have been and continue to be our most important vegetable crop, in terms of number of farmers, total production, and farm value. The 1959 agricultural census shows 684,853 farms reporting potato production, of which 49,470 grew 1 acre or more and accounted for about 97.5 percent of total production. In the past 10 years potato production has ranged from 211.1 million hundredweight to 293.6 million hundredweight annually, averaging 244.2 million hundredweight for the 10-year period. During the same period the farm value of the potato crop varied from \$305 million to \$685 million, averaging \$465 million. The farm value of the 1961 potato crop is estimated at \$400 million.

Exhibit A attached shows utilization of the potato crop during the 5-year period 1956-60. There has been a sharp upward trend in the use of potatoes for processing; currently 24 percent of the potatoes used for food are in processed form. Canning and freezing are an important part of the processing outlet. Usage in canning and freezing channels has increased from about 7.0 million hundredweight in 1956 to nearly 18.0 million hundredweight in 1960 as shown in exhibit B. In 1960, nearly 9 percent of all potatoes used for food was canned or frozen.

Recent history and present expectations indicate that the use of potatoes for canning and freezing will continue to expand. Because of the expected expansion in the demand for canned and frozen potatoes, the effectiveness of marketing orders for potatoes would be strengthened if authority were included to regulate the handling of potatoes for canning and freezing in addition to that now authorized. While providing authority to accomplish this purpose, the bill also excludes authority to regulate canned and frozen potato products. We believe that satisfactory results can be obtained by including only the sale of fresh potatoes for the purpose of canning or freezing without the necessity of regulating canned and frozen potato products.

The National Potato Advisory Committee, which was established by the Secretary of Agriculture to consider and develop an overall program for potato producers, meeting in Washington on July 12, 1962, urged the enactment of legislation to remove the canning and freezing exemption for potatoes from the Agricultural Marketing Agreement Act.

POTATO MARKETING ORDERS

(The tables accompanying Mr. Hedlund's statement follow:)

EXHIBIT A

Irish potatoes: Utilization of the 1956-60 crops

[In thousand hundredweight]

Utilization items	1956 crop ¹	1957 crop ¹	1958 crop ¹	1959 crop ¹	1960 crop ¹
A. Sales:					
1. Table stock.....	146,048	148,408	148,868	149,013	149,376
2. For processing:					
(a) Chips and shoestrings.....	14,566	17,356	17,063	20,195	21,310
(b) Dehydration.....	3,223	3,776	5,917	7,656	10,104
(c) Frozen french fries.....	4,348	4,215	7,352	8,745	13,373
(d) Other frozen products.....	327	612	911	1,173	1,669
(e) Canned potatoes.....	994	1,216	1,250	1,185	1,572
(f) Other canned products (hash, stews, soups).....	1,289	1,390	1,614	1,262	1,237
(g) Starch and flour.....	18,336	12,691	18,387	7,718	10,177
Total.....	43,083	41,256	52,494	47,934	59,442
3. Other sales:					
(a) Livestock feed.....	7,675	8,950	18,918	6,607	5,348
(b) Seed.....	13,435	13,641	13,079	13,683	14,547
Total.....	21,110	22,591	31,997	20,190	19,895
Total sales.....	210,241	212,255	233,359	217,137	228,713
B. Nonsales:					
1. Seed used on farm where grown....	6,752	7,577	7,086	7,166	7,504
2. Household use.....	9,312	8,176	7,279	5,920	5,459
3. Feed.....	4,148	2,718	3,916	3,085	2,887
4. Shrinkage and loss.....	15,339	11,796	15,257	12,491	12,872
Total nonsales.....	35,551	30,267	33,538	28,662	28,722
Total production.....	245,792	242,522	266,897	245,799	257,435

¹ Revised.

Source: Pot 1-3 (9-61); Statistical Reporting Service and Crop Reporting Board, U.S. Department of Agriculture.

EXHIBIT B

Irish potatoes: Utilization for canning and freezing, 1956-61

Crop year	Production	Total food utilization	Utilization for—		Total	Total canning and freezing as percent of total food utilization	Pack ¹ frozen potato products	Pack ¹ canned potatoes
			Canning	Freezing				
	Thousand hundred-weight	Percent	Million pounds	Million cases, basis 2 1/2/30's ²				
1956.....	245,792	180,107	2,283	4,675	6,958	3.86	189.7	3.5
1957.....	242,522	185,149	2,606	4,827	7,433	4.01	219.9	4.0
1958.....	266,897	190,254	2,864	8,263	11,127	5.85	269.5	4.1
1959.....	245,799	195,149	2,447	9,918	12,365	6.34	371.0	3.6
1960.....	257,435	204,100	2,809	15,042	17,851	8.75	551.4	4.2
1961.....	293,594	(²)	579.2	4.6				

¹ Calendar year.² Not available.

Source: Canned pack: National Canners Association; frozen pack: National Association of Frozen Food Packers; Pot 1-3 (9-61); Statistical Reporting Service and Crop Reporting Board, U.S. Department of Agriculture.

Mr. GRANT. Thank you for your testimony. Are there any questions?

Mr. HAGEN of California. Mr. Hedlund, as I understand it, there are six active potato marketing orders at the present time. Is that right?

Mr. HEDLUND. Yes, sir.

Mr. HAGEN of California. Do any of them attempt to regulate sales for processing exclusive of canning or freezing?

Mr. HEDLUND. There have been some regulations on potatoes for potato chips, but those regulations have been very few and have been minimal in their character; but there have been a few of those kinds of regulations.

Mr. HAGEN of California. How do they work and why are there not more of them?

Mr. HEDLUND. Mr. Congressman, it is kind of hard to explain sometimes why they do not go into more of the regulation of potatoes in this category. I may say that chips are only one outlet. When you try to regulate one outlet in the absence of others, there are some practical difficulties involved.

Mr. HAGEN of California. That is the point I was getting to. You indicated in your statement that we really cannot have a regulation on these other potatoes destined for other products without including potatoes destined for canning and freezing because they all go to the same plant. Is that correct?

Mr. HEDLUND. That is one of the problems and one of the practical considerations involved. It is not true, however, that potato chips are processed in the same plants as the freezing plants. I think, generally speaking, potato chip plants are quite separate from these other types of processing.

Mr. HAGEN of California. In that case, why has not there been more use of the device in the case of potatoes destined for chips?

Mr. HEDLUND. I think it would best be explained by saying that the potato industry has not seen fit to try to regulate one outlet in the absence of others. There are competitive factors involved, and it is very difficult to try to say that you are going to regulate chips in the absence of regulating other processed outlets.

Mr. HAGEN of California. It is stated in the letter from the Secretary, in the statement, that this did not relate to products, there would be no regulation of the ultimate products; is that correct?

Mr. HEDLUND. That is true.

Mr. HAGEN of California. That must be found by reading the words of the statute. It is not specified in the bill itself.

Mr. HEDLUND. Yes, sir; it is not specified in the bill itself, but if you put the bill into the context of the statute, that will be quite clear.

Mr. HAGEN of California. I see. Further I notice in the statute with respect to, I think it is canned grapefruit, we spell out the fact that there must be a certain number of handlers, processors, agreeing to the regulation, but that would not obtain in the case of potatoes; is that correct?

Mr. HEDLUND. That is correct. There is nothing mentioned in here on that score.

Mr. HAGEN of California. So that canned grapefruit requirement would not apply here?

Mr. HEDLUND. Correct.

Mr. HAGEN of California. How competitive do you think these processed uses are with fresh potatoes?

Mr. HEDLUND. Mr. Congressman, measuring degrees of competition—

Mr. HAGEN of California. Is this an additional market or are they taking part of the fresh market?

Mr. HEDLUND. We consume about 200 million hundredweight of potatoes a year for food. Our per capita consumption has been relatively constant for a number of years. It is inching up a little bit. But it seems to me if you are going to use potatoes in one form, you probably are not going to use them in another. At the present time about 25 percent of all the potatoes used for food is in processed form. I think the exact figure is 24 percent. That has been going up and up.

I do not have any prima facie evidence, but I think it is reasonable to believe if a person eats potatoes in a processed form, he is not likely to eat potatoes in fresh form, at least at the same time. In my opinion, there is bound to be a degree of competition in between the two. The fact is our consumption of processed potatoes is going up.

Mr. HAGEN of California. Thank you.

Mr. TEAGUE. Mr. Chairman, I have a question which is somewhat related to that asked by Mr. Hagen, I think. I am a little puzzled as to how these proposed orders would work.

In your statement, Mr. Hedlund, you said on page 3, the second paragraph:

Large acreages of potatoes are grown by producers for processors under contract. Generally speaking, these contracts provide for delivery of potatoes to the processor on a field-run basis, that is, ungraded potatoes as they come out of the ground.

Later in that same paragraph:

Sometimes processors grade out the best potatoes and market them in fresh form, the remainder being utilized in various types of canned, frozen, or dehydrated products.

If we have a large acreage of potatoes under contract to one processor, as it works now, as I understand it, this processor may process part of the potatoes, he may sell part in a fresh form. How is this going to work? How are you going to have a marketing order which is going to regulate potatoes which are destined to be frozen when the contractor, the purchaser, may not himself know how much he is going to process or freeze and how much he is going to sell in fresh form?

Mr. HEDLUND. Mr. Congressman, I think that would have to work very much like the present regulation works for potatoes going to market in fresh form. That same processor, if he is going to market those potatoes in fresh form, must conform with quality regulations that are then in effect. I think if you are going to regulate potatoes for canning and freezing and if you had a minimum quality specification, it would simply mean that he would have to grade out the potatoes which did not meet that regulation.

Mr. TEAGUE. So you see no procedural or technical difficulty from that standpoint?

Mr. HEDLUND. I see no technical difficulties, Mr. Congressman, but I think it should be said perhaps that it would require an additional grading and it might require some additional culling out on the part of the processor.

Mr. TEAGUE. Thank you.

Mr. HARDING. Mr. Hedlund, you point on page 2—

There are nine marketing orders now in effect for potatoes, six of which are active at this time. These six orders cover about 53 percent of the total potato crop. Each of these orders is administered locally by an industry committee nominated by industry members for this purpose.

If this Johnson bill were passed, do you foresee the continuation of these regional marketing orders being administered locally by industry committees nominated by industry members?

Mr. HEDLUND. Mr. Congressman, if the present order stays in effect and they merely amend it to take advantage of any legislation that may be passed as a result of this proposal, yes, I think the order would continue as is with the changes as may be proposed and accepted by the industry.

Mr. HARDING. The reason I ask this question and the reason I am concerned is because last year in the general farm bill there was a section pertaining to national marketing orders. This committee knocked it out. I feel the House Committee on Agriculture repudiated national marketing orders.

Then we have recently seen a proposed national turkey marketing order repudiated by turkey producers. However, there are still advocates of a national potato marketing order. If this Johnson bill is just a tool for those proponents of a national potato marketing order to use, if we are just after an instrument to be used along the road to a national potato marketing order, I think that will have a much different effect on the attitude of many members of this committee than if we are just removing a canning and freezing exemption to allow potatoes flowing into these channels to be administered by local committees.

I would like to ask the gentleman, in all frankness, if he feels that the Johnson bill is designed to facilitate the local and regional marketing orders or if it is designed for the purpose of being administered by a national marketing order.

Mr. HEDLUND. Well, Mr. Congressman, I do not know what was in the mind of the author of the bill, but I would put it this way: That these regional marketing orders could be amended to take advantage of any legislation that may result from this proposal. But also if there were a national potato marketing order, it could likewise take advantage of any such legislation.

Mr. HARDING. Carrying my question a little further, do any of the six orders that are now active allow the regulation of dehydrated potatoes?

Mr. HEDLUND. Yes; some of them do allow the regulation of dehydrated potatoes.

Mr. HARDING. In any of the six are they presently attempting to regulate dehydrated potatoes?

Mr. HEDLUND. No, sir; they are not, because, as I outlined earlier, the practical difficulties of many integrated plants that produce both dehydrated and frozen potato products, there are those difficulties, and it is almost impossible to regulate one without the other.

Mr. HARDING. These local orders, as I understand it, are very flexible. In other words, it is my understanding that in a year of great surplus in which we have a great production of potatoes, under a local order they could regulate the so-called low-grade potatoes and keep them from going to the processors; but the same control committee in a year of potato shortage could allow those lower grade potatoes to go to the processors. Is that your understanding?

Mr. HEDLUND. That is quite correct.

Mr. HARDING. I wish to thank the gentleman for his testimony, and I have no further questions.

Mr. GRANT. Let me ask you this in regard to the potato chip industry. You say we have marketing orders for them now, but they are not being used to any extent?

Mr. HEDLUND. There are some marketing orders now, Mr. Chairman, that authorize the regulation of potatoes going into potato chips.

Mr. GRANT. I notice a communication here from the Potato Chip Institute which states that they represent approximately 200 manufacturers of potato chips located in all parts of the country and that these manufacturers represent about 95 percent of all potato chips produced in this country. They seem very much opposed to this bill.

Are there any further questions?

Mr. BEERMANN. Mr. Hedlund, in your testimony on page 2,

* * * the industries find it difficult to regulate potatoes in outlets such as dehydration and potato chips in the absence of regulatory authority for the canning and freezing outlets.

Do you feel if this Johnson bill is passed, that we would be in a better position for a national marketing order?

Mr. HEDLUND. I think I would have to say yes, that there would probably be an inclination for agricultural producers, perhaps of potatoes, to proceed in that direction because they could include all outlets.

Mr. BEERMANN. Have any hearings been held for potato producers on marketing orders relative to this particular bill?

Mr. HEDLUND. No hearings have been held relative to this particular bill, no, sir.

Mr. BEERMANN. Have there been any local hearings in any of the potato-producing areas concerning marketing orders on the dehydration and canning of potatoes?

Mr. HEDLUND. We have held quite a number of hearings in various local areas throughout the United States, Mr. Congressman, but inasmuch as there was no authority in the statute to regulate potatoes for canning and freezing, that subject has not been covered. They have covered the areas where the statute did authorize regulation.

Mr. HARDING. Will the gentleman yield?

Mr. BEERMANN. Yes, sir.

Mr. HEDLUND. Did I understand the witness to say he thought the passage of this bill would expedite a national potato marketing order?

Mr. HEDLUND. I did not say anything about that. I think the

passage of this bill would probably generate interest in a national marketing order or generate more interest.

Mr. HARDING. In other words, the witness feels that the passage of the Johnson bill would bring us closer to a national potato marketing order than the defeat of the Johnson bill? In other words, in your own mind you see a relationship between a national potato marketing order and the Johnson bill?

Mr. HEDLUND. I see a relationship, Mr. Congressman, in the interest in a national marketing order for potatoes as a result of this kind of legislation, but I do not want to predict what the outcome will be.

Mr. BEERMANN. Mr. Hedlund, whose interest? Who will be interested in the national marketing order?

Mr. HEDLUND. Potato producers.

Mr. BEERMANN. The farmers?

Mr. HEDLUND. Yes, sir.

Mr. HAGEN of California. Would the gentleman yield?

Mr. BEERMANN. Yes.

Mr. HAGEN of California. Actually, I think it would relieve the demand for a national marketing order if you try this out. Apparently the present formula for regional marketing orders is inadequate, and if this would make it more adequate, you relieve the demand for a national marketing order. That demand exists right now, and the Potato Advisory Committee dealt with it. I think this would relieve the demand for a national order.

Mr. HEDLUND. I do not want to predict one way or the other, but I think there is interest among potato producers in getting this kind of legislation. Whether they will utilize it in regional or national orders, I am not in position to say.

Mr. BEERMANN. In these hearings that have been held, Mr. Hedlund, in the local areas, the producers who testified, what size operations did they have?

Mr. HEDLUND. Mr. Congressman, they are all sizes—big, little, and intermediate.

Mr. BEERMANN. They were held in a sufficient number of locations so that all folks could be notified and come to testify before the hearing?

Mr. HEDLUND. I think that is true, yes. You do not have them held in every particular area, but they are in the State of Maine—I think perhaps Congressman McIntire would support my statement—in the hearings we have had up there, potato producers generally had an opportunity to be heard.

Mr. McINTIRE. I am not a member of the subcommittee, but in view of the national marketing order being brought into the testimony, would you cite for me, Mr. Hedlund, the authority in existing law for a national marketing order?

Mr. HEDLUND. Section 8(c)(11) of the Agricultural Marketing Agreement Act of 1937 states as follows:

No order shall be issued under this section which is applicable to all production areas or marketing areas or both of any commodity or product thereof unless the Secretary finds that the issuance of several orders applicable to the respective regional production areas or regional marketing areas or both, as the case may be, of the commodity or product would not effectively carry out the declared policy of the statute.

Mr. MCINTIRE. All through the experience of marketing orders up until recent months there has been a very definite interpretation of the purpose of the act to establish them on a regional basis; is that not right?

Mr. HEDLUND. All of the marketing orders we have had in the fruit and vegetable category have been regional, yes, sir.

Mr. MCINTIRE. What orders have not been regional?

Mr. HEDLUND. As far as I know, there are none which have not been regional orders.

Mr. MCINTIRE. Then the finding which the Secretary has made here is somewhat different from the finding that has been made previously in connection with marketing orders? The findings prior to just recently have been that the marketing order principle had to be set up on a regional basis where there was a common market and common methods of production, or there were common marketing characteristics; is that not true?

Mr. HEDLUND. Mr. Congressman, I do not know that the Secretary has made a finding specifically in that direction. The findings have always been that the particular order then under consideration was confined to the smallest regional production area practicable.

Mr. MCINTIRE. And now it is found that the Nation as a whole is the smallest regional production area practicable; is that right?

Mr. HEDLUND. If you went to a national marketing order, yes, I think that sort of finding would be necessary.

Mr. MCINTIRE. That is all, Mr. Chairman.

Mr. BEERMANN. I note in the second from the last paragraph on page 4 you say:

There has been a sharp upward trend in the use of potatoes for processing; currently 24 percent of the potatoes used for food are in processed form.

Is it likely that if we continue toward a national marketing order, that if we would eventually come to a national marketing order, that our housewives might be denied the fun of preparing fresh potatoes and would be using all processed potatoes?

Mr. HEDLUND. Well, I doubt that, Mr. Congressman. It is moving in the direction of increased potatoes in processed form, but I think that we will have fresh potatoes as long as I am around on this earth anyway.

Mr. BEERMANN. I planted some potatoes on Good Friday this year myself, and I was wondering if, after I dug them up, I would have to have them processed before eating them.

Mr. HEDLUND. There is nothing in this proposal that requires potatoes to be marketed in any particular form.

Mr. HARDING. It has been said that good Idaho bakers flavored with butter or sour cream are as habit forming as nicotine.

Mr. BEERMANN. I appreciate the gentleman's concern for Idaho producers. I am sitting next to a Maine producer, and I have grown some of my own.

Mr. GRANT. I am sure the gentleman realizes that only a few years ago when a man would come home in the evening, he would ask his wife, "What's cooking?" Now he walks in and asks her, "What's thawing?"

I have just been handed a letter addressed to Congressman Garmatz of Baltimore by the Lord-Mott Co. of that city. In this letter it is stated that:

We feel that we as canners help the growers of potatoes by utilizing a considerable portion of their crop which would otherwise have no market. We also help out the average housewife and taxpayer considerably by offering a low-cost food in cans.

Would you care to comment on that?

Mr. HEDLUND. I have no quarrel with that statement. I think that is probably true, that they do utilize potatoes which might otherwise have little or no market.

However, I do not know what the producer got for the potatoes. I think the potatoes in canned form are perhaps a low-cost food.

Mr. GRANT. Naturally, I think it would bring less price than the fresh.

Mr. HAGEN of California. You are not maintaining you can buy the same volume of potatoes in cans as fresh for the same money, do you?

Mr. HEDLUND. No, I am not saying that. But the term "low-cost food" was used. I think you can buy a can of potatoes for about as low a price as you can buy any kind of canned food. They are relatively inexpensive in terms of food.

Mr. HAGEN of California. You are speaking of canned food?

Mr. HEDLUND. Foods in cans; yes, sir.

Mr. GRANT. Thank you so much. Our next witness is Mr. Harold Bryant, vice president, Maine Potato Council.

Mr. McINTIRE. Mr. Chairman?

Mr. GRANT. Yes.

Mr. McINTIRE. Mr. Bryant called me and said he would be delayed although he will be in very soon. He might be deferred for the time being but will be on hand to be heard later.

Mr. GRANT. All right.

Mr. Roy Hirai from the State of Oregon.

We will be glad to hear from your, sir.

Proceed.

STATEMENT OF ROY HIRAI, NYSSA, OREG.

Mr. HIRAI. My name is Roy Hirai, 419 South Eighth Street, Nyssa, Oreg. I am a grower, farming with two brothers 350 acres of potatoes. All of those move to the fresh market. I appear in behalf of some 200 potato growers in Malheur County, Oreg., and have been authorized by the directors of the growers association there to speak for these growers.

We believe the exemption of potatoes for canning and freezing needs to be taken out of the marketing agreement law. We think it is fair for the industry to regulate this use the same as other uses are regulated. Most important, we can see that the industry will lose the self-help program of the marketing agreement, unless this type of use can be regulated.

In an area like ours, the use of potatoes for processing is increasing toward half our total volume of production. Under the present law this leaves us authority under the marketing agreement to regu-

late only half the crop. I have said the limit, under the law, threatens our ability to regulate even this half.

Let me explain why this is so.

Say we put into effect a regulation on size of potatoes that can be sold on the fresh market. This regulation applies to the half of our potatoes sold fresh, but it does not apply to a processor buying for dehydrated, canned, or frozen potato products. So when we restrict sale of potatoes below No. 2 grade, or potatoes under 2-inch diameter, the processor can still buy these. There is no competing outlet. So the processor pays his own price for these restricted potatoes, usually just a salvage price that returns nothing to the grower. They are doing this in our district. Almost every fresh shipper has been contacted or had an offer by the processor to buy the undersized and large culls that are below marketing agreement grades. Then the processor sells his product into the consuming market where it competes with all fresh potatoes.

The effect of this use by processors of potatoes held off the fresh market is unfair to growers whether they are contracting to processors or selling to the fresh market. If the processor can buy half his needs of potatoes as undersized or low grades from fresh shipment, and at a salvage price, this reduces the amount he needs to contract, and reduces the prices he will pay on contract.

If he puts this product from potatoes he gets at less than production cost on the market to compete with fresh potatoes, then his product replaces fresh potatoes out of all proportion to the actual cost of producing and marketing the two types of product.

This kind of competition is what will destroy the marketing agreements. Neither contract growers or fresh growers will be willing for very long to try to improve their product by withholding low grades, when their efforts are undermined in this way. The final result will be to leave the agreement inactive, or even abandon it entirely.

The question has no doubt occurred to you—would regulation of potatoes for processing mean the processors might be prevented from buying field run supplies? I don't think this possible or even contemplated by those of us who want this exemption removed. The potato industry values outlets for all their product the same as any other industry, if the product is bought and paid for on the basis of free competition. If potatoes for canning and frozen processing can be regulated under marketing agreements, then the processor and his growers will have a voice in the control committees, and the problems of the whole industry can be studied by the same group. We have always found decisions of these groups reasonable for fresh market potatoes, and we think they would be for all potatoes.

I have mentioned potatoes for dehydrated products as being a part of the problem coming from this exemption in the 1937 law, and I realize the law does not say these uses are exempt. In effect they are exempt, however. The reason they are is the multiple use of potatoes in most processing plants and the fact that when a processor buys potatoes he may freeze them or he may put them in some other product. There is no way to differentiate when he buys.

Because of the threat to our marketing agreement programs from this exemption, and because the effects of it are disrupting the orderly

marketing of potatoes, I feel, and the growers in my district feel the exemption should be removed from the law.

Mr. GRANT. Thank you very much for your statement.

There is one thing I would like to ask you about and that is with regard to your testimony as to buying some of the potatoes of cull grade, we might say, and thereby reducing the prices paid on contract. If this law is amended to include potatoes, what will be done with the culls or small potatoes which are not used? In other words, will we find a market for those potatoes?

Mr. HIRAI. Usually in our area the culls are fed to livestock.

Mr. GRANT. Is there a grade between the culls and the ones that would be sold for processing? What will be done with the ones above the grade of culls and below the grade of being accepted?

Mr. HIRAI. Well, the grade above culls would probably be frozen or dehydrated. There is very little canning in our area. They are also what we call strip packing, taking the very best, the No. 1's, and putting those in the fresh market.

Mr. GRANT. Thank you very much.

Mr. Hagen?

Mr. HAGEN of California. Mr. Hirai, I would like to pin this down: You stated that invariably it is true the farmer gets a price for these potatoes that go into processing below the cost of production. Is that an invariable price or does he sometimes make a profit on these?

Mr. HIRAI. Yes; if weather conditions are favorable and production culture practice is normal. There is a profit, not a big profit, but there is a little profit in contracting potatoes.

Mr. HAGEN of California. Let me take a potato grower who is growing primarily on his own behalf for sale on the fresh market, but he has inevitably potatoes he does not dispose of in that way; he disposes of them for processing purposes. In that instance, does he ever get a profitable price on that portion of them?

Mr. HIRAI. That going into processing or for the fresh market?

Mr. HAGEN of California. That, going into processing. The ones that he sells for processing?

Mr. HIRAI. Without a contract?

Mr. HAGEN. Without a contract.

Mr. HIRAI. That depends on the year. If it is a short year, sometimes the processors will come out and pay more than the contracting price but it has to be a short year before they do that.

Mr. HAGEN. Mr. Chairman, with your indulgence, I would like to ask Mr. Hedlund one other question.

What would happen if a group of potato growers, let us say in Oregon, in Mr. Hirai's area, decided they would band together and not sell those potatoes below the fresh grade to a processor or would only sell them to a processor at a price which they had deemed fair to them, to the producers? Would the Justice Department move in on them?

Mr. HEDLUND. I do not want to predict but that has happened in some other areas; yes, sir.

Mr. HAGEN of California. This is part of the problem, as I see it, and I think the Congress might try to establish new ground rules for actions in restraint of trade as they apply to farmers. In California, other commodity growers have attempted to sit down and bargain a fair price for their product to the processor and they are advised that

they are violating the antitrust laws, or something. Their only recourse is to attempt to get something into the marketing order program that will do the same job and that is one reason why these people are here.

Thank you very much.

Mr. HEDLUND. There is a certain amount of bargaining even in some potato areas through a bargaining association which is a co-operative and has certain privileges in that direction.

Mr. HAGEN of California. As I understand it, they cannot sit down with a group of processors and say, "Here is our price." They cannot do that without running the danger of being prosecuted by the Justice Department; is that correct?

Mr. HEDLUND. I think they have to go, of course, by the rule book but I believe they can sit down with one processor at a time.

Mr. HAGEN of California. One at a time?

Mr. HEDLUND. That is right.

Mr. HIRAI. Mr. Hagen?

Mr. HAGEN of California. Yes.

Mr. HIRAI. We have that same instance in our area. We have one group that cannot negotiate with the processor because of price differentials, the price the contractor offers them. We have two large freezing and dehydrating companies in our area; one on the Oregon side and one on the Idaho side. The Oregon side company has negotiated and the price was agreeable to the potato growers. The same growers contracted with the processor on the Idaho side and were offered a cheaper price, not comparable to the Oregon processor so they could not get together and, therefore, they do not have a contract with this other processor.

Mr. HAGEN of California. Thank you. That is all.

Mr. BEERMANN. Mr. Chairman?

Mr. GRANT. Yes.

Mr. BEERMANN. Mr. Hirai, what influenced you to get into the potato producing business?

Mr. HIRAI. Well, my father was a potato grower and when I got out of high school he passed away and there was not anybody else but me to follow through with the farm so since then I have been a potato grower.

Mr. BEERMANN. Thank you.

Where did your father sell potatoes?

Mr. HIRAI. Well, he sold them on the fresh market. That was 30 years ago and there was not any processor then.

Mr. BEERMANN. Today do you know where you are going to sell your potatoes before you plant them?

Mr. HIRAI. I hope to sell them on the fresh market. I do not sell any processed.

Mr. BEERMANN. Do you have a local potato association there?

Mr. HIRAI. We have several cooperatives growing potatoes. We have a Malheur County Potato Growers Association which is an association of all potato growers for social and legislative work. Then we have a co-op that sells potatoes for the potato growers.

Mr. BEERMANN. How does this cooperative selling organization operate?

Mr. HIRAI. They have member potato growers as members and it works on a co-op principle where they pool or take their potatoes

to this certain warehouse and they grade, ship, and have a sales manager who sells for them.

Mr. BEERMANN. You consign your potatoes to this group and then they sell them? They pay you for them or just how does it work?

Mr. HIRAI. That is about how it works. I am not a member of the co-op. I grow and I sell my own potatoes. I pack and ship them; grow, pack, and ship them.

Mr. BEERMANN. You contact the buyers yourself?

Mr. HIRAI. Right.

Mr. BEERMANN. The wholesale buyer?

Mr. HIRAI. Right, the broker or chain store.

Mr. BEERMANN. If this exemption were taken out, where would you market your smaller potatoes, or the potatoes you would not sell to the fresh growers or fresh potato buyers?

Mr. HIRAI. Below the marketing agreement grades, we have always been feeding those to livestock. I used to feed up to 1,000 head of Hereford cattle and used to take them out to our own livestock feed yards and feed them. I have now been out of the cattle business for a couple of years so we sell our potatoes below the marketing agreement grade to cattle feeders.

Mr. BEERMANN. They are still going into the same channels you used to sell them?

Mr. HIRAI. Yes. This year these processors have not contracted as many acres as they did in the past and they are going around contacting the warehouses or sheds and asking to buy or offering to buy below marketing agreement grades which are what we call B's, the small potatoes and the larger potatoes that have green ends, they trim off the green and process.

Mr. BEERMANN. Could you accomplish your objective by just not marketing the potatoes you do not want to have compete against you?

Mr. HIRAI. Your Honor, it is like human nature. I may feel that way but my neighbor down the road, if he can get 25 or 50 cents a hundred, that is where they go.

Mr. BEERMANN. Then the problem is that your neighbors are not getting together and you are asking the Government to do something your neighbors cannot do; is that right?

Mr. HIRAI. That is right.

Mr. BEERMANN. Thank you very much.

Mr. HIRAI. Under the marketing agreement, everybody has to abide by the law.

Mr. HAGEN of California. Would the gentleman yield?

Mr. BEERMANN. Yes.

Mr. HAGEN of California. I think if they did get together they would probably be confronted with an indictment for violating some laws in restraint of trade, or something. That is the problem as I understand it.

Mr. BEERMANN. I think before you give up some more of your freedom, you might investigate or check this. You might have your attorneys check what might be the problem before you get under a program you might find, eventually, you do not like. I am not here to give advice but to listen and I appreciate your testimony.

Thank you very much.

Mr. GRANT. Is that all?

Mr. BEERMANN. Thank you.

Mr. McINTIRE. Let me ask one question, Mr. Chairman.

Mr. GRANT. Yes.

Mr. McINTIRE. What are the terms of the contracts outstanding with the processors on the 1962 crop?

Mr. HIRAI. In one processing contract, it reads U.S. No. 1, 2 inches in diameter or larger.

Mr. McINTIRE. Is that about what your order has been, 2 inches minimum?

Mr. HIRAI. Yes, our order is U.S. No. 2's, 2 inches or larger.

Mr. McINTIRE. U.S. No. 2, 2 inches and larger?

Mr. HIRAI. Yes, sir. The reason I said processing contract is U.S. No. 1, 2 inches and larger, they pay you on the basis of No. 1's. They pay the grower \$1.28 per hundredweight for 50 percent No. 1's, 2 inches and larger.

Mr. McINTIRE. What allowance is made in this contract for a volume of potatoes which are below these grades? Does the contract specify any price to the grower for the potatoes which are below specifications of U.S. No. 1, 2 inches minimum?

Mr. HIRAI. No; there is no price on below—

Mr. McINTIRE. If a grower receives anything for that portion of his crop, it is reflected in the price on the basis of U.S. No. 1, 2-inch minimum?

Mr. HIRAI. Right.

Mr. HARDING. Will the gentleman yield?

Mr. McINTIRE. Yes.

Mr. HARDING. I believe the prices you are talking about are field run prices?

Mr. HIRAI. Right.

Mr. HARDING. It is based on 50 percent No. 1's and for each percentage above 50 of No. 1's, there is a bonus and in some contracts for each percentage below 50 percent, the processor may go below the contracted price?

Mr. HIRAI. Yes; they deduct.

Mr. HARDING. It is a field-run price?

Mr. McINTIRE. It is not a price on a field run volume basis.

Mr. HARDING. Yes, it is.

Mr. McINTIRE. It is a field one grade basis.

Mr. HIRAI. Right.

Mr. McINTIRE. There is a certain percentage, whatever it is, for which the farmer is not paid anything?

Mr. HIRAI. That is right.

Mr. GRANT. Thank you very much for your testimony.

Mr. Harold E. Bryant, we will be glad to hear from you. Proceed.

Mr. McINTIRE. Mr. Chairman, although I am not a member of the subcommittee, I would like to indulge the sufferance of the committee to comment that Mr. Bryant is executive vice president of the Maine Potato Council, an organization in the East that represents the potato producers of our State. Mr. Bryant was born in Maine and brought up in the potato industry of Maine, and he has had longtime experience in our industry. I am very, very happy to introduce him to the committee.

Mr. GRANT. Thank you, Mr. McIntire.

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

STATEMENT OF MR. HAROLD E. BRYANT, EXECUTIVE VICE PRESIDENT, MAINE POTATO COUNCIL

Mr. BRYANT. Mr. Chairman and members of the House Agriculture Committee, my name is Harold E. Bryant and I am executive vice president of the Maine Potato Council in Presque Isle, Maine. The Maine Potato Council is a trade association having as members all of the people in the State of Maine who grow potatoes. Our organization is dedicated to working for the best interests of the growers and to speak for them in matters of public interest.

The State of Maine has operated under a Federal marketing order for the past 10 years. We have restricted shipments of potatoes in an endeavor to reduce supplies and to ship to the consuming markets only the better grades. In most years we have prohibited the shipment of potatoes grading below a U.S. No. 1 and potatoes that are sized below $2\frac{1}{4}$ inches or above 4 inches. The marketing order has been very helpful and is considered a very vital and successful instrument to the marketing of the Maine potato crop.

However, with the increase of the use of potatoes in the canned and frozen form, our growers feel that the present marketing agreement has a weakness that would be corrected by the passage of H.R. 10186, known as the Johnson amendment. This amendment would provide for fresh potatoes being used for canning or freezing to be subject to the marketing agreement regulations. At present they are not. It is not expected that our administrative committee would apply the same size and grade standards to processors that they do for potatoes that are being marketed in the fresh form. However, it is felt vital to the successful operation of the agreement for the committee to have the power to make necessary restrictions if and when it becomes necessary for the best interests of potato growers throughout the State.

The processors operating in the State of Maine are opposed to the passage of this amendment, but our council sincerely believes that for the best interests of the industry as a whole the amendment should be passed. We feel that the opposition of the processors is merely a traditional opposition to regulation and not necessarily due to any impending hardship. Processors in our State, for the most part, process the better grades of potatoes, as the poorer quality and sizes are diverted to starch factories.

By unanimous vote of the executive committee, I was requested to appear before this committee and urge a favorable report for the bill H.R. 10186.

Mr. GRANT. Are there any questions?

Mr. HAGEN of California. I would like to ask one question.

As I understand it, California potatoes primarily are the California long whites. It is not a potato that adapts itself to processing and maybe we have a little different problem, but is the usual Maine potato suitable for either the fresh market and greatly desired for the processing market?

Mr. BRYANT. Not all potatoes in Maine are suitable for processing.

Mr. HAGEN of California. I am talking about varieties.

Mr. BRYANT. Yes. Most varieties are satisfactory for processing but some varieties are not. Most of them are.

Mr. HAGEN of California. Thank you.

Mr. BEERMANN. Mr. Chairman?

Mr. GRANT. Yes.

Mr. BEERMANN. Mr. Bryant, you state we have restricted shipments of potatoes in an endeavor to reduce the price and to ship to the consuming markets only the better grades.

This shipping of better grades is an economic factor, is that right?

Mr. BRYANT. That is right.

Mr. BEERMANN. Have you noticed in restrictions of shipments and reducing of supplies, you have encouraged production of potatoes in other areas to compete with your same markets?

Mr. BRYANT. I think there are many factors beyond the marketing agreement which have been conducive to increased production in other areas. I think our marketing methods in Maine have been responsible, not the marketing agreement.

Mr. BEERMANN. Then I might say in deference to your potato growers and your good colleague, that you are dependent on the brand and the quality of Maine potatoes to oversell against your competition?

Mr. BRYANT. That is right.

Mr. BEERMANN. That is all, Mr. Chairman.

Mr. HARDING. Mr. Chairman?

Mr. GRANT. Yes.

Mr. HARDING. Mr. Bryant, some time ago a hearing was held in New York City on the proposed national potato marketing order. Did you testify or did anyone represent the Maine Potato Council at that hearing?

Mr. BRYANT. Yes; Mr. Edmunds testified and represented the Maine Potato Council at that hearing.

Mr. HARDING. Did the Maine Potato Council go on record for or opposed to the national potato marketing order?

Mr. BRYANT. Frankly, I do not think the council, as such, took a vote but a mass meeting was held prior to Mr. Edmund's appearance and there were something like 600 growers present and they practically unanimously voted in favor of it.

Mr. HARDING. In favor of the national marketing order?

Mr. BRYANT. That is right.

Mr. HARDING. No further questions.

Mr. GRANT. If there are no further questions, thank you very much for your testimony.

Mr. Pusateri.

Mr. HAGEN of California. Mr. Chairman, I would like to say that Mr. Pusateri is from Bakersfield. He is a constituent and the executive manager of the Potato Growers Association of California and Arizona.

Mr. GRANT. Whose district is Bakersfield in?

Mr. HAGEN of California. I just told you.

Mr. GRANT. I just wanted to emphasize it.

We are glad to have you. Proceed.

**STATEMENT OF MR. FRANCIS P. PUSATERI, EXECUTIVE MANAGER,
POTATO GROWERS ASSOCIATION OF CALIFORNIA AND ARIZONA**

Mr. PUSATERI. My name is Francis P. Pusateri. I am an executive manager of the Potato Growers Association of California and Arizona, with headquarters located at Bakersfield, Calif. The organization I represent is a nonprofit, independent association of voluntary membership, organized in 1944 and dedicated to the advancement of the potato industry in California and Arizona.

On March 13, 1962, the association's governing board unanimously adopted a resolution favoring the passage of H.R. 10186.

Marketing agreement and order programs are authorized under the Agricultural Marketing Agreement Act of 1937, as amended; and further amendment is proposed under H.R. 10186, to delete the exemption on potatoes destined for canning and freezing.

As pointed out in Agricultural Marketing Service Pamphlet No. 230, of the U.S. Department of Agriculture—

Marketing agreements and orders are designed to improve returns to growers through orderly marketing practices. They are self-help programs through which fruit and vegetable growers can work together to solve marketing problems that they cannot solve individually.

Under a marketing agreement and order program, an industry can regulate the handling and marketing of its crop and prevent low quality produce from depressing prices.

One of the principal types of activities which are authorized under marketing orders is the regulation of quality. Regulating the quality that can be shipped helps keep inferior grades of the commodity from depressing the market for the whole crop. It also helps build consumer and public confidence. This is accomplished by establishing the grades of the commodity which can be shipped in the regulated trade channels.

At the present time, the Agricultural Marketing Agreement Act of 1937, as amended, exempts potatoes in any area operating under a Federal marketing order, destined for canning and freezing outlets, from any regulations whatsoever.

It has long been recognized by the U.S. Department of Agriculture and our industry, that cull or substandard potatoes are not suitable for human consumption, and that only tubers of the highest quality and wholesomeness must be offered to all producers of potatoes for human consumption and to the public. The overwhelming majority of our citizens support this fact but, unfortunately, there are always a few who do not adhere to the well-considered and appropriate grades and standards of the U.S. Department of Agriculture, which allow only desirable quality and wholesome potatoes to be sold to the public.

The proposal under H.R. 10186 is a request by potato producers, for the opportunity to sell the public only quality and wholesome potatoes of prescribed standards, as enforced by the U.S. Department of Agriculture.

Under present regulations, producers are actually forced to compete in fresh market outlets with unwholesome and undesirable cull or substandard, that are processed and destined for human consumption, which have been purchased at prices drastically below the cost of production, and despite the fact that processors for potato canning and freezing emphasize that utilization of cull or substandard tubers in

their operations is extremely inefficient, uneconomical, and unprofitable.

At the time the Agricultural Marketing Agreement Act of 1937, as amended, was enacted, little or no canning and freezing of potatoes was performed. In recent years, however, the volume of these industries has risen greatly.

The same quality standards for potatoes moving into both fresh and processing outlets for human consumption, would place all concerned (i.e., producer and processor) on a fair and equitable basis, in the sale and purchase of supplies, and at the same time would allow all substandard tubers to be retained within the area of production, and utilized for livestock feed, potato starch, industrial alcohol, and other nonfood uses, as is now the case for all nonexempted outlets (including other types of potato processing for human consumption), under existing Federal marketing orders and agreements.

It is also the desire of our industry that fair, reasonable, and just returns accrue to the producers of potatoes; passage of H.R. 10186 will greatly assist in accomplishing this situation.

Mr. GRANT. Thank you very much for your statement.

Are there questions?

Mr. HAGEN of California. I notice on page 3 of your statement the following:

* * * and despite the fact that processors for potato canning and freezing emphasize that utilization of cull or substandard tubers in their operations is extremely inefficient, uneconomical, and unprofitable. * * *

The logical question is, if it is true, why do they do it?

Mr. PUSATERI. I believe the statement is made because many of them say they do not use small potatoes or substandard potatoes. There is that segment of the processing industry that insists they do not use them because it is uneconomical and there is this other segment that uses them and makes no statement whatsoever.

Mr. HAGEN of California. Apparently, the ones who use them do not find it uneconomical and unprofitable?

Mr. PUSATERI. That is correct.

Mr. HAGEN of California. Have you had experience in your association with growers trying to get together and bargain with the processors about potato prices?

Mr. PUSATERI. We have been advised that if the potato growers get together and agree on a price that is a reasonable one after cost of production, a reasonable cost of production, that it would be in violation of certain antitrust laws.

Mr. HAGEN of California. As a consequence, you have never done that?

Mr. PUSATERI. So we have never done that; that is correct.

Mr. HAGEN of California. That is part of the problem.

Under the marketing order, you would have to handle that in a different way so it would solve the problem to some extent?

Mr. PUSATERI. Well, Mr. Congressman, our industry feels very definitely that whether we are for or against a marketing order, the substandard potatoes used in processing are very detrimental to the economic structure because they are purchased at a very cheap price and manufactured into a processed product and compete with the well-graded, highly expensive fresh products.

Mr. HAGEN of California. As I understand it, the long white, the primary potato of California, is not a potato that is particularly adapted to processing; is that correct?

Mr. PUSATERI. That is correct; it does not lend itself to processing.

Mr. HAGEN of California. That is, for all purposes, such as canning, shipping; is that correct?

Mr. PUSATERI. They are used for canning.

Mr. HAGEN of California. They are used for canning?

Mr. PUSATERI. Yes, sir.

Mr. HAGEN of California. What processing plants are there in California?

Mr. PUSATERI. One or two for canning, I believe, and for potato chipping.

Mr. HAGEN of California. I would assume that in the use of culls, you do not have much of a human food market in California for below-grade potatoes; is that correct?

Mr. PUSATERI. The cull potatoes are utilized for cattle feed. They are dehydrated and used for cattle feed.

Mr. HAGEN of California. Then this is more peculiarly and directly an Idaho problem or a Maine problem than it is a California problem.

Why your interest in it? That is what I am trying to find out.

Mr. PUSATERI. Our interest, fundamentally, Mr. Congressman, is to present high quality potatoes at retail levels and not be confronted with having to compete with a cull potato that has been transformed into a processed product and the raw product of a manufactured product at a very, very cheap price.

Mr. HAGEN of California. Do you feel personally that the growth and consumption of processed potatoes is a result of the establishment of an additional large market or has it taken away a market from fresh potatoes?

Mr. PUSATERI. We feel very definitely that processed products have taken away from our fresh California market, very definitely.

Mr. HAGEN of California. That is your main source of concern?

If it were an additional market, exclusively, you would not object?

Mr. PUSATERI. That is correct.

Mr. HAGEN of California. Thank you.

Mr. GRANT. Are there any other questions?

(No response.)

If not, thank you very much, Mr. Pusateri.

Mr. Mercker is the next witness.

We will be glad to hear from you, Mr. Mercker.

Proceed.

STATEMENT OF A. E. MERCKER, EXECUTIVE DIRECTOR, NATIONAL POTATO COUNCIL

Mr. MERCKER. The potato industry is most thankful that this committee has granted a hearing on H.R. 10186, which the industry believes it needs if marketing agreements are to be operated with benefit to the producers and the public.

My name is Albert E. Mercker, executive director of the National Potato Council since November 1956. Prior to that time I was an employee of the U.S. Department of Agriculture working in various capacities and assigned to work on potatoes from 1929 to 1956. I had

been chief of the division of markets in the State of New Jersey and was active in the marketing of fresh fruits and vegetables for a period of years.

The National Potato Council is a nonprofit organization established by the potato growers to look after their interests and the interests of all aspects of potato production, marketing, and processing. Its offices are located in Washington, D.C.

This testimony is presented in response to a resolution approved at the 13th annual meeting of the National Potato Council, November 14, 1961. The resolution reads as follows:

RESOLUTION No. 1

Resolved, That the National Potato Council request and pursue an amendment to the Agricultural Marketing Act of 1937 which would delete the existing exemption for canned and frozen potato products from marketing regulations.

Further resolved, That all marketing order committees, potato grower and shipper associations, other interested potato industry groups as well as each State's U.S. Senators and Representatives be requested to assist in the development and passage of the necessary Federal legislation to accomplish the objectives of this resolution.

Before the resolution was introduced the following ballot was mailed to 13,312 producers. The ballot read as follows:

SALES RESTRICTION VOTE

At the August 25-26, 1961, meeting of the Executive Committee of the National Potato Council, the Long Range Planning Committee adopted the following resolution, with a directive that the National Potato Council submit it to the potato growers of the United States to determine their opinion as to whether such legislation should be proposed:

A (a) Enactment of national legislation providing that all varieties of potatoes produced throughout the United States, and subsequently marketed, either interstate and/or intrastate, for human consumption (for fresh market or processing), have a minimum standard grade of U.S. 2:

Please signify your opinion: Approve Yes Disapprove No

Of the 39 States replying, the favorable vote ranged from 7 percent in Ohio to 100 percent in several States. Of the total returns 72 percent were favorable for such legislation (table VII).

The council has long advocated and encouraged the development of marketing agreements and orders for their purpose is to (1) increase the income of producers; (2) market a better, clean product, better packed, better sized and graded, in order to increase sales and increase consumption; (3) stabilize price situations so that all producers receive a fair income by removing surpluses and minimizing the dips, valleys, and peaks in potato prices; (4) find additional uses for potatoes.

There are examples of fruits and vegetables that have achieved some of these objectives. Potatoes are grown in every State and are harvested somewhere every working day, weather permitting.

There are now six marketing agreement and order programs in operation—(1) Maine, (2) the Red River Valley area of western Minnesota and eastern North Dakota, (3) Colorado, (4) Idaho and Malheur County, Oreg., (5) Washington, (6) Oregon, except Malheur County, and Modoc and Siskiyou Counties in northern California.

These orders regulated about 159 million hundredweight, or 54 percent of the 1961 record crop of 294 million hundredweight, and 65 percent of the late summer and fall potato crop.

There are tragedies and blessings in abundant production. The purchaser has the blessings. The user has an abundant cheap supply of high quality potatoes. The producer receives a smaller income from his large crop. The sales of the 1960 crop of potatoes returned growers \$457 million. If we take the 12-month period from and including May 1961 through April 1962 and apply the monthly farm price for potatoes as reported by the USDA, and the retail prices reported by the U.S. Department of Labor, the growers received \$135 million less from their potato sales during this period, and consumers paid \$201 million less (table I). The farmer does not want a supply that depresses his price and consumers do not need it. Of the 1961 crop 29 $\frac{1}{4}$ million hundredweight, or 10 percent of the crop was diverted to starch, flour, and livestock feed under the USDA diversion program at a cost of about \$10 million.

Potato growers made tremendous advances in yields per acre, almost trebling them since 1936. Although acreage planted has been less than 40 percent of that planted a generation ago the establishing of new record yields lead to marketing difficulties.

The marketing agreement and order programs are grower controlled and operated under the "Agricultural Marketing Agreement Act of 1937." Growers have operated them since the 1934 crop. Those currently operating regulate the size, quality, maturity, variety, cleanliness, grade, and type of package used. Compliance is obtained through the strong support and cooperation of the industry under keen alert management. These agreements withheld large quantities of cull and low grade potatoes from entering the fresh market trade channels, reducing the supply and helping the general farm price situation.

The changes in the processing and marketing of potatoes have been phenomenal (table II). In 1951 the sale of potatoes for fresh uses amounted to almost 84 percent of the consumers expenditures of about \$979 million. In 1960 fresh sales accounted for 53 percent of the \$1,781 million spent for potatoes.

In 1951 slightly less than 2 percent of the crop was processed and about 23 percent was processed from the 1959 and 1960 crops (table III). The processing of potatoes has increased consumption from a low of about 101 pounds per capita from the 1951 crop, when only 161 million hundredweight were consumed, to about 114 pounds from the 1961 crop when about 208 million hundredweight were consumed. Processed products are offered in many forms (table IV). They are convenient to prepare and their quality is dependable.

Processing now is of a great magnitude and during the last 2 years the potatoes purchased by processors amount to about 23 percent of the crop. In 1940 there were no potatoes prepared and frozen. The canning industry was extremely small. In 1951 only six-tenths of 1 percent of the crop was purchased by the frozen prepared potato industry. This has grown to 6.3 percent of the crop in 1961. This is a very large proportion and comprises about 27 percent of the potatoes purchased by processors from the 1961 crop. Production of frozen prepared potato products in 1959 was 875 percent of that in 1951 and the increase in 1960 was 55 percent over that of 1959, and there was an 11-percent increase of the production for these outlets in 1961 over 1960. Canning accounts for the 1 $\frac{1}{10}$ million hundredweight, or about 1 $\frac{1}{2}$ percent of potatoes purchased for processing.

The development of processing plants has been phenomenal and they are becoming integrated in that they are becoming "multipur-

pose" plants. By that I mean they purchase large quantities of potatoes and segregate the best appearing ones as they go through the grading process, which are packed and sold on the fresh market. The remaining good potatoes are of high specific gravity and are sent on different grading belts where they are cut into slices of the french fry size. The middle of these potatoes or the long slices are segregated and sent through the frozen french fry and packaging process. The side pieces and the ends may be cut up into squares and either formed into patties, prepared and frozen, or formed into patties and sent through a dehydration process. Some of these smaller pieces or small potatoes may be mashed, formed into puffs, or tots, fried and frozen. Some of the smaller potatoes may be peeled and sent through the frying and freezing process. Others may only be peeled, treated with preservatives to prevent them from discoloring, frozen raw and packaged in varying sized containers as raw fresh small potatoes. These processors make it almost impossible for areas operating under marketing agreements to regulate the potatoes sold for processing purposes, as many processors now also package and ship fresh potatoes.

It is conceded that some of the processing plants are outside of marketing agreement areas, but the marketing agreement areas mentioned probably process from 80 to 85 percent of potatoes purchased for and processed into frozen prepared potato products.

The adoption of this legislation would (1) permit producers and handlers to establish replanting contracts on a firmer basis; (2) place growers and handlers in a better bargaining position with both processors and purchasers of fresh potatoes; (3) permit better management of the quality regulations under marketing agreements; (4) remove many of the uncertainties existing and create confidence among growers, handlers, and the processing industry in the market for their products; (5) increase the consumption of potatoes both for fresh and processed use to the interest of growers and processors by eliminating discrimination between the market outlets. The regulation of the various qualities should be done in the area of production and not in the destination marketplaces.

(The tables referred to above follow:)

TABLE I.—Potatoes: Estimated loss of growers' income from potatoes compared to consumers' savings on potato purchases

(Dollars in thousands)

	Loss to	Accumulated ¹	Consumer savings	Accumulated
<i>1961</i>				
May.....	18, 870	-----	28, 050	-----
June.....	10, 540	29, 410	25, 500	53, 550
July.....	10, 200	39, 610	12, 920	66, 470
August.....	10, 710	50, 320	13, 600	80, 070
September.....	8, 500	58, 820	11, 500	91, 570
October.....	8, 840	67, 660	13, 260	104, 830
November.....	13, 260	80, 920	19, 380	124, 210
December.....	13, 090	94, 010	20, 230	144, 440
<i>1962</i>				
January.....	13, 090	107, 100	17, 510	161, 950
February.....	10, 710	117, 810	15, 640	177, 590
March.....	8, 160	125, 970	12, 410	190, 000
April.....	9, 180	135, 150	9, 418	201, 120

¹ Basis sales of 17,000,000 hundredweight per month.

TABLE II.—*Estimates of the retail value of specified U.S. potato crops*¹

	1951	1956	1959	1960 ²
1. Potatoes sold fresh.....	\$650,000,000	\$810,800,000	\$732,192,000	\$872,810,000
Potato chips and sticks.....	236,000,000	472,000,000	555,000,000	546,000,000
Frozen prepared potato products.....	14,400,000	73,000,000	114,000,000	166,700,000
Potato flour.....	3,760,000	3,000,000	2,500,000	2,500,000
Dehydrated products (instant mashed, cubes, slices, au gratin, etc.).....	4,000,000	15,000,000	76,671,500	85,825,000
Canned potatoes.....	4,000,000	5,600,000	7,800,000	9,740,000
Hash, stews, soups.....	7,000,000	3,200,000	14,625,000	12,773,000
Starch.....	2,210,000	13,401,780	4,120,000	6,241,200
2. Export value at port.....	12,968,000	10,266,300	9,000,000	12,250,000
3. Value seed sold.....	45,968,000	36,946,250	34,322,500	66,153,000
Total.....	979,296,000	1,443,214,330	1,551,230,000	1,780,992,200
Percent sales of fresh is to total of sales percent value.....	70.2	59.4	50	53.4

¹ Total fresh sales (lines 1, 2, 3) 1951, 708,926,000; 1956, 858,012,550; 1959, 775,514,500; 1960, 951,213,000.

² USDA August 1961 Circular Pot. 6(61) estimates 1959 and 1960 crops.

NOTE.—1960 value of sales at the farm \$457,096,000 or 25.7 percent of retail sales value; 1959 value of sales at the farm \$492,500,000 or 31.7 percent of retail sales value; 1956 value of sales at the farm \$425,338,000 or 30.8 percent of retail sales value; 1951 value of sales at the farm \$434,526,000 or 44.1 percent of retail sales value.

TABLE III.—*U.S. production, utilization, and use of designated potato crops*

[In thousands of hundredweight]

Crop year	1940	1951	1959	1960	1961 ¹
Production.....	226,152	195,776	245,799	257,435	293,594
Imports.....	558	1,385	714	617	1,000
Total supply.....	226,710	197,161	246,513	258,052	294,594
Exports.....	1,497	2,824	3,215	2,700	2,594
Shipments to territories.....	1,073	644	1,091	978	1,000
Total off sales.....	2,570	3,468	4,306	3,678	3,594
Available for domestic use.....	224,140	193,693	242,207	254,374	291,000
Used for seed.....	25,191	18,626	20,749	22,051	19,500
Fed to livestock; shrinkage and loss.....	22,343	11,798	21,724	23,000	43,000
Starch.....	4,818	2,821	6,324	9,652	20,000
Alcohol.....				20	300
Total, nonfood use.....	52,352	33,245	48,797	54,723	82,800
Total, food use.....	171,788	160,448	193,410	199,651	208,200
Military use, fresh.....		5,940	3,900	3,960	4,200
Estimated civilian use.....	171,788	154,508	189,510	195,691	204,000
Processed:					
Flour.....	240	300	1,500	1,500	2,500
Dehydration.....		1,572	10,200	12,000	13,200
Canning.....		600	900	974	1,100
Hash, stews, and soups.....	300	720	1,260	1,320	1,400
Frozen prepared potato products.....		1,200	10,520	16,250	18,500
Potato chips and sticks.....	2,700	13,656	28,200	28,200	30,000
Total processed.....	3,240	18,048	52,580	60,244	66,700
Total used, fresh.....	168,548	136,460	136,930	135,447	137,300
Used on farms.....	37,859	14,947	5,920	5,459	5,500
Civilian population July 1 (millions).....	134.0	153.2	174.5	177.5	180.5
Per capita consumption, crop year, civilian.....	128.0	100.9	108.6	110.3	113.7
Per capita consumption, calendar year.....	121.0	118.0	109.0	113.0	114.0
Per capita, used as processed food.....	1.9	11.8	30.1	33.9	37.0
Per capita, used as fresh potatoes.....	126.1	89.1	78.5	76.4	76.7

¹ July 10, 1962, crop report, USDA.

TABLE IV.—*Processed potato products*

FROZEN PRODUCTS	STARCH
French fries	Regular and chemically modified potato starches for use in paper manufacture, textile sizing, and food processing
Patties	
Shredded	
Hash brown	
Diced	POTATO CHIPS
Mashed or whipped	Regular and crinkle sliced
Stuffed baked	Barbecue flavored
Rissole	Cheese flavored
Au gratin	Smoke flavored
Delmonico	"Dip chips"
Scalloped	
Dutch potato salad	
Creamed	PREPEELED PRODUCTS
Boiled	(For fresh delivery to restaurant trade)
Roasted	Whole potatoes
Cottage fried	French fry cuts
Pancakes	Oil blanched
Dumplings	Hash brown
Knishes	Salad
Blintzes	
Soup	CANNED PRODUCTS
Dehydrofrozen mashed	Whole potatoes
Dehydrofrozen diced	Sliced potatoes
Potatoes and peas in cream sauce	Shoestring potatoes
	Hash
	Stew
	Salad (American and German style)
	Chowder
	Soup
	Pancakes
	Strained (baby food)
	Au gratin
	EXPERIMENTAL PRODUCTS
	Sponge-dehydrated potato
	Chip bars
	Chip confections (candy flavored)
	Puffs
	Nuts
	Dip sticks
	Instant dehydrated dice and slices

DEHYDRATED PRODUCTS

Instant mashed
 Granules
 Flakes
 Dice (for preparing hash brown potatoes, general purpose dishes, and for remanufacture in canned, stews, hash, etc.)
 Slices (for preparing salads and general purpose dishes)
 Scalloped
 Au gratin
 Pancake mixes
 Flour (for potato bread, doughnuts, and other specialty baked goods and breading material)

TABLE V.—*Frozen french fried and other frozen prepared potato products*¹

[Million pounds]

Crop year	Retail size, 1 pound and smaller ²	Institutional and bulk over 1 pound and larger	Total	Percent institutional
1947	3.6		3.6	-----
1948	9.0		9.0	-----
1949	16.2		16.2	-----
1950	25.2		25.2	-----
1951	48.0		48.0	-----
1952	57.6		57.6	-----
1953	66.2	4.5	70.7	6.3
1954	73.8	11.5	85.3	13.5
1955	131.7	56.5	188.2	30.0
1956	145.0	97.0	242.0	40.0
1957	124.6	95.3	219.9	43.3
1958	128.1	141.4	269.5	52.2
1959	169.7	201.4	371.1	54.3
1960	187.2	364.2	551.4	66.0
1961	203.1	376.1	579.2	65.0

¹ Sources: 1947-51, National Potato Council estimates on a crop year basis; 1952-61, National Association of Frozen Food Packers estimates on a calendar year basis.

² Predominately 9 ounces; a larger proportion of 1-pound and 2-pound packages are being sold at retail.

TABLE VI.—*Processed potato products*

[Million pounds finished product]

	Crop years						
	1955	1956	1957	1958	1959	1960	1961 ¹
Cubes, slices, au gratin, scalloped, shreds, patties, etc.....	20	14	22	20	30	39.0	50
Instant mashed:							
Granules.....	15	20	40	50	70	79.0	85
Flakes.....				20	31	22.5	25
Frozen prepared potato products.....	175	250	225	330	400	650.0	725
Potato chips and sticks.....	590	670	670	700	730	760.0	800

¹ Preliminary.

TABLE VII.—*Results of sales restriction vote*

State	Ballots mailed	Ballots returned		Total	Percent of ballots returned voting "Yes"
		Yes	No		
Alabama.....	147	5	1	6	84
Arizona.....	10				
Arkansas.....	4				
California.....	1,406	126	11	137	92
Colorado.....	894	119	13	132	90
Connecticut.....	119	81	1	82	99
Delaware.....	66	7	2	9	77
Florida.....	91	7	6	13	55
Georgia.....	21				
Idaho.....	1,443	186	66	252	77
Illinois.....	69	2		2	100
Indiana.....	352	9	5	14	66
Iowa.....	13				
Kansas.....	13		1	1	0
Kentucky.....	9	1		1	100
Louisiana.....	7				100
Maine.....	1,025	281	64	345	82
Maryland.....	63	1	1	2	50
Massachusetts.....	49	5	1	6	84
Michigan.....	580	43	5	48	90
Minnesota.....	644	56	8	64	87
Mississippi.....	16				
Missouri.....	19	1		1	100
Montana.....	54	4	1	5	80
Nebraska.....	61	4	4	8	50
Nevada.....	4				
New Hampshire.....	43	1	2	3	33
New Jersey.....	44	8		8	100
New Mexico.....	7	1		1	100
New York—Long Island.....	1,403	44	11	55	80
New York—upstate.....		42	13	55	77
North Carolina.....	717	55	1	56	98
North Dakota.....	638	53	5	58	90
Ohio.....	299	14	193	207	7
Oklahoma.....	11				
Oregon.....	536	29	6	35	84
Pennsylvania.....	1,493	36	58	94	38
Rhode Island.....	7				
South Carolina.....	16	6	1	7	84
South Dakota.....	100	2		2	100
Tennessee.....	17	1		1	100
Texas.....	27	1		1	100
Utah.....	16	2		2	100
Vermont.....	15		2	2	0
Virginia.....	104	10	3	13	80
Washington State.....	222	35	6	41	85
West Virginia.....	14				
Wisconsin.....	376	20	15	35	57
Wyoming.....	19	5	0	5	100
No State.....	7	7	2	9	79
Total.....	13,312	1,311	508	1,819	72

I thank you.

Mr. GRANT. Thank you, sir, for your statement.

Are there questions?

Mr. HAGEN of California. I just want to commend Mr. Mercker on his usual fine performance.

Mr. HARDING. Mr. Chairman, I join with the gentleman from California in complimenting Mr. Mercker. He presented an excellent statement as he usually does.

We are very happy with the fine job he is doing with the National Potato Council.

Mr. GRANT. I notice on page 2 of your statement, Mr. Mercker, in regard to the ballot you sent out, this applied to national marketing, did it not, instead of regional marketing?

Mr. MERCKER. No; we wanted to get a cross section of the opinion of the growers of the United States as to what they thought, prior to the annual meeting. The cross section of the ballot indicates a big variance. We mentioned that Ohio got a very good turnout with only 7 percent favorable for the prohibition of the sale of these so-called cull potatoes, or potatoes below U.S. grade No. 2.

California was very high with not too good a return on the ballot but 92 percent of those returning favored such a limitation; Connecticut, 99 percent.

No, this was not in connection with the thought of any national potato marketing agreement. It was more with the thought of trying to get some idea of what the growers were thinking.

Mr. GRANT. Thank you, sir.

Are there any questions on this side?

(No response.)

If not, thank you very much for your statement.

Mr. MERCKER. Mr. Chairman, I have a mistake on table No. 2 and I would like to present a corrected statement. There was some ballup on that.

Thank you, Mr. Grant.

Mr. GRANT. That will be done without objection.

I believe the next witness is Mr. Wesley McKaig and we will be glad to hear from you, sir.

STATEMENT OF WESLEY MCKAIG, 2738 KANE STREET, KLAMATH FALLS, OREG.

Mr. MCKAIG. My name is Wesley McKaig, Klamath Falls, Oreg. I have been a potato shipper from the Klamath Basin since 1934. For a good share of that time I have been a grower also. For several years, I have been a member and part of that time chairman of the committee administering the Oregon-California potato marketing order. I know the problems the committee and the growers are up against.

I was requested to come to this hearing to testify for: the Tulelake Growers Association; the Klamath Potato Growers Association; the Central Oregon Potato Growers Association; and the Willamette Valley Potato Growers Association.

This brief was in most part prepared by members of these associations and I am sure reflects the views of most of the members.

The Federal Marketing Act in existence for 25 years has been a tool by which potato growers in partnership with the Department of Agriculture attempt to improve quality to all consumers, help stabilize prices fair to both producers and consumers and incidentally to do this at no expense to the taxpayer in Federal price supports.

Under present regulations potatoes for canning and freezing are exempt. H.R. 10186 would remove this exemption. We support this bill because:

1. A major purpose of the Federal potato marketing orders is to provide the consumer with the better quality potatoes and potato products from each year's crop at a reasonable price. Better quality potatoes made available to consumers should stimulate demand to the point of returning cost of production to growers plus a reasonable return on their investment.

2. We believe that the principal objective of Federal potato marketing orders to be orderly marketing and the creation of a more stabilized market through the application of minimum standards of grade, size, and maturity of potatoes moving to all existing market outlets, as well as to those which may develop in the future. The Agricultural Marketing Agreement Act of 1937, as amended, exempts potatoes moving to canning and freezing outlets from any regulations issued under Federal marketing orders. In the interests of uniformity, we believe this exemption should be deleted from this act, so that committees administering these orders can operate at a higher degree of efficiency in developing more orderly and stabilized markets.

3. Our growers firmly believe that committees who administer Federal potato marketing orders should be in a position to recommend the same quality standards for potatoes moving to both fresh and all processed outlets including canning and freezing if they so desire. This would place all outlets on a fair and equitable basis in purchasing their supplies. At the same time the lower quality potatoes from each year's crop could be retained within the production area and utilized as livestock feed, potato starch, industrial alcohol, and other nonfood uses.

4. Potatoes failing to meet minimum standards of quality as established for outlets other than canning and freezing, such as culls, are now eligible for shipment to canning and freezing outlets. This results in discrimination between market outlets and impairs the ability of the potato industry through a marketing order, to accomplish its purpose in providing a more uniform and higher quality product to the consumer. Equalizing the position of all potato food processing outlets and returning a fair and equitable price to growers. Our growers are striving to expand markets for their potatoes by supplying all new as well as established outlets including both fresh and processing with potatoes of such minimum grade, size, and maturity standards that will be in the best interest of both processors and growers.

5. Conditions have so greatly changed since the Agricultural Marketing Act was enacted in 1937. There was practically no potato canning and freezing at that time. Perhaps the exemption was then thought desirable to encourage an infant industry. The infant is now a mature, full-grown giant and can stand on its own feet. It can stand the same regulations that other kinds of processors and fresh markets submit to.

6. It is most discouraging to potato growers to provide a higher quality pack of potatoes except canning and freezing and then have the lower quality potatoes made available for canned and frozen potato products which appear in retail outlets in direct competition with a much higher quality fresh product. The percentage of the crop processed increases each year and soon it will be impossible for growers to use the marketing order to improve the quality of their pack for the consumer under this competition.

7. In another way the movement of culls and under grades make it hard to enforce regulations in the fresh market. For instance, from California where a large part of the production from our area goes, we hear of continual instances of violation of grade regulations; so many that California enforcement authorities say that they do not have sufficient personnel to completely enforce. We have compulsory grade inspection of all potatoes shipped to the fresh market from our area. If we could eliminate the shipment of all under grades from our area it would simplify enforcement.

8. If the present canned and frozen potato products, plus those which may be developed in the future, are worthy of consumer acceptance, we see no reason why the producers of the raw potatoes which go into these finished products should not receive a fair return for these potatoes from those who use them. With the present exemption for potatoes used in canning and freezing a field run pack can be delivered for these uses. In this field run delivery a portion of these potatoes fail to meet the quality standards imposed by the users. The growers receive only a token return for this portion of their crop. Yet all of the field run potatoes go through the processing operation; and except for the necessary elimination of defects, ends up in the finished product. Growers should be in a position to withhold these lower quality potatoes from use in canning and freezing since they get no more than a salvage price for them.

9. We have good precedent for this request. Asparagus and grapefruit were not exempted in the original act. In spite of this, the industry of canning asparagus and grapefruit has flourished and increased all these years (even more than potatoes).

The exemptions on apples, cherries, and cranberries were recently removed. Perhaps too soon to determine full effects, but I am sure that canning of apple products, cherries, and cranberries is still going on full blast.

CONCLUSION

The majority of the potato growers in the Klamath Basin, central Oregon, and the Willamette Valley agree in essence with the reasons we have submitted in respectfully requesting that the Agricultural Marketing Agreement Act of 1937 be amended to delete the present exemption for canned and frozen potato products. We ask that the necessary Federal legislation to delete this exemption be passed at the earliest possible date. By deleting this exemption, industry committees who administer Federal potato marketing orders will be in a much better position to move ahead with their self-help marketing programs and to continue to improve quality of the product offered to consumers.

Mr. GRANT. Are the majority of the potato growers in your State members of one of the associations enumerated by you that you are representing today?

Mr. McKAIG. Practically all are members of one or more of these associations.

Mr. HAGEN of California. Referring to page 3 of your statement, under item No. 7, you say:

In another way the movement of culls and undergrades makes it hard to enforce regulations in the fresh market. For instance, from California, where a large part of the production from our area goes, we hear continual instances of violation of grade regulations, so many that California enforcement authorities say that they do not have sufficient personnel to completely enforce. We have compulsory grade inspection of all potatoes shipped to the fresh market from our area. If we could eliminate the shipment of all undergrades from our area, it would simplify enforcement.

Would you explain that statement?

Mr. McKAIG. I do know 2 or 3 years ago we did try to regulate the shipment of grade B's, the small potatoes from our area. Under our marketing order we were informed by the Federal enforcement authorities with regard to about six or seven cars of B's, that they found instances of violation of our regulations in a little over half of those shipments that year.

I think we have improved it since then; nevertheless, that was their statement.

Mr. HAGEN of California. Thank you.

Mr. GRANT. Thank you very much for your statement.

The committee will stand adjourned until 10 o'clock tomorrow morning.

(Whereupon, at 12:05 p.m., the committee adjourned, to reconvene Tuesday, July 31, 1962, at 10 a.m.)

The Board hereby orders that all the members of the Board of Potato Marketing Order No. 1 shall be as follows:

1. The Board shall consist of seven members, to be appointed by the Board of Potato Marketing Order No. 1.

2. The Board shall have the authority to make and enforce such rules and regulations as may be necessary for the proper carrying out of the purposes of this Order.

3. The Board shall have the authority to make and enforce such rules and regulations as may be necessary for the proper carrying out of the purposes of this Order.

4. The Board shall have the authority to make and enforce such rules and regulations as may be necessary for the proper carrying out of the purposes of this Order.

5. The Board shall have the authority to make and enforce such rules and regulations as may be necessary for the proper carrying out of the purposes of this Order.

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9. The Board shall have the authority to make and enforce such rules and regulations as may be necessary for the proper carrying out of the purposes of this Order.

10. The Board shall have the authority to make and enforce such rules and regulations as may be necessary for the proper carrying out of the purposes of this Order.

11. The Board shall have the authority to make and enforce such rules and regulations as may be necessary for the proper carrying out of the purposes of this Order.

12. The Board shall have the authority to make and enforce such rules and regulations as may be necessary for the proper carrying out of the purposes of this Order.

13. The Board shall have the authority to make and enforce such rules and regulations as may be necessary for the proper carrying out of the purposes of this Order.

14. The Board shall have the authority to make and enforce such rules and regulations as may be necessary for the proper carrying out of the purposes of this Order.

15. The Board shall have the authority to make and enforce such rules and regulations as may be necessary for the proper carrying out of the purposes of this Order.

16. The Board shall have the authority to make and enforce such rules and regulations as may be necessary for the proper carrying out of the purposes of this Order.

17. The Board shall have the authority to make and enforce such rules and regulations as may be necessary for the proper carrying out of the purposes of this Order.

18. The Board shall have the authority to make and enforce such rules and regulations as may be necessary for the proper carrying out of the purposes of this Order.

19. The Board shall have the authority to make and enforce such rules and regulations as may be necessary for the proper carrying out of the purposes of this Order.

POTATO MARKETING ORDERS

TUESDAY, JULY 31, 1962

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON DOMESTIC MARKETING
OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10:30 a.m., in room 1310, New House Office Building, Hon. George Grant (chairman of the subcommittee) presiding.

Present: Representatives Grant (presiding), Abbitt, Hagen of California, Harding, McIntire, Teague, Mrs. May, and Beermann.

Also present: John J. Heimbürger, counsel; Hyde H. Murray, assistant clerk; and Martha Hannah, staff assistant.

Mr. GRANT. The committee will come to order and we will continue the hearing on H.R. 10186 and H.R. 12543. I believe Congressman Ullman is here this morning. We will be glad to hear from you at this time.

STATEMENT OF HON. AL ULLMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OREGON

Mr. ULLMAN. Mr. Chairman and members of the committee, I want to express my appreciation for your holding these hearings on what I consider a very important matter. The bill I have introduced, H.R. 12543, would remove the exemption from marketing orders on potatoes for canning and freezing. On this matter I am happy to be joined with my good friend, Congressman Harold (Bizz) Johnson of California, whose bill, H.R. 10186, is identical with mine.

You heard on yesterday a very fine constituent of mine, Roy Hirai, from Ontario, Oreg. I want to commend him and his testimony most highly to you because he is a potato grower and a very responsible citizen. He has served on the National Potato Advisory Council. I appreciate the courtesies that you showed him when he appeared before the committee.

You will note that I have passed around some lithographs or photographs of the Ontario irrigation area showing some of the crops we raise there.

Because I know there are many witnesses wishing to testify, I intend to make only a brief statement. I would like to give you some of the background of the bill and note some of the arguments which convinced me of the need for its passage.

Potatoes for canning have been exempt from marketing orders since 1937, and potatoes for freezing since 1947. This exemption has not previously been too great a problem because, until recently, only a

very small part of the yearly potato crop has been canned or frozen. But in the last few years the amount of fresh potatoes sold for canning or freezing has increased at a phenomenal rate. In the 5-year period from 1956 to 1960 the amount processed in this manner increased by 257 percent.

In fact, most of the increase in the volume of potatoes sold in this period was due to the increase in canning and freezing. Out of the 17 million hundredweight increase in the total potato crop from 1956 to 1960, 11 million hundredweight—almost two-thirds of the increase—went for canning and freezing. These outlets now account for 8.7 percent of the total potato crop sold for food. In 1956 this figure was only 3.8 percent of the total crop. This growth is expected to continue.

I am not opposed to this development. I think this is keeping up with progress. I think this is a very fine development. What we want to do with this legislation, however, is to make sure that the equity to the producer is preserved in the total market output.

This significant and growing sector of the potato market is not covered by marketing orders, although all other outlets are covered. I believe that this situation should be corrected. The changes in the marketing of potatoes in the last few years have so affected the industry, however, that the whole purpose of the original Marketing Agreements Act is in danger of being subverted.

Dehydrators are regulated while canners and freezers are not. Processors have found no practical way to separate the potatoes for dehydration from those that are to be canned or frozen. Since most processors do some freezing, the exemption for canners and freezers, in effect, results in exemption for all potatoes which are to be processed. Processing accounted for 24 percent of all the potatoes sold for food from the 1960 crop.

In some areas of the Nation the percentage of the crop that is processed is much higher. This is true in my own district. I would like to quote from a letter I have just received from one of the growers' associations in my district, the Malheur County Potato Growers Association, in which they say:

In an area such as Idaho and eastern Oregon, where the use of potatoes for processing is increasing toward half or more of the total volume, the canning and freezing exemption almost nullifies any regulation under the marketing agreement.

This anomalous situation which discriminates between different outlets and processors has also led to an inequitable situation for the growers. Growers may send only their best product to market as fresh potatoes. But in the marketplace the fresh potatoes must compete directly with canned and frozen potatoes on which there are no quality controls at all. This has meant unfair competition for the growers who produce for the fresh potato market. Finally, the consumer suffers because he does not have the same guarantee of quality for frozen and canned potatoes as he does for fresh ones.

This legislation has wide support from growers and various governmental agencies. In my own area, it has the support of the Oregon Potato Commission—an official State body, and the Oregon-California Potato Committee—the group that administers the marketing orders there. The bill is supported by the National Potato Council—a private organization, and the National Potato Advisory Committee—a

governmental body. These groups are the representatives of all the growers in the Nation. Also the Department of Agriculture has expressed its approval of the bill.

In summary, this bill would eliminate the exemption for canning and freezing of potatoes—an exemption which Congress has already eliminated with respect to apples, cherries, and cranberries. Under this bill all potatoes going to market as food would be treated in the same way. This measure would end the discrimination between the different outlets.

I urge you to approve this bill which would end an unfair situation and allow all outlets to compete on an equal basis. Again my thanks to this committee for the opportunity to testify on behalf of this measure.

Let me thank the committee for its courtesy.

Mr. HAGEN of California. We thank you for appearing here. I want to ask you one question. I understand the only potatoes that are canned are the little marble-like potatoes. Is that right?

Mr. ULLMAN. I would not say the only ones. In our area most of the canners and freezers take field-run potatoes but there are some processors in our area who buy nothing but culls. They take the culls from the whole area, pay very little for them, and this is all they use in their total output. I think this is an extremely unfair situation.

Mr. HAGEN of California. Do they can anything but the little whole potatoes?

Mr. ULLMAN. As far as canning is concerned, that is right, they use the tiny ones that would normally be culls.

Mr. HAGEN of California. Would you object to taking canning out of the provisions of your bill?

Mr. ULLMAN. I think we would have the same problem and the same situation. It has been my experience with these marketing committees, producer committees, that they are extremely reasonable. As a matter of fact, they have told me they would make provision for field-run sales, for instance, to the canners and freezers. I think you will find that they would recognize the particular problems of the industry. I have every assurance from them that this would happen.

By the same token, they would recognize the particular problem of canners who use only the small potatoes. It no doubt costs more to process these particular small potatoes, and they should buy them as reasonably as possible. I have great faith in the producers' associations. The marketing association record is a good one. They have leaned over backwards to try to work with the processors to make sure there was a smooth flow of commodity into the marketplace at reasonable prices. I think we would be defeating our purposes if we made any reservation at all.

At the same time I recognize that the biggest problem is with freezers, not with canners. I would add that as an afterthought.

Mr. HAGEN of California. Thank you.

Mr. GRANT. Are there further questions?

Mr. HARDING. I want to compliment the gentleman from Oregon on his fine testimony and the job he is doing in the Congress in representing the farmers of his district.

The one question I have is this. Do you contemplate that this bill will be used as an instrument of regional marketing order control boards or do you look at the passage of this bill as a preliminary to a national potato marketing order?

Mr. ULLMAN. Of course, I have long been a sponsor of national marketing orders because I think this is the only way we can bring order out of chaos in the marketing of many commodities such as potatoes. Eventually I would anticipate this would be utilized in that direction.

However, for the time being I would hope that it would be used by the regional marketing orders, but used with discretion, recognizing the fact that there are areas not covered. But it would in no way, in my opinion, discriminate against the areas in which there are marketing orders. We will have problems as long as part of the country is covered by marketing orders and part not. The areas that are covered must use their marketing agreements with discretion, and I think they have done so in the past, and I am sure they will continue to do so in the future.

I would recommend that they use this with a great deal of caution in order to keep from driving industry out of these areas so that in the future, when finally the national marketing orders are adopted, which I think they will be eventually, that it could be brought into fuller effect.

Mr. HARDING. Thank you.

Mr. BEERMANN. With these regional marketing orders of six now and more later and eventually leading to national marketing orders, as you advocate, is not this a step in the supply management program of the potato industry?

Mr. ULLMAN. It is self-management. This is the kind of program that I think is the most American in tradition and the best kind. It is something that is done by the growers themselves, which I think is in the American tradition. They get together, form regional agreements all over the Nation, and then, recognizing the differences between the regional problems, establish agreements that would cover the national marketing situation. I cannot think of any method more American or any method that is more consistent with the democratic processes and the free enterprise system than the producers themselves getting together to regulate the orderly marketing of their commodity.

Mr. BEERMANN. I would agree with the producers doing this themselves, but it seems as though they are not able to do it locally and they are now asking the Government to do it, and when the Government takes over this program, it seems to get away from the producers.

Mr. ULLMAN. I do not know of any potato producers that want the Government to do it. I certainly would oppose Federal quotas on potatoes. This is not what they are advocating. All they are advocating is the extension of the regional marketing agreement principle that is producer-centered and producer-operated and controlled to cover the rest of the Nation.

The only problem is that when you have half or two-thirds or whatever percentage of the Nation covered by regional orders, then there are always a few gaps to fill in. This is where the Government comes in. It would merely require that they also establish local marketing agreements so they could join in the program of self-help, self-control in

marketing. This is what I envisage. I certainly would oppose very vigorously any extension of National Government marketing quotas in the field of potatoes.

Mr. BEERMANN. If it happened in the future that the Government would decide they are going to run this program in opposition to what you feel is right, how would you oppose this kind of program? They are advocating one thing and if the intent of Congress is not followed by administrative people—

Mr. ULLMAN. I have already stated my position. I am emphatically opposed to Federal quotas on potatoes, but I am in favor of the extension of the marketing agreement principle which is a self-help producer-centered program, to the national level, to be run by the producers themselves and not by the Government.

Mr. BEERMANN. Thank you.

Mr. GRANT. Thank you very much, Mr. Ullman, for your testimony.

Mr. ULLMAN. Thank you, sir.

Mr. GRANT. I believe the next witness is Mr. Ramseyer and then Mr. Anderson of the Idaho Potato Producers Association.

Mr. HARDING. Mr. Chairman, I am proud to introduce these two gentlemen. They are from my district and are very respected potato producers and members of the Idaho and Eastern Oregon Potato Committee. They will present separate testimony.

At this point in the record, before Mr. Ramseyer testifies, I have from Idaho a telegram from Leon Jones of the J.R. Simplot Co., opposing this legislation, which I would like to include in the record at this point.

I also have a telegram from Joe F. Allen, president of the Idaho Potato Growing and Marketing Association, in support of the legislation, and letter from Ranald Wulf and George Lovell, chairman and State director of district 2, Idaho Potato Growers and Marketing Association, supporting this legislation. I would like to ask unanimous consent, Mr. Chairman, to insert this correspondence in the record at this point.

Mr. GRANT. Without objection, it will be inserted in the record.

(The telegrams and letter referred to follow:)

CALDWELL, IDAHO, July 25, 1962.

Hon. RALPH HARDING,
House of Representatives,
Washington, D.C.

We are opposed to H.R. 10186. Potatoes certainly should not be placed in a special category from all other fruits and vegetables for canning, freezing, and dehydrating. They should be exempt as stated in Agriculture Act of 1937.

J. R. SIMPLOT Co.,
LEON C. JONES.

AMERICAN FALLS, IDAHO, July 29, 1962.

Hon. RALPH HARDING,
Member of Congress,
Old House Office Building, Washington, D.C.:

On July 23 the State board of our potato growing and marketing association voted 5 to 2 to support H.R. 10186. The two districts voting in opposition only did so because they feared passage of this bill may open the door to outside regulation of Idaho potato processors in case of a national marketing order. Speaking for the majority opinion we feel strongly that most growers in Idaho feel the urgent need to control potatoes moving into processing channels as well as those moving into fresh outlets. This can best be done by removing the

canner-freezer exemption and amending our regional marketing order to include intrastate shipment of potatoes. In recent years potato processing has grown by leaps and bounds. At present almost one-half of our Idaho crop is processed. This unregulated outlet poses a real threat to the average Idaho potato grower in a year of surplus. While the processor is using a grade well below that which can be shipped fresh, many growers have found it difficult if not impossible to sell their better potatoes. The Potato Growing and Marketing Association of Idaho, Inc., therefore, supports and asks for passage of H.R. 10186.

JOE F. ALLEN, *President.*

ROBERTS, IDAHO, *July 23, 1962.*

Congressman HARDING,
U.S. Congress,
Washington, D.C.

DEAR SIR: It has been brought to our attention that bill H.R. 10186, is to be brought to a hearing on the 30th and 31st of July. The State Board of Marketing and Growing Association of Idaho voted to support this bill on the grounds that it will help to keep a surplus of low-grade potatoes off the market and will keep a better grade of potatoes on the market. We feel it will help to support a better price structure to the producer.

As chairman and State director, respectively, of district 2, we wish to assure you that district 2, composed of Bonneville, Jefferson, Butte, Lemhi, and Clarke Counties, is supporting this bill and appreciates your past efforts to help solve our problems.

Respectfully yours,

RANALD WULF,
Chairman.
GEORGE LOVELL,
State Director.

STATEMENT OF DUANE RAMSEYER, CHAIRMAN, IDAHO-EASTERN OREGON POTATO COMMITTEE

Mr. RAMSEYER. I am Duane Ramseyer, potato grower from Idaho, presenting testimony as a grower and also on behalf of the Idaho-Eastern Oregon Potato Committee. This potato committee, of which I am chairman, administers the Federal Marketing Order No. 57 for Idaho and Eastern Oregon. I am a small grower by Idaho standards, growing only 60 to 70 acres of potatoes per year.

I would like to present testimony in support of H.R. 10186, the Johnson bill, which would eliminate the canning and freezing of potatoes as an exemption in the Agricultural Marketing Agreement Act of 1937, as amended.

The Federal marketing agreement, as originally written in 1937, was designed to benefit both the consumer and the potato grower. The consumer was to be presented a quality product for his table. His dollar was spent in anticipation of getting the best product for the money. The potato committee endeavored to fulfill this need. The grower, by like means, hoped to realize a little better price by taking some of the least desirable potatoes off the market, especially in years of large production. In other words, to supply a quality product at a price. So much for the theory involved, now for the facts.

As a potato grower, I see the Idaho-Eastern Oregon Potato Committee having increased difficulty in administering the Federal Marketing Order No. 57 effectively, as presently written. While the potato committee is able to regulate the fresh potato shipments, such as I raise, as far as size, quality, cleanliness, and so forth, they are not

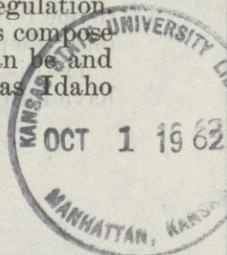
allowed to regulate potatoes canned or frozen in Idaho and eastern Oregon because of the canning and freezing exemption.

With the increasing percentage of the crop being processed, this means that directly or indirectly, because of the canning and freezing exemption, the committee regulations are being made applicable to a smaller and smaller percentage of the crop each year. Unless this amendment to remove the canning and freezing exemption is adopted, there is a serious question as to whether the growers can justify the continuance of quality controls on even those potatoes moving to the fresh market, since such quality controls result in making an increasing quantity of lower grade potatoes available to processors at salvage prices, which are processed and put on the market to further cause a shrinkage in our fresh market outlet. The growers are beginning to ask the question, "Why should we keep our poorer quality fresh potatoes home, when the same grade of potatoes is able to be marketed through the canning and freezing exemption?"

It is the sincere feeling of my neighbors who grow potatoes and myself that if the potato marketing committee was able to regulate the potatoes used in the processing forms of canning and freezing, the potato industry might be able to help reduce the surplus of potatoes we are growing and attempting to market (in many case, at a loss to the grower), and yet produce a quality product for the consumer.

Here is an example of how the canning and freezing exemption actually worked in one situation. Last fall a neighbor of mine had a 20-acre field of potatoes that would probably yield 180 hundredweight per acre, a total tonnage of 3,600 hundredweight of potatoes. This field was of such poor quality by our marketing order standards that it was tentatively abandoned. However, a processor contacted the grower and made arrangements to harvest the field, with a token payment of 10 cents a hundredweight to the farmer. The crop of 3,600 hundredweight of potatoes was subsequently harvested and placed in storage to be used for processing. These earlier abandoned potatoes now came to life to compete in direct competition with the very best fresh potatoes grown and shipped anywhere in the United States. Had our marketing order committee been able to regulate the use of the potatoes mentioned in this example, in all likelihood the 3,600 hundredweight, or at least a good portion thereof, would not have had to be counted as a burdensome surplus, to the detriment of growers in all potato producing States. The Idaho-Eastern Oregon Potato Control Committee realizes that the per capita consumption of potatoes is approximately 110 to 114 pounds a year. (Figures are from the annual utilization tables on potatoes issued by the Crop Reporting Service of USDA.) Anything we can do to get the housewife to use good quality potatoes in her home consumption will surely reflect back to the growers themselves in maybe a little higher price for growing the best possible crop of potatoes qualitywise, rather than quantity alone.

We of the potato marketing committee feel that the consumer is not getting the due consideration when buying packaged potatoes processed under the canning and freezing exemption of nonregulation. Mrs. Housewife has no conception of what kind of potatoes compose the finished product as far as quality or origin. There can be and have been many potatoes processed in Idaho and sold as Idaho



potatoes and advertised as Idaho potatoes, when actually they were shipped in from out of State. In 1960 alone 1,474,000 hundredweight of potatoes, unregulated because of the canning and freezing exemption, were shipped in and processed in Idaho. (Figure from the USDA Statistical Reporting Service, Boise, Idaho.)

The potatoes in the package can be No. 1's, 2's, culls or pickouts, or any combination of all the grades. Frequently, it is what is called field run, which is just what it implies—straight out of the field with only the rot, some bad green ends, sticks, and rocks taken out.

I do not think other potato growers or myself would mind the canning and freezing exemption situation if the end processed product was somewhat of a perishable nature, but we are haunted with a frozen, french fried product in storage of 217,461,000 pounds as of June 30, 1962. (Figure from the Tabs Market Service, July 1962.) This frozen product in storage has become a permanent part of the potato industry, to be considered by everyone in the potato industry.

At this point I will give you another example of how the canning and freezing exemption is being used as a price advantage over the fresh grower and shipper. Generally, the canning and freezing processor will buy potatoes on a field-run basis, which I have already explained. He will then "strip" the crop, which is merely selling the higher grade potatoes on the fresh market. He will then process the balance of the crop under the canning and freezing exemption. In contrast, the fresh grower can only sell to Mrs. Housewife according to the standards set forth by the marketing order. The No. 1's and 2's are sold accordingly and the culls or pickouts are sold for starch or cattlefeed at a loss to the grower. The fresh shipper is likewise at a price disadvantage because he cannot dispose of the poorer grades of potatoes at a profit.

Finally, these potatoes processed under this canning and freezing exemption are placed on the shelf of your and my grocery store in direct competition with the very best fresh potatoes available. These fresh potatoes have been rigidly sorted and inspected with usually 20 to 30 percent of our Idaho potatoes rejected at the sorting table as undesirable to the housewife as a quality product. The rejected potatoes are usually disposed of at a loss, while by this exemption these same rejected potatoes become desirable as a raw product to be processed and sold to the housewife. I, personally, and speaking for the potato control committee, view this manipulation of the canning and freezing exemption as a form of unfair competition.

With this thought in mind, and realizing that the potato committee in our area is trying to do their best effort for the consumer and grower even under adverse conditions, I sincerely, as a potatogrower and member of the Idaho-Eastern Oregon Potato Control Committee, urge this House Agricultural Committee to report favorably on passage of the Johnson bill, H.R. 10186, as a self-help effort to aid in the growth and strength of the potato industry and a way of getting a better product to the consumer. Thank you.

Mr. GRANT. Thank you. A few moments ago you made reference to one fellow in your section who had a bad crop year, and he had some offgrade potatoes and had to sell them in the field for a certain amount.

If this law is extended to cover those potatoes, what sale would he have for them?

Mr. RAMSEYER. He probably would not have harvested them at all. As it was, he got 10 cents a hundredweight, which was merely a token payment, as you can figure. I have to have a pencil to do it. However, it would amount to practically nothing.

There would be practically no change in his situation whatsoever. But while those potatoes would have been abandoned, they would not have displaced a better product fresh in the market as processed form, which they eventually did.

Mr. BEERMANN. At this 10 cents a hundred, does the purchaser harvest the potatoes?

Mr. RAMSEYER. Yes; he pays for harvesting and just paid a token payment for the potatoes.

Mrs. MAY. I am not a member of the subcommittee, but I would like to put a question to Mr. Ramseyer. Being from a neighboring State, Washington, many of our areas in your State of Oregon and mine have been for some years interested in trying to get more processing plants of different types, canning, freezing, into our areas. Particularly in reclamation areas, because we think it is important to the future development of our States to get these processors closer to the actual fields which produce the food commodity.

Mr. Ramseyer, should the Johnson bill become law and should the various regional marketing orders you have in your State and I have in mine, then be operating, no longer exempting potatoes for canning and freezing, do you anticipate that it might discourage any plans that are presently afoot or might be afoot for bringing processors into our areas? Do you think there would be enough price differential from the operator's viewpoint or the processors who would be capitalizing the plant, or do you think this is not something that should concern us about this legislation?

Mr. RAMSEYER. Ma'am, before I answer you directly, I would like to point out that this exemption, if removed, is merely a part of the enabling legislation. We, as growers, would still have to have a referendum to see whether the growers wanted it within the production areas controlled by the marketing agreements.

Mrs. MAY. Yes, I understand.

Mr. RAMSEYER. Now, in answer to your question, within the potato industry, as far as processors themselves, we have many variations using potatoes. You have plants that use very good potatoes, as good as I ship to the fresh market, undoubtedly. Right next door you have a plant that will use the very worst potatoes. They will buy nothing but the offgrade potatoes from shippers or other processors, any source of supply, including out of State.

It is very difficult for me as a grower, and a small grower, to say whether the financial background of these institutions is such that they can adapt themselves to the competition involved. I am not holding a grudge against any potato concern. I think they are good. The housewife likes the product, and I am glad.

The point involved is that they are competing directly with my product on the market, they are using in many cases and in most cases an inferior product to get the end product.

If I might make this point, they say they cannot tell the difference in the finished product, which is true, I believe. But I think you, ma'am, and the other fellows that are married know if I took culls,

sliced them up in the frying pan, served them, one would not know whether they were culls or No. 1's.

Mrs. MAY. I was going to ask you that question from the point of view of the housewife and the consumer. You say that, for instance, one processing plant uses No. 1 or good fresh potatoes—

Mr. RAMSEYER. Yes.

Mrs. MAY (continuing). And the other plant next to him, may be working on a different margin of profit, we will say, uses nothing but the culls. Do you feel there is no difference in the end product? In other words, at the grocery store or the supermarket, wherever they are sold, there is no price differential on, say, frozen french fries? I am asking the question because I do not know. I have been very interested in finding out about this. You say a very poor grade of culls goes into these various processed potatoes. Surely, the quality of the potato product should be affected.

Mr. RAMSEYER. I am very glad you substantiated my testimony that most housewives do not know, because there undoubtedly is a grade within the freezing that I'm not familiar with in the sale of french fries.

I will relate one instance. I just talked to my mother-in-law Saturday. She went to the store to buy a package of french fries. They were used as a price leader that day at a sale. She got them home, opened them up, expecting nice, long potatoes, 2½ or 3 inches. They were small ones. She was quite disappointed. The grade was not mentioned on the package or anywhere in the sale—french fries, so much a package, please buy, so to speak.

Mrs. MAY. What you are saying is that the housewife, when she buys, is not aware if she is buying a cull potato or whether it is a higher grade potato?

Mr. RAMSEYER. Yes.

Mrs. MAY. But when she prepares them for the table, then there can be a difference. This bothers me. There must be a difference in the crispness, the length of the french fries, even the way a potato whips.

Mr. RAMSEYER. You evidently prefer certain brands over others, which would answer the question.

Mrs. MAY. I could not help but feel there would be one brand which, after you tested it, you would say, "I will never buy it again."

Mr. RAMSEYER. I would feel that way.

Mrs. MAY. Thank you.

Mr. HAGEN of California. Are you a member of the National Potato Advisory Board?

Mr. RAMSEYER. No, sir.

Mr. HAGEN of California. For your Idaho-Oregon area, if this bill were passed, what do you visualize would be in this marketing order with respect to potatoes destined for processing?

Mr. RAMSEYER. My first point would be, sir—you are putting me on the spot because I do not have any anticipation of what our crop would be. We have set the regulations on our early crop. I would like to emphasize that the members of the committee of which I am chairman are quite responsible people and give every due consideration to every part of the industry.

In the second instance, the year that we have a big crop such as last year, I will use this merely as an example of what we could have done, we could have asked the processors to use a better grade potato in processing, thereby eliminating the lower grades from the market and using these potatoes, good potatoes, as food.

In other words, we would have got the good potatoes on the market. That is about the size of how I might answer your question.

Mr. HAGEN of California. With respect to canning, I understand the only thing canned is these little ball-type potatoes which are culls and have no other use.

Mr. RAMSEYER. I am not familiar with canning, sir. In our State I do not know that there is even one. We are concerned mostly with the freezing aspect. I have only eaten canned potatoes once in my life, and they were small, as you say.

Mr. HAGEN of California. Where do these processed potatoes make the biggest inroads, in the housewife's purchases or purchases by commercial users such as restaurants?

Mr. RAMSEYER. I do not believe I am qualified to answer that. I will offer a theory as a novice or layman. I believe the institutions have benefited very much from the use of their product. The housewife certainly likes them because they are quick and easy to prepare.

Mr. HAGEN of California. What percentage, if you know, of the fresh potato market—what is the division between commercial users like restaurants and steamship companies, et cetera, and the housewife?

Mr. RAMSEYER. I do not have that information, sir.

Mr. HAGEN of California. Thank you.

Mr. GRANT. Are there any further questions?

Mr. BEERMANN. Let me ask this question, please.

You state you grow about 60 acres of potatoes. What else do you grow?

Mr. RAMSEYER. We raise sugarbeets, alfalfa, and grain. We are on the old Carey Act, if you are familiar with it, I don't remember the year, in southern Idaho, an irrigation project.

Mr. BEERMANN. What rotation practices do you use?

Mr. RAMSEYER. We generally plant 2 years' alfalfa, following with potatoes, sugarbeets, grain, back to alfalfa, seeding down. We have a strict rotation. I am a second generation farmer. We have rotated and raised potatoes there for 40 or 45 years on this particular place.

Mr. BEERMANN. What kind of irrigation do you use?

Mr. RAMSEYER. FURROWS.

Mr. BEERMANN. Where do you get the water?

Mr. RAMSEYER. Jackson Hole, Wyo., through the American Falls Dam.

Mr. BEERMANN. Then your potato ground is used about every 4 years?

Mr. RAMSEYER. No, sir; every 6 years. We are not farmers that you might say would jump in on any opportune moment. I, for instance, could take my records and check back 12 years and tell you exactly what was raised on this particular field. I can, without too much Government interference, tell you 12 years hence which field would have potatoes and which would not. We are very level in our production that way.

Mr. BEERMANN. How long has this irrigation project been in operation?

Mr. RAMSEYER. You gentlemen can correct me, but I believe we had water on our project in 1906 or the spring of 1907.

Mr. BEERMANN. Do you get sufficient water each year?

Mr. RAMSEYER. We were short last year, and this year we have an abundance of water.

Mr. BEERMANN. Was that because of rainfall?

Mr. RAMSEYER. Snowpack in the mountains.

Mr. BEERMANN. What is your annual rainfall?

Mr. RAMSEYER. About 9 to 12 inches. Is that right, sir?

Mr. HARDING. Yes; about 10 inches.

Mr. BEERMANN. So irrigation is not just supplemental; it is essential.

Mr. RAMSEYER. Absolutely necessary.

Mr. BEERMANN. Thank you for your testimony.

Mr. GRANT. Thank you, sir.

Mr. HARDING. Mr. Chairman, Mr. Bill Anderson, who will be testifying next, is from Bingham County, Idaho, which is the No. 1 county in the Nation producing potatoes. Four or five years ago they surpassed Aroostook County, Maine.

Mr. GRANT. Surpassed them in quality or in quantity?

Mr. HARDING. Both.

STATEMENT OF BILL ANDERSON, BLACKFOOT, IDAHO

Mr. ANDERSON. Mr. Chairman and members of the committee, my name is Bill Anderson. I reside in Blackfoot, Idaho. I am a grower and a shipper. My son and I have grown approximately 100 acres of certified seed for the past 10 years.

I am the owner of William Anderson Co., a shipping organization in Blackfoot that is affiliated with the Idaho Falls bonded warehouse and supply firm. We are the largest shipping organization in the State of Idaho with relationship to the sized baking potato. We are one of the three largest shipping organizations in relationship to total volume involved. Our total shipments per annum approximate 2,000 carlot equivalents.

I am the secretary-treasurer of the Idaho & Eastern Oregon Potato Committee. This is the regional control committee that administers the regional marketing agreement under which the Idaho and eastern Oregon and Malheur County area has operated so successfully for many years.

At the present time Idaho produces approximately 250,000 acres of potatoes. In the last 6 years, with the rapid advancement, a dynamic processing industry is now consuming approximately half of this produced acreage. Because of the quickly changing scene in Idaho, and after careful consideration by all segments of the industry, the Idaho & Eastern Oregon Potato Committee has just completed a formal recommendation to the Secretary of Agriculture in which we are recommending an amendment to our marketing order, with full realization that this amendment, unless we obtain the passage of this vital Johnson bill, will handicap our position. Many of the questions that have been asked in these 2 days of hearings may become

clearer to you if I am permitted to read a portion of the recommendation that we have made to the Secretary in which it outlines some of the problems involved. I will proceed in this connection.

SECRETARY OF AGRICULTURE,
U.S. Department of Agriculture,
Washington, D.C.

DEAR MR. SECRETARY: The Idaho & Eastern Oregon Potato Committee held a meeting in Boise on June 27 of this year. On this occasion a motion was made and, after careful consideration, unanimously approved. This approved motion is a formal recommendation and is as follows:

The Idaho & Eastern Oregon Potato Committee respectfully requests the Secretary of Agriculture to immediately take steps to amend the marketing order presently in effect in Idaho and Malheur County, Oreg., to provide for the authority to regulate movement of potatoes within the production area."

The control committee also unanimously approved a motion to go on record in support of the Johnson bill currently being considered by Congress.

With respect to the above recommendation to amend the present Marketing Order No. 945 (formerly Order No. 57), I have been instructed by the committee to draft a letter of explanation detailing the needs and desires, as well as the major problems involved. These are as follows:

(1) It is imperative that application of the additional authority requested be limited with respect to processing to a season or period of surplus supply and not to a season or period of short or normal supply. This restriction must be an ironclad one and embodied within the framework of the marketing order itself for the following reasons:

(a) The potato industry of the production area—

When I refer to the "production area," I am speaking of the Idaho and eastern Oregon section—

recognizes that it no longer has a virtual monopoly on the production of the russet Burbank variety in this country. Ten years ago the production area marketed fresh nearly 90 percent of the fall crop of russet Burbank potatoes. At the present time this amount is approximately 50 percent. In addition, the production area operates under a freight differential handicap with respect to many competitive producing areas. This industry is faced with the dangers, as never before, of (1) pricing itself out of its markets and/or (2) running out of available supplies before its normal shipping season is concluded.

We have had two classic examples of both cases. Two years ago we had the situation of the short supply in which, in my opinion, the processing industry must be permitted to use the lower grades. In the past year we have had the disastrous situation of a surplus supply.

If these conditions were now intensified by elimination of a portion of the useable crop during a season or period of short or normal supply, the industry would most certainly lose its markets to the newly competitive areas.

(b) The control committee recognizes the fact that technical and scientific achievement by the processing industry has been outstanding. This industry has been able to take a product that had little previous value and, by scientific means convert and commingle it with potatoes of U.S. No. 2 or better grades so that none of the final product can be differentiated one from the other. This is progress in the best competitive American tradition. It is the belief of the committee that this industry and the practice of using all of the potato for processing suitable as good food should be encouraged and not subject to regulation under this order except during a disaster or heavy surplus period.

(c) It is not the intent of the control committee in proposing this amendment to construe that it be used as a tool to fix prices or guarantee profits, but rather to encourage orderly marketing of that portion of the crop that is of higher value during a season or periods of surplus. It is the opinion of the committee that if this proposed amendment were used in any manner other than to alleviate a disastrous surplus situation, this action would, in fact, encourage over-production the following year. This would necessitate, in the opinion of the committee, further regulation in the form of acreage control. It is the belief of the committee that the production area does not desire or need additional authority if the proposed amendment is properly embodied in the present order

and intelligently administered. The past season in Idaho, under conditions beyond the control of the grower, a large quantity of potatoes containing sizable portions which were of premium quality, could not be marketed before deterioration and severe economic chaos in the economy of Idaho was the result.

Paragraphs 2 and 3 I do not believe lend assistance to the intent of this hearing. I would like to make that a part of the record, but I would like to proceed with paragraph 4 for the sake of time.

(Paragraphs 2 and 3 referred to above follow:)

(2) The processing industry in the production area purchases a portion of its requirements on a pre-season contractual basis where these potatoes are purchased and advances are made on the crop. The committee believes it would certainly be a hardship if not an impossibility to regulate the use of a portion of this purchase in the coming year if a surplus condition occurs. The committee believes that this problem should be thoroughly considered with respect to the proposed amendment.

(3) It is the understanding of the committee that, in addition to controlling the use of a portion of the crop by the processing industry during a period of surplus, the proposed amendment would have regulatory authority in the following instances:

(a) All potatoes shipped to the fresh market within the production area would come within the jurisdiction of the order. This produce could be required to meet the same minimum quality and maturity standards now required of potatoes moving interstate to the fresh markets from the production area.

(b) Although this was not discussed in detail with the control committee at the formal meeting of June 27, it would appear that the problem of the use of better seed by the growers in the production area could be approached by means of the authority of the proposed amendment. For example: The committee might recommend that no seed be planted that was not of either certified or first-year removed from certification stock. If the grower chose the latter option the "first-year out" seed could be required to come from clean parentage.

Mr. ANDERSON (reading):

(4) There are two questions of possible discrimination that are certain to arise if hearings are instituted. They are as follows:

(a) Failure to pass the Johnson bill will raise the argument that the proposed amendment would be discriminatory. However, the major processed product of the frozen category in the production area is the french fry. This product uses primarily the better grades of potatoes. A representative from the State of Washington was present during our formal meeting at Boise on June 27. He informed the committee that Washington had in their order the very authority we are requesting; that is, control of all potatoes moving in the production area, which, of course, would no control the frozen because it is exempt.

The processed products of that State are primarily of the frozen category and use the better grades for their raw product source. This authority under the Washington order has not been used and would not be required if the Johnson bill were passed. Our committee believes that enforcement of the amended order in a processing plant producing both the dehydrated and frozen product would be easier if the Johnson bill were passed.

(b) The question of invoking the authority granted in the proposed amendment with respect to the processor located under the jurisdiction of this order, and at the same time not invoke a similar restriction upon processing in a competitive State most certainly would be discriminatory. However, if the proposed amendment is clearly limited in the order itself to apply only during a period of surplus, it is the belief of the committee that the price structure in effect during the period that the proposed amendment is invoked will be low enough to be competitive.

Equal authority in the regional marketing orders of the Red River Valley and Maine areas with close cooperation by the control committees of these areas and our committee toward a nondiscriminatory policy might also be obtained as an additional safeguard. The control committee believes this line of approach to be far more desirable than attempted regulation under the proposed national potato marketing order. The production area would be in a very precarious

position if a national grade and size regulation were to go into effect and not take cognizance of the short or normal supply year with respect to the certain results that would follow as outlined in paragraph (1). Furthermore, control of this problem at the local level most certainly appears to be in line with the intent as outlined in the enabling act of 1937. The framers of this act surely had in mind that individuals residing in the affected district could better solve local problems than administration by a large group of representatives from any highly competitive areas.

We shall appreciate your study of our recommendation to amend the present Marketing Order No. 945. The control committee sincerely believes that this proposed amendment serves a need, and merits careful consideration by yourself and your Department. We recommend that a public hearing on the proposed amendment be held in Pocatello, Idaho, during the week of September 9-15, or if the hearing is not held at that date, it be delayed until the week of November 11-17.

That is the extent of my testimony.

Mr. GRANT. Thank you. Have you heard anything from the Secretary's Office in regard to a hearing?

Mr. ANDERSON. They have this proposal under consideration at the present time, Mr. Chairman.

Mr. GRANT. Are there any questions?

Mr. HAGEN of California. Does this proposal depend on passage of this bill?

Mr. ANDERSON. The proposal we are making would be made tremendously easier by the passage of this bill. There are in Idaho several plants where the products that are used, Mr. Hagen, come into the plant, partly for frozen products and partly for dehydration.

The question of enforcement would not be one that we could not overcome, but it would be extremely difficult and that is one of the major reasons that we want to see this bill passed. Furthermore, even though the question of discrimination we feel does not have too much merit in the hearings prior to referendum, we know that the processing industry will make capital of this argument.

Mr. GRANT. Thank you very much for your testimony.

Mr. Gascoigne is the next witness, for the National Association of Frozen Food Packers. We will be glad to hear from you at this time. Do you have a prepared statement?

STATEMENT OF CLAYTON E. GASCOIGNE, QUALITY CONTROL DIRECTOR, SEABROOK FARMS CO., DIVISION OF FRANCIS H. LEGGETT & CO., ON BEHALF OF THE NATIONAL ASSOCIATION OF FROZEN FOOD PACKERS

Mr. GASCOIGNE. My name is Clayton E. Gascoigne. I am quality control director of Seabrook Farms Co., Division of Francis H. Leggett & Co. This statement is presented on behalf of the National Association of Frozen Food Packers. Seabrook Farms Co. is a member of the National Association of Frozen Food Packers and is a substantial factor in the frozen food industry.

Mr. Chairman, we are opposed to the repeal of the existing exemption from the Marketing Agreement Act, of potatoes for canning and freezing, as proposed in H.R. 10186. This committee and the Congress have had presented to them year after year, similar proposals to subject fruits and vegetables intended for canning and freezing to mandatory marketing orders. The NAFFP has consistently opposed such proposals and with a few exceptions this committee

has refused to adopt them. We hope that you will decline to accept H.R. 10186 and will permit our established competitive system to continue its operation with respect to potatoes for canning and freezing.

What has happened under the system of free competition is striking. Production of frozen potatoes rose from 71 million pounds in 1953 to 580 million pounds 7 years later, in 1961. This is fact. It is experience gained without the shackles of marketing orders which are imposed by Government and administered by producers who have neither the responsibility for the success of the processing operations nor an understanding of the problems of processors.

The proponents of marketing orders for potatoes for processing can offer no comparable experience in support of their proposal for regimentation of the potato canning and freezing industries. They have indeed demonstrated no need for Government and producer intervention in the normal business process. We are convinced that the growth of potato freezing operations from 71 to 580 million pounds in 7 years could not have occurred under the restrictions which could and probably would be imposed under a marketing order if H.R. 10186 should become law.

A marketing order applicable to potatoes for freezing would effectively frustrate continuance of the growth of the last 7 years, not only because of its specific limitations upon availability of product, but because of the hazard inherent in dependence for commodity supply upon the decisions of Government and producer committees, which would constitute a positive discouragement to processors who might otherwise consider the establishment of new businesses or the expansion of existing ones.

The bill would have the effect of extending all of the present statutory methods of control of potatoes for the fresh market to those intended for processing. This would mean that, if two-thirds of the growers of potatoes want a marketing order promulgated to institute such controls, the Secretary of Agriculture could impose the order upon freezers and canners of potatoes regardless of their desires in the matter. The fact that the restraint of the marketing order runs, not to the frozen product, but only to the raw potato, does not mean that effective control is not exercised over the processor, as well as the grower. The restraint of purchases of commodities by the processor, which is a prime objective of the marketing order, would obviously constitute a fully effective limitation upon the production of the processed food. For a commodity which cannot be bought by the freezer or canner cannot be processed. Thus the mainspring of the processor's business is fully regulated.

Such an order would be administered by a committee or agency appointed by the Secretary of Agriculture under statutory authority which makes no provision for processor representation. Yet the entire expenses of administration of the order would be paid for by "handlers" which means processors. There would be criminal penalties for violation of the provisions of the order; but only handlers, or processors, would be subject to those penalties.

In February 1962, the Department of Agriculture issued a pamphlet entitled "Questions and Answers on Proposed Potato Marketing Agreement and Order." In its answer to question No. 10 (relating to

the authority of the Secretary to adopt regulations for carrying out the order), the Department says:

The Agricultural Marketing Agreement Act of 1937, as amended, in authorizing the use of marketing orders at the request of and for the benefit of producers, provides for the use of a substantial regulatory power, and its application to one segment of the industry (handlers) for the benefit of another segment of the industry (producers). The marketing orders are unique in these respects, and particularly because the persons to be benefited are given the opportunity to participate in a substantial way in administering programs which carry an exemption from the antitrust laws. * * *

This scheme of regulation by producers of the business of processors, for the benefit of producers and at the expense of processors, is certainly "unique" as the Department has characterized it. It is also undemocratic and arbitrary and is demonstrably bad economics as applied to potato processing.

I have noted that the frozen food industry in 1961 packed nearly 580 million pounds of frozen potato products. These products are french fried potatoes for use by institutional customers and for retail customers, potato patties, diced potatoes, potato puffs, mashed potatoes, various forms of prepared cooked potato products (such as potatoes, au gratin and Delmonico potatoes), small whole boiling potatoes, and small whole rissole potatoes. This is a new and expanding industry, total frozen potato production has tripled since 1956 and continues to grow at a rapid rate. The potato has become the largest volume vegetable in the frozen vegetable business. This has not come about simply by buying market potatoes and freezing them. In the last 14 years, millions of dollars have been spent for research and product development in order to fill a specific need at the consumer level and this development work is continuing as is the expansion in the market. The raw material used in this industry must be considered separately from material going into the fresh market. In order that this market may develop to its maximum potential we must avoid any limitation or interference in the area of raw material supply by such devices as marketing orders.

Frozen potato products must meet rigid customer specifications, and the purchase of raw potatoes is controlled by these specifications. U.S. No. 1 potatoes are frequently unsatisfactory for the production of frozen potato products. High specific gravity is needed to produce an acceptable product; specific gravity varies widely; and frequently packers find themselves in the position of being unable to accept potatoes because of low total solids. Potatoes for french frying must also be carefully checked for color; samples are usually test fried and those lots which exhibit acute variation of color, caused by variation of sugar content, may be rejected. After-cooking graying frequently renders lots unsuitable for processing. These quality factors are not specifically covered in the U.S. standards for potatoes and their measurement requires procedures which are not used in judging the grade of potatoes for the fresh market. As I shall show, moreover, U.S. grades are usually entirely immaterial in determining the suitability of potatoes for processing.

Most potatoes for processing are procured through contracts with farmers or growers or are raised by the processors themselves. Grower contracts are made out and signed prior to planting dates. Acres planted, price per hundredweight and the conditions of pur-

chase are stipulated. All such contracts contain quality specifications, generally including minimum total solids and provisions for frying tests prior to acceptance of the product. If the frying test discloses poor color, color variation, or discoloration due to disease or some other factor, the potatoes may be rejected under the terms of the contract. Restrictions in the contract regarding size are tailored to fit the requirements of the processed product without regard to U.S. grades. This refers to U.S. grades for fresh potatoes. I am not referring to the U.S. standards for frozen potatoes. A processor packing potatoes solely for the institutional trade may stipulate a $2\frac{1}{2}$ -inch minimum; processors packing french fried potatoes for both institutional and retail trade may stipulate a 2-inch minimum or possibly a $1\frac{7}{8}$ -inch minimum. In many instances, however, field run potatoes are purchased. Processors packing whole boiling potatoes or rissole potatoes may purchase potatoes having a maximum diameter of $1\frac{1}{2}$ inches. The price paid is agreed on before the potatoes are planted and usually prices paid to the grower are tied in with the quality of the product delivered to the processor. No provisions are made for price adjustments because of changing market prices at harvest times. At Seabrook Farms we recognize the value of potatoes containing high specific gravity and provide our contract farmers with an incentive to use cultural practices which favor high specific gravity by paying a higher price per hundredweight for higher specific gravity potatoes. It is evident from these facts that marketing order restrictions upon potato size would be totally unrealistic and unjustified as applied to potatoes for freezing.

Consider more specifically restrictions under a marketing order providing that potatoes less than $1\frac{1}{2}$ inches in diameter could not be sold for processing, as has been proposed for fresh market potatoes. Processors have a ready market for this type of product, which is used to make tiny whole boiled potatoes and frozen rissole potatoes. Customers using these potatoes can be classified into three groups: the retail consumer who buys the small 8-ounce to 2-pound packages for use in the home; the institutional customer who buys these in 5 to 50 pound lots for institutional feeding (this includes hospitals, school lunch programs, and hotels); and customers who use these potatoes for repacking into the extremely popular frozen dinners. The size requirements of potatoes used for frozen dinners are very specific. All companies are faced with the same packaging problem. These potatoes must be no more than 1 inch in diameter and the specifications generally call for the potatoes ranging from three-fourths to 1 inch in diameter. The packages of frozen dinners restrict the size. The elimination of potatoes of this size and type from the market would, in effect, eliminate this style of frozen potato product from the frozen food market, and, therefore, would deprive consumers of products they have found to be highly desirable.

More and more processors are going into multiplant operations. There are two primary areas in which frozen potatoes are processed. These could be described as western and eastern. The western area includes California, Idaho, Oregon, and Washington, and the eastern area includes Maine, New Jersey, New York, and Pennsylvania. Processors must be able to supply potatoes from both of these areas in order to meet the market needs of the rapidly expanding frozen

potato market. There can be seasonal fluctuations in volume available due to weather conditions and raw quality characteristics from one geographic area to another. When the potatoes in one area yield well and are of high quality these are available to offset poor yields and poor quality in another area. This assists in the stabilization of the overall potato market. We do not believe that a marketing order applying to potatoes for processing could deal with these problems without serious damage to the processing industry and, therefore, to the producers from whom processors obtain their supply of potatoes.

Marketing orders in effect control acreage by limiting amounts which handlers may purchase from producers. Agricultural Economic Report No. 6, titled "An Economic Study of the United States Potato Industry," states that 40 percent of the year-to-year variation in production during the last decade has been caused by variation in yield. Artificial restrictions placed on processors who grow some of their own potatoes could seriously interfere with expansion programs and development of new potato products. Marketing order restrictions would impose limits on the total contracted acreage that processors may acquire and control the total amount of potatoes available for food processing. The frozen potato industry has expanded most noticeably in the last 5 years and this in turn has had an effect on the total consumption of potatoes. Supply restrictions by marketing order controls would very seriously impede this expansion.

The National Association of Frozen Food Packers therefore strongly objects to the inclusion of potatoes for freezing and canning under marketing order authority. Potatoes used by the frozen potato products industry have very specific quality requirements. Generally these potatoes are grown specifically for the frozen potato products industry. The amount of potatoes grown for this industry is established definitely and firmly by a highly stabilized frozen food market. We sincerely believe that the entire potato-growing industry in the United States has benefited and will continue to benefit as a result of the entry of the frozen food industry into the field of potato processing. We have every reason to believe that our industry will continue to provide a profitable outlet for potato products if it is not hampered by the artificial controls which would be imposed upon it under a marketing order.

Mr. GRANT. Thank you very much.

In case this legislation were to be passed, would I not be correct to say that the processors themselves would have to go into the growing of potatoes more than is being done at the present time?

Mr. GASCOIGNE. I suspect more processors might be going into the growing of potatoes.

Currently many processors do grow a lot of their own potatoes.

By and large the greatest portion of potatoes for processing are either grown directly by the processor or are contracted for with farmers within his area.

Mr. GRANT. Something has been said about the off-grade potatoes being bought up by the processors at very low prices. It seems from your testimony that most potatoes are contracted for prior to the growing of the potatoes. Could you give any estimate of what amount percentagewise is processed and used that are bought under contract maybe before the planting of the crop?

Mr. GASCOIGNE. Regarding the entire scope of the frozen potato industry I would not be able to give a true fact. Regarding Seabrook Farms, I would judge that better than 95 percent of our potatoes are either grown by us or are contracted by us with growers.

Mr. GRANT. Thank you very much.

Are there any questions?

Mr. Hagen?

Mr. HAGEN of California. What percentage of the price of the final product is attributable to the potato itself?

Mr. GASCOIGNE. You are seeking into an area where I am really not an expert. I would guess that somewhere in the neighborhood of 25 percent to one-third—no, I correct myself. It would probably be around two-thirds.

Mr. HAGEN of California. Two-thirds?

Mr. GASCOIGNE. You are referring now to the market price, the cost at which we would sell?

Mr. HAGEN of California. Yes.

Mr. GASCOIGNE. Our manufacturing costs would contribute possibly a third to 50 percent.

Mr. HAGEN of California. A third to what?

Mr. GASCOIGNE. To 50 percent of our total cost. Please remember I am not an expert on the pricing end of it. My capacity as quality control director leaves me pretty much with quality specifications of both the raw product and the finished product.

Mr. HAGEN of California. In that connection, what elements go into determining specific gravity of the potato?

Mr. GASCOIGNE. This is a measurement of total solids.

Mr. HAGEN of California. I know that. What elements of culture or seed go into it?

Mr. GASCOIGNE. We know that certain varieties have characteristically differing specific gravities. We know that certain growing conditions, moisture content and soil, the amount of heat in the soil, certain fertilizer practices, things of that nature do contribute to building up total solids.

Mr. HAGEN of California. I would suspect that California would have a very low specific gravity, with a lot of water.

Mr. GASCOIGNE. It has been our experience as a region that has generally low solids.

Mr. HAGEN of California. Do you think that these processed products are supplanting purchases of fresh potatoes used by institutional buyers or by housewives or is it merely adding an additional market?

Mr. GASCOIGNE. I think this is a definite increase in consumption of potatoes. I feel that we are not as closely competitive with the fresh potato market as has been indicated. We are presenting a new and different product to the consumers. We are presenting a lot of convenience to the consumers. The statistics that the Department of Agriculture has presented has shown that consumption of frozen potato products has enjoyed a steady increase and that during the same period, the history of frozen potato products, the consumption of fresh potatoes has not decreased. I sincerely believe that this is a general increase in the total potato market.

Mr. HAGEN of California. Thank you.

Mr. GRANT. Are there further questions?

Mr. McINTIRE. Could I ask one short question, Mr. Chairman? Are your contracts based on the volume of U.S. No. 1's contained in the field unpacked?

Mr. GASCOIGNE. Not necessarily. The contracts will vary somewhat from processor to processor, depending upon the customers that he is trying to satisfy.

Mr. McINTIRE. You are not contracting on a flat volume price, are you?

Mr. GASCOIGNE. Some will contract on a flat volume price of field run potatoes. Others will contract on the basis of receiving field run, grading the potatoes according to size and then making a price payment regarding the size categories. There are three or four different methods of operation.

Mr. McINTIRE. Do you have any suggestions as to how the processing industry can meet the feeling of growers that the pricing in the contract is predicated on the better grades and that the lower grades which go into the processing are at a much, much lower price?

Mr. GASCOIGNE. This I think is typical in all vegetable crops that are contracted for by processors. Processors do recognize the fact that farmers have to dispose of their entire crop. We do not try generally to buy only a portion of this crop.

We try to buy products that we can convert into salable products. We have to use our ingenuity to convert as much of this product into salable products as we can.

Contracts are written so that the price paid to the farmer is an equitable price and at the same time is a price that we can afford to pay and still market this product. If a given lot of potatoes runs 30 percent, just for example, of the so-called cull potatoes, small size potatoes, the market that we have available and the work that we must do to make these potatoes marketable is considerably different from that that we have to do on the larger size potatoes.

There has to be a price difference if the potatoes are purchased on a two-price contract, a U.S. No. 1 or its equivalent and a cull price.

Mr. McINTIRE. I do not want to prolong this, but that will bear a little examination because some of your processing for mash is no more expensive than some of your processing for French fries. You use an entirely different raw material for it.

Mr. GASCOIGNE. We made a statement in here that many of our problems are not understood. The potatoes that we use for French-fried potatoes have to be very carefully screened after they are sliced. We go through a peeling operation. We then go through our stripping or slicing operation. The customers using these potatoes will not use the entire output of a slicing machine. We must move all of the slivers, the tiny pieces, the irregular pieces.

We have paid for the whole potato. In effect, we can only use a part of that potato in a French-fry operation. We have a choice of either completely discarding the strips, the slivers, irregular units, or of converting them into a more salable product.

We are not buying culled potatoes and making mashed potatoes or potato puffs or diced potatoes, that type of thing. The culled potatoes that we purchase are culls generally because of size and these are used in this tiny whole boiling potato pack, the whole rissole pack.

Does that answer your question at all?

Mr. McINTIRE. No; I do not think so. I do not want to be critical but you have not got at my question as to what can the processor do to show the producer that the producer is being paid for the raw material that he is supplying in relation to the value of the end product for which it is being used. I think this is the major question. It certainly is in my area. I just think here is the real problem. That is the reason why this bill is in here.

Mr. GASCOIGNE. I just might make the comment that farmers are not under obligation to contract with potato processors.

Mr. McINTIRE. That is right.

Mr. GASCOIGNE. And yet potato processors have been able to contract for the greatest part of their needs. If these contracts were not equitable and if the farmer were not being satisfied, he probably would not contract with us.

Mr. GRANT. Doesn't it follow if you can better use or just as well use No. 2's or culls, regardless of what size they might be in the processing and you are required by law to buy No. 1 for that same purpose, doesn't it mean that your products are going to necessarily have to sell for more at the retail level?

Mr. GASCOIGNE. In those circumstances where we would have to purchase No. 1 potatoes to supplant No. 2's or culls or whatever they may be, the price would necessarily increase to the consumer.

Mr. GRANT. Mr. Harding?

Mr. HARDING. Mr. Gascoigne, how many processing plants does the Seabrook Farms Co. have?

Mr. GASCOIGNE. In the United States we have four processing plants. We have two plants which process potatoes in this country.

Mr. HARDING. Two potato processing plants?

Mr. GASCOIGNE. Yes, sir.

Mr. HARDING. Where are those two plants located?

Mr. GASCOIGNE. One is located in Seabrook, N.J., and one is located at Lewiston, Idaho.

Mr. HARDING. Lewiston or Lewisville?

Mr. GASCOIGNE. Lewiston.

Mr. HARDING. In your contracts are you restricted to marketing frozen potatoes or processed potatoes or do you also market fresh potatoes?

Mr. GASCOIGNE. There may be a very small, well, almost an unrealistic amount; I would say a few thousand pounds of potatoes from Lewiston, Idaho, may be used in a fresh market area. These are commonly referred to as bakers, the extremely large potato. This is a result of our buying field run. These extremely large potatoes just do not lend themselves to converting into a frozen french-fried potato.

Mr. HARDING. Have you visited your plant at Lewiston, Idaho?

Mr. GASCOIGNE. Yes, sir.

Mr. HARDING. Do you buy any potatoes other than field-run potatoes for use in your processing plant at Lewiston?

Mr. GASCOIGNE. Yes; I am talking now of both plants.

Mr. HARDING. You do buy other than field run?

Mr. GASCOIGNE. Yes. We buy in the East a U.S. No. 1 equivalent as far as size is concerned; we also buy the U.S. No. 3's, the U.S. No. 2's insofar as size is concerned.

Mr. HARDING. Do you buy any so-called culls for processing in your plant?

Mr. GASCOIGNE. Well, I believe the U.S. No. 3's are considered as culls. They are the extremely tiny potatoes. If we are unable to use them, they normally are left in the field.

Mr. HARDING. So you are becoming quite integrated in your operation in buying not only a field run but also graded potatoes and also selling fresh potatoes as well as processed potatoes.

Mr. GASCOIGNE. The fresh-packed potatoes are probably one one-hundredth of 1 percent of the total potatoes that we purchase.

Mr. GRANT. Thank you very much.

Mrs. May?

Mrs. MAY. Mr. Chairman, I am pleased to introduce to the committee the next witness, Mr. John Trimble, a resident of my hometown of Yakima, Wash. Mr. Trimble is before us today as the manager of the Washington Potato & Onion Growers Shippers Association and is manager for the State of Washington Potato Committee. I might say very briefly that the Washington Potato & Onion Growers Association has long been active in the field of legislation on behalf of its impressive membership, and I am sure that the committee is going to be interested in the association's views as expressed by Mr. Trimble, whom I am glad to welcome to today's hearing.

I would also say he assures me his statement is a very short one.

Mr. GRANT. Thank you so much. We will be glad to hear from you.

You may proceed, sir.

STATEMENT OF DON E. TRIMBLE, WASHINGTON POTATO & ONION GROWERS & SHIPPERS ASSOCIATION

Mr. TRIMBLE. Mr. Chairman, members of this committee, before I start my formal statement, I would like to state that in our State there are three organizations representing the potato growers and handlers: The Washington State Potato Commission, the Washington Potato & Onion Growers & Shippers Association, and the State of Washington Potato Committee.

I have a letter addressed to the Honorable Harold Cooley from the commission which I do not represent, but which they asked me to present.

Mr. GRANT. That may be filed, without objection.

(The letter follows:)

WASHINGTON STATE POTATO COMMISSION,
Yakima, Wash., July 24, 1962.

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

DEAR MR. CHAIRMANS We respectfully urge your Committee on Agriculture to favorably consider H.R. 10186, which we understand will delete the existing exemption for canned and frozen potato products from marketing regulations.

The State of Washington has operated under a Federal marketing order for potatoes since 1949.

In 1956 approximately 2 percent of Washington total potato production went into canning and freezing. In 1961 over 12 percent of the State production went into freezing. This was over 1,600,000 hundredweight in 1961 as compared to 300,000 in 1956.

We expect further expansion to take place in the use of potatoes for canning and freezing. This will have a tendency to weaken the effectiveness of marketing regulations on fresh potatoes, for the fresh market as well as for the types of processing.

HOWARD A. HALES,

Chairman, Washington State Potato Commission.

Mr. TRIMBLE. My name is Don E. Trimble. My post office address is 111 Pierce Avenue, Yakima, Wash. From 1922 to 1956 I was continuously engaged in the merchandising of potatoes. Since 1956 I have been manager of the Washington Potato & Onion Growers & Shippers Association. I am also manager for the State of Washington Potato Committee.

A grower or handler might more properly present the belief of our industry groups that the cancellation of the exemption now enjoyed by canners and freezers from the provisions of the Agricultural Marketing Agreement Act of 1937, as amended, will be to the best interests of all segments of our industry. Our 1962 potato harvest is just beginning its critical period and it is vital that these men be at their posts. They asked me to carry their message to this important committee hearing.

At the time of the enactment of the Agricultural Marketing Agreement Act of 1937 the processing of potatoes for human consumption was minimum and not a factor affecting the fresh market.

The phenomenal growth of the frozen french fry industry has caused it to be a definite factor in the potato industry and it does now affect the fresh market.

The exemption of canners and freezers from the provisions of the act not only opens the gate for the unrestricted use of potatoes in these industries, but marketing order committee members, being in the majority fairminded men, hesitate to impose restrictions on those manufacturing competitive processed potato products and leave the gate open to them.

Those areas that market their potatoes under marketing order regulations generally agree that substantial benefits are derived in market stabilization through regulations limiting the size and grade of potatoes that can be moved into the regular channels of trade. This benefit to industry is enjoyed by canners and freezers as well as the fresh market sector of the industry. It is not in equity that those operating as canners and freezers be exempt from assessments to pay the operating expenses of the regulatory committee, while all those serving the fresh market, and all those processing potatoes for human consumption except the canners and freezers do pay their pro rata share of this necessary expense.

Marketing order committees have as their objective orderly marketing and increasing the returns to growers. In trying to reach their objective, the grower and handler members of the committee have in the past restricted the movement of potatoes to fresh market to the better grades and sizes, and have kept the poorer quality and smaller size at home to be diverted to noncompetitive outlets such as starch and livestock feed. Up until the past few years, the committee has felt it has accomplished its purpose with varying degrees of success. In recent years, however, with the increased use of processed potato products for human consumption, the question as to just how successful the committee has been has often been raised. Many times the

lower quality and small size potatoes restricted from the fresh market have found their way into consumer channels as processed potatoes.

Our figures on the disposition of Washington potatoes show that as recent as the 1957-58 season only 1,667 cars, or 7 percent of the 24,000-car production, moved to food-processing outlets as compared to 4,959 cars, or 16 percent of the 30,500-car production last year. In certain other producing areas the growth in processing is even more striking. During years of a surplus supply of potatoes, the industry and the committee would have liked to regulate the total supply of potatoes including those moving to the various food-processing outlets in trying to bring supply in line with demand. Since canning and freezing are specifically exempt under the Marketing Agreement Act, and since freezing represents such a large part of our processing outlets, the committee feels it would be discriminatory to regulate the processing outlets not exempt, such as potato chips, dehydration, et cetera. In fact, at one time the committee did regulate the potatoes moving to these processing outlets but has since discontinued this practice. The regulations made effective last year exempted movement of potatoes for prepeeling with buyer and seller agreement as to quality and size for the first time. This type of feeling, I understand, exists in our competitive potato-producing areas even though no potatoes are canned or frozen within their areas.

I believe it is only fair to say that during years when the supply of potatoes is on the short side, all effort should, and I am sure it will, be made to utilize all the usable potatoes for human consumption. There is, however, no need to process culls or low grade potatoes at little or no return to the grower when a grower is receiving less than production costs for his good quality potatoes as was the case last year. It is a sad condition when the low quality potatoes can be processed into frozen or dehydrated products at little or no return to the producer, and then be placed on the market in a form that directly competes with the good quality fresh potato we try to market.

Our processing industry has repeatedly informed us that they would prefer not to use low quality potatoes, but since competitive processors used them, they were forced to do the same. Should the canning and freezing exemption be removed from the act, we are sure that the large potato-producing areas with area marketing orders such as Maine, Idaho, Minnesota-North Dakota, Colorado, Oregon, and Washington, could get together during years of surplus supplies and regulate all outlets on an equitable basis to the betterment of the entire potato industry as we have done in the past on fresh potatoes. In years of moderate or short supply the reverse would be true. In the long run over the years, the national potato picture might well be changed from its present feast-or-famine situation to one of even supply available from year to year.

A study of current contracts for processing potatoes made between growers and processors indicates that in those contracts the grower is paid only for specific grades and sizes, but the processor is free to use all the potatoes delivered to them without paying for those that fall below contract specifications. Such processed low grades (commonly called culls) are offered to the consumer at prices comparable to processed higher grade potatoes, to the financial detri-

ment of the grower and the potential depression of the fresh market offerings.

I ask that you report favorably on House bill 10186 as introduced by Congressman Harold T. Johnson, of California.

Mr. GRANT. Thank you very much, Mr. Trimble, for your prepared statement.

Are there questions?

Mr. HAGEN of California. I would like to ask one question.

On page 3 of your statement you apparently say that at one time in Washington you did have marketing order regulations with respect to potatoes delivered for processing purposes; is that correct? That is, dehydration and freezing.

Mr. TRIMBLE. There was at one time and this year they released peepers. They freed them from the regulations of the marketing order.

Mr. HAGEN of California. But you did at one time cover potatoes delivered for freezing; is that correct?

Mr. TRIMBLE. There were very minimum requirements.

Mr. HAGEN of California. I was going to ask you what your experience was with that.

Mr. TRIMBLE. That was before my time as manager.

Mr. HAGEN of California. Now you have removed that coverage; is that correct?

Mr. TRIMBLE. We removed that coverage because the committee felt that it was unfair to the chip people to have them under regulation, which was not applicable to the other types of processing.

Mr. HAGEN of California. Of course, it would seem to me that potato chips are not in any way competitive with any other form of potato. I cannot visualize that they would supplant fresh potatoes.

Mr. TRIMBLE. I would say that anything that goes into the human stomach is competitive to the potato because it is a food. The stomach capacity is limited, so anything that takes the place, one of another, is competitive.

Mr. HAGEN of California. I would assume a price differential is very important with potatoes in the modern diet because rice or paste can be substituted for potatoes.

Mr. TRIMBLE. That is right.

Mr. HAGEN of California. You did not receive any very satisfactory results from the regulation governing chips, et cetera?

Mr. TRIMBLE. As I say, the regulation of the chips was very, very minimum. In my term in the last 4 years the only regulation we had on the chip people was they must have their potatoes inspected, and report it to us so we know exactly what they were getting.

Mr. HAGEN of California. Thank you.

Mr. GRANT. Are there further questions?

Mr. TEAGUE. I do not have a question, Mr. Chairman, but I would like to say to Mr. Trimble I am sure I am correct in observing that every member of the Committee on Agriculture, not only this subcommittee, considers Mrs. May to be an extremely valuable member of this committee. We are very fortunate to have someone who looks after the interests of Washington as well as she does.

Mrs. MAY. Thank you.

Mr. TRIMBLE. We feel the same way at home.

Mr. GRANT. I think we all add our approval of that statement.

Mr. Beermann?

Mr. BEERMANN. I would like to ask Mr. Trimble one question.

Is there much difference in the freight rate for a comparable shipping distance between fresh potatoes and the canned or frozen food commodities?

Mr. TRIMBLE. I cannot answer relative to the freight rate on frozen potatoes. I would believe that it would be considerably higher because they have to move under zero temperature cars, while our fresh potatoes move under normal ice refrigeration. We in our geographical location are at a considerable freight handicap on fresh.

Mr. BEERMANN. What is the difference between the freight rate and how does it affect the retail price between the fresh potato and the canned potato or frozen fried?

Mr. TRIMBLE. The fresh potato is a low-priced, low-cost product, regardless of where it is found.

Our freight rate to the east coast—to New York—is in the neighborhood of \$1.90 a hundred. With refrigeration it would probably be about 2 cents a pound. It is a terrific item in carlot volume, but when it gets down to the retail prices, the 2 cents a pound for a product like a premium Washington potato is infinitesimal. I think the same thing prevails on the frozen product. The rate per hundred may be high, but when you get it down to the 6- or 8-ounce packages that are delivered to the grocery store, it probably would be, I would say, under 2 cents a package, perhaps under 1 cent a package. "Mr. Seabrook Farms" could answer that question better than I could. Our fresh potato freight rate to New York City is in the neighborhood of \$1.90, which, even with the ice added, would be in the neighborhood of 2 cents a pound, and even in our own local stores where we produced the potatoes the price usually runs from 6 to 8 cents a pound. I think I noticed potatoes in your Washington store yesterday, which I went out to look at, were around 5 cents a pound. Potatoes in retail stores are usually within the 5- to 9-cent-a-pound ratio regardless of the price the farmer gets for them.

Mr. BEERMANN. You say the freight rate is \$1.90 to New York?

Mr. TRIMBLE. Approximately \$1.90.

Mr. BEERMANN. Why do you seek a market in New York at \$1.90 a hundred? Do you seek that market because of quality or because of price?

Mr. TRIMBLE. We will have hundreds of cars into this northeast portion of the State in the next 6 weeks because of the fact that we will have a variety. We will be harvesting and shipping a variety which is a premium variety, which can only be grown under controlled moisture conditions, and which is, as I say, although it seems to us that we get a premium price, by the time it gets to the grocery store that 2 cents a pound does not amount to too much to the actual consumer. It is a lot of money to the man who buys a hundred carloads, but to the actual consumer buying 10 pounds of potatoes it should not be a prime factor.

Mr. BEERMANN. Do your growers participate in an advertising and promotion program to sell this product?

Mr. TRIMBLE. Yes, indeed. We are on the "Today Show." Maybe you have seen our promotion on that. We have a dealer service. That

is through the Washington State Potato Commission. Their appropriation for that is around \$60,000 a year.

Mr. BEERMANN. Thank you, Mr. Trimble.

Mr. GRANT. Thank you.

We will stand adjourned until 2 o'clock.

(Whereupon, at 12:20 p.m., the committee was recessed to reconvene at 2 p.m. the same day.)

AFTERNOON SESSION

Mr. GRANT. The committee will come to order. I believe Mr. Barkley is the first witness.

STATEMENT OF OWEN BARKLEY, GENERAL MANAGER, PENNSYLVANIA COOPERATIVE POTATO GROWERS ASSOCIATION

Mr. BARKLEY. Mr. Chairman, we would like to thank the committee for this opportunity to have just a brief period of time to express our point of view on this bill. My name is Owen Barkley, 5235 North Front Street, Harrisburg, Pa. I serve as general manager of the Pennsylvania Cooperative Potato Growers Association.

The principal function of our organization is a business marketing function. Through it for many years we have marketed a substantial portion of the production of our potatoes in the State of Pennsylvania. This includes movement in the fresh market principally with certain limited quantities going into processing outlets and another larger quantity going to potato chippers.

We have operated throughout all these years without benefits of a marketing agreement and order. The question might logically be raised to us: Without operating with a marketing agreement and order, what interest do we have in this particular bill, H.R. 10186, or why would we be in favor of its passage?

We are fully aware that there would be no direct benefits or direct influence upon us through the passage of this bill. However, we are equally aware that we do not operate within a market ourselves. The desire for potatoes is general. Our prices are influenced by what happens nationally. What may happen on the far west coast or in the Deep South or in the Far North has a great bearing upon us just as that which may happen within our own State.

During the period of the year when we are marketing the principal part of our crop about 75 percent of the rest of the country is marketing at the same time and functioning under marketing agreements and orders. There is a matter of developing good market outlets, developing market stability, returning an equitable price to the growers, and we found we need to work together and are glad to work together with other areas of the country. Many of these sections have told us from time to time—I mean sections that have found it to their advantage to operate with marketing agreements and orders—they have told us from time to time of the handicap they experience in having control over only a portion of their crop with the balance of it being in an exempt status. They feel that they would be in better position to develop orderly programs, which could be of benefit to them and as a result be of benefit to us, with the enactment of this legislation.

Therefore, it is with a good neighbor policy or good neighbor thought in mind that we encourage the passage of this bill to enable them to better help themselves and indirectly, we feel certain, we will benefit likewise from that action.

Mr. Chairman, that is my statement. We thank you for the courtesy you have extended us.

Mr. GRANT. Thank you so much. Are there any questions?

Mr. HARDING. You do not operate under any marketing order at all?

Mr. BARKLEY. No; we do not.

Mr. HARDING. Do you have any plans for marketing order in your area in the future?

Mr. BARKLEY. We have discussed it at various times, and to this time we have not seen the need or advisability of it in our area.

Mr. HARDING. There is no need. Then, you would not favor a national marketing order?

Mr. BARKLEY. We have not; no, sir.

Mr. HARDING. I am happy to hear that because I believe it is inconsistent for people that do not want or do not have any need for a regional order to support a national marketing order. I have no further questions.

Mr. GRANT. Thank you very much.

The next witness is Mr. Kiefer.

STATEMENT OF WILLIAM J. KIEFER, NATIONAL CANNERS ASSOCIATION

Mr. KIEFER. My name is William J. Kiefer, and I am general manager of the John W. Taylor Packing Co. in Hallwood, Va. I am appearing today in opposition to H.R. 10186 and H.R. 12543 on behalf of the National Canners Association, of which I am a former director, and also the Tri-State Packers Association of which I am a present director.

The NCA is a non-profit-trade association. Its more than 600 members have canning plants in 44 of the 50 States and pack approximately 80 percent of our national production of canned fruits, vegetables, meats, seafoods, and specialties.

The Tri-State Packers Association is a non-profit-trade association representing processors of fruits and vegetables in Maryland, Delaware, New Jersey, and sections of Virginia, including 13 potato canners.

We oppose H.R. 10186 and H.R. 12543, which would remove potatoes from the canning and freezing exemption of the Agricultural Marketing Agreement Act of 1937, for the same basic reason the NCA has opposed all previous attempts to extend marketing order authority to canning crops—the most recent occasion being just last year, when two witnesses for the NCA testified in opposition to the administration's omnibus farm bill, H.R. 6400.

H.R. 6400 would have made all agricultural commodities for canning and freezing—not just potatoes—subject to marketing orders. The NCA's statement, including the testimony of Mr. Edwin C. Kraus and Mr. Norman W. Merrill, was reproduced as a supplement to the May 6, 1961, NCA information letter, and is available to this subcommittee. I respectfully ask that it be included in the record of these

hearings following my statement on this year's more limited proposal, H.R. 10186 and H.R. 12543.

The basic reason for the NCA's opposition to marketing orders for canning crops—which Congress apparently found persuasive last year, as on every previous occasion since 1933 that similar amendments have been proposed—is a simple one.

Marketing orders, if made applicable to canning crops, would give persons outside the canning industry—Government officials and growers—absolute control over raw product procurement—control tantamount to the power of life and death over the canning industry.

Marketing orders could regulate what, when, and how much canners could purchase for canning. They could even prohibit canners from purchasing at all.

Such control would exist under marketing orders applicable to canning crops wholly apart from the canners' wishes, wholly apart from their belief that the controls were unwise or destructive—of the growers' longrun interests as well as the canners' and the consumers'.

Finally—and I must say this strikes me as close to twisting the knife—canners would be required to foot the bill. Under the marketing order statute, the cost of administering the regulatory program falls not on the regulators—for whose supposed benefit the regulations are imposed—but on the regulated.

In 1954 a witness for the NCA likened handing over control of the canning industry to growers in this manner to putting cottongrowers in charge of the design and selling of women's dresses on the theory that cotton is used in them.

The comparison is still valid but, when applied to the special situation of potatoes, probably is not strong enough.

The analogy of handing over control of the pigskin glove industry to hog raisers might be more accurate.

The conversion of hog hides into pigskin gloves, I would assume, is an operation more or less incidental to the main purpose of raising hogs, which is for meat.

Converting potatoes into canned potatoes is most certainly incidental to the main purpose of potatogrowing.

Potatoes for canning constitute only about 1.4 percent of all potato production for food, and the bulk of this 1.4 percent is noncompetitive with other uses.

The reason is that potatoes for canning are, by and large, small potatoes—about one-half inch up to 1½ inches in diameter—and unsuitable for fresh market or most other processing.

Thirty years ago farmers had to destroy that part of their crop consisting of potatoes of this size.

Then the canning industry gradually developed a market for these potatoes—slowly at first, because at the outset there was no consumer demand.

As a result of the canning industry's promotional efforts, however, demand was stimulated, and after World War II canned, small, whole potatoes began to enjoy popularity.

As a result, small potatoes, once a liability to growers, are today a profit item.

Indeed—and I know this from my familiarity with the operations of the small farmers on the eastern shore of Virginia from whom we

buy these small potatoes for canning—the farmers' ability to sell these potatoes to canners often means the difference between net profit or loss on their overall potato operations for the year.

But what would happen if potatoes for canning were made subject to marketing orders?

One possibility, of course, is that, though subject to marketing orders, potatoes would not actually be subjected to control. This assumption makes no sense, however, for, if potatoes, for canning are not to be subjected to control, there would be no point in amending the statute.

It must be assumed that potatoes for canning would actually be regulated by marketing orders if the proposed amendment were passed, and that this is the reason the amendment is being proposed.

Indeed, it seems clear that the proponents of this legislation, if they succeed here, will attempt to bring canners under marketing order control on a national basis.

One factor pointing to this conclusion is that the same groups which support this legislation also support the currently proposed national potato marketing order and have recently requested a **resumption of** hearings on that proposal.

Their wish to impose national marketing order controls on canners is also clear from the fact that, of the 77 potato canning plants in the United States, only 6 are located in areas currently subject to Federal regional marketing orders.

Clearly, only a desire to reach the other 71 would justify support of this proposed amendment.

What kind of controls on potatoes for canning might be imposed should the authority be granted?

As I have indicated, there are a great many ways in which a potato marketing order could control the potato canning industry. A marketing order could impose volume controls, "flow" controls or even controls that would tell canners what growers they could buy from and how much they could purchase from each.

There is some evidence, however, that the principal—or at least a principal—device that the potato marketing order proponents have in mind for regulation of potatoes for canning is "quality" controls.

I have nothing to say about the application of quality controls to the sale of potatoes for fresh market, but I would like to point out that the term is monstrously misleading if applied to potatoes for canning—or for any kind of processing, for that matter.

I don't mean by this that the quality of the raw product is not important in canning potatoes. Obviously it is. But the characteristics that are of greatest concern to canners are ones that U.S. grades do not even take account of.

One of the most important of these is freshness. The best potatoes for canning are only 2 or 3 days old.

But proponents of marketing orders for canning potatoes are not concerned with freshness, or with any other characteristic that would really improve canned potatoes.

What the proponents of this legislation apparently want to impose on processors—including canners—is size controls.

I have already pointed out that, by and large, potatoes used for canning are small potatoes. If potatoes for canning were subjected to

marketing order controls, canners could be prevented from buying small potatoes.

What would be the effect of such a regulation? The suggestion has been made that canners could buy large potatoes and shave them down to the size desired for canning—a suggestion somewhat like telling a butcher that he can sell hamburger but must make it from ground tenderloin.

An initial difficulty with this suggestion is that the resulting product could no longer be called “small whole potatoes”—which is the product for which consumer demand has been developed. Old labels would have to be destroyed, and new labels—ones carrying designations completely lacking in consumer appeal—would have to be substituted.

But the controlling objection to the suggestion that big potatoes be shaved down into little potatoes is its almost sinful wastefulness—and prohibitive cost.

Canned potatoes are not a high-profit item. In the case of some canners, the product was originally developed solely in an effort to occupy otherwise idle plant during off-season and thus reduce overhead. With consumer acceptance, the contribution to canning revenues of potato canning has increased, but net profit is still small.

Nor could the increased price be passed on to consumers. Canned potatoes, in the language of economists, have an elastic demand curve. If their price is forced up, consumers will switch to rice, or macaroni, or any one of a number of items that today's housewives often serve as a substitute for potatoes.

I can assert without hesitancy that the imposition of so-called quality controls—or any other controls for that matter—on potatoes for canning would simply put an end to most of the potato canning industry.

In the case of my own company, this would mean 5 to 6 weeks less work for 150 people.

In a country of 185 million people, it might be said that this figure is not significant. It is highly significant to me, however, and to the 150 persons themselves and their families who depend upon them for support.

My company is not the only company that would be so affected. On the Eastern Shore of Virginia there are at least 2 other potato canners who, I know, would suffer the same or similar fates; in the New Jersey-Delaware-Maryland area, 10; in the Nation as a whole, 77.

And, of course, if the potato canning industry should be destroyed, so would the growers' present outlet for small potatoes.

It is the inevitability of this result, I might add, that makes it so difficult for me to understand why there should be support, even from growers, for this amendment.

In some areas, where livestock is grown, potato farmers, if deprived of their canning outlet for small potatoes, might be able to use some of them for animal feed. Of course, this way would not be as profitable as selling the potatoes for canning, but it would at least cut down the loss somewhat.

But in many areas—for example, the Eastern Shore of Virginia—there is no livestock industry, and even this possible method of disposal would be unavailable.

By way of conclusion I should like to say just one thing.

Insofar as potatoes are a canning crop—and I have already indicated they are a relatively minor one—it is in the interests of both canners and growers to expand the market for canned potatoes, not destroy it.

Yet expansion of a market, even maintenance of the status quo, requires business expertise—wise and experienced business judgments by persons familiar with the problems involved.

Without in any way meaning to disparage the good intentions and intelligence of growers and Government officials, the canning industry believes that it—and those people dependent on it—will best flourish if the industry is permitted to make, for itself, its own vital management decisions.

To this end the National Canners Association, as well as the Tri-State Packers Association, strongly opposes extension of marketing order authority to potatoes for canning.

Mr. GRANT. The NAC Information Letter, to which you referred on page 1 of your statement, will be included in the files of the committee.

Mr. KIEFER. Mr. Chairman, I have been asked by the Canners League of California to request that a short written statement by them be made a part of this record. The Canners League of California, as well as the NCA and Tri-State Packers Association, are also strongly opposed to this legislation.

Mr. GRANT. Without objection, that will be included.

(The statement of the Canners League of California follows:)

STATEMENT OF THE CANNERS LEAGUE OF CALIFORNIA

This statement is submitted on behalf of the Canners League of California whose membership accounts for approximately 80 percent of the canned fruit and vegetable production in California. California annually produces over 75 million cases of canner fruits and juices and over 70 million cases of canned vegetables; this represents approximately 40 percent of the total national production. Our organization has always opposed the inclusion of canning crops under the list of commodities to which agricultural marketing orders may be made applicable pursuant to any amendment to the Agricultural Marketing Agreement Act of 1937. On each occasion when such proposals have come before the House Committee on Agriculture, the canning industry has testified in great detail as to the effects of such inclusion and the reasons for canner opposition. Therefore, at this time, it will suffice to say that marketing orders applied to canning crops are:

1. Unnecessary—Since no need has been shown to justify the authorization of mandatory marketing orders or marketing quotas for canning commodities.

2. Discriminatory—Since canners would be subjected to the provisions of compulsory marketing regulations issued upon the basis of grower approval alone.

The balance of this statement will detail our specific objections to the inclusion of potatoes as proposed by H.R. 10186. Since a national potato marketing order is presently being considered, we can relate our objections to its specific provisions and amendments proposed for inclusion.

UNNECESSARY REGULATION

The statistics covering Irish potato marketings for 1960 show a total national production for all purposes of 12.9 million tons. Of the total, 81.1 percent was used for all food purposes and only 1.1 percent (140,450 tons) was used for canning purposes. Therefore, it is quite evident that the quantity of potatoes used for canning purposes could have little or no effect on any attempt to achieve market stability through the proposed marketing order.

DISCRIMINATORY REGULATION

Far more important to the canning industry is the expressed intention to regulate sale and utilization of potatoes by size. The National Potato Advisory Committee has recommended to Secretary of Agriculture Freeman that the proposed national potato marketing order be amended to prohibit shipment of potatoes of a size of 1½ inches or less.

Of the 4 million case pack of canned potatoes, 3½ million cases are small whole potatoes. It is important to point out that the housewife will not buy canned potatoes if there are too few in a can. This immediately rules out the use of any large potatoes. In fact, the USDA, grade standards for canned potatoes place a premium on the use of potatoes of 1 inch or less and designate potatoes of 2½ inches or larger as substandard. It is, therefore, imperative in order to maintain the business of producing and selling canned potatoes to the housewife, a supply of small size potatoes be made available. The proposal would deny the use of the only potatoes which will satisfy the need of the canners for this purpose. In short, this will virtually end the canning and marketing of whole potatoes.

It might be contended, since the volume (tonnagewise) is small, no one is hurt; nothing could be further from the truth. Since small size potatoes could not be sold under the proposed regulation, the growers would receive no income, but instead would incur the cost of disposal. By sale of these potatoes to the canning industry, the grower realizes a return from an otherwise unsaleable product.

A limited quantity of large potatoes can be used for diced and sliced styles, however, from an economic standpoint, it would not be practical to reduce them in size by lye peeling, trimming, or even by cutting out potato balls and obtain a product that would satisfy the housewife. The sale of small whole potatoes has expanded from roughly a half million cases in 1946, to around 4 million cases in 1960. Under the proposed marketing order, the pack would dwindle to nothing. This would deprive canners of needed income and use of their facilities in the off season, and cannery workers of additional employment. The size of today's pack of this product is convincing proof of consumer acceptance, and there is no assurance that the housewife will select potatoes in any other form as a substitute in future meal planning.

In conclusion, we strongly oppose H.R. 10186. It is unnecessary to include potatoes for canning in the proposed potato marketing order because such inclusion will not aid in achieving market stability. It would be discriminatory because it will arbitrarily subject canners to orders and regulations without their consent, which may be contrary to their best interest.

Mr. GRANT. Thank you very much for your statement. I notice here that in one section of your statement you state that potatoes used for canning are small potatoes and that a demand has been built up for sale of such potatoes and if this legislation should go into effect, that that would remove from the groceryman's shelves that type of potatoes.

Mr. KIEFER. Mr. Chairman, that is correct. Actually, these small potatoes do not compete with the fresh-market potatoes. These potatoes are sold to apartment dwellers who have to prepare meals on hot plates and things like that. They do not have the facilities to cook potatoes. It is a totally different outlet.

I might also say that, although I am a canner of potatoes, 99 percent of the potatoes we use at home are fresh potatoes. The canned potato is a totally different type of product, and it is a product that would disappear from the market because, as I said in my earlier testimony, the size factor is the backbone of the canned potato industry.

Mr. GRANT. Are there any questions?

Mr. HARDING. Mr. Chairman, I would like to compliment Mr. Kiefer on his statement. I feel he has done an excellent job in presenting the problems the canners of small potatoes would encounter under a marketing order.

I am sure that the proponents of this amendment to the act of 1937 would not want to cause the type of problem that you are concerned with here, Mr. Kiefer. However, I am sure you would agree with me that, should there be a marketing order, you would much rather see a local one administered regionally or locally than a national marketing order, would you not?

Mr. KIEFER. Mr. Harding, I personally would not like to see any marketing orders, locally, regionally, or nationally; a marketing order on a national basis to me is not too much different from a regional marketing order. In the canning industry under this present statute the canner would have no say whatsoever as to the regulations. He would be at the complete mercy of—

Mr. HARDING. I understand that in your Idaho and Eastern Oregon Potato Committee that they anticipate having representation of the processors as well as the shippers and producers, thereby having industrywide representation in a regional marketing order control committee.

Do I understand you to say that to you there is no difference between a local marketing order in which the local industry has representation by all segments of the industry and a national marketing order? To you one would be just as distasteful as the other?

Mr. KIEFER. Yes. Mr. Harding, the present legislation does not make any statement as to where the processor would be on this committee.

Mr. HARDING. No, but each marketing order is approved by a referendum, as I understand it, and the proposal under the act of 1937 states clearly that the industry has the opportunity to vote on it.

Mr. KIEFER. I do not believe the processor would have that privilege under the present statute. These two bills, the Johnson bill and the other bill, definitely are just putting the word "potatoes" into the marketing order.

Mr. HARDING. That is correct; they are making them subject to that. I know a quorum call is taking place. I want to say I appreciate Mr. Kiefer's concern and his testimony, and I am sure the committee will take into consideration in its deliberations the interest the canners of small potatoes have in this matter because no one wants to drive the canners of small potatoes out of business.

Mr. TEAGUE. Will the gentleman yield?

Mr. HARDING. Yes.

Mr. TEAGUE. I have been on this committee for some years, and I have been particularly impressed in these 2 days with the fairness and reasonableness of the presentation on both sides, both the proponents and opponents I think have presented their cases very fairly, very intelligently, and this is exactly what we want.

Mr. HARDING. I would like to comment further along the line of the comment of the gentleman from California. I have been impressed with the fairness of the chairman in conducting this hearing.

Mr. GRANT. Off the record.

(Discussion off the record.)

Mr. GRANT. The committee will come to order, please.

We will hear from Mr. Jack Bishop.

**STATEMENT OF JACK BISHOP, STEUBEN AREA POTATO GROWERS
ASSOCIATION**

Mr. BISHOP. My name is Jack B. Bishop. I live at Wayland, Steuben County, N.Y. I represent the Steuben Area Potato Growers Association. Practically all potato growers in this important area are members of the association. We produce more than half of all potatoes grown in upstate New York. I also have an interest in potato processing.

We strongly urge the passage of H.R. 10186. It is not consistent or fair to exclude from regulation under marketing agreements, potatoes which will be stored in their processed form and be used to compete with other potato products and fresh potatoes. The present exemption for canning and freezing seriously impairs the effectiveness of any marketing order and makes it very difficult to administer.

The threat of these low priced canned and frozen potatoes holds down prices of all potatoes because of the inelastic demand. For each 1 percent of excess supplies the price to the grower will drop 5 percent.

All we ask is that every buyer and seller of potatoes be treated alike where the industry is operating under a marketing agreement.

We urge that this bill be reported out as soon as possible.

That is my statement. Thank you.

Mr. GRANT. Are there any questions?

Mr. HARDING. No questions.

Mr. TEAGUE. No questions.

Mr. GRANT. You say it is not fair for part to be under and part out. Would you be in favor of repealing the regulations or law as to the other part of the potato industry if this legislation is not enacted?

Mr. BISHOP. You mean to exempt all processors?

Mr. GRANT. No. I mean to not have any exemption to anybody, not having marketing orders on potatoes.

Mr. BISHOP. I am not prepared to comment on that from our area. Personally I think the marketing agreements have done a lot of good to the potato industry.

Mr. GRANT. Thank you very much.

Mr. Burns?

**STATEMENT OF DOYLE BURNS, MONTE VISTA, COLO., REPRESENT-
ING AREAS I, II, AND III, STATE OF COLORADO**

Mr. BURNS. Mr. Chairman, members of the committee, my name is Doyle Burns. My address is Monte Vista, Colo. I am here representing the entire State of Colorado, areas I, II, and III Marketing Order Committees and we are supporting H.R. 10186.

There are several pertinent factors relative to the importance of H.R. 10186 and existing conditions which we believe should be brought out in this hearing.

The potato industry is presently undergoing some very radical changes. The changes began as an adjustment to the demands of a changing market about 10 years ago. The demands of the consumer, accentuated by the popularity of "convenience foods" has triggered a revolution within the entire food industry. The lowly potato has been caught up in the swirling current of modern merchandising,

primarily because it is so versatile and adaptable to the needs of a fast moving, supersensitive, food processing industry. Potatoes are one of the most diversified foods offered to the American housewife today. Potatoes can be found, literally, from soup to nuts, in every course of a modern meal. Almost daily, new food items are concocted from the potato and offered for sale. Potato food products unknown to the consumer no more than 1 year ago are accepted and highly regarded staple commodities today on the grocery shelves and in the frozen food bars of this countries' modern supermarkets.

The potatogrowers of the United States recognize this young but highly significant segment of the potato industry. It is not the intent nor purpose of any action taken by growers to hinder or impede this important part of the total potato picture. On the contrary, potatogrowers are anxious to expand all markets, and to explore the potential possibilities of any new markets. A second but equally important concern of growers is to adequately protect all existing markets. This is one of the principal reasons we are appearing here in support of H.R. 10186.

In 1956 approximately 7 million hundredweight of potatoes were canned or frozen. Four years later in 1960, 18 million hundredweight of potatoes were canned or frozen. The present indications are that this expansion may well continue. Some predictions are that in less than 10 years, one-half or more of all potatoes will be processed in one form or another. Today approximately one-fourth of all food potatoes are processed. In 1960 8.7 percent of all food potatoes were either canned or frozen.

Mr. TEAGUE. If I may interrupt, Mr. Chairman, I am sure there is an obvious answer to what you have just said here. You say one-fourth of all food potatoes are processed and in 1960, 8.7 percent of all food potatoes were either canned or frozen. I suppose the answer is there is a different type of processing.

Mr. BURNS. Yes, sir.

Mr. TEAGUE. Such as what?

Mr. BURNS. The one-fourth would include all processing, dehydrated products, chips, any processed food product that is made from potatoes.

Mr. TEAGUE. Thank you.

Mr. BURNS. A further look into the potato picture shows that an estimated 34 percent of all fresh potatoes consumed are eaten as mashed potatoes. Surveys indicate that 1 pound of mashed potatoes are now prepared from dehydrated flakes or granules for every 6 pounds prepared from fresh potatoes. From these figures we can conclude that a significant portion or approximately 5.58 percent of all food potatoes consumed are in dehydrated, mashed form. This is only one of many examples which might be cited of nonexempt processors. This unfair competition between the nonexempt processor and the exempt processor creates not only an inequitable situation between processors, it also brings charges of discrimination and favoritism from growers.

It might be noted here that the present Congress voted an overwhelming defeat of the proposal to place potatoes for dehydration on the list of exempt uses along with canning and freezing. This might well be construed to indicate that Congress, in their wisdom, feels that

all potato market outlets should be equal with respect to regulatory provisions.

The foremost concern of us all, whether we be growers, processors, or Congressmen, should be with the welfare of the consumer. The consumer is entitled to the best food available and at the lowest practical cost. We do not believe anyone can conscientiously say or truthfully show that cull potatoes which have been processed in any form are the equivalent of processed products manufactured from sound, merchantable potatoes of a U.S. No. 2 or better grade. This does not mean that during times of famine, warfare, or other unusual circumstances edible food products could not be made from the better parts of the lower grades of potatoes. It does mean that such processed products, though edible, would not meet the exacting standards of the present day American housewife. It does mean that by allowing these culls to be processed into canned and frozen potato products, we in the industry may well be losing our markets to competitive foods. Who knows how many housewives have tried frozen french fries and refused to buy a second time because of visible defect?

Research and science have made great strides in recent years in increasing the usable portion of many farm products. This has not, nor will it ever be likely to reach 100 percent. The potato grower is well aware that he cannot sell everything he grows for food and keep his market. Just as the wheat grower must eliminate the chaffy or smutty grain, and as the livestock farmer must eliminate the sick and diseased livestock, so should the potato grower dispose of the rotten, ill-shaped, and unused potatoes.

At the present time, he is not only prevented from restricting their use, the price paid for such potatoes always falls into the category of nonfood uses such as starch, alcohol, or livestock feed. Oftentimes they are absorbed into the processing plant without any remuneration to the grower whatsoever.

In conclusion, we believe everyone should be in the same boat. What justifiable reason can be given for allowing this exemption? We believe that marketing orders are a sound and logical approach to the problem of overproduction. We believe that any marketing order which has the authority to regulate all marketing outlets will be an effective and far more efficient tool in the hands of producers. Producers who are willing to pay their own way, for their own program, which they run themselves, but for the benefit of 250 million people, rich or poor, who eat potatoes every day, 7 days a week, from the cradle to the grave.

We hereby respectfully request that H.R. 10186 be received favorably, reported out with expediency, and enacted into law with all judicious haste.

That completes my statement.

MR. GRANT. I notice in the first paragraph on the third page you state that—

Who knows how many housewives have tried frozen french fries and refused to buy a second time because of visual defect?

It seems that from your testimony and the testimony of other witnesses there has been a rise in the frozen french fries and in other processed foods. It seems if they refuse to buy for the second time these potatoes, because of this visible defect, it would have a trend to

cut down on them instead of increasing them. That is all the testimony shows, does it not?

Mr. BURNS. Yes, sir, I believe that is right. It would have a tendency to keep the housewife from using maybe any form of frozen potato. In other words, this might cause her to go to some other competitive food.

Mr. GRANT. Are there any questions?

Mr. HARDING. Yes. I would like to compliment Mr. Burns, on his fine testimony, and ask him if he has a regional marketing order in his region?

Mr. BURNS. Yes, sir. Actually, in Colorado we have three marketing orders, all operating within the State. The entire State is covered by a marketing order program. We are the only State in the Union that has a State order in conjunction with our Federal order.

Mr. HARDING. You do have a State order authorized by your State legislature?

Mr. BURNS. Yes, sir.

Mr. HARDING. Do you presently in your orders have the authority to regulate potatoes going into the dehydrating industry?

Mr. BURNS. We do not have any dehydrators in Colorado. We have the authority to regulate them if there were.

Mr. HARDING. How about chippers? Do you have chippers?

Mr. BURNS. Yes. We have some chippers.

Mr. HARDING. Have you attempted to regulate chippers?

Mr. BURNS. Chippers in Colorado have been regulated to the extent the fresh market was regulated except in our particular area we have made certain minor concessions to the chippers. For one thing, we have a $2\frac{1}{8}$ -inch minimum on round varieties. We have allowed chips to go in certain instances for 2 inches.

Mr. HARDING. In other words, you have prescribed different standards in your local marketing orders for the chipping industry and also for the fresh market to the advantage of the chipping industry to allow them to grow and prosper, is that correct?

Mr. BURNS. Yes, sir. We recognize there is a difference in the needs of the different segments of the potato industry.

Mr. HARDING. Mr. Burns, did you hear the very excellent statement of Mr. Kiefer, who testified just before the intermission?

Mr. BURNS. Yes, sir.

Mr. HARDING. Do you have any canners in the State of Colorado?

Mr. BURNS. There are some in northern Colorado. There are none in my area.

Mr. HARDING. Do you suppose that should the Johnson bill be enacted, that you would likewise give the canners concessions similar to the chippers to help them in prospering or do you anticipate the utilization of a marketing order to the detriment of the canning industry?

Mr. BURNS. Mr. Congressman, I am sure that there are few people more sensitive to any situation than the potato grower is to a possible market and I am sure that no committee, administrative committee of any regional order would ever do anything to hurt any market that was going to realize a decent return to the growers in that area. I just do not believe they would do it because they are terrifically conscious of these things.

Mr. HARDING. Thank you.

Mr. GRANT. Mr. Teague?

Mr. TEAGUE. There is a great deal I do not know about marketing orders. In your area in Colorado, do you regulate just quality or do you regulate quantity? By that I mean this: Suppose that you have a thousand cars of grade I potatoes. Does the committee decide how many cars of grade I potatoes can be shipped or can the producers in that area ship as many cars as they can produce, or which they have on hand of grade I potatoes as long as they meet the quality standards?

Mr. BURNS. Mr. Congressman, the only way that you could construe in any way that we were limiting volume would be to the extent that it is done with the grade, size, and maturity regulations. In other words, you can see where grade and size regulations would limit the amount of potatoes that could go to market. That is the only thing. In other words, a grade and size regulation is established and nothing below that grade can be sold. Certainly this eliminates a certain volume but this is the only way that any volume might be construed as being regulated from our area. It is not in the sense that you say of regulating a certain quantity. A grower that can grow a higher percentage of marketable potatoes is allowed to sell a higher percentage of marketable potatoes.

Mr. TEAGUE. Thank you.

Mr. HAGEN of California. To what qualities of potatoes does the grade relate in addition to mere size?

Mr. BURNS. What do they include?

Mr. HAGEN of California. Exclusive of size, to what qualities of the potato does the grade relate?

Mr. BURNS. There are certain—

Mr. HAGEN of California. Is it discoloration, or what?

Mr. BURNS. There are certain internal requirements that really I am not too well versed on, but I do know that the defects that are visible and some that are invisible are sometimes a part of this; a certain requirement according to the U.S. grade standards is used to decide whether they are No. 1 or No. 2.

Mr. GRANT. Thank you very much.

I believe that completes the list of witnesses.

I have some telegrams here and letters to include in the record. There is one telegram from Ralph E. Wagner of Lynden, Wash., one from Nalley's of Tacoma, Wash., one from A. L. Cusin, of Lynden, Wash., one from Brooks Potato Chip Co., Springfield, Mo., a letter from the Potato Chip Institute, representing 200 manufacturers of potato chips, a letter from the American Farm Bureau Federation, a letter from Chesty Foods, Inc., one from Lord-Mott, of Baltimore, one from the Department of Agriculture of the State of Montana, and one from Congressman Garmatz of Maryland.

(The telegrams and letters follow:)

STATE OF MONTANA,
DEPARTMENT OF AGRICULTURE,
Helena, Mont., July 26, 1962.

HOUSE AGRICULTURAL COMMITTEE,
*New House Office Building,
Washington, D.C.*

GENTLEMEN: In regard to the hearing scheduled at 10 a.m. on July 30 and 31, 1962, on House Resolution 10186, I would like to submit the following comments:

Though we in Montana do not have potato processing plants nevertheless, our sales are subject to the same competition as States that do have such plants.

Therefore, if the proposed amendment would provide for the establishment of a marketing agreement and order that would prohibit the use of cull potatoes for canning and freezing such an amendment would prove beneficial. Under the present setup there is no control as to the grade of potato that may be used for this purpose. Also, if the law would provide that potatoes that grade less than U.S. No. 2 could not be used, the elimination of future Government potato purchasing programs would be possible. The amendment, it seems to me, would be beneficial to the entire potato industry if potatoes that are to be frozen or canned were thus regulated.

We trust this is the type of information you are desirous of receiving and we will be most interested in hearing what develops in this regard.

Sincerely yours,

C. LOWELL PURDY,
Commissioner of Agriculture.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., July 30, 1962.

HON. GEORGE M. GRANT,
*Chairman, Subcommittee on Domestic Marketing,
House Office Building, Washington, D.C.*

DEAR COLLEAGUE: Attached is a letter received from an old established packing plant in my district opposing the inclusion of fresh potatoes in the national potato marketing orders.

I sincerely hope that the facts outlined in this letter will be brought to the attention of your subcommittee in connection with its hearing on H.R. 10186.

Sincerely,

EDWARD A. GARMATZ,
Member of Congress.

LORD-MOTT CO., INC.,
Baltimore, Md.

HON. EDWARD A. GARMATZ,
*House of Representatives,
Washington, D.C.*

MY DEAR MR. GARMATZ: Hearings are to be held on H.R. 10186 which bill would include fresh potatoes for canning and freezing in national potato marketing orders. We as canners would be severely discriminated against if the canning and freezing exemption for potatoes is removed from the Agricultural Market Agreements Act. Inasmuch as potatoes constitute a considerable portion of our pack, we as canners feel that we help the growers of potatoes by utilizing a considerable portion of their crop which would otherwise have no market. We also help out the average housewife taxpayer considerably by offering a low cost food in cans.

We respectfully ask that you lend your efforts toward keeping the canner-freezer exemption in market controls.

Your cooperation in this matter will be appreciated.

Very truly yours,

LORD-MOTT CO., INC.,
HENRY C. ENGEL,
Vice President.

LYNDEN, WASH., July 31, 1962.

HON. GEORGE GRANT,
*Chairman, Subcommittee on Domestic Marketing, House Agricultural Committee,
House of Representatives, Washington, D.C.:*

I am a potato grower and sell to processors. Would you please vote against the Johnson bill, H.R. 10186?

Respectfully yours,

RALPH E. WAGNER.

TACOMA, WASH., July 30, 1962.

HON. GEORGE GRANT,
*Chairman, Subcommittee on Domestic Marketing, House Agricultural Committee,
 House of Representatives, Washington, D.C.:*

DEAR CONGRESSMAN GRANT: Because of the tremendous increase in the demand for convenient foods and the housewife's increased use of processed potatoes in various forms, we feel potato processors should be helped and encouraged. At this time we are of the opinion that the Johnson bill, H.R. 10186, would be detrimental to the potato processing industry and result in higher prices to the housewife for such foods. We also feel that by removing the present exemptions now enjoyed by the processors the overall use of potatoes would be decreased. We respectfully urge you and your committee to reject the proposed bill for the reasons stated.

NALLEY'S, INC.,
 VERNON E. JOEZINGER,
Vice President.

LYNDEN, WASH., July 29, 1962.

HON. GEORGE GRANT,
*Chairman, Subcommittee on Domestic Marketing, House Agricultural Committee,
 House of Representatives, Washington, D.C.:*

This telegram is to advise you that as a seed potato grower I am strictly opposed to the Johnson bill, H.R. 10186. The potato growers need the potato processors as they are today. If the Johnson bill is passed we would be killing the goose that lays the golden egg, as processors of potatoes are the only branch of the industry that continues to grow in volume. If by unfair regulation they become priced out of the market in accordance with the housewives' budget, feel certain that she will not go back to peeling potatoes. She will simply purchase some other commodity. I am asking that you turn down and vote in opposition to any new marketing orders or governmental regulations pertaining to agriculture, as with the ones we already have we are so far into the forest that we are unable to see the trees.

A. L. CUSIN.

SPRINGFIELD, MO., July 26, 1962.

Congressman GRANT,
*House Agricultural Committee,
 House of Representatives, Washington, D.C.*

DEAR CONGRESSMAN GRANT: We, as potato chip manufacturers, urge you to reject the Johnson bill, H.R. 10186.

LOYD BROOKS, *Brooks Potato Chip Co.*

POTATO CHIP INSTITUTE INTERNATIONAL,
Cleveland, Ohio, July 23, 1962.

Re H.R. 10186.

HON. GEORGE GRANT,
*Chairman, Subcommittee on Domestic Marketing,
 House Agricultural Committee, Washington, D.C.*

DEAR CONGRESSMAN GRANT: The Potato Chip Institute includes in its membership, approximately 200 manufacturers of potato chips located in all parts of the country. They manufacture approximately 95 percent of all potato chips produced in this country.

On behalf of the Potato Chip Institute, I take this opportunity to register with you and your committee, our strong opposition to the Johnson bill, H.R. 10186, which we understand is scheduled for hearing on July 30 and 31, 1962.

The Johnson bill is just one more attempt to broaden the scope of agricultural marketing agreements and orders. Similar attempts have been made on about a dozen occasions in the past, and in each case Congress, in its wisdom, has rejected same.

It seems to be the policy of the proponents of such a measure to bring it before the Congress year after year, in one form or another, either in general terms or applied to a specific commodity such as the present bill, in the hope that someday it will slip through in whole or in part.

We strongly urge you and your committee to follow the course already adopted by the Congress on so many occasions in the past, by rejecting the proposed Johnson bill.

Respectfully submitted.

POTATO CHIP INSTITUTE INTERNATIONAL,
HARVEY F. NOSS,
Executive Vice President.

AMERICAN FARM BUREAU FEDERATION,
Washington, D.C., July 26, 1962.

Re H.R. 10186.

HON. GEORGE GRANT,
*Chairman, Subcommittee on Domestic Marketing,
House Agricultural Committee, Washington, D.C.*

DEAR MR. GRANT: The voting delegates of the member State farm bureaus at our last annual meeting recommended that the Agricultural Marketing Agreement Act be amended to permit the inclusion of potatoes for canning and freezing in a marketing agreement and order program.

We, therefore, respectfully recommend the enactment of H.R. 10186 by Congressman Johnson of California, which would add potatoes for canning and freezing to the list of commodities for which marketing agreements and orders may be used.

It will be appreciated if you will include this letter in the hearing record on H.R. 10186.

Very sincerely,

MATT TRIGGS,
Assistant Legislative Director.

CHESTY FOODS, INC.,
Terre Haute, Ind., July 24, 1962.

HON. GEORGE GRANT,
*Chairman, Subcommittee on Domestic Marketing,
House Agricultural Committee, Washington, D.C.*

DEAR CONGRESSMAN GRANT: As a potato chipper, I want to register my opposition to the Johnson bill H.R. 10186. I urge you and your committee to reject this bill in your hearings on July 30 and 31, 1962.

Very truly yours,

CHESTY FOODS, INC.,
GEORGE F. JOHNSON,
General Manager.

Mr. GRANT. If there is no other testimony, this will close the hearings. They will be held open for 1 week for anyone who wants to submit a further statement.

(Discussion off the record.)

Mr. HEIMBURGER. Mr. McKaig, did you hear the side discussion we had up here right now?

Mr. MCKAIG. Yes.

Mr. HEIMBURGER. Let me repeat this briefly for the record. Mr. Kiefer, in his testimony a few moments ago, said that out of 77 potato handlers in the United States, only 6 are in areas where there is presently a potato marketing order. This raises a question that if the law were to be amended so that handlers could now be subject to these orders, would these 6 be regulated and the other 71 not be regulated, and would they still be free to use the small potatoes and culls and other types of potatoes that might be prohibited to the canners operating within the geographic area of the market order?

Mr. MCKAIG. If you look at the facts, the marketing order just controlled the potatoes at the point of source, the place where they are raised in the production area, and I think he overlooked the fact and perhaps you have, too, that a good lot of potatoes are shipped out of

the production area to a manufacturing area. I know in our instance we ourselves ship—our area probably ships 200 or 300 cars of potatoes to Sacramento. They are processed there.

Sacramento has no marketing order, but our production area does. There are probably several hundred cars shipped to different processors, chips, et cetera, in California from our area where we do have a marketing order and where, except for canning and freezing, we do have the authority to control them, but in the areas where they are actually processed, there is no marketing order so probably out of that 71, probably a good share of that 71 extra plants would be affected all right; that is, from the point of source.

Mr. HEIMBURGER. I am still not quite clear about the situation you are describing. You are in a producing area. You are a potato producer?

Mr. McKAIG. Shipper and grower, yes.

Mr. HEIMBURGER. You are in a producing area where there is a marketing order which regulates, among other things, size.

Mr. McKAIG. Yes.

Mr. HEIMBURGER. Are you telling me the potatoes which are shipped to processors outside of your marketing order area must conform to size standards which is established by your order?

Mr. McKAIG. That is right.

Mr. HEIMBURGER. How would this be enforced against a producer if he decided to go ahead and ship the potato?

Mr. McKAIG. It is against the Agricultural Act as amended, the 1937 Agricultural Act, and under the particular provisions of our own marketing order, we have that order.

Mr. HEIMBURGER. Do you have a State as well as a Federal order?

Mr. McKAIG. Ours is a Federal order.

Mr. HEIMBURGER. I thought the Federal orders, and I say this with some deference—being counsel, I should know the answer to all of these questions, but I will admit I do not—I thought Federal orders as far as their enforcement provisions were concerned, could be enforced only against handlers. I see a gentleman back here from the Department. Do you want to undertake to answer this point, sir?

Mr. McKAIG. There is one little thing I would like to correct. One of the boys testified for canning and tried to leave the impression—it is minor because our cost enforcements are not very high, three are three-eighths of a cent, but he kind of left the impression, and maybe in some marketing orders it might be true, but in ours and all that I know of this expense of administration is borne by the growers. We act as a handler.

Mr. HEIMBURGER. Aside from that, I am interested right at the moment, sir, only in this technical question. Is a processor, a canner who is operating outside the geographic area of the marketing order, subject to the size and quality regulations which might be imposed on processors, on canners within that marketing area?

Mr. McKAIG. He is in this way. We can regulate the shipment of these potatoes from our area.

Mr. HEIMBURGER. I do not see how you can regulate the shipper because the law specifically provides that only handlers can be covered.

Mr. HARDING. On page 2 of Mr. Kiefer's statement he brought out the fact that there was just a little over 1 percent of the entire potato

crop that is going into canning—1.4 percent. This is not the problem. In the State of Idaho, where over 50 percent of the crop is now being processed, there is probably less than 1 percent of the potatoes in Idaho that are being canned. The Idaho people who are back here testifying pointed out to me that under their marketing order should they have the authority to regulate interstate movement of potatoes they would exempt the canners because these people depend on small potatoes all of the time. They want a small potato. It is an infinitesimal part of the problem. What they are concerned with are the dehydrators and the freezers. The dehydrators will be subject in a proposed amendment to their regional marketing order. However, the freezers will still be exempt without the Johnson bill. The purpose of this legislation is to give the potato marketing order committee the authority to regulate potatoes going to the canners and freezers and dehydrators. Inasmuch as the canners use only 1 percent of the potatoes, they really don't present much of a problem.

Mr. HEIMBURGER. Maybe the point I raised does not have too much real practical application, since as you point out canning is such a small part of this operation, but if the legal principle will apply to canners, it will apply also to a dehydrator or a freezer and so let's put the question, is a freezer who operates outside the geographic area of the marketing order subject to the size regulations which might be promulgated for that area?

Mr. HARDING. Absolutely not.

Mr. HEIMBURGER. Is there any mechanism by which the operation of the order can prevent growers within the area from shipping potatoes to this processor outside the area if they chose to do so?

Mr. HAGEN. The order governs the raw product, does it not? It applies whether the plant is within or outside the area of growth. Your enforcement will obtain whether or not the plant using potatoes subject to the order was inside or outside the area of production.

Mr. HEIMBURGER. This is the question I am raising. I think the answer is "No."

Mr. McKAIG. The point of control is in the production area.

Mr. HEIMBURGER. And it is on handlers.

Mr. McKAIG. Handlers or anyone that ships. It applies to a handler. It would apply to a grower who shipped direct to a processor.

Mr. HEIMBURGER. Mr. Chairman, we have another volunteer witness who maybe can contribute something to this. Do you mind if we hear him for a minute?

Mr. GRANT. No, for a minute.

Mr. ANDERSON. In our particular marketing order, we govern fresh shippers in interstate commerce with respect to grade and size. We have a U.S. 2, 2-inch minimum or up. We also have a special exemption category that we cover each year when we have our control meeting and where it covers processing outside the production area they can, this processor in the other State, if I understand your question correctly, can get an exemption certificate which we will grant where he is not going to a fresh outlet source in interstate commerce.

Mr. HEIMBURGER. In other words, then, by implication, your answer is that, yes, if canners could be subject to regulation under a

marketing order that the shipment of potatoes to a canner outside the market order area could be controlled?

Mr. ANDERSON. It could be controlled; that is correct, but since the grower, if I may say so—the previous speaker, Mr. Burns, from Colorado, mentioned it and so did the witness before him, the grower is very sensitive to his profit position and the speaker you are referring to, Mr. Kiefer, mentions in his testimony when he says “Small potatoes, once a liability to growers, are today a profit item.” Now if that particular item is a profit item, and this is a grower’s committee and it is a profit item to the grower, he is not going to regulate that profit item. I have never heard of such a case where he would.

Mr. HEIMBURGER. Thank you, Mr. Chairman, for your indulgence. I am not sure about the answer.

Mr. GRANT. Thank you.

Mr. HAGEN of California. I would like to ask one more question of somebody, Mr. Chairman. I would suspect that even though there are only six of these marketing areas, that the great volume of potatoes in the United States were grown in them. What percentage of the potatoes grown in the United States are grown in the marketing areas?

Mr. GRANT. Who are you addressing your question to?

Mr. HAGEN of California. Mr. Merker probably knows the answer to that.

Mr. MERKER. I think I brought out yesterday, the United States as a whole, 54 percent. I believe I said 159 million hundredweight.

Mr. HAGEN of California. 59 percent are grown in the six marketing areas?

Mr. MERKER. Within the six marketing areas and two-thirds of all potato production in the late summer and fall States. I am talking from memory now.

Mr. HAGEN of California. Thank you.

Mr. GRANT. Thank you.

(The following statement, letters, and telegrams were also submitted to the subcommittee:)

STATEMENT OF JOHN C. BROOME, PRESIDENT OF THE NATIONAL POTATO COUNCIL, AND EXECUTIVE MANAGER, NORTH CAROLINA POTATO ASSOCIATION, INC.

My name is John C. Broome. I live in North Carolina and grow potatoes for market. At present I am president of the National Potato Council and executive manager of the North Carolina Potato Association, Inc.

I feel that in the best interest of the very large and widespread potato industry, the proposed legislation should be enacted into law by Congress.

When the Agricultural Marketing Agreement Act of 1937 became law, there was no freezing of potatoes, and a very limited quantity were canned, and the impact on the overall industry was negligible. Today we find that 23 percent of the production is processed.

In the freezing process, especially frozen french fries, we find the potatoes arriving at the freezing plant on a field run basis. The best appearing and first quality potatoes are generally screened off and sold for fresh table stock. The remaining potatoes including cracks, misshapen, large and small, and in most ways mediocre quality are processed and frozen into french fries and other products. These products are then marketed as a quality product and in direct competition with U.S. No. 1 fresh potatoes. For 10 years we have made every attempt to upgrade the quality of fresh potatoes reaching the consumer.

In the canning industry, the supplies are secured from packing sheds and are considered undesirable for the fresh trade. Ofttimes these potatoes are given to the canner just to get them out of the way. Some are purchased generally at the ridiculous price of from 30 to 85 cents per hundredweight. What I am

saying is this—the cost of the potatoes in a can of potatoes cost the canner less than the label on the can.

We are asking for fair play. We do not think it fair or just for two small segments of the potato industry to be allowed, by law, to undermine, with an inferior product, what the major portion of the industry is trying to build up with a superior upgraded product.

We respectfully ask the Congress to enact H.R. 10186, and thereby erase this inequity.

FRIDAY CANNING CORP.,
New Richmond, Wis., August 3, 1962.

HON. GEORGE GRANT,
House Office Building, Washington, D.C.

DEAR SIR: We would like to enter our strong objections to the text of H.R. 10186 and H.R. 12543, having to do with the inclusion of potatoes for canning and freezing in legislation for control under the Agricultural Marketing Agreement Act of 1937 as amended.

Our first objection is one of principle in that to subject a canning crop to marketing controls places control of the product outside the jurisdiction of the person most concerned with its production—the processor. This would amount to the same thing as letting the men who cut trees for pulp run the newspapers.

It has come to our attention that some grower representatives and members of the National Potato Council have told the marketing subcommittee that canners buy only culls and off-grade potatoes. This is a misrepresentation of the facts.

In our operation, we can small whole potatoes—those under 2 inches. The raw product grade for this potato, because of the small size is U.S. grade B. It is a first quality potato, but through the peculiarities of the grading system is called something other than grade A.

It is our understanding from the growers from whom we purchase raw stock that if we do not buy this small size they have no other market for it, and the product is thrown away or, at best, used for cattle feed.

The outlet that we provide for what is otherwise too small to sell for other uses is an economically important item to growers.

The sale of canned potatoes has been growing slowly at some promotional expense to the canner, and generally this item is packed as an overhead item.

In our own case, we have been able to double the sale of our canned potatoes in the past 5 years, but generally it is at little or no profit. We can the item to help keep a complete assortment of vegetables and help lower our overhead.

I might add that canning potatoes keeps our seasonal employees on our payroll for longer than they would otherwise be employed.

If canning potatoes were subject to marketing order control it is highly possible that we would not be able to process this item. It seems the intent of those who propose to regulate the marketing of potatoes for canning and freezing to control the size of the raw product offered for sale. It would also seem that they do not want to sell the small potatoes, but would require canners to buy large potatoes and peel them down. This we could not do.

To peel down large potatoes would cause an astronomical economic loss in the first place, and even if it were possible, the peeled down potato would not be fit for canning as it would fall apart in the can.

We see no reason why potatoes for canning or freezing should be subject to marketing orders, and we ask your cooperation in opposing legislation that would remove the canning and freezing exemptions from the Agricultural Marketing Agreement Act of 1937.

Yours truly,

FRITZ C. FRIDAY,
Executive Vice President.

POMONA PRODUCTS CO.,
Griffin, Ga., August 3, 1962.

CONGRESSMAN GEORGE GRANT,
U.S. House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN GRANT: I am writing to you with regards to bills H.R. 10186 and H.R. 12543, both of which concern the amending of the Agricultural Marketing Agreement Act of 1937.

We oppose these two bills which would remove potatoes from the canning and freezing exemption of the Agriculture Marketing Agreement Act of 1937. Our company, the Pomona Products Co., of Griffin, Ga., has as one of its principal products, white potatoes. We secure our raw product of potatoes from the Southeastern States, mainly those States of Florida, Alabama, South Carolina, and North Carolina. It is our contention that we have created a completely new market for white potatoes which were formerly destroyed and that this is an entirely new market and one which has not affected the fresh market.

We can see no good to be derived from placing potatoes for canning under marketing controls, but there are many reasons as to why this should not be done. Some of these reasons are as follows:

Potato canning and freezing accounts for a very small part of all potato production for food—less than 8 percent last year with canning accounting for only 1½ percent. At the same time, a grower's ability to sell otherwise unmarketable potatoes to canners—for example, those under 1½ inches in diameter—often means the difference between net profit and loss on overall potato operations for the year.

A marketing order applicable to potatoes could prohibit outright a canner from buying potatoes of the size he needs for canning. Even an order that was somewhat less restrictive would almost necessarily place such burdens on the canner that he could no longer afford to sell canned potatoes at a price the consumer will pay. The inevitable result, in either case, would be that growers would no longer have a profitable outlet for their small potatoes.

Restricting, limiting, or stopping the marketing of canned potatoes would not result in an increase in the market for fresh potatoes. As canners know, the canned and fresh markets for potatoes are entirely different and, therefore, not competitive. Denied canned and frozen potatoes, consumers would substitute other convenience foods such as rice or macaroni.

Additional evidence that potatoes for fresh market are not competitive with potatoes for canning, is the fact that fresh-dug potatoes (those that are only a few days out of the ground), and potatoes of low specific gravity are essential for canning, while these quality factors do not enter into the grading of potatoes for the fresh market.

The absence of marketing order controls made it possible for canners and freezers to develop new uses and establish new markets for potatoes. These developments resulted in a reversal of the downward trend in per capita consumption. The U.S. Department of Agriculture reports: "In the past decade, with increased processing and stepped-up merchandising of both fresh and processed products, the downtrend in per capita consumption has been halted. Processing took a fourth of all 1960 crop potatoes used for food, compared with a negligible quantity in 1940. Industry leaders and research workers are generally agreed that processing is likely to make further substantial gains in relative importance."

I am writing to you as chairman of the Domestic Marketing Subcommittee of the House Committee on Agriculture. I hope that you and your committee will recommend that this act not be amended by these two bills mentioned above.

Yours very truly,

W. ENNIS PARKER, *President.*

WISCONSIN CANNERS ASSOCIATION,
Madison, Wis., August 3, 1962.

Re H.R. 10186 and H.R. 12543 relative to removing the exemption for potatoes for canning and freezing from the Agricultural Marketing Agreement Act of 1937.

Congressman GEORGE GRANT,
U.S. House of Representatives,
Washington, D.C.

DEAR MR. GRANT: There are eight Wisconsin canning companies engaged in canning potatoes and one of these companies is also engaged in freezing potatoes.

We speak for all of them in expressing this industry's opposition to these bills. The very small percentage of the potato crop utilized for canning and freezing cannot and does not affect the marketing of fresh potatoes. The characteristics of potatoes required for canning and freezing involve totally different quality criteria than for fresh market.

To place the control of the raw product needed for canning and freezing potatoes in the hands of persons other than the canners and freezers is, in our judgment, unworkable and will result only in decreasing the quantity of potatoes canned and frozen.

Very truly yours,

M. P. VERHULST, *Executive Secretary.*

DRAPER'S FROZEN PRODUCTS, INC.,
Milton, Del., August 3, 1962.

HON. GEORGE GRANT,
U.S. House of Representatives,
Washington, D.C.

MY DEAR MR. GRANT: The National Potato Council and representatives of potatogrowers from several States told a subcommittee of the House Agriculture Committee on July 30 and 31, that canners and freezers buy low-grade potatoes (culls) and through their use, unfairly affect the market for fresh potatoes.

Actually, canners and freezers supply a market for the culls, which if it were not available would result in the culls going to waste. It is a fact that sometimes the sale of these culls to canners and freezers means the difference between a profit and a loss to the potato grower.

What they are saying is make the price of fresh potatoes so high to the canner and freezer that he cannot process and sell them, then we will get their customers and be able to raise our price so we can afford to throw the culls away.

It just does not work that way. If the price of canned and frozen potatoes gets to a certain point, the consumer that buys them switches to rice or hominy or another starch food. She does not go over to the fresh produce stand and buy potatoes to take home to peel and cook. She has thrown her peeling knife away in favor of convenience foods.

Is it not a fact that the national trend for per pound, per person, consumption of fresh potatoes was downward until recent years marked by the advent of canned and frozen potatoes in all their various forms?

We oppose H.R. 10186 and H.R. 12543 which would remove potatoes from the canning and freezing exemption of the Agricultural Marketing Agreement Act of 1937 and urge you to do so too.

As a canner and freezer we buy potatoes from the grower 2 inches in diameter and under. A marketing order could prohibit buying any potatoes under 2 inches in diameter. A marketing order could assess canner and freezer for the cost of operating the program without requiring growers (for whose supposed benefit the order would be imposed) to contribute a penny toward the cost of operation. That single discriminatory possibility should be sufficient to kill the bills.

Very truly yours,

H. C. DRAPER.

KING PHARR CANNING OPERATIONS, INC.,
Cullman, Ala., August 4, 1962.

Congressman GEORGE GRANT,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN GRANT: It is my understanding that you have in your Domestic Marketing Subcommittee of the House Committee on Agriculture, the Johnson bill, H.R. 10186. This is the bill relative to repealing the existing exemption on the Marketing Agreement Act of potatoes for canning and freezing.

It is the sincere belief of those of us connected with the growing and processing of potatoes that this bill would be detrimental to the State as a whole.

Undoubtedly you are familiar with the stand that has been taken by the National Canners Association as well as the National Association of Frozen Food Packers. As an Alabama processor, and now as a constituent of yours in representing the State as a whole, I would like to say that we are definitely opposed to this legislation. We respectfully request that you render every effort in order to defeat H.R. 10186.

Sincerely,

W. W. McPHILLIPS, *President.*

NORTHWEST CANNERS & FREEZERS ASSOCIATION,

Portland, Oreg., August 6, 1962.

Re H.R. 10186 and H.R. 12543.

HON. GEORGE M. GRANT,

Chairman, Domestic Marketing Subcommittee, House Committee on Agriculture, House of Representatives, Washington, D.C.:

DEAR MR. GRANT: This statement is submitted to you upon the instruction of the board of directors of the Northwest Cannery & Freezers Association in opposition to the Johnson bill, H.R. 10186, and the Ullman bill, H.R. 12543, which would make potatoes for canning and freezing subject to the order provisions of the Agricultural Marketing Agreement Act of 1937, as amended.

The Northwest Cannery & Freezers Association is a trade association of the canners and freezers of fruits and vegetables in the States of Oregon, Washington, and Idaho, whose packs comprise about 93 percent of the canned production and 70 percent of the frozen production of such products in these States. Among this membership are included the packers of a major proportion of the total regional production of frozen potato products.

It is a well-known fact that the per capita consumption of potatoes, except in the canned and frozen form, has drastically declined. U.S. Department of Agriculture published figures show that annual consumption has gone down from 136 pounds per person in 1944 to 103 pounds per person in 1960. During recent years, however, the development of efficient methods of freezing, storage, and distribution of a wide variety of potato products has reversed this trend. Published reports of the National Association of Frozen Food Packers show an increase from about 70.5 million pounds of frozen potato products in 1953 to more than 579 million pounds in 1961. This has been done in a free market at reasonable prices, and has been based on a readily available supply of the raw product of suitable size and quality where and when needed. This new and growing market has tended to stabilize the potato industry and to expand its market to the benefit of growers, processors, and consumers.

Recently the U.S. Department of Agriculture conducted a series of public hearings throughout the United States on a proposed marketing order for potatoes produced for marketing in all forms. Testimony of growers was preponderantly in opposition to the proposal, most contending that it would cause major disruption of markets, would inhibit further growths and expansion and, in short, would not be in the public interest. Opposition was almost unanimous in the producing areas of the major potato State of Idaho. We strongly support these views.

Agricultural marketing orders are unsound when applied to crops grown for processing, where growers are protected by production contracts, which in the case of most vegetables are executed in advance of the planting season at a price and a volume arrived at in free negotiation between buyer and seller. The volume which the market will absorb at fair prices is determined by the individual decisions of experienced marketing men whose financial success is dependent upon the exercise of good judgment and not upon the arbitrary determinations of a bureaucratic organization remote from the scene. For these and other reasons the Congress on many occasions has wisely excluded almost all fruits and vegetables for canning and freezing from the order provisions of the act.

We believe it would be extremely unwise to now repudiate the action taken in previous sessions of the Congress by further removal of existing exemptions of fruits and vegetables for canning and freezing from the order provisions of the act. To do so would open the door to unwise, unsound, and unnecessary marketing controls which would not be in the public interest.

We respectfully request that H.R. 10186 and H.R. 12543 not be favorably reported by your committee.

Respectfully submitted.

C. R. TULLEY, *Executive Vice President.*

PORTLAND, OREG., August 7, 1962.

HON. GEORGE M. GRANT,
*House of Representatives,
Washington, D.C.:*

Respectfully urge your support against H.R. 10186 and H.R. 12543, the proposed national potato marketing order if passed by growers' referendum would require that the Secretary of Agriculture "shall limit by regulation the handling of potatoes." The order specifies many things the Secretary may do and some

that he shall do but absolutely none that he may not do in order to accomplish the above limitations by regulation.

The only restrictions on the Secretary's complete dictatorial power are in the present law and not in the proposed marketing order.

The main restrictions in the present Agricultural Marketing Adjustment Act are sections 608(c)(2) and 608(c)(13). Department lawyers have flagrantly attempted to circumvent the plain intent of section 608(c)(13) by defining that a grower ceases to be a grower and becomes a handler when he starts picking potatoes off the ground, hauling them and by the mere process of selling them to a handler. If the Department is successful in getting Congress to pass either of the above bills they will have removed the restriction on the Secretary's power under 608(c)(2). They then will be successful in making the Secretary of Agriculture a completely all-powerful dictator with literally almost no limits of any kind on his power over the potato industry.

I have laboriously studied the proposed marketing order and believe the above strong statements to be literally true. Even if I did not also believe that the proposed marketing order is completely unworkable and that it will be physically impossible to regulate the production and handling of potatoes on several hundred thousand farms, I would still urge you to resist in every way giving the Secretary of Agriculture any more dictatorial power than he now has.

If you think I am exaggerating the Secretary's unlimited power under the proposed marketing order, would you be kind enough to itemize for me any limitations you may find on the Secretary's authority in the proposed marketing order?

LAMB WESTON, INC.,
F. GILBERT LAMB.

IDAHO FALLS, IDAHO, August 7, 1962.

HON. GEORGE M. GRANT,
*Chairman, Domestic Marketing Subcommittee, House Committee on Agriculture,
House of Representatives, Washington, D.C.:*

We are opposed to H.R. 10186 and H.R. 12543 because the added cost of grading potatoes to meet the requirements would reduce the return that the grower receives. Any added costs can come only from the potatoes themselves.

M. A. PETERSON,
General Manager, Idaho Potato Growers, Inc.

Mr. GRANT. Are there further questions? If not, the committee will stand adjourned.

(Whereupon, at 3:40 p.m., the subcommittee adjourned.)

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