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# DEPARTMENT OF AGRICULTURE APPROPRIATIONS FOR 1965

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## HEARINGS

BEFORE A

### SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH CONGRESS

SECOND SESSION

SUBCOMMITTEE ON DEPARTMENT OF AGRICULTURE AND RELATED  
AGENCIES APPROPRIATIONS

**JAMIE L. WHITTEN, Mississippi, Chairman**

WILLIAM H. NATCHER, Kentucky

JOSEPH P. ADDABBO, New York

WALT HORAN, Washington

ROBERT H. MICHEL, Illinois

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

### PART 1

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

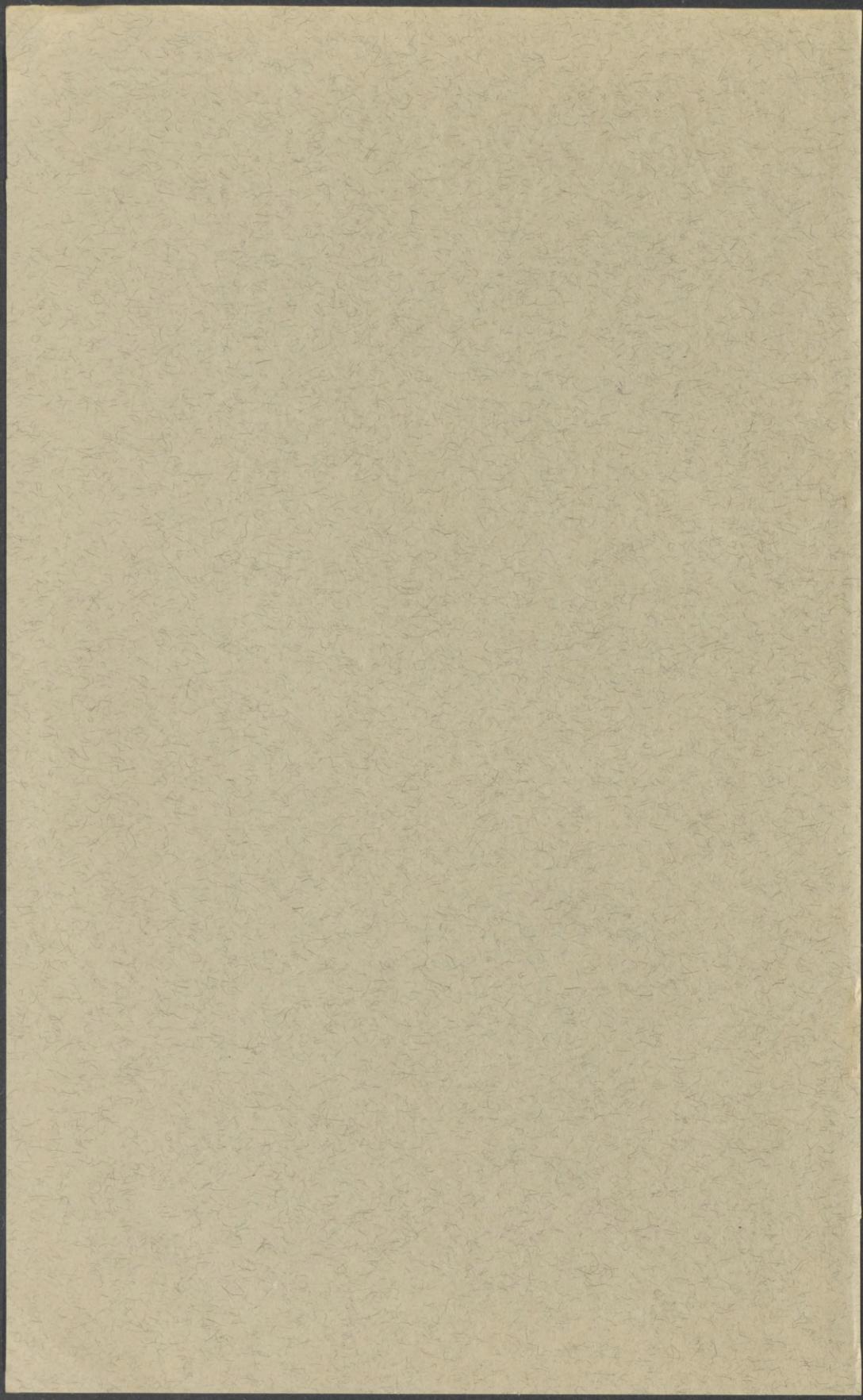
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# DEPARTMENT OF AGRICULTURE APPROPRIATIONS FOR 1965

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

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Printed for the use of the Committee on Appropriations



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# DEPARTMENT OF AGRICULTURE APPROPRIATIONS FOR 1965

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WEDNESDAY, FEBRUARY 19, 1964.

## SECRETARY OF AGRICULTURE

### WITNESSES

HON. ORVILLE L. FREEMAN, SECRETARY OF AGRICULTURE  
JOSEPH M. ROBERTSON, ADMINISTRATIVE ASSISTANT SECRETARY  
CHARLES L. GRANT, DIRECTOR OF FINANCE AND BUDGET OFFICER,  
DEPARTMENT OF AGRICULTURE

### INTRODUCTORY REMARKS

Mr. WHITTEN. Gentlemen, the committee will come to order for the purpose of considering the Agriculture appropriations for the 1965 fiscal year.

Mr. Secretary, we are pleased to have you and your associates here today to present the needs as you see them for the coming fiscal year.

I introduced two resolutions today trying to offset the Supreme Court decision in the *Georgia* case, having to do with congressional districts. In my opinion that decision goes beyond the authority of the Court. However, if the congressional districts were to be divided according to the Supreme Court formula, it would result in 27 seats from rural and farm areas being transferred to the city areas. This will, of course, have the effect of reducing those with rural or agricultural districts by what amounts to 54 votes.

I mention that because it gets harder and harder with reference to problems of American agriculture, to get the attention of the Members, of the press, and of the American people who are so dependent on it. Therefore, the record we make in these hearings to a great degree determines what success we may have in trying to sell the consumers on their needs for a fine Department of Agriculture. In this day and time, with disease and pestilence, with minimum wage laws, the right of labor to organize and to bargain, and right of industries to mark up above their costs their margin of profit, certainly, there is no way for us to have a sound agriculture without the Department of Agriculture. I would like to point out for the record that the consumer in this country is most dependent upon the Department of Agriculture for the supply of food and fiber at a very low cost. The land in many countries is worn out today because consumers demand food and fiber below the cost of production, not permitting protection of the soil.

Mr. Secretary, you may proceed.

## GENERAL STATEMENT OF THE SECRETARY

Secretary FREEMAN. Thank you very much, Mr. Chairman, and also for your very thoughtful and wise remarks.

I would only add to them by way of a supplement that not only this record but the skill with which the appropriations as determined initially by this subcommittee have been carried to the full committee, to the House and to the Senate, has been largely responsible for overcoming the very real difficulties which the chairman accurately describes.

I have said again and again, when I was asked what was the most difficult part of the assignment of being Secretary of Agriculture, that the need to overcome the relative indifference and lack of knowledge of the great majority of the American people as to the importance of agriculture to them, is the greatest problem and the greatest frustration.

Literally there aren't very many places in the United States where today I can even have a press conference and get meaningful questions asked on this subject. It is a constant struggle to try and inform people about it and there is an unfortunate tendency to accept what seemingly comes easy, which is the abundance of food and fiber, which pours from our farms and is the underpinning of our economic strength. These have come so easily to most people that they fail to realize their importance or significance.

Mr. WHITTEN. The tragedy there, Mr. Secretary, is that it is not a case of the press or the television or radio stations failing to recognize your ability, your capacity, or your position. What bothers me about it is they feel what their readers are not interested in hearing or reading about agriculture.

You might be interested in this. I have to have a little fun now and then and there is an element of truth in this.

I spoke to the Agronomist Society in the Southern States back shortly before Congress convened. They were most gracious in their introduction and I told them that I appreciated it, but perhaps the greatest service I had done for agriculture was when I got Mr. Cannon to put me on the Public Works Subcommittee, so the other members realized they couldn't kick agriculture around without having to face me on the other committee.

You might proceed.

Secretary FREEMAN. That is a very practical way to put it.

Mr. Chairman, I have a statement. I don't want to burden this committee unduly, but I think it is a useful one.

Mr. WHITTEN. We probably would save time if you would follow it, Mr. Secretary.

## RURAL AREAS DEVELOPMENT

Secretary FREEMAN. A year ago, when I appeared before this distinguished committee, I described a major effort then underway in the Department to begin directing Federal resources through locally developed and locally administered programs in rural America for the purpose of creating new jobs and new economic opportunity.

At that time, I described this effort—which we call rural areas development—in terms of plans and programs largely made possible by the Food and Agriculture Act of 1962, that we hoped to begin during

the following 12 months, and in terms of ongoing programs where the emphasis and direction was being reshaped. I wanted then to set down the goals for RAD as part of the basic policy of the administration in rural America. You will recall that I outlined then the organizational structure for this nationwide drive.

A year ago there was more hope than accomplishment, more plans than results, more problems than solutions. This year, I want to describe for you some of the progress we have achieved through rural areas development and to restate our objectives more precisely. There are real accomplishments, there are results, and there are the beginnings of solutions for some of the hard problems in rural America.

But I wish to emphasize that the cases and situations which I will cite are little more than guides and signposts. The work which has gone on in the communities and counties of rural America through RAD has produced exceptional examples of what local leadership and local people can do with meaningful technical and financial assistance. The resources which the Department has been able to direct into rural areas development are limited—limited in terms of the need—and limited in terms of the size of the programs.

I believe that the results of the various programs administered under this effort to develop rural America indicate that the funds which were provided for rural areas development were well invested. The requests for this program in the coming fiscal year are also modest, particularly in view of the increasing public acceptance of RAD. Some people who have wanted to move ahead have been discouraged when the support they were promised was not yet available. However, there are still new approaches to be tested. We will move forward vigorously on these new approaches—only when experience has clearly proven what we do is workable and successful.

Let me emphasize that this whole effort is underway. We have begun the task we should have been about long ago. An immediate target is rural poverty. We must stamp it out. But in the process we seek an even broader goal—a higher standard of living for all of rural America. We believe it can be reached by developing the latest resources of rural America to provide the goods and services an increasingly urban America needs beyond the basic requirements of food, clothing, and shelter. Thus, any program which is successful will serve the needs of country and city alike.

Next year when I appear before this committee, I hope the requests for RAD funds will be more nearly comparable to the need for jobs and for alternative means of increasing incomes in rural areas.

#### OBJECTIVES OF RAD PROGRAM

The report I make to you today is built of case histories—the stories of problems and of how people, with the assistance and support of their Government, were able to solve them. Generally these case histories illustrate nine overall objectives of rural areas development. Some of the examples may demonstrate two or more objectives, but each emphasizes one particular objective. Those nine goals are—

To preserve and improve the family farm.

To increase the incomes of people living in rural America and to eliminate the causes of rural underemployment.

To expand job opportunities faster by stimulating investments in rural areas in all enterprises and services that contribute to a modern economy—industry, commerce, recreation, crafts and services of all kinds, and the facilities that encourage both professional and technically trained persons.

To develop rapidly, but in an orderly manner, a wide range of outdoor recreation opportunities on public and private lands to serve the needs of a growing population in city, suburban, and rural communities.

To secure new uses for cropland now producing crops in surplus—to establish a balance so that each acre is used for the purpose it is best adapted in relation to national need.

To strengthen and expand farm and rural cooperatives.

To protect, develop, and manage our soil, water, forest, fish and wildlife, and open spaces.

To create the conditions of living in rural areas which are more comparable to those in city and urban areas. The rural resident must be assured of pure water, the best schools, the streets and roads and hospitals and all such services necessary for a modern community.

To make continuous and systematic efforts to eliminate the many and complex causes of rural poverty.

In short, RAD is an action program for rural people. It is their program. At their request, the Department of Agriculture helps organize a broadly representative RAD committee of local citizens. From then on, the people serving on the RAD committee decide what will be done, when, and how. Today there are at least 75,000 local people serving on nearly 2,300 RAD committees. When they need technical aid or financial help, the USDA Technical Action Panel is there ready to assist them to obtain help from whatever source it may be available—from private or government sources, from USDA or other Federal agencies.

The Cabinet level Rural Development Committee established by President Kennedy last year will help make this coordination task easier.

Before going further, I want to emphasize that RAD is one arm of a twin offensive to combat the special problems of agricultural and the rural community. The other arm of that offensive is the commodity program—the series of commodity programs which for 30 years have been the major source of protection for the family farm system of agriculture. Without a strong and healthy agriculture, the rural community could never develop its full potential. The farm—the family farm—at the center of a dynamic agricultural economy is also the backbone of the economy of rural America.

Thus, I do not want to ignore commodity programs, nor do I intend to. They are essential as a means to strengthen farm income and the family farm. A series of studies in recent years on the effect of commodity programs on farm income all point to the same conclusion: Without these programs, commodity prices would decline by about 20 percent while net farm income would decline 40 to 45 percent.

The most recent study was made by the Center for Agricultural and Economic Development at Iowa State University. It concludes that if the programs for wheat and feed grains alone were eliminated, net

farm income by 1967 would decline almost \$5 billion, or about 40 percent. Bear in mind that this result assumes that other commodity programs would continue, and that our wheat export programs would continue.

Few things could do greater damage to the rural community or accelerate the negative trends in the rural economy than a decline in farm income of this proportion. Few things could be more threatening to the national economic well-being. The farmer, after all, is the No. 1 consumer.

#### COMMODITY PROGRAMS AND THE FAMILY FARM

Commodity programs strengthen the family farm, although in recent years it seems to be fashionable to say that the benefit of these programs goes only to the very largest farmer. It is hard to understand this contention when over 40 percent of the commodity loans in the major crops are less than \$1,500 in value, and the adequate sized family farm must gross \$10,000 or more. To the farmer in Idaho or Texas or Alabama or Maine who can put his crop under loan at harvest, when market prices are low and redeem his loan when prices become higher, commodity programs are very important.

Thus, commodity programs meant a 33-cent-per-bushel difference in price for a wheat farmer in Canyon County, Idaho. The price at harvest was \$1.59 a bushel. The loan price was \$1.68, and the farmer repaid the loan 5 months later when the market price rose to \$1.92.

Mr. Chairman, if it wouldn't unduly burden the record because this contention is made, I have before me some instances of exactly this in modest sized operations for wheat in Oregon, Idaho, Pennsylvania; for corn in Virginia, Nebraska, and other States; soybeans in a number of States around the Nation that are specific instances and if they—

Mr. WHITTEN. Mr. Secretary, I believe it would be well to include those in the record as exhibits following your testimony, so as not to break the continuity here.

Secretary FREEMAN. Very good.

(The information referred to appears on p. 16.)

Mr. WHITTEN. If you wish to discuss them, you can do so at this time.

Secretary FREEMAN. I would like to touch on it, because it gets down to cases which I have tried to do instead of generalities.

Oregon is close to home to Congressman Horan. This one was Johnny Campbell, Route 1, Madras, Oreg., Jefferson County; 777 bushels of wheat, loan rate was \$1.86. The local price at the time the loan was made was \$1.83. It was held for some months and was sold at \$2.10, for the difference of 27 cents a bushel and difference to this farmer of \$209.79.

This fellow's name is Carl Guthrie, Miami, Mo.; loan rate \$1.22; local price on corn at the time of the loan was \$1.06. At the time the loan was repaid, it sold at \$1.27. It made a difference of \$559, being able to hold it for a few months in that instance.

I have a number of soybean cases. Here is one down in South Carolina, Walter Walling, Fort Motte, S.C.; 479 bushels of soybeans, loan rate \$2.21. Local price at the time, \$2.45. Loan repaid when the price of \$2.66. It made a difference of \$100.59.

I think these are somewhat typical. I won't burden you with more, but at a time when it has become very fashionable to say these programs only help the big farmer, I think it well to point out how they assist the small farmer.

Mr. WHITTEN. Mr. Secretary, with regard to that, you have cited these illustrations which show the individuals' profit by reason of price supports or the loan program being available. This is actual profit. What doesn't show is that if you had not had the loan, and all of this had gone on the market at the same time, the producer might have taken practically nothing in the first instance, which is over and above the benefits that followed in these specific instances.

Secretary FREEMAN. The point is very, very well made and, of course, that is absolutely true.

The limitations of commodity programs are not that they cannot help the family farm or strengthen agriculture. Their limitations are that they cannot directly help the 9 out of 10 farm youth today who must look outside agriculture if they are to find a satisfying and rewarding occupation.

Commodity programs cannot directly combat the effect of the changes now occurring in agriculture—changes that mean fewer people will be required to operate our family farm agriculture. The rural community must provide alternative opportunities both for those who will farm part time and for those who seek nonfarm jobs. This is a gap we must fill.

This is a gap which RAD seeks to fill, not only for the farm youth, but also for the young people growing up in cities and towns throughout rural America, for the farmer who seeks a job off the farm to supplement his income, and for the nearly 19 percent of those in rural areas who now are unemployed or underemployed.

With this by way of introduction, let me now turn to the case histories which illustrate the specific goals under RAD, and the kind of progress that is possible through this effort.

#### STRENGTHENING THE FAMILY FARM

Many programs—including conservation, credit, research, and education—contribute with the commodity programs to strengthening the family farm.

In Georgia, a young farm couple has, through a supervised farm credit program under the Farmers Home Administration, nearly doubled the farm in size and financial position. FHA credit has enabled the family to buy better equipment, pay operating costs, and to finance land purchases.

In Montana, a farmer discouraged by the expense of trying to grow wheat on 460 acres of rocky, sloping ground, turned to grass and grazing. Through the Great Plains conservation program, designed to help family farmers in this region of low rainfall and high climatic hazard, he was able to seed his cropland to grass and alfalfa, build the necessary fencing, and construct watering wells.

In Colorado, 40 family farmers formed a cooperative livestock association and, with the help of a Farmers Home Administration loan, purchased 12,300 acres of land and assumed leases on an additional 2,640 acres. Some 1,440 acres of these lands were in crops, and were

shifted to grass. Acquiring access to this land enabled these farmers, some with incomes as low as \$1,500 to \$2,000, to add a livestock enterprise to their irrigated crop farming system, and add an estimated \$2,500 yearly to each family's income—a total of around \$100,000 a year to the community.

What we are doing here through various techniques of credit and technical assistance is to overcome the growing barrier which many young people are finding as they attempt to enter farming. In 5 years, we expect that about half of today's farmers will be over 55. With an average investment in a farm now estimated at over \$51,000, the young family which hopes to replace these farmers will need assistance—unless they hope to inherit a farm. We must come to grips with this problem, for it will determine whether families or financial power dominate agriculture in the future.

#### INCREASING FARM INCOME

The major methods for strengthening farm income are through better farm prices, reducing production costs, and expanding the domestic and oversea markets for what the farmer produces. Commodity programs, trade development, food stamps, utilization research, food for peace \* \* \* all of these are the means for directly raising farm income. Over the past 3 years, gross farm income \* \* \* largely as a result of the programs enacted by the Congress and of administrative actions \* \* \* has been \$8 billion higher than if 1960 income levels had prevailed. Total net farm income has averaged almost \$1 billion higher per year and per farm income increased 16 percent to an average \$3,430 per farm.

We are helping farmers to discover new sources of income. There are RAD programs, particularly those designed to encourage the development of new and more efficient uses for farm resources, which help to increase farm income directly. Other major contributions, however, to increased income for the farm family through RAD will be through the techniques and programs which follow.

#### CREATING NEW JOBS

Utilization research not only creates new uses for farm products, but also new jobs to produce the new products developed by research. The most recent example of this situation is the development of a commercial process for sweet potato flakes. Plants to make this new product are being built in Mississippi, Louisiana, and North Carolina, and will provide hundreds of new jobs \* \* \* as well as new markets for farmers.

Research results, however, do not come as fast as the need for new jobs is growing in rural America. Thus, we seek to encourage new and expanded industries of all types together with the various service enterprises that provide employment to locate or expand in the rural areas, especially in low-income areas. Last year, the rural electric and telephone organizations, which are borrowers from REA, helped to launch at least 535 industrial and business enterprises in rural areas.

These efforts to encourage new and expanded industry and commerce helped to create almost 60,000 new jobs during 1963. Those jobs represent an investment of a half billion dollars—92 percent of it local and State money.

Most of the financing was local—and the “seed” fund from Federal sources came from the Area Redevelopment Administration and the Small Business Administration. About \$670,000—or one-tenth of 1 percent—came from REA section 5 loans to rural electric and telephone borrowers.

Adequate water supplies sometimes spell the difference between getting or losing an industry. In Leavenworth County, Kans., the area around the little town of Basehor would have lost a dairy if a USDA loan had not made possible the development of an adequate water system. Some wells in the area were becoming contaminated, and the dairy, with its 75 employees and \$30,000-a-month payroll, was in danger of closing.

The Department made an \$80,000 loan and local people put up \$10,500 to build a community water system. Now the dairy has all of the clean water it needs, new homes are going up all over Basehor, and business firms and schools no longer have to ration water during dry spells.

#### RECREATION AS A FARM CROP

A 220-acre dairy farm in New York had a net income last year of \$3,450—\$2,050 of it came from a vacation farm enterprise that the family ran during the summer months.

A midwestern cash-grain farmer with an 85-acre lake found he could make almost as much from renting fish poles as from farming. His net income last year from selling fishing privileges after deducting the cost of stocking the lake and other expenses was over \$2,800.

We estimated that many farmers are adding \$4,000 to \$8,000 a year in total income because of a recreation enterprise. Some farmers also are likely losing money. With technical assistance \* \* \* and research \* \* \* the number with profitable projects can be increased, and those that would end in failure can be avoided.

Since the passage of the Food and Agriculture Act in 1962 which provided authority for the Department to assist farmers in recreation development, we estimate that 18,000 farmers who are members of soil and water conservation districts have established a recreation project on part or all of their land. Another 18,000 are considering recreation possibilities.

FHA loan funds for recreation development have helped establish recreation projects in 166 areas in 41 States. These are funds well invested for they open to the farmer and the rural community the means to share in the \$20 billion a year outdoor recreation business \* \* \* a business that is growing rapidly.

Recreation development also provides new jobs \* \* \* jobs the rural community needs. I am reminded particularly of the Blue Knob ski resort near Bedford, Pa. Part of the funds for this project came from an REA section 5 loan, and, as a result, much criticism has been directed at the project and REA. Yet, without the loan, the project would never have begun.

Mr. WHITTEN. Mr. Secretary, I have felt that, whatever the merits of that type of program from a financial standpoint, the REA has enough problems with private power companies without getting into something that has resulted in as much adverse publicity as this has.

We shall develop this more thoroughly later. But even though this is thoroughly sound, REA has got about all the load it can carry, in my opinion, without getting off into this area.

Has there been any investigation to see whether this type of operation could more properly be carried on by the Farmers Home Administration which, after all, is set up from the standpoint of making and supervising loans?

Secretary FREEMAN. Yes, sir; there has been, and there have not been recreation loans made by REA in recent months, Mr. Chairman, because of the problem in connection with it.

Mr. WHITTEN. I don't know what the Government should do. I don't know how far REA should go. But I am aware that we live in a very practical world and that some agencies are better set up to handle certain types of things than others and such operations by some agencies are generally more accepted by the public than others.

We will get into that later, but I am glad to know some thought has been given to this possibility.

Secretary FREEMAN. I thank you, Mr. Chairman.

I did want to call this to your attention—because it was controversial, and I know the committee is interested. Of course, this committee knows these things—I just note this experience for the record and for the information of others in connection with it.

If I may continue, Mr. Chairman, today the resort is drawing an average weekend attendance of 3,000 persons, and is grossing about \$10,000 a day. Some 58 people have jobs that were not there a year ago, and next year at least 30 more jobs will be created.

But that is only half the story. Merchants in surrounding towns are suddenly finding business they never before knew existed. And, as a reporter for one of the top business publications wrote, Blue Knob will "become one of the top half dozen resort areas in the eastern section of the country."

There is one further benefit of recreation that most people don't realize. It is far cheaper to loan the farmer, or groups of rural citizens, the money to convert cropland to recreation than to pay to take that land out of production and have it lay idle.

For example, a group of citizens in Hardin County, Iowa, obtained an FHA loan to convert an 80-acre farm into a 9-hole golf course. As the local newspaper editor noted, the Government, because of the loan, "won't have to battle some 128,000 bushels of corn as surplus." Recreation is more valuable than corn to the community.

Mr. WHITTEN. May I interrupt there to point out that we have the Small Business Administration where Government loans are made available to small businesses.

I mentioned that at this point in the record to indicate that this is not the only place where the Government is lending money for the purpose of developing and expanding small business.

## DEVELOPING NEW USES FOR LAND

Secretary FREEMAN. Other programs seek directly to encourage the conversion of cropland to other income-producing uses. The Food and Agriculture Act authorized \$10 million for a pilot cropland conversion program. About 41 counties in 13 States were selected as test areas for converting land to grass and trees. One or more projects to encourage conversion to recreation are being developed in 33 of the 50 States.

Agreements with 2,800 farmers, running for 5 or 10 years depending on the project, have been signed to convert almost 130,000 acres of cropland. Most of the land has gone to grass or trees, and about 8,300 acres are being developed for recreation on about 130 farms.

Other programs also contribute to major shifts in land use, particularly the agricultural conservation program (ACP). In one county, in my own State of Minnesota, 150 farmers used ACP to shift about 3.5 percent of the county's cropland to timber. And in one county in Iowa, ACP was used to help farmers shift nearly 3,000 acres from corn to grass, and improve 3,000 existing acres of pasture at the same time. In both cases, the long-term income prospects have been improved.

One of the more promising long-range programs to develop more productive uses for land in rural areas is the resource conservation and development project. Authorized in the Food and Agriculture Act of 1962, there are now 10 "R.C. & D." pilot projects now underway. These projects are designed to improve the use of land and other natural resources in an area embracing several counties and often including several small watersheds. Within these projects, farmers and their organizations will be encouraged to work with city and urban families and their organizations to develop recreation activities which benefit both city and country.

One of the ten projects covers all or parts of five Western Minnesota counties where the soil and water conservation district sponsors already are working with State funds and assistance to establish a 79-mile canoe trail along the Crow Wing River. There will be eight camping sites, and the project already has drawn considerable public interest, interest which will turn into extra income for the area.

This idea is not new—this idea of farm and nonfarm people working together to create on private property more of the outdoor recreation that urban people want—and are willing to pay for.

In fact, I am convinced the "R.C. & D." approach to land use development, if the Congress had not created it in 1962, would have come into being on its own. A recent survey made by the Soil Conservation Service of various city groups using farmland in special recreation programs showed that over 51,800 organized groups with 8.9 million members lease or have permits to use 39 million acres of privately owned land for outdoor recreation.

Nearly 50,000 landowners were involved, and over half of them received some kind of income from the arrangement. The opportunities for future expansion are enormous, and the "R.C. & D." program is an excellent means to stimulate this kind of rural-city cooperation in which everyone benefits.

## STRENGTHENING RURAL COOPERATIVES

The Department is directed by the Cooperative Marketing Act of 1926:

to provide for the acquisition and dissemination of information pertaining to cooperation; to promote the knowledge of cooperative principles and practices; to provide for calling advisers to counsel with the Secretary of Agriculture on cooperative activities; to authorize cooperatives associations to acquire, interpret, and disseminate crop and market information, and for other purposes.

I am convinced that a dynamic and aggressive effort to expand the role of cooperatives in rural America can do much to encourage the more rapid growth of the rural economy. Co-ops have contributed hugely to agriculture and the farmer, but there is much more that they can do.

Existing cooperatives should help new co-ops to get started on some of the jobs that need doing in rural areas—recreation, new industry, more aggressive marketing of unique local products. In some areas, co-ops are beginning to move. In the State of Washington, apple growers formed a co-op to use a new process for concentrating apple juice which the USDA developed. The plant creates a new market for 30,000 tons of apples each year, and provides work for 100 persons.

In Michigan, a farmers' association to market wood products is using technical assistance to upgrade pulpwood production from private woodlots—and to improve income of farmer members in the process.

In West Virginia and eastern Kentucky, the Southern States Cooperative is helping on special projects to develop feeder pig and egg producing cooperatives.

In Oklahoma, a rural electire co-op helped 140 farmers and ranchers organize a feed supply co-op that uses homegrown grain mixed with supplementary ingredients. Federal funds were available, but only to fill the gap in financing that local sources could not cover.

## CONSERVING SOIL AND WATER AND WILDLIFE RESOURCES

In Louisiana, two farmers with the help of their local soil conservation district converted an 80-acre marsh into a farm pond for recreation uses. After checking the USDA soil survey of the marsh, the owners decided against draining the land.

Instead, they used SCS engineering help to create the pond. The farmers now sell fishing privileges, rent boats, and operate a bait shop. Last year, the land grossed almost \$30 an acre, and before, it had never produced enough income to cover tax costs.

Near Russellville, Ky., the Mud River watershed project is a source of water and recreation—and a protection from floods. A 900-acre recreation lake will provide fishing and other water-based recreation for local people and thousands of visitors.

Property values around the lake are rising, and construction projects together with the increased jobs from recreation will bring employment to about 170 persons. Availability of water helped convince one firm to locate a plant in the community and another firm to double its size. Over 700 new jobs will be created.

ACP programs, combined with the efforts of the soil conservation districts through the small watershed program, demonstrate that conservation is more than resource protection—it is a creative process that we have only begun to employ. On the basis of past experience alone, we can expect one or more new industries to be brought to a watershed community. The value of recreation cannot be overestimated.

Last year 88 new small watershed projects were approved for operation and 121 were authorized for planning—the largest number in any year since the program began. Overall, we expect to help some 1,800 local organizations develop land and water resources on 36 million acres, involving a population of some 4.1 million persons in 606 watershed projects which will be in operation in fiscal 1965.

#### DEVELOPING MODERN COMMUNITIES

Local people seeking to create new opportunities through resource development soon find that the community is a resource which also needs to be developed. Roads must be adequate, homes must be improved, adequate water and sewage is necessary, power and communication needs must be met.

In Clinton Township, Ind., a new elementary school was under construction before city officials discovered that the town wells were inadequate and some had water unfit for human use. A water system loan through the expanded Farmers Home Administration loan program enacted in 1962 helped the community provide a dependable supply of water and open the new school on schedule.

In Yorkville, Tenn., the development of a community water system helped pave the way for an industrial park, a new medical clinic, new home construction and the remodeling of some business buildings.

Overall, the rural water system local program has been increased ninefold in 3 years. Last year, the program enabled 40,000 rural families to obtain adequate supplies of clean water. So far this year, we are about 66 percent ahead of last year's pace.

Rural housing programs also have expanded substantially since the Department was authorized in 1961 and 1962 to extend loans and grants to rural nonfarm families, the elderly, and to constructing adequate quarters for migrant workers.

In Tulare County, Calif., the rural housing program helped farm labor families to complete a self-help, do-it-yourself home building project. In New Jersey, 20 retired farm couples will move into low-cost rental housing built through the loan program to encourage housing for the elderly in rural areas. In eastern Kentucky, 619 rural families have received housing grants to help bring their homes up to a level where water no longer will freeze 6 feet away from the stove.

Mr. WHITTEN. Mr. Secretary, you are aware, I am sure, of the interest that my colleague of Kentucky, Mr. Natcher, has in this watershed and the part he played in promoting it.

You may proceed.

Secretary FREEMAN. The rural housing program last year provided 20,000 loans for a total of \$186 million, and the demand would easily support an insured loan program twice this size to help rural families build and repair their homes.

May I add, until this action in 1961, nonrural people did not have any kind of insured loan program. People in the city had one, but nonfarm people had none, and response to this has truly been amazing.

Mr. WHITTEN. I might interrupt at this point, Mr. Secretary, to point out that it was this committee that broadened it from farm to rural. One of the things that we are proudest of is that the Department has, with the committee's help, brought to rural areas somewhat the same program that has been available in the cities all along.

You may proceed.

Secretary FREEMAN. Since the rural housing program began in 1949, it is interesting to note that some \$680 million has been loaned, creating an estimated 163,000 man-years of employment and a market for a billion board feet of lumber and \$340 million worth of materials and supplies. Losses are less than two one-hundredths of 1 percent.

Rural power needs continue to grow, not only for the farm but also for a growing array of rural, nonfarm uses. We can identify over 400 uses for electricity on the farm alone. Thus, the clamor that cooperative rural electrification has done its job is about as logical as to claim that urban power needs are satisfied once the utility runs a line down the street.

Communication needs in rural America also are far from satisfied. Almost one out of four farms as well as other rural establishments do not have phone service or the facilities to provide it. Even where rural telephone systems do operate, costs are high because of the small number of users per mile of line. Interest costs in many areas—even with the 2-percent interest rate—amount to \$1.50 to \$2 a month.

#### ELIMINATING THE CAUSES OF POVERTY

All of the programs and projects which I have described here today are important instruments in the war on poverty in rural America—a war to which President Johnson has called us all.

RAD can help lift an area out of poverty \* \* \* and it can keep an area from sliding into poverty \* \* \* and it can help every area raise its standard of living to new levels, for RAD is designed to stimulate new jobs and new income throughout rural America.

The Congress in 1962, as part of the Food and Agriculture Act, authorized what I believe to be, up to now, the best single program technique for getting at the areas of severe poverty in rural America.

This is the rural renewal program, a carefully planned effort to help rural people use the urban renewal concept to deal with pockets of need. We are moving ahead with pilot programs now where the need is so great and the resources are so limited that an overall, concentrated effort is required.

The first funds for this program were provided on a limited basis in the 1964 appropriation act.

At the request of local people who have assured us that they will be responsible for local leadership of rural renewal efforts, we are providing help in five areas: Little River County, Ark.; Washington, Holmes, and Walton Counties, Fla.; Monroe and Appanoose Counties, Iowa; Dallas and Hickory Counties, Mo.; and Mineral and Hardy Counties, W. Va.

These pilot counties are representative of problem farming areas in various sections of the Nation. Experience will thus be gained for eventual expansion of the program as additional resources become available.

The five areas contain about 100,000 people, whose net incomes average \$2,900 per family. Farms are small and underdeveloped. The lack of off-farm work to supplement farm income is a chronic problem. Many of the communities in these areas are without essential public and other services.

Local private and public leaders already are being aided in their survey of all their resources, in drawing up overall development programs, and planning specific projects that include land redevelopment.

This technical aid in planning and carrying out development programs will be supplemented by loans to local public agencies to supplement existing public and private credit resources needed to finance specific projects.

The result will be a total and concentrated attack on pockets of rural need on an areawide basis. Many different approaches and many different combinations of projects will be used, depending on the wishes of local leaders and the resources available to them.

For example, local agencies may aid the residents of rural renewal areas to purchase and develop land for efficient family farms, public recreation, reforestation, industrial sites, housing, and other needed purposes.

We have assigned personnel with broad experience in rural areas development to each of the five areas. They are assisting the local people in making full use of all the resources available from private and public sources and in securing whatever additional aid is needed.

In listing some of the projects local people are planning to undertake in one of these five areas, I emphasize that most of the financing for these projects will be handled not with rural renewal loans but with funds obtained from other public and from private sources.

This is, of course, as it should be.

Rural renewal loans are designed specifically to fill certain gaps in financing of needed basic community development. The most important aspect of the rural renewal program is the extension of technical assistance that will help local groups prepare specific development plans and projects.

The services provided by the technicians like those of the Department and the specialists hired by loans and grants made available under the technical assistance phase of the rural renewal program are the catalysts that will make the effort successful.

In Little River County, Ark., rural renewal efforts of the people of Little River County, Ark., were speeded up when the Arkansas Legislature authorized the counties to create legal public bodies that may cooperate with the Federal Government on rural renewal and resource conservation and development projects.

I might point out that this, as you well know of course, is how the urban renewal and slum clearance works with a local governmental body authorized by local law to borrow money, to bond, in some cases, to levy local taxes and all the rest, and, therefore, there is a local entity with appropriate authority to act, and this has been done by the Legislature of Arkansas.

Incidentally, the group from Arkansas that is really doing some pioneering on this in great detail is coming in here Friday to meet with Sargent Shriver and the staff planning group on the whole rural poverty problem.

Moving ahead with their rural renewal work, the residents of the county are seeking modern water systems for the towns of Winthrop, Ogden, and Wilton. A sewer system is planned for the town of Foreman.

A study is being made to learn whether a large-scale camping, fishing, swimming, and boating recreation site can be developed on Millwood Lake. Consideration is being given to purchasing large tracts totaling 6,000 acres and dividing them into family farms for resale to young farmers.

Industrial sites, already obtained by the towns of Foreman and Wilton, are being considered by Ogden and Winthrop.

In the early planning stages are two alfalfa processing mills, the expansion of vegetable production for sale to a nearby large canning plant, the establishment of a wood products industry for manufacturing furniture and toys. A pine pole peeling and preserving plant now is under construction.

The development of a recreation area at Stallion Ford is being considered, as is the development of two large tracts of land into small units for rural homes and part-time farms.

I know you recognize that the nine objectives for RAD are highly interrelated and that some of the specific examples cited under one category apply with equal force to another category. This always will be the case with any arbitrary definition of goals and objectives.

There is a common thread that runs through the entire RAD effort, however, that I constantly keep in mind and which I would like to emphasize to all who are concerned with the need to move rural America ahead more vigorously.

All the programs and projects within the RAD designation cannot produce anything without local leadership. The Department cannot make them go nor can any Federal or State agency. Only people concerned with the future of their community have the ability to use these programs. In a manner of speaking, local leadership is like the battery in a car. Local leadership is the element necessary to make RAD produce the power to make rural America go.

Thus, RAD broadens the dimensions of public understanding as to the needs in rural America and it broadens the dimensions of public response to those needs. It emphasizes the use and not the idling of resources. It provides the catalyst which brings together the needs of both rural and urban America and from this union will come progress for both the city and country.

I urge your favorable consideration of the requests for RAD programs which this budget contains, and I would be pleased to answer any questions you may have on these and other programs covered by the budget requests we have submitted.

Thank you for your patience, Mr. Chairman.

(The additional information referred to on p. 5 follows:)

INSTANCES OF BENEFITS RECEIVED UNDER THE PRICE SUPPORT PROGRAM BY INDIVIDUAL SMALL FARMERS

*Robert Ray Nowell, McCool, Miss.*

The producer placed 1,438 pounds of cotton under CCC loan in September and October 1962. The loan rate was 34.04 cents per pound and the local price at the time of the loan was 33.35 cents per pound. The local price at the time the loan was repaid was 36 cents per pound. The producer received \$38.10 increase in gross income as a result of placing the cotton under price support loan.

*Lloyd C. Stamm, Washington, Kans.*

The producer placed 661.33 bushels of wheat under CCC loan in July 1963. The loan rate was \$1.81 per bushel and the local price at the time of the loan was \$1.78 per bushel. The local price at the time the loan was repaid was \$1.99 per bushel. The producer received \$138.88 increase in gross income as a result of placing the wheat under price support loan.

*William E. Wright, Route No. 3, Sebree, Ky.*

The producer placed 432 bushels of soybeans under CCC loan in October 1962. The loan rate was \$2.21 per bushel and the local price at the time of the loan was \$2.25 per bushel. The local price at the time the loan was repaid was \$2.51 per bushel. The producer received \$112.32 increase in gross income as a result of placing the soybeans under price support loan.

*S. T. Apple, Route No. 1, Cedar Hill, Tenn.*

The producer placed 600 bushels of wheat under CCC loan in August 1962. The loan rate was \$2.02 per bushel and the local price at the time of the loan was \$1.80 per bushel. The local price at the time the loan was repaid was \$2.10 per bushel. The producer received \$180 increase in gross income as a result of placing the wheat under price support loan.

*F. S. Mennish, Route 4, Commerce, Ga.*

The producer placed 884 pounds of cotton under CCC loan in November 1962. The loan rate was 32.63 cents per pound and the local price at the time of the loan was 32.75 cents per pound. The local price at the time the loan was repaid was 33.25 cents per pound. The producer received \$4.42 increase in gross income as a result of placing the cotton under price support loan.

*Walter B. Walling, Fort Motte, S.C.*

The producer placed 479 bushels of soybeans under CCC loan in December 1962. The loan rate was \$2.21 per bushel and the local price at the time of the loan was \$2.45 per bushel. The local price at the time the loan was repaid was \$2.66 per bushel. The producer received \$100.59 increase in gross income as a result of placing the soybeans under price support loan.

*John Kell, Route 1, Wingate, Ind.*

The producer placed 514 bushels of wheat under CCC loan in August 1963. The loan rate was \$1.85 per bushel and the local price at the time of the loan was \$1.65 per bushel. The local price at the time the loan was repaid was \$2.02 per bushel. The producer received \$190.18 increase in gross income as a result of placing the wheat under support loan.

*Foy C. James, Charleston, Ill.*

The producer placed 445 bushels of soybeans under CCC loan in October 1962. The loan rate was \$2.28 per bushel and the local price at the time of the loan was \$2.29 per bushel. The local price at the time the loan was repaid was \$2.46 per bushel. The producer received \$75.65 increase in gross income as a result of placing the soybeans under price support loan.

*Donald Gossard, Route 1, Peoria, Ohio*

The producer placed 462 bushels of soybeans under CCC loan in November 1962. The loan rate was \$2.25 per bushel and the local price at the time of the loan was \$2.30 per bushel. The local price at the time the loan was repaid was \$2.54 per bushel. The producer received \$110.88 increase in gross income as a result of placing the soybeans under price support loan.

*Frank Henke, O'Fallon, Mo.*

The producer placed 930 bushels of soybeans under CCC loan in October 1962. The loan rate was \$2.28 per bushel and the local price at the time of the loan was \$2.14 per bushel. The local price at the time the loan was repaid was \$2.56 per bushel. The producer received \$390.60 increase in gross income as a result of placing the soybeans under price support loan.

*Kile Guthrie, Miami, Mo.*

The producer placed 1,713 bushels of corn under CCC loan in December 1962. The loan rate was \$1.22 per bushel and the local price at the time of the loan was \$1.06 per bushel. The local price at the time the loan was repaid was \$1.27 per bushel. The producer received \$559.73 increase in gross income as a result of placing the corn under price support loan.

*Dwight Krumboltz, Cedar Rapids, Iowa*

The producer placed 771 bushels of corn under CCC loan in December 1962. The loan rate was \$1.19 per bushel and the local price at the time of the loan was \$1.14 per bushel. The local price at the time the loan was repaid was \$1.23 per bushel. The producer received \$69.39 increase in gross income as a result of placing the corn under price support loan.

*George H. Meyer, Pilger, Nebr.*

The producer placed 1,166 bushels of corn under CCC loan in December 1962. The loan rate was \$1.14 per bushel and the local price at the time of the loan was \$1.05 per bushel. The local price at the time the loan was repaid was \$1.20 per bushel. The producer received \$174.90 increase in gross income as a result of placing the corn under price support loan.

*D. H. Bowles, Rockville, Va.*

The producer placed 550 bushels of corn under CCC loan in January 1963. The loan rate was \$1.34 per bushel and the local price at the time of the loan was \$1.24 per bushel. The local price at the time the loan was repaid was \$1.35 per bushel. The producer received \$60.50 increase in gross income as a result of placing the corn under price support loan.

*Jacob K. Mast (R.D.), Lancaster, Pa.*

The producer placed 1,313 bushels of wheat under CCC loan in August 1963. The loan rate was \$1.93 per bushel and the local price at the time of the loan was \$1.61 per bushel. The local price at the time the loan was repaid was \$2.12 per bushel. The producer received \$669.63 increase in gross income as a result of placing the wheat under price support loan.

*Arland Van Zant, Route No. 5, Caldwell, Idaho*

The producer placed 935 bushels of wheat under CCC loan in September 1963. The loan rate was \$1.68 per bushel and the local price at the time of the loan was \$1.59 per bushel. The local price at the time the loan was repaid was \$1.92 per bushel. The producer received \$308.55 increase in gross income as a result of placing the wheat under price support loan.

*John E. Campbell, Route No. 1, Madras, Oreg.*

The producer placed 777 bushels of wheat under CCC loan in September 1963. The loan rate was \$1.86 per bushel and the local price at the time of the loan was \$1.83 per bushel. The local price at the time the loan was repaid was \$2.10 per bushel. The producer received \$209.79, increase in gross income as a result of placing the wheat under price support loan.

#### IMPORTANCE OF OTHER AGRICULTURAL PROGRAMS

Mr. WHITTEN. Mr. Secretary, I think you made a very excellent statement. I would say, however, that your attention has been given primarily to the new programs to help folks on a farm to make a living without farming.

I remember some years ago that Mr. Morse, then Under Secretary, said the answer to the farm problem was to get a job in town. I really took him to task on it, but I believe you read his book.

This report, so help me, is primarily devoted to a segment of the rural problem. And may I say it is a good report and I don't mean to belittle your efforts in the least, because this subcommittee is very proud of having initiated the watershed program. The program was initiated under my Republican predecessor, Carl Andersen, with the help of Mr. Horan, who was on this committee at that time. However, it was first initiated by the Democratic platform in 1952.

We have made and approved these pilot plans and enacted, subsequently, Public Law 566, which was passed by the legislative Committee on Agriculture, and we are very proud of our part on it.

This committee worked up with the staff a proposal to increase the authorities under the Farmers Home Administration Act. As I pointed out earlier, with regard to housing, this committee initiated this change for various reasons. The former law disqualified many of those in need for funds for housing construction, funds which city people were able to get through the Farm Housing Agency insured program.

Now, I know that you realize we are going to ask some questions, but wholly unanswered in your formal presentation is the matter of corn, cotton, wheat, tobacco, the soundness or unsoundness of price supports. It was touched on in two or three of the illustrations. Also, you fail to discuss the problems incident to failure to use section 22, farm commodities from other countries coming into the United States, the livestock problem, where livestock prices have been falling, and many, many of those things.

I am raising this at this point to ask you if you wish to discuss the overall agriculture situation. After all, as fine as these new programs are, they have precious little to do with the source of food and fiber for all American consumers, and they have mighty little to do with the income under present conditions of that fellow who has to have \$51,000 invested in a farm to farm.

With all due deference to this, this is figuratively peanuts, though very, very important to the people involved. And I am for programs that help in this area. We have supported them and financed them, but I do think it hardly touches on the soundness of agriculture, the tremendous investment of agriculture, the sources of meats and poultry and cotton and corn and wheat, the returns that the farmer is getting with which he can pay taxes and pay off his mortgages and all of that kind of thing.

So at this point, I would be glad for you to give us some reports on those matters. This is merely the fringe that you have touched on here, Mr. Secretary.

Secretary FREEMAN. Your point is very well made, Mr. Chairman, and that was why I made it as specific as I could in my prepared testimony, the vital importance that this is the bedrock of the welfare of agriculture and to the Nation.

These programs are continuing to be of great concern and are on the firing line, so to speak, and I would be happy to run through them orally.

In my previous appearances, it seemed to be more efficient to respond directly to the inquiries that the committee had on these other matters. However, I would be happy to elucidate further, or to respond to questions, as the committee sees fit.

## SITUATION ON COTTON

Mr. WHITTEN. I was frankly somewhat disturbed in the President's state of the Union message. No reference was made to agriculture. On inquiry, I found out he intended to submit a special message later, which he did.

He refers on the second page of his message to the commodities which require immediate attention—cotton, wheat, dairy products, sugar, and potatoes. So now, give us for the record, the picture so far as cotton is concerned, what the average income is, what the price is, what the problems are, and what is being done about it.

First, I will read what the President says in his message about cotton:

1. *Cotton*.—The needs of neither the cottongrower, the cotton handler, the cotton textile mill, nor the consumer are being satisfied by the existing legislation. The cotton industry as a whole is our second largest. More than 1 million people are engaged in growing cotton—an additional 1.5 million people are employed in the production of cotton cloth and cotton products for consumers—and additional millions work in firms which supply the goods, machinery, and services to the industry.

Domestic cotton prices are much higher than world prices. Consequently, our textile mills must pay more for cotton than their foreign competitors.

In addition, despite the fact that the 1963 acreage allotment was held to the statutory minimum, sharply increased farm yields, combined with a continuing loss of markets—as cotton products are displaced by imports and by other fibers—has caused a sharp rise in the inventories of cotton held by the Commodity Credit Corporation. The carryover on August 1 will be almost 2 million bales higher than it was last year—adding over \$300 million to the cost of the cotton program. The carryover will be enough to supply our domestic needs for 18 months.

Several legislative proposals are now pending before the Congress to deal with this program. I recommend the enactment of legislation which will (1) make cotton more competitive with other fibers and eliminate the inequity of the present two-price system under which cotton used domestically is priced substantially higher than cotton sold for export; (2) make it possible for growers who desire to do so to produce cotton at world prices, without any subsidy, on a basis which will not add to our stocks; and (3) maintain the income of cottongrowers while reducing excessive carryover stocks.

Mr. WHITTEN. So I would just like for you, for the record, to give us the overall picture of cotton now. Then we will come to the others.

Secretary FREEMAN. The chairman is very aware, being an expert in the field of cotton—

Mr. WHITTEN. You mean in the problems, not in the answers, Mr. Secretary.

Secretary FREEMAN. I think you have also come forward periodically with some recommendations that are very sound in this field.

The outstanding characteristic in the development of cotton has been the tremendous increase in productivity in the last crop year. Our initial estimates were that with the program at the legal minimum of 16 million acres, offtake and production would about balance. However, there is a record yield which exceeded previous crops by far. For the first time production averaged over a bale per acre. The yield was 524 pounds compared with the previous high of 466 pounds in 1958.

In any event, this year—as a result, despite the minimum acreage of 16 million acres—there will be an increase in carryover of close to 2 million bales. This has resulted in a very substantial increase in the cost of the program and even at the projected figure of substan-

tially lower output in 1964 because 1963 was an abnormally good year, there will be in the absence of legislation, a further increase in the cotton carryover.

Further, we have been competitive, pursuant to law, in foreign markets and have been selling on a bid basis from the Commodity Credit Corporation's stocks and anticipate a fair export year, which will be some 2 million bales above last.

But even so, the overall cost of the program and an increase in carryover will take place in the absence of legislation. There is, this very afternoon, cotton legislation under consideration in the Senate Committee on Agriculture, and we are very hopeful that a program that has been developed and submitted by a group of cotton producers, and which the Department reviewed and testified on a week ago, that something will come from that committee, and very frankly, will get quick attention in the Senate, so that it would go into effect this year before the planting season.

The essence of this program is, on the one hand, through the medium of an appropriate payment to producers who are willing to cooperate by cutting back their production, to help them maintain their income, and through the means of payments which will affect the price of cotton to our domestic manufacturers, to get them cotton at the world price. It is our estimate that this will increase consumption over the course of several years by several million bales, and during the first year this program will cut CCC carryover an estimated 2,400,000 bales and cut costs about \$160 million over what they otherwise would be. This is presently under consideration and is the present status as a practical matter, Mr. Chairman, of what seems possible of passage, given the various groups in the very complicated cotton picture, all of whom have both something to say and some power to exert in the process.

Mr. WHITTEN. Mr. Secretary, as you well know, this committee does not have any jurisdiction in the area of writing new laws for any of these commodities. We have the obligation to recommend financing to the whole Committee on Appropriations and to the Congress.

As a result, in addition to our interest in the welfare of agriculture, we have a responsibility to develop for the record the needs and reasons for the financing that we have to recommend.

I would like, in connection with cotton, for you to provide for the record the price-support levels, the acreage, the exports, separating those exported under aid programs and those sold for dollars, for, say, the last 10 years or for such other period as is most convenient. I would like you to show the average production per acre and the domestic consumption compared with consumption of synthetic fibers. And in connection with all of this, indicate the U.S. production and consumption as a part of world production and consumptions, showing the figure on synthetics as well as on cotton.

(The material requested follows:)

*Cotton and manmade fibers, production and consumption, United States and world*

Year <sup>1</sup>	Manmade fiber production		Manmade fiber consumption		Cotton production		Cotton consumption	
	United States	World	United States	World	United States	World	United States	World
	<i>Million pounds</i>	<i>Million pounds</i>	<i>Million pounds</i>	<i>Million pounds</i>	<i>1,000 bales</i>	<i>1,000 bales</i>	<i>1,000 bales</i>	<i>1,000 bales</i>
1951.....	1,499.3	4,274.3	1,553.4	4,235.0	15,149	39,440	9,196	35,167
1952.....	1,391.5	3,867.6	1,440.7	3,868.9	15,139	40,755	9,461	36,944
1953.....	1,493.9	4,558.5	1,540.8	4,543.5	16,465	42,030	8,576	38,778
1954.....	1,429.5	4,964.0	1,465.8	4,986.1	13,697	41,065	8,841	39,858
1955.....	1,715.8	5,693.7	1,855.6	5,701.1	14,721	43,661	9,210	41,209
1956.....	1,644.7	6,040.6	1,692.7	6,048.1	13,310	42,175	8,608	42,954
1957.....	1,765.6	6,479.5	1,793.0	6,492.5	10,964	42,098	7,999	42,902
1958.....	1,629.2	6,074.6	1,664.3	6,082.3	11,512	44,615	8,703	45,657
1959.....	1,959.5	7,010.4	2,009.9	7,025.8	14,558	46,865	9,025	48,359
1960.....	1,882.7	7,530.2	1,842.2	7,549.9	14,272	47,185	8,279	47,325
1961.....	1,995.4	7,984.4	1,919.1	7,932.8	14,318	45,808	8,954	46,675
1962.....	2,431.9	8,947.5	2,317.7	8,904.4	14,867	48,772	8,419	45,907
1963.....					15,548			

<sup>1</sup> Manmade fibers data on basis of calendar year. Cotton data on basis of marketing year beginning Aug. 1.<sup>2</sup> Estimated.*Cotton: Acreage, yields, production, utilization, and price support levels*

Year beginning Aug. 1	U.S. cotton harvested acreage	U.S. yield cotton per harvested acre	Cotton production		Cotton consumption		Cotton, U.S. exports <sup>1</sup>			Price support levels <sup>2</sup>	
			United States	World	United States	World	Total	For dollars	Government financed programs	Upland	Extra-long staple
	<i>1,000 acres</i>	<i>Pounds</i>	<i>1,000 bales</i>	<i>1,000 bales</i>	<i>1,000 bales</i>	<i>Cents</i>	<i>Cents</i>				
1951.....	26,949	269	15,149	39,440	9,196	35,167	5,519	-----	-----	32.36	104.00
1952.....	25,921	280	15,139	40,755	9,461	36,944	3,048	-----	-----	32.41	107.00
1953.....	24,341	324	16,465	42,030	8,576	38,778	3,761	-----	-----	33.50	73.92
1954.....	19,251	341	13,697	41,065	8,841	39,858	3,616	2,467	1,149	34.03	65.25
*1955.....	16,928	417	14,721	43,661	9,210	41,209	2,139	1,024	1,115	34.55	55.20
*1956.....	15,615	409	13,310	42,175	8,608	42,954	7,315	4,133	3,182	32.74	56.62
*1957.....	13,558	388	10,964	42,098	7,999	42,902	5,666	3,735	1,931	32.31	59.70
*1958.....	11,849	466	11,512	44,615	8,703	45,657	3,129	1,425	1,704	35.08	53.95
1959.....	15,117	461	14,558	46,865	9,025	48,359	6,636	5,413	1,223	<sup>3</sup> 34.10A <sup>3</sup> 34.40B <sup>3</sup> 32.42A	52.91
1960.....	15,309	446	14,272	47,185	8,279	47,325	7,003	5,249	1,754	<sup>3</sup> 26.63B	53.04
1961.....	15,634	438	14,318	45,808	8,954	46,675	4,753	3,606	1,147	33.04	53.17
1962.....	15,569	457	14,867	48,772	8,419	45,907	3,632	2,443	1,189	32.47	53.17
*1963.....	14,230	524	15,548	-----	-----	-----	-----	-----	-----	32.47	53.17

<sup>1</sup> 1954-62 years beginning July 1.<sup>2</sup> Upland Middling 1-inch at average location, average support rates, extra-long staple for all growths.<sup>3</sup> Refers to choice A and B programs for cotton for these years.<sup>4</sup> Estimated.

\*Denotes year in which cotton was offered for sale from CCC stocks in world markets at competitive prices.

Mr. WHITTEN. Quite a number of years ago, we were having real serious problems with cotton and it developed that one of the major reasons was that, while the Commodity Credit Corporation had authority to sell cotton in world trade competitive, it had not done so. May I say it held all commodities above world price levels, which had left us as a residual supplier.

It was this committee, in 1955—I could be in error about the year—that insisted that U.S. surplus commodities be moved in world trade under the authority of the Commodity Credit Corporation for what they would bring.

The Department moved, with regard to all commodities, except cotton.

This committee had an investigation and it disclosed that we had 714 paid employees in foreign countries teaching foreign peoples how to produce agricultural commodities. It developed that most of the increase in foreign production was American financed and that some of those that were interested financially in foreign production were on the advisory committees in this country, advising against selling U.S. cotton competitively.

On that finding, and the release of the information giving the names—which I won't burden the record with here—we finally got the Department to offer 1 million bales of cotton competitively and it sold in about 7 weeks. They had hoped to sell it in 6 months or a year.

Then the Department quit again and we had to pass a law telling them that they must sell on a competitive bid basis. Then they changed to a "payment in kind" approach. When the Department made that change, we said in our report, while we were going along in the hopes they were right, we didn't want them to give up competitive-bid sales because we knew that would work.

Well, the Department did give it up anyway for a period of time. Then, we have had the problem of synthetic fibers. In the original cotton farm program way back, when we had a processing tax which was later declared unconstitutional, synthetics and cotton both were under the provisions of that act. That was declared unconstitutional primarily, as I recall it, because the proceeds of the processing tax were paid out to a particular group; that is, the producers. The court held that could not be done under the Constitution.

Then when the act was rewritten, price supports were provided on cotton, but synthetics were left without price supports and have consistently undersold cotton. That has been a factor, people differ as to how much a factor, in this shift to synthetics and away from cotton.

Many people have felt that price is the sole reason there, and some that think it is only part of the reason.

#### USE OF SECTION 22, AGRICULTURAL ADJUSTMENT ACT

Section 22 of the Agricultural Adjustment Act provides that the President, on recommendations of the Tariff Commission, can impose tariffs up to 50 percent of the value, if necessary, to protect any farm program that is endangered by imports. He can actually fix a quota. I am aware that several efforts have been made to get the Tariff Commission to act in connection with this matter. I would like for the record to show information on the Cooley bill, as it passed the House,

the Farm Bureau recommendations, the recommendations of the producer group that you referred to, plus any communication that the Department has sent to the Senate in connection with this effort to find some solution in the cotton area.

Now I believe that information will cover what we have in mind at this point in the record.

(The information referred to follows:)

[H.R. 6196, 88th Cong., 2d sess.]

AN ACT To encourage increased consumption of cotton, to maintain the income of cotton producers, to provide a special research program designed to lower costs of production, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Agricultural Adjustment Act of 1938, as amended; is amended by adding the following new section:*

“Sec. 348. In order to maintain and expand domestic consumption of Upland cotton produced in the United States and to prevent discrimination against the domestic users of such cotton; notwithstanding any other provision of law; the Commodity Credit Corporation; under such rules and regulations as the Secretary may prescribe; is authorized and directed for the period beginning with the date of enactment of this section and ending July 31, 1967; to make payments through the issuance of payment-in-kind certificates to persons other than producers in such amounts and subject to such terms and conditions as the Secretary determines will eliminate inequities due to differences in the cost of raw cotton between domestic and foreign users of such cotton; including such payments as may be necessary to make raw cotton in inventory on the date of enactment of this section available for consumption at prices consistent with the purposes of this section.”

Sec. 2. Section 385 of the Agricultural Adjustment Act of 1938, as amended; is amended by adding at the end thereof the following: “This section also shall be applicable to payments provided for under section 348 of this title.”

Sec. 3. Section 104 of the Agricultural Act of 1949, as amended; is amended by adding the following new subsections:

“(c) The Secretary of Agriculture is hereby authorized and directed to conduct a special cotton research program designed to reduce the cost of producing upland cotton in the United States at the earliest practicable date. There are hereby authorized to be appropriated such sums; not to exceed \$10,000,000 annually; as may be necessary for the Secretary to carry out this special research program. The Secretary shall report annually to the Committee on Agriculture of the House of Representatives and to the Committee on Agriculture and Forestry of the Senate with respect to the results of such research:

“(d) In establishing the level of price support to cooperators for each crop of upland cotton beginning with the 1965 crop of such cotton; the Secretary; notwithstanding the provisions of section 103; shall make such reductions in the price support level as will reflect reductions in the costs of producing cotton. The level of price support for the 1964 crop of upland cotton shall be the national average support price which reflects 30 cents per pound for Middling inch. For 1965 and subsequent years; the level of price support shall be the level in effect for the preceding crop adjusted as provided in this section to reflect reductions in the costs of producing cotton; *Provided*; That the maximum level of price support shall be the national average support price which reflects for Middling inch 29½ cents per pound for the 1965 crop and 29 cents per pound for the 1966 crop.”

Sec. 4. Section 407 of the Agricultural Act of 1949, as amended; is amended by inserting after the first proviso in the third sentence thereof the following: “*Provided further*; That beginning August 1, 1964; the Commodity Credit Corporation may sell upland cotton for unrestricted use at not less than 105 per centum of the current loan rate for such cotton under section 103(a) plus reasonable carrying charges.”

Sec. 5. Section 103 of the Agricultural Act of 1949; as amended; is amended by inserting “(a)” before the first sentence thereof and by adding at the end of such section the following new subsections:

“(b) For the 1964, 1965, and 1966 crops of cotton; the Secretary; notwithstanding any other provision of law; may provide to cooperators price support on not to exceed fifteen bales (standard five hundred pounds gross weight) of the production from their allotments at a level up to 10 per centum in excess of the

basic level of price support established under subsection (a) hereof but not in excess of the level of price support for the 1963 crop:

"(e) Notwithstanding any other provision of law, in order to keep cotton to the maximum extent practicable in the normal channels of trade, if the level of price support to cooperators for the 1964, 1965, or 1966 crop is increased under subsection (b), price support for cotton at the level established under subsection (b) shall be carried out through the simultaneous purchase of cotton at the support price therefor under subsection (b) and sale of such cotton at the support price therefor under subsection (a) or similar operations, including loans under which the cotton would be redeemable by payment of the amount for which the cotton would be redeemable if the loan thereon had been made at the support price for such cotton under subsection (a)."

SEC. 6. The Agricultural Adjustment Act of 1938, as amended, is amended as follows:

(1) The following new sections are added to the Act:

"SEC. 349. If the national acreage allotment established under section 344(a) for the years 1964, 1965, or 1966 exceeds seventeen million acres (exclusive of the national acreage reserve established under section 344(b)), the amount of such acreage allotment in excess of seventeen million acres shall, notwithstanding any other provision of this part, be allotted as follows: One-half of such excess shall be allotted pursuant to the provisions of section 344. The remaining half of such excess shall, subject to the provisions of this section and section 350 be allotted by the Secretary as export market acreage directly to farms eligible to receive allotments under the provisions of section 350 to the extent that he determines that such allotments will not increase the carryover of cotton at the beginning of the marketing year for the next succeeding crop above the carryover on the same date one year earlier, except that no farm may receive an allotment of export market acreage in excess of 20 per centum of the acreage allotment for the farm established under the provisions of section 344. Any acreage available for allotment as export market acreage which the Secretary determines will not be used shall be allotted pursuant to the provisions of section 344. Any acreage allotted to a farm as export market acreage and planted to cotton shall be in addition to the county or State acreage allotments and shall not be taken into account in establishing future State, county, and farm acreage allotments. Notice of the maximum export acreage for a farm shall be included in the notices of farm acreage allotments and marketing quotas. The provisions of this section shall not apply to extra long staple cotton.

"SEC. 350. The producers on any farm on which there is export market acreage or the purchasers of cotton produced thereon shall, under regulations issued by the Secretary, furnish a bond or other undertaking prescribed by the Secretary providing for the exportation, without benefit of any Government cotton export subsidy and within such period of time as the Secretary may specify, of a quantity of cotton equal to the actual production of the export market acreage as determined pursuant to regulations issued by the Secretary. The bond or other undertaking given pursuant to this section shall provide that, upon failure to comply with the terms and conditions thereof, the person furnishing such bond or other undertaking shall be liable for liquidated damages in an amount which the Secretary determines and specifies in such undertaking will approximate the export subsidy on such quantity of cotton. The Secretary may, in lieu of the furnishing of a bond or other undertaking, provide for the payment of an amount equal to that which would be payable as liquidated damages under such bond or other undertaking. If such bond or other undertaking is not furnished, or if payment in lieu thereof is not made as provided herein, at such time and in the manner required by regulations of the Secretary, or if the acreage planted to cotton on the farm exceeds the farm acreage allotment established under the provisions of section 344 by more than the maximum export market acreage, the farm acreage allotment shall be the acreage so established under section 344. Amounts collected by the Secretary under this section shall be remitted to the Commodity Credit Corporation and used by the Corporation to defray costs of encouraging exports sales of cotton under section 203 of the Agricultural Act of 1956, as amended."

(2) Section 376 of the Act is amended by adding at the end thereof the following: "This section also shall be applicable to liquidated damages provided for pursuant to section 350 of this title."

*That this Act may be cited as the "Agricultural Act of 1964".*

## TITLE I—COTTON

SEC. 101. The Agricultural Adjustment Act of 1938, as amended, is amended by adding the following new section:

"SEC. 348. In order to maintain and expand domestic consumption of upland cotton produced in the United States and to prevent discrimination against the domestic users of such cotton, notwithstanding any other provision of law, the Commodity Credit Corporation, under such rules and regulations as the Secretary may prescribe, is authorized and directed for the period beginning with the date of enactment of this section and ending July 31, 1966, to make payments through the issuance of payment-in-kind certificates to persons other than producers in such amounts and subject to such terms and conditions as the Secretary determines will eliminate inequities due to differences in the cost of raw cotton between domestic and foreign users of such cotton, including such payments as may be necessary to make raw cotton in inventory on the date of enactment of this section available for consumption of prices consistent with the purposes of this section: Provided, That for the period beginning August 1 of the marketing year for the first crop for which price support is made available under section 103(b) of the Agricultural Act of 1949, as amended, and ending July 31, 1968, such payments shall be made in an amount which will make upland cotton produced in the United States available for domestic use at a price which is not in excess of the price at which such cotton is made available for export."

SEC. 102. Section 385 of the Agricultural Adjustment Act of 1938, as amended, is amended by adding at the end thereof the following: "This section also shall be applicable to payments provided for under section 348 of this title."

SEC. 103. (a) Section 104 of the Agricultural Act of 1949, as amended, is amended by adding the following new subsection:

"(c) The Secretary of Agriculture is hereby authorized and directed to conduct a special cotton research program designed to reduce the cost of producing upland cotton in the United States at the earliest practicable date. There are hereby authorized to be appropriated such sums, not to exceed \$10,000,000 annually, as may be necessary for the Secretary to carry out this special research program. The Secretary shall report annually to the Committee on Agriculture of the House of Representatives and to the Committee on Agriculture and Forestry of the Senate with respect to the results of such research."

(b) Section 103 of the Agricultural Act of 1949, as amended, is amended (1) by inserting "(a)" before the first sentence thereof; (2) by changing the period at the end of the second sentence thereof to a colon and adding the following: "Provided, That the price support for the 1964 crop shall be a national average support price which reflects 30 cents per pound for Middling one-inch cotton."; and (3) by adding at the end of such section the following new subsections:

"(b) If producers have not disapproved marketing quotas, the Secretary shall provide additional price support on the 1964 and 1965 crops of upland cotton to cooperators on whose farms the acreage planted to upland cotton for harvest does not exceed the farm domestic allotment established under section 350 of the Agricultural Adjustment Act of 1938, as amended. Such additional support shall be at a level up to 15 per centum in excess of the basic level of support established under subsection (a) and shall be provided on the normal yield of the acreage planted for harvest within the farm domestic allotment.

"(c) In order to keep upland cotton to the maximum extent practicable in the normal channels of trade, any additional price support under subsection (b) of this section may be carried out through the simultaneous purchase of cotton at the support price therefor under subsection (b) and the sale of such cotton at the support price therefor under subsection (a) or similar operations, including loans under which the cotton would be redeemable by payment of the amount for which the cotton would be redeemable if the loan thereon had been made at the support price for such cotton under subsection (a), or payments-in-kind through the issuance of certificates which the Commodity Credit Corporation shall redeem for cotton under regulations issued by the Secretary. If such additional support is provided through the issuance of payment-in-kind certificates, such certificates shall have a value per pound of cotton equal to the difference between the level of support established under subsection (a) and the level of support established under subsection (b). The corporation may, under regulations prescribed by the Secretary, assist the producers and persons receiving payment-in-kind certificates under this section and section 348 of the Agricultural Adjustment Act of 1938, as amended, in the marketing of such certificates at such time and in such manner as the Secretary determines will best effectuate the purposes of the program authorized by this section and such section 348. In the case of any certificate not presented for redemption within thirty days of the date of its issuance, reasonable

costs of storage and other carrying charges as determined by the Secretary for the period beginning thirty days after its issuance and ending with the date of its presentation for redemption shall be deducted from the value of the certificate."

(c) Section 401(b) of the Agricultural Act of 1949, as amended, is amended by striking in the second sentence thereof before "(8)" the word "and", changing the period at the end thereof to a comma and adding the following: "and (9), in the case of upland cotton, changes in the cost of producing such cotton".

Sec. 104. Section 407 of the Agricultural Act of 1949, as amended, is amended by inserting after the first proviso in the third sentence thereof the following: "Provided further, That beginning August 1, 1964, the Commodity Credit Corporation may sell upland cotton for unrestricted use at not less than 105 per centum of the current loan rate for such cotton under section 103(a) plus reasonable carrying charges."

Sec. 105. The Agricultural Adjustment Act of 1938, as amended, is amended by adding a new section as follows:

"Sec. 350. In order to provide producers with a choice program of reduced acreage and higher price support, the Secretary shall establish for each farm for the 1964 and 1965 crops of upland cotton a farm domestic allotment in acres. The farm domestic allotment shall be the percentage which the national domestic allotment is of the national acreage allotment established under section 344(a) applied as a percentage of the smaller of (1) the farm acreage allotment established under section 344, or (2) the higher acreage actually planted or regarded as planted on the farm (excluding acreage regarded as planted under sections 344(m)(2) and 377) in the two years preceding the year for which such allotment is established: Provided, That any farm planting 90 per centum or more of the allotment shall, for the purpose of (2) above, be considered as having planted the entire farm allotment: Provided further, That, except for farms the acreage allotments of which are reduced under section 344(m), the farm domestic allotment shall not be less than the smaller of 15 acres or the farm acreage allotment established under section 344, but this proviso shall be applicable to the 1964 crop without regard to the exception stated herein. The national domestic acreage allotment for any crop shall be that acreage, based upon the national average yield per acre of cotton for the four years immediately preceding the calendar year in which the national acreage allotment is proclaimed, required to make available from such crop an amount of upland cotton equal to the estimated domestic consumption for the marketing year for such crop. The Secretary shall proclaim the national domestic acreage allotment for the 1964 crop not later than April 1, 1964, and for each subsequent crop not later than December 15 of the calendar year preceding the year in which the crop is to be produced."

Sec. 106. The Agricultural Adjustment Act of 1938, as amended, is amended as follows:

(1) The following new section is added to the Act:

"Sec. 349. (a) The acreage allotment established under the provisions of section 344 of this Act for each farm for the 1964 crop may be supplemented by the Secretary by an acreage equal to such percentage, but not more than 10 per centum, of such acreage allotment as he determines will not increase the carryover of upland cotton at the beginning of the marketing year for the next succeeding crop above one million bales less than the carryover on the same date one year earlier, if the carryover on such earlier date exceeds eight million bales. For the 1965 crop, the Secretary may, after such hearing and investigation as he finds necessary, announce an export market acreage which he finds will not increase the carryover of upland cotton at the beginning of the marketing year for the next succeeding crop above one million bales less than the carryover on the same date one year earlier, if the carryover on such earlier date exceeds eight million bales. Such export market acreage shall be apportioned to the States on the basis of the State acreage allotments established under section 344 and apportioned by the States to farms receiving allotments under section 344, pursuant to regulations issued by the Secretary, after considering applications for such acreage filed with the county Committee of the county in which the farm is located. The 'export market acreage' on any farm shall be the number of acres, not exceeding the maximum export market acreage for the farm established pursuant to this subsection, by which the acreage planted to cotton on the farm exceeds the farm acreage allotment. For purposes of sections 345 and 374 of this Act and the provisions of any law requiring compliance with a farm acreage allotment as a condition of eligibility for price support or payments under any farm program, the farm acreage allotment for farms with export market acreage shall be the sum of the farm acreage allotment established under section 344 and the maximum export market acreage. Export market acreage shall be in addition to the county, State, and National acreage allotments and shall not be taken into account in establishing future State, county, and farm acreage allotments.

The provisions of this section shall not apply to extra-long-staple cotton or to any farm which receives price support under section 103(b) of the Agricultural Act of 1949, as amended.

"(b) The producers on any farm on which there is export market acreage or the purchasers of cotton produced thereon shall, under regulations issued by the Secretary, furnish a bond or other undertaking prescribed by the Secretary providing for the exportation, without benefit of any Government cotton export subsidy and within such period of time as the Secretary may specify, of a quantity of cotton produced on the farm equal to the average yield for the farm multiplied by the export market acreage as determined pursuant to regulations issued by the Secretary. The bond or other undertaking given pursuant to this section shall provide that, upon failure to comply with the terms and conditions thereof, the person furnishing such bond or other undertaking shall be liable for liquidated damages in an amount which the Secretary determines and specifies in such undertaking will approximate the amount payable on excess cotton under section 346(a). The Secretary may, in lieu of the furnishing of a bond or other undertaking, provide for the payment of an amount equal to that which would be payable as liquidated damages under such bond or other undertaking. If such bond or other undertaking is not furnished, or if payment in lieu thereof is not made as provided herein, at such time and in the manner required by regulations of the Secretary, or if the acreage planted to cotton on the farm exceeds the farm acreage allotment established under the provisions of section 344 by more than the maximum export market acreage, the farm acreage allotment shall be the acreage so established under section 344. Amounts collected by the Secretary under this section shall be remitted to the Commodity Credit Corporation and used by the Corporation to defray costs of encouraging export sales of cotton under section 203 of the Agricultural Act of 1956, as amended."

(2) Section 376 of the Act is amended by adding at the end thereof the following: "This section also shall be applicable to liquidated damages provided for pursuant to section 349 of this title."

(3) Subsection (f) (8) of section 344 of the Act is amended by inserting after the language "75 per centum of the farm allotment for such year" the following: "or, in the case of a farm which qualified for price support on the crop produced in such year under section 103(b) of the Agricultural Act of 1949, as amended, 75 per centum of the farm domestic allotment established under section 350 for such year, whichever is smaller."

(4) Section 377 of the Act is amended by inserting in the first proviso after the language "75 per centum or more of the farm acreage allotment for such year" the following: "or, in the case of upland cotton on a farm which qualified for price support on the crop produced in any such year under section 103(b) of the Agricultural Act of 1949, as amended, 75 per centum of the farm domestic allotment established under section 350 for any such year, whichever is smaller".

(5) Subsection (b) (13) (B) of section 301 of the Act is amended by deleting the words "cotton or".

(6) Subsection (b) (13) (G) of section 301 of the Act is amended by deleting "cotton," wherever it appears.

(7) Subsection (b) (13) of section 301 of the Act is amended by adding after subparagraph (G) new subparagraphs as follows:

"(H) 'Normal yield' for any county, for any crop of cotton, shall be the average yield per acre of cotton for the county, adjusted for abnormal weather conditions and any significant changes in production practices during the five calendar years immediately preceding the year in which the national marketing quota for such crop is proclaimed. If for any such year the data are not available, or there is no actual yield, an appraised yield for such year, determined in accordance with regulations issued by the Secretary, shall be used as the actual yield for such year.

"(I) 'Normal yield' for any farm, for any crop of cotton, shall be the average yield per acre of cotton for the farm, adjusted for abnormal weather conditions and any significant changes in production practices during the three calendar years immediately preceding the year in which such normal yield is determined. If for any such year the data are not available, or there is no actual yield, then the normal yield for the farm shall be appraised in accordance with regulations of the Secretary, taking into consideration abnormal weather conditions, the normal yield for the county, changes in production practices, and the yield in years for which data are available."

(8) Subsection (n) of section 344 of the Act is amended—

(A) by striking out the first sentence of such subsection and inserting in lieu thereof the following: "Notwithstanding any other provision of this Act, if the Secretary determines for any year that because of a natural disaster a portion of

the farm cotton acreage allotments in a county cannot be timely planted or replanted in such year, he may authorize for such year the transfer of all or a part of the cotton acreage allotment for any farm in the county so affected to another farm in the county or in an adjoining county on which one or more of the producers on the farm from which the transfer is to be made will be engaged in the production of cotton and will share in the proceeds thereof, in accordance with such regulations as the Secretary may prescribe.”; and

(B) by striking out in the proviso in the second sentence of such subsection “1963” and inserting in lieu thereof “any year”.

## TITLE II—WHEAT

SEC. 201. Notwithstanding any other provision of law—

(1) the Secretary shall not proclaim a national marketing quota for the 1965 crop of wheat and farm marketing quotas shall not be in effect for such crop of wheat;

(2) the Secretary shall proclaim a national acreage allotment for the 1965 crop of wheat which shall be the number of acres which the Secretary determines will make available an adequate supply of wheat, but shall not be less than forty-nine million five hundred thousand acres.

SEC. 202. The Agricultural Adjustment Act of 1938, as amended, is amended as follows:

(1) Section 334(a) is amended by inserting “and less the special acreage reserve provided for in this subsection” in the first sentence after “in this subsection”; by changing the period at the end of the first sentence to a colon and adding the following: “Provided further, That in establishing State acreage allotments, the acreage seeded for the production of wheat plus the acreage diverted for 1965 for any farm shall be the base acreage of wheat determined for the farm under the regulations issued by the Secretary for determining farm wheat acreage allotments for such year.”; and by adding at the end of the section the following:

“There shall also be made available, beginning with the 1965 crop, a special acreage reserve of not in excess of one million acres as determined by the Secretary to be desirable for the purposes hereof which shall be in addition to the national acreage reserve provided for in this subsection. Such special acreage reserve shall be used to make additional allotments to counties on the basis of the relative needs of counties, as determined by the Secretary, for additional allotment to make adjustments in the allotments on old wheat farms (i.e., farms on which wheat has been seeded or regarded as seeded to one or more of the three crops immediately preceding the crop for which the allotment is established) on which the ratio of wheat acreage allotment to cropland on the farm is less than one-half the average ratio of wheat acreage allotment to cropland on old wheat farms in the country. Such adjustments shall not provide an allotment for any farm which would result in an allotment-cropland ratio for the farm in excess of one-half of such county average ratio and the total of such adjustments in any county shall not exceed the acreage made available therefor in the county. Such apportionment from the special acreage reserve shall be made only to counties where wheat is a major income-producing crop, only to farms on which there is limited opportunity for the production of an alternative income-producing crop, and only if an efficient farming operation on the farm requires the allotment of additional acreage from the special acreage reserve. For the purposes of making adjustments hereunder the cropland on the farm shall not include any land developed as cropland subsequent to the 1963 crop year.”

(2) Section 334(b) is amended by changing the period at the end thereof to a colon and adding the following: “Provided further, That in establishing county acreage allotments, the acreage seeded for the production of wheat plus the acreage diverted for 1965 for any farm shall be the base acreage of wheat determined for the farm under the regulations issued by the Secretary for determining farm wheat acreage allotments for such year.”

(3) Section 334(c)(1) is amended by inserting “or 1965” in the third sentence, clauses (i) and (ii), after “1958” wherever it appears, and by inserting “except 1965” in the third sentence, clause (iii), after the language “any subsequent year”.

(4) Section 334(g) is amended by inserting “except 1965” in the first sentence after the language “in 1958 or thereafter”.

(5) Section 334 is amended by adding at the end thereof the following new subsection: “(k) Notwithstanding any other provision of this Act, if the Secretary determines that because of a natural disaster a portion of the farm wheat acreage allotments in a county cannot be timely planted or replanted, he may authorize the transfer of all or a part of the wheat acreage allotment for any farm in the county so affected to another farm in the county or in an adjoining county on which one or more of the producers on

the farm from which the transfer is to be made will be engaged in the production of wheat and will share in the proceeds thereof, in accordance with such regulations as the Secretary may prescribe. Any farm allotment transferred under this subsection shall be deemed to be planted on the farm from which it was transferred for the purposes of acreage history credits under this Act."

(6) Section 336 is amended by striking out "not later than sixty days after such proclamation is published in the Federal Register" and substituting "not later than August 1 of the calendar year in which such national marketing quota is proclaimed".

(7) Section 339(a)(1) is amended, effective only with respect to the crops planted for harvest in 1964 and 1965, to read as follows:

"(a)(1) As a condition of eligibility for wheat marketing certificates with respect to any farm, the producers on such farm shall be required to divert from the production of wheat to an approved conservation use an acreage of cropland on the farm equal to the number of acres determined by multiplying the farm acreage allotment by the diversion factor, and to participate in any program formulated under subsection (b) to the extent prescribed by the Secretary. Such diversion factor shall be determined by dividing the number of acres by which the national acreage allotment is reduced below fifty-five million acres by the number of acres in the national acreage allotment."

(8) Section 339(b) is amended (1) by inserting after the first sentence the following: "Any producer who complies with his 1964 farm acreage allotment for wheat and with the other requirements of the program shall be eligible to receive payments under the program for the 1964 crop of wheat."; and (2) by inserting in the first sentence "for wheat not accompanied by marketing certificates" after "basic county support rate".

(9) Section 339(h) is amended by striking out "June 30, 1963" and substituting "June 30, 1965".

(10) Section 379b is amended effective only with regard to the crops planted for harvest in 1964 and 1965 to read as follows:

"Sec. 379b. A wheat marketing allocation program as provided in this subtitle shall be in effect for the marketing years for the 1964 and 1965 crops. Whenever a wheat marketing allocation program is in effect for any marketing year the Secretary shall determine (1) the wheat marketing allocation for such year which shall be the amount of wheat he estimates will be used during such year for food products for consumption in the United States and that portion of the amount of wheat which he estimates will be exported in the form of wheat or products thereof during the marketing year on which the Secretary determines that marketing certificates shall be issued to producers in order to achieve, insofar as practicable, the price and income objectives of this subtitle, and (2) the national allocation percentage for such year which shall be the percentage which the national marketing allocation is of the national marketing quota proclaimed for the 1964 crop, less the expected production on the acreage allotments for farms which will not be in compliance with the requirements of the program. Each farm shall receive a wheat marketing allocation for such marketing year equal to the number of bushels obtained by multiplying the number of acres in the farm acreage allotment for wheat by the normal yield of wheat for the farm as determined by the Secretary, and multiplying the resulting number of bushels by the national allocation percentage."

(11) The second sentence of section 379b, effective with respect to the crops planted for harvest in the calendar year 1966 and any subsequent year, is amended by striking out "human consumption in the United States, as food, food products, and beverages, composed wholly or partly of wheat" and substituting "food products for consumption in the United States".

(12) Section 379c(a) is amended by inserting "under section 379c(b) or" after "stored" in the second sentence; by changing the period at the end of the second sentence to a comma and adding the following: "and if this limitation operates to reduce the amount of wheat marketing certificates which would otherwise be issued with respect to the farm, such reduction shall be made first from the amount of export certificates which would otherwise be issued."; and by adding at the end of the section the following: "The Secretary shall, in accordance with such regulation as he may prescribe, provide for the issuance of domestic marketing certificates for the portion of the wheat marketing allocation representing wheat used for food products for consumption in the United States and for the issuance of export marketing certificates for the portion of the wheat marketing allocation used for exports."

(13) Section 379c(b) of the Agricultural Adjustment Act of 1938, as amended, is amended, effective only with respect to the crop planted for harvest in the calendar year 1965, by adding at the end thereof the following: "For purposes of this section, but not for purposes of diversion payments under subsection (b) of section 339, a producer shall be deemed not to have exceeded the farm acreage allotment for wheat if the acreage in excess of the farm acreage allotment does not exceed 50 per centum

of the farm acreage allotment and the amount of wheat produced on the acreage in excess of the farm acreage allotment is stored in accordance with regulations issued by the Secretary. The amount of wheat required to be stored hereunder shall be an amount equal to twice the normal yield of wheat per acre established for the farm multiplied by the number of acres of such crop of wheat on the farm in excess of the farm acreage allotment for such crop unless the producer, in accordance with regulations prescribed by the Secretary and within the time prescribed therein, establishes to the satisfaction of the Secretary the actual production of such crop of wheat on the farm. If such actual production is so established, the amount of wheat required to be stored shall be such actual production less the actual production of the farm wheat acreage allotment based upon the average yield per acre for the entire wheat acreage on the farm: Provided however, That the amount of wheat required to be stored shall not be larger than the amount by which the actual production so established exceeds the normal production of the farm wheat acreage allotment. At the time and to the extent of any depletion in the amount of wheat so stored, except depletion resulting from the release of wheat from storage on account of underplanting or underproduction, as provided below or depletion resulting from some cause beyond the control of the producer, the producer shall pay an amount to the Secretary equal to one and one-half times the value of the wheat marketing certificates issued with respect to the farm for the year in which the wheat on the acreage in excess of the allotment was produced. Whenever the planted acreage of the then current crop of wheat on the farm is less than the farm acreage allotment, the total amount of wheat from any previous crops stored hereunder or stored in order to avoid or postpone a marketing quota penalty shall be reduced by that amount which is equal to the normal production of the number of acres by which the farm acreage allotment exceeds the planted acreage, and whenever the actual production of the acreage of wheat is less than the normal production of the farm acreage allotment, the total amount of wheat from any previous crops stored hereunder or in order to avoid a marketing quota penalty shall be reduced by that amount which together with the actual production of the then current crop will equal the normal production of the farm acreage allotment."

(14) Section 379c(c) is amended to read as follows:

"(c) The Secretary shall determine and proclaim for each marketing year the face value per bushel of wheat marketing certificates. The face value per bushel of domestic certificates shall be the amount by which the level of price support for wheat accompanied by domestic certificates exceeds the level of price support for wheat not accompanied by certificates (noncertificate wheat); and the face value per bushel of export certificates shall be the amount by which the level of price support for wheat accompanied by export certificates exceeds the level of price support for noncertificate wheat."

(15) Section 379d(a) is amended (1) by striking the first and last sentences therefrom, and (2) by striking from the second sentence remaining "by persons other than the producer to whom such certificates are issued" and substituting "by any person".

(16) Section 379d(b) is amended to read as follows:

"(b) During any marketing year for which a wheat marketing allocation program is in effect, (i) all persons engaged in the processing of wheat into food products shall, prior to marketing any such food product or removing such food product for sale or consumption, acquire domestic marketing certificates equivalent to the number of bushels of wheat contained in such product and (ii) all persons exporting wheat shall, prior to such export, acquire export marketing certificates equivalent to the number of bushels so exported. In order to expand international trade in wheat and wheat flour and promote equitable and stable prices therefor, the Commodity Credit Corporation shall, upon the exportation from the United States of any wheat or wheat flour, make a refund to the exporter or allow him a credit against the amount payable by him for marketing certificates, in such amount as the Secretary determines will make United States wheat and wheat flour generally competitive in the world market, avoid disruption of world market prices, and fulfill the international obligations of the United States. The Secretary may exempt wheat exported for donation abroad and other noncommercial exports of wheat and wheat processed for use on the farm where grown from the requirements of this subsection. Marketing certificates shall be valid to cover only sales or removals for sale or consumption or exportations made during the marketing year with respect to which they are issued, and after being once used to cover a sale or removal for sale or consumption or export of a food product or an export of wheat shall be void and shall be disposed of in accordance with regulations prescribed by the Secretary. Notwithstanding the foregoing provisions hereof, the Secretary may require marketing certificates issued for any marketing year to be acquired to cover sales, removals, or exportations made on or after the date during the calendar year in which wheat harvested in such calendar year begins to be marketed as determined by the Secretary even though such wheat is marketed prior to the be-

ginning of the marketing year, and marketing certificates for such marketing year shall be valid to cover sales, removals, or exportations made on or after the date so determined by the Secretary."

(17) Section 379d(d) is amended to read as follows:

"(d) As used in this subtitle, the term 'food products' means flour, semolina, farina, bulgur, beverage, and any other product composed wholly or partly of wheat which the Secretary may determine to be a food product."

SEC. 203. Section 107 of the Agricultural Act of 1949, as amended, is amended to read as follows:

"SEC. 107. Notwithstanding the provisions of section 101 of this Act, beginning with the 1964 crop—

"(1) Price support for wheat accompanied by domestic certificates shall be at such level not less than 65 per centum or more than 90 per centum of the parity price therefor as the Secretary determines appropriate, taking into consideration the factors specified in section 401(b).

"(2) Price support for wheat accompanied by export certificates shall be at such level not more than 90 per centum of the parity price therefor as the Secretary determines appropriate, taking into consideration the factors specified in section 401(b).

"(3) Price support for wheat not accompanied by marketing certificates shall be at such level, not in excess of 90 per centum of the parity price therefor, as the Secretary determines appropriate, taking into consideration competitive world prices of wheat, the feeding value of wheat in relation to feed grains, and the level at which price support is made available for feed grains.

"(4) Price support shall be made available only to cooperators; and, if a commercial wheat-producing area is established for such crop, price support shall be made available only in the commercial wheat-producing area.

"(5) Effective with respect to crops planted for harvest in the calendar year 1966 and any subsequent year, the level of price support for any crop of wheat for which a national marketing quota is not proclaimed or for which marketing quotas have been disapproved by producers shall be as provided in section 101.

"(6) A 'cooperator' with respect to any crop of wheat produced on a farm shall be a producer who (i) does not knowingly exceed (A) the farm acreage allotment for wheat on the farm or (B) except as the Secretary may by regulation prescribe, the farm acreage allotment for wheat on any other farm on which the producer shares in the production of wheat, and (ii) complies with the land-use requirements of section 339 of the Agricultural Adjustment Act of 1938, as amended, to the extent prescribed by the Secretary. Effective with respect to crops planted for harvest in the calendar year 1966 and any subsequent year, if marketing quotas are not in effect for the crop of wheat, a 'cooperator' with respect to any crop of wheat produced on a farm shall be a producer who does not knowingly exceed the farm acreage allotment for wheat. No producer shall be deemed to have exceeded a farm acreage allotment for wheat if the entire amount of the farm marketing excess is delivered to the Secretary or stored in accordance with applicable regulations to avoid or postpone payment of the penalty, but the producer shall not be eligible to receive price support on such marketing excess. No producer shall be deemed to have exceeded the farm acreage allotment for wheat on any other farm, if such farm is exempt from the farm marketing quota for such crop under section 335. No producer shall be deemed to have exceeded a farm acreage allotment for wheat if the production on the acreage in excess of the farm acreage allotment is stored pursuant to the provisions of section 379c(b), but the producer shall not be eligible to receive price support on the wheat so stored."

SEC. 204. Section 407 of the Agricultural Act of 1949, as amended, is amended, effective only with respect to the marketing years beginning in the calendar years 1964 and 1965, by striking the second proviso from the third sentence, and substituting: "Provided further, That if a wheat marketing allocation program is in effect, the current support price for wheat shall be the support price for wheat not accompanied by marketing certificates."

Amend the title so as to read: "An Act to encourage increased consumption of cotton, to maintain the income of cotton and wheat producers, to provide a voluntary marketing certificate program for the 1964 and 1965 crop of wheat, and for other purposes."

Passed the House of Representatives December 4, 1963.

Attest:

RALPH R. ROBERTS,

Clerk.

Passed the Senate with amendments March 6 (legislative day, February 26), 1964.

Attest:

FELTON M. JOHNSTON,

Secretary.

## FARM BUREAU RECOMMENDATIONS

We believe a sound and lasting solution to the cotton problem must:

- (1) Make cotton competitive in world markets.
- (2) Allow cotton to compete favorably in the domestic market without compensatory payments being used.
- (3) Cost the taxpayers much less.
- (4) Permit and encourage increased efficiency in cotton production.
- (5) Be built on a firm, sound, economic foundation that will reestablish permanent confidence in the cotton industry so that long-range plans can be made, leading to increased utilization of U.S. cotton both at home and abroad on a lasting basis.

In order to achieve these objectives, we will support legislation to amend the 1958 act as it relates to cotton to do the following:

(1) Set up an expanded, well-planned research program for cotton designed to reduce the cost of producing cotton. We believe such a program could very rapidly make great strides in reducing the unit cost of producing cotton and would get at the very heart of our trouble in making it possible to be competitive.

(2) Set price supports on upland cotton at 90 percent of the previous 3-year average market price; with the provision that the support rate shall not be less than 30 cents per pound for 1964 only and shall not be less than 60 percent of parity in any year.

(3) Continue all the other provisions of the 1958 act as it applies to cotton. These include the prohibition against selling CCC stocks of upland cotton for unrestricted use at not less than 115 percent of the loan rate, and the provision for expanding allotments as cotton consumption increases. The export program provided for in section 203 of the Agricultural Act of 1956 which requires that "Such quantities of cotton shall be sold as will reestablish and maintain the fair historical share of the world market for U.S. cotton," would also be continued.

A bill that would carry out the above recommendations for a sound cotton program is attached for your careful study and we hope action.

In addition to the recommendations made above, Farm Bureau policy also calls for action to protect our domestic cotton textile industry, through import restrictions, until our program for cotton becomes fully effective and such protection is no longer needed. This could be done through an import equalization fee equal to the difference between the price at which upland cotton is available for domestic use and the price at which CCC makes such cotton available for export.

We recognize that this objective could be achieved by action of the executive branch of Government under existing law; and also that any new legislation to impose an import fee would have to originate with the House Ways and Means Committee. Nonetheless, we want to make clear our support for action necessary to deal effectively with the cotton textile import problem—to the extent that continuation of export subsidies on raw cotton causes or threatens injury to the domestic textile industry.

## CONCLUSION

By adopting our recommendation, the Congress would be moving in the direction of a one-price system; it would reassure all segments of the cotton industry that we are embarking on a policy of expanded markets for cotton; it would serve notice both at home and abroad that we intend to compete for these markets. At the same time we would save the taxpayers of the United States hundreds of millions of dollars each year by avoiding the trap of compensatory payments.

In reducing the direct subsidies now being made or proposed to be made and—more importantly—by restoring the market price system for cotton, such a program would return us to a consumption level that prevailed in 1959-60 or higher. It would encourage cotton producers to adopt improved technology in an effort to reduce their unit cost of production in order to be more competitive. In other words, it would restore and revitalize confidence in the total industry.

[S. —, 88th Cong., 2d sess.]

A BILL To provide price supports for the 1964 and subsequent crops of upland cotton

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled.* That effective with the 1964 crop of cotton, Section 103 of the Agricultural Act of 1949, as amended (7 U.S.C. 1444, 63 Stat. 1051), is amended to read as follows:

"Sec. 103 (a) Notwithstanding the provision of Section 101 of this Act, the price support to cooperators for each crop of upland cotton, beginning with the 1964 crop, for which producers have not disapproved marketing quotas, shall be (1) 90 per centum of the average price received by farmers during the three calendar years immediately preceding the calendar year in which the marketing year for such crop begins, or (2) 60 per centum of the parity price therefor, whichever is higher: *Provided*, That the level of price support for the 1964 crop of upland cotton shall not be less than 30 cents per pound for middling inch. Price supports in the case of non-cooperators and in case marketing quotas are disapproved shall be as provided in Section 101 (d) (3) and (5).

"(b) The Secretary of Agriculture is hereby authorized and directed to conduct a special cotton research program designed to reduce the cost of producing upland cotton in the United States at the earliest practicable date. There are hereby authorized to be appropriated such sums, not to exceed \$10,000,000 annually, as may be necessary for the Secretary to carry out this special research program. The Secretary shall report annually to the Committee on Agriculture of the House of Representatives and to the Committee on Agriculture and Forestry of the Senate with respect to the results of such research."

COTTON PRODUCERS LEGISLATIVE COMMITTEE,

*Washington, D.C., February 10, 1964.*

HON. ALLEN J. ELLENDER,  
*Chairman, Committee on Agriculture and Forestry,  
U.S. Senate, Washington, D.C.*

DEAR SENATOR ELLENDER: Efforts which you and the Senate Committee on Agriculture are making to secure prompt legislation to meet cotton's problems are greatly appreciated by the Cotton Producers Legislative Committee.

This letter is submitted in keeping with your announcement that the record concerning cotton legislation would be kept open for a short period to receive views which could not be presented orally.

The CPLC is a newly formed federation of 17 cotton producer associations (list attached) from across the entire belt accounting for well over half of the annual crop.

Members of these organizations supporting the Cotton Producers Committee represent more than 6.5 million bales of production annually.

We recommend that the House-passed bill, H.R. 6196, be used to meet the acute need for legislation applicable to the 1964 crop. The CPLC favors the principles of that bill with certain modifications.

The producers committee proposes specifically that H.R. 6196 be modified to include authority for a domestic allotment-choice program that would be applicable to the 1964, 1965, 1966, and 1967 crops. This would provide for a voluntary domestic acreage allotment within the present national acreage allotment. Small growers having allotments of 10 acres or less would receive special protection. The domestic acreage allotment would reflect estimated domestic consumption and would be about two-thirds of the effective farm allotments established under current legislation and under H.R. 6196.

Producers who choose to plant within this domestic allotment would receive a higher rate of price support not in excess of 15 percent above the basic support rate on the normal production of the acreage planted to cotton. The higher support would be effected through the use of accumulated Commodity Credit Corporation stocks.

Producers who plant on the basis of a domestic allotment would maintain their farm acreage history as under present law. To protect the income of small growers, the domestic allotment for small cotton farms should be established as the smaller of 10 acres or the basic allotment: thus, small producers will receive the higher support without a reduction in acres.

As you will note, this proposal is similar to the choice plan provided in the Agricultural Act of 1958 which was in effect for the 1959 and 1960 crop years except that it operates in reverse. Under our recommendation, however, there is every opportunity to reduce the surplus cotton stocks now held by the Commodity Credit Corporation.

The basic level of price support would be 30 cents in 1964 for Middling 1-inch, and would be implemented as at present. In future years, the level of price support would be adjusted upward or downward from the preceding year in relation to changes in costs of production.

The producers committee urges full equalization of the costs of cotton to domestic and foreign mills at the earliest possible date.

Anything less than full equalization will not ward off future increases in textile imports.

Anything less than full equalization will not stem cotton's market losses to competing fibers and restore the confidence in cotton so necessary to a high rate of consumption.

Full equalization may have to be attained in two stages. Beginning with the date of enactment of such legislation, we suggest that the Secretary of Agriculture be authorized to make payments in kind to persons other than producers at a rate he determines adequate. Beginning August 1 of the first crop year for when the domestic allotment-choice program is in effect, such payments in kind should be in an amount that would make American cotton available to American mills at the same price that it is made available for export to foreign mills. With a basic price support rate at 30 cents, a consumption increase or trade incentive payment in kind at a level of 6½ cents would make an effective mill and export price of 23½ cents per pound.

The type of program we recommend should increase the total use of cotton and reduce Commodity Credit Corporation stocks to the extent that the Secretary of Agriculture could be authorized to make a small, pilot-scale export market acreage option available to producers if the production from such acreage would not add to domestic stocks. Cotton produced on such export acreage would be sold in world markets without substitution for domestic use, and would be ineligible for price support. It would necessarily be exported without cost to the Government. It would earn needed dollars abroad. Export acreage would not count for purposes of establishing future State, county, and farm cotton allotments.

Cotton growers should have an opportunity—an export market choice—to find out if some can produce cotton profitably at world prices. This added choice for U.S. growers could do much to stabilize world levels of cotton production and increase U.S. export volume in the future.

Current provisions of law applicable to cotton allotment acreage release and reapportionment would not be changed.

Marketing quotas and a grower referendum would be continued.

The proposals of the cotton producers legislative committee would provide an economic climate in which growers would obtain reasonable levels of income through the market.

These proposals would provide special recognition of the income problems on small farms as in current legislation.

These proposals would expand markets for cotton producers through full elimination of the inequities of the two-price system—full equalization of costs of cotton to domestic and foreign mills.

The small-scale export market proposal would provide a third choice. It would let the grower test, if he wants to, the profitability of production at world prices on his farm without cost to the Government and without the cotton being salable in domestic markets.

We urge your favorable consideration of these proposals and their early acceptance by the Senate Committee on Agriculture and Forestry.

The cotton producers legislative committee, with offices at 1025 Connecticut Avenue NW., Room 511, Washington, D.C., would welcome the opportunity to work with you and your staff in developing sound cotton legislation.

Respectfully submitted.

C. B. RAY, *Chairman.*

## RECOMMENDATIONS OF THE DEPARTMENT OF AGRICULTURE ON COTTON LEGISLATION

DEPARTMENT OF AGRICULTURE,  
Washington, D.C., February 20, 1964.

HON. ALLEN J. ELLENDER,  
Chairman, Committee on Agriculture and Forestry,  
U.S. Senate.

DEAR MR. CHAIRMAN: This is in response to your request for a report on the cotton provisions which were agreed to by the Committee on Agriculture and Forestry, U.S. Senate, on February 19, 1964, in the proposed amendment in the nature of a substitute for the text of H.R. 6196. The provisions of the committee amendment relating to cotton may be summarized, as follows:

1. Section 101 would add a new section 348 to the Agricultural Adjustment Act of 1938, as amended, to authorize the Commodity Credit Corporation to make payments through the issuance of payment-in-kind certificates to persons other than producers in such amounts as the Secretary of Agriculture determines will eliminate inequities due to differences in cost of raw upland cotton between domestic and foreign users of such cotton. Such payments would be made beginning with the date of enactment of this section and ending July 31, 1968. Beginning August 1 of the marketing year for the first crop for which price support is made available under section 103(b) of the Agricultural Act of 1949, as amended, and ending July 31, 1968, the payment to eliminate the inequity would be made in an amount which would make upland cotton produced in the United States available for domestic use at a price not in excess of the price at which such cotton is made available for export.

2. Section 103, would add subsection (c) to section 104 of the Agricultural Act of 1949, as amended, to authorize the Secretary to conduct a special cotton research program designed to reduce the cost of producing cotton and to authorize appropriations not to exceed \$10 million annually for such program.

3. Paragraph (6) of section 103 would amend section 103 of the Agricultural Act of 1949, as amended, to provide a basic price-support rate for the 1964 crop of 30 cents, Middling 1-inch. Additional price support for the 1964 through 1967 crops would be made available to cooperators who plant upland cotton for harvest within the farm domestic allotment established under section 350 of the Agricultural Adjustment Act of 1938, as amended. Such additional support would be not in excess of 15 percent of the basic price support level in effect for the crop and would be available on the normal yield of the acreage planted for harvest within the farm domestic allotment. For 1965 and succeeding crops, the basic price-support level would be established at not less than 65 percent and not more than 90 percent of the parity price for cotton, with the Secretary taking into consideration the factors specified in section 401(b) of the Agricultural Act of 1949, as amended. Section 103(c) of the committee amendment would add the cost of producing cotton to the several factors contained in the aforesaid section 401(b).

4. Section 104 would amend section 407 of the Agricultural Act of 1949, as amended, to authorize sales of upland cotton from CCC stocks for unrestricted use beginning August 1, 1964, at not less than 105 percent of the current basic loan rate plus reasonable carrying charges.

5. Section 105 would add section 350 to the Agricultural Adjustment Act of 1938, as amended, under which the Secretary would establish a farm domestic allotment for each farm for the 1964 through the 1967 crops of upland cotton. The farm domestic allotment would be the percentage which the national domestic allotment is of the national acreage allotment under section 344(a) applied as a percentage of the smaller of the current farm allotment established under section 344 or the higher planted acreage (including acreage regarded as planted under conservation programs) in the 2 preceding years. For purposes of this provision relating to utilization of the farm allotment in the 2 preceding years, the planting of 90 percent or more of the allotment would be deemed a planting of the entire allotment. A minimum domestic allotment for farms from which no acreage is released for 1965, 1966, or 1967 would be the smaller of 15 acres or the farm acreage allotment for each year. Minimum domestic allotments would be established for 1964 at the smaller of 15 acres or the farm acreage allotment even though some acreage may have been released from the farm. The national domestic allotment would be the acreage required, on the basis of the national yield per acre for the 4 preceding years, to make available from such crop an amount of cotton equal to the estimated domestic consumption of upland cotton for the marketing year for such crop. The Secretary would be required to proclaim the national domestic acreage allotment for the

1964 crop later than April 1, 1964. For the 1965, 1966, and 1967 crops, the proclamation would be made not later than December 15 preceding the year in which the crop is to be produced.

6. Paragraph (1) of section 106 would add section 349 to the Agricultural Adjustment Act of 1938, as amended. Section 349(a) would authorize the Secretary to supplement the farm acreage allotment established under section 344 for the 1964 crop of upland cotton by up to 10 percent thereof upon a determination that such export market acreage will not increase carryover at the beginning of the marketing year for the next crop above 1 million bales less than the carryover 1 year earlier, if the carryover on such earlier date was more than 8 million bales. For the 1965, 1966, and 1967 crops, the same requirements as to carryover would be in effect, but the amount of export market acreage made available for planting would be left to the determination of the Secretary. The amount so determined would be apportioned to States on the basis of State acreage allotments for such crop and apportioned under regulations issued by the Secretary to farms taking into consideration applications for such acreage filed with county committees. Export market acreage would be in addition to county, State, and National acreage allotments and the planting of such acreage would not create acreage history for purposes of future allotments. A farm on which additional price support is received on the basis of planting within the farm domestic allotment would not be eligible to plant export market acreage.

Regulations would prescribe procedures which would assure the exportation of a quantity of cotton produced on the farm equal to the average yield per acre for the farm multiplied by the export market acreage. The procedures would require the furnishing of a bond or other undertaking providing for the exportation of such cotton without benefit of any Government cotton export subsidy. In case of failure to export such cotton, liquidated damages would be payable to the Commodity Credit Corporation at a rate per pound approximately equal to the marketing penalty on excess cotton under section 346(a) of the Agricultural Adjustment Act of 1938, as amended.

7. Paragraph (3) of section 106(b) would amend section 344(f)(8) of the Agricultural Adjustment Act of 1938, as amended, to permit a producer who participates in the domestic allotment program to protect his farm cotton allotment base by planting at least 75 percent of the farm domestic allotment.

8. Paragraph (4) of section 106(b) would amend section 377 of the Agricultural Adjustment Act of 1938, as amended, to permit a producer who participates in the domestic allotment program to protect his farm acreage history for upland cotton by planting at least 75 percent of the farm domestic allotment.

9. Paragraphs (5), (6), and (7) of section 106(b) would delete the definitions of farm and county normal yields from section 301(b) of the Agricultural Adjustment Act of 1938, as amended, and establish new definitions therefor. The county normal yield would be the average yield per acre, adjusted for abnormal weather conditions and any significant changes in production practices, during the 5 calendar years preceding the year in which the national marketing quota for the crop is proclaimed. The farm normal yield would be the average yield per acre, adjusted for abnormal weather conditions and any significant changes in production practices, during the 3 years preceding the year in which the determination is made.

The cotton industry in the United States is faced with many serious problems which cannot be resolved under present legislation. The price of our cotton for domestic use is much higher than its price for export; hence, our cotton mills must pay substantially more for cotton than their foreign competitors. This encourages increased usage by domestic mills of synthetic fibers, particularly rayon. Another serious problem for U.S. mills is the importation of cotton products, which has increased to new high levels in recent years. In 1960, for the first time since cotton manufacturing became a major industry in the United States, imports of cotton products exceeded exports.

Our stocks of cotton have risen to burdensome levels in the past 2 years. Domestic mill consumption and exports were at low levels during the 1962-63 marketing year, and about 3 million bales were added to the carryover. Further deterioration in the supply situation has occurred this marketing year, even though total offtake is expected to be well above 1962-63. The record yield per acre from the 1963 crop was largely responsible. This yield was 524 pounds per acre, compared with the highest previous yield of 466 pounds in 1958. Thus, the carryover will be up about 2 million bales on August 1, 1964, above the amount on hand a year earlier. Under current estimates the carryover this coming August 1 will be nearly 13 million bales, of which about 10 million bales will be held by the Commodity Credit Corporation.

New legislation is needed in order to (1) eliminate the inequity of the two-price system under which domestic mills must pay substantially higher prices for cotton than foreign mills, (2) enable cotton to meet the price competition of synthetic fibers, (3) reduce Government expenditures for the cotton program, (4) reduce excessive stocks of cotton, and (5) maintain cotton producer income.

The committee amendment would authorize changes in present programs which would bring immediate relief in some problem areas and permit steady progress toward achieving the five objectives set forth above. We believe that this proposal represents the best practical prospect for legislation to meet the problems of the cotton industry, and we recommend its enactment.

The provisions of the committee amendment on cotton are generally in accord with the proposal of the Cotton Producers Legislative Committee which the Department supported in its testimony before your committee on February 11, 1964. However, the committee's change from 10 acres to 15 acres in the provisions relating to the minimum acreage for farm domestic allotments will substantially decrease the reduction in expenditures which this proposal will achieve in comparison with the provisions of existing law.

There are attached four tables which show basic data for cotton under present law, under H.R. 6196 as approved by the House of Representatives, and under the committee amendment. You will note that under the domestic allotment-choice plan a substantial reduction in carryover is estimated, the cost of the program is less than other proposals designed to achieve comparable results, including programs under existing law, and net farm income is at a favorable level. According to the Department's projections as reflected in these tables, expenditures for the cotton program under the committee's proposal would be lower than under existing law by the following amounts: In fiscal year 1965, \$118 million; in fiscal year 1966, \$126 million; in fiscal year 1967, \$225 million; and in fiscal year 1968, \$327 million.

*Upland cotton—Basic data for current legislation, H.R. 6196 as passed by the House and as amended by the Senate committee*

Item	Current legislation		H.R. 6196, Cooley bill	
			As passed by the House	As amended by the Senate committee
	1963 crop	1964 crop	1964 crop	1964 crop
Acreage (thousands):				
Allotted.....	16,250	16,200	16,200	16,200
Soil bank, conservation reserve.....	586	413	413	413
Planted.....	14,710	14,800	14,800	12,650
Harvested.....	14,113	14,200	14,200	12,150
Yield: Pound per acre harvested.....	524	480	480	508
Domestic allotment (1,000 acres).....				10,800
Supply and utilization (1,000 bales):				
Production.....	15,350	14,200	14,200	12,850
Beginning stocks (including preseason ginning).....	11,000	12,850	12,850	12,850
Imports and city crop.....	100	100	100	100
Domestic disappearance.....	8,400	8,600	9,200	9,600
Exports.....	5,200	5,000	5,000	5,000
Ending stocks.....	12,850	13,550	12,950	11,200
Free stocks (July 31).....	3,000	3,000	3,000	3,500
CCC stocks (July 31).....	9,850	10,550	9,950	7,700
Support price per pound:				
Middling 1-inch.....cents.....	32.47	32.47	30.00	30.00
Average of crop.....do.....	31.72	31.72	29.25	29.25
Producer payment rates or increased support.....do.....			2.47	1 3/5
Effective price:				
Domestic use (average of crop).....do.....	32.00	32.00	26.00	23.00
Export, per pound (average of crops).....do.....	23.50	23.00	23.00	23.00
CCC sales price (unrestricted use) (average of crops).....do.....	36.47	36.47	30.71	30.71
Export payment rate per pound.....do.....	8.5	9.0	6.5	0
Trade incentive rate per pound.....do.....			3.5	6.5
Farm value of production <sup>2</sup> .....million dollars.....	2,456	2,272	2,157	1,997

<sup>1</sup> On domestic allotment.

<sup>2</sup> Including any payment made to producers.

*Upland cotton—Comparison of estimated expenditures under current legislation,  
H.R. 6196 as passed by House and as amended by Senate committee*

[In millions of dollars]

Fiscal year	Current legislation		H.R. 6196, Cooley bill	
			As passed by the House	As amended by the Senate committee
	1963-64	1964-65	1964-65	1964-65
<b>Major items of receipts or expenditures:</b>				
Loans made.....	-1,280	-1,200	-1,018	-405
Loans repaid.....	+250	+304	+280	+207
Sales proceeds.....	+542	+563	+563	+403
Estimated carrying charges, interest, etc.....	-89	-94	-90	-60
Subtotal, price support.....	-577	-427	-265	+145
Export subsidy (100,000 bales).....	-4	-4	-3	0
Cotton products.....	-17	-18	-6	0
Public Law 480.....	-192	-117	-117	-117
Trade incentive payment.....			-161	1 -374
Increase on 1st 15 bales.....			-62	
Price support payments.....				-102
Total major expenditures.....	-790	-566	-614	2, 3-448
Change in CCC stocks (June 30) (from prior year).....	+1,830,000	+700,000	+100,000	-2,150,000

<sup>1</sup> This payment on 9.6 domestic consumption would be only \$312,000,000, balance of payment would be on cotton that would go for export. The additional cotton for export will be purchased from CCC at reduced prices.

<sup>2</sup> Expenditures under H.R. 6196 without the Jones amendment would be \$696,000,000, thus H.R. 6196 as amended by the Senate committee would cost some \$246,000,000 less and still go all the way to a one-price system.

<sup>3</sup> If sufficient export acres were permitted to produce 300,000 bales, this would increase both expenditures and farm income about \$34,000,000.

NOTE.—Does not include the 1-time transition expenditures that could be incurred in 1963-64 or 1964-65 under new legislation.

*Upland cotton—Long-range basic data for current legislation and H.R. 6196 as amended by the Senate committee*

Item	Current legislation			H.R. 6196 as amended by Senate committee		
	1965 crop	1966 crop	1967 crop	1965 crop	1966 crop	1967 crop
<b>Acres (thousands):</b>						
Allotted.....	16,200	16,200	16,200	16,200	16,200	16,200
Soil bank, conservation reserve.....	334	320	300	334	320	300
Planted.....	14,900	15,000	15,100	12,600	12,600	12,700
Harvested.....	14,300	14,400	14,500	12,100	12,100	12,200
Yield: Pounds per acre harvested.....	490	500	510	516	524	528
Domestic allotment (1,000 acres).....				10,800	10,800	10,800
<b>Supply and utilization (1,000 bales):</b>						
Production.....	14,600	15,000	15,400	13,000	13,200	13,400
(Including export market production of).....				(500)	(600)	(700)
Beginning stocks (including pre-season ginning).....	13,550	14,650	16,250	11,200	9,700	8,200
Imports and city crop.....	100	100	100	100	100	100
Domestic disappearance.....	8,600	8,500	8,500	9,600	9,800	10,000
Exports.....	5,000	5,000	5,000	5,000	5,000	5,000
Ending stocks.....	14,650	16,250	18,250	9,700	8,200	6,700
Free stocks (July 31).....	3,000	3,000	3,000	3,500	3,500	3,600
CCC stocks (July 31).....	11,650	13,250	15,250	6,200	4,700	3,100
<b>Support price per pound:</b>						
Middling 1-inch..... cents	32.47	32.47	32.47	30.00	30.00	30.00
Average of crop..... do	31.72	31.72	31.72	29.25	29.25	29.25
Producer payment rates or increased support..... do				3.5	3.5	3.5
<b>Effective price:</b>						
Domestic use (average of crop)..... do	32.00	32.00	32.00	23.00	23.00	23.00
Export, per pound (A-C)..... do	23.00	23.00	23.00	23.00	23.00	23.00
CCC sales price (unrestricted use)..... do	36.47	36.47	36.47	30.71	30.71	30.71
Export payment rate per pound..... do	9.0	9.0	9.0	0	0	0
Trade incentive rate per pound..... do				6.5	6.5	6.5
Farm value of production <sup>1</sup> ..... million dollars	2,336	2,400	2,464	2,019	2,047	2,073

<sup>1</sup> Including any payments made to producers.

*Upland cotton—Long-range comparison of estimated expenditures under current legislation and H.R. 6196 as amended by Senate committee*

[In millions of dollars]

Fiscal year	Current legislation			H.R. 6196 as amended by the Senate committee		
	1965-66	1966-67	1967-68	1965-66	1966-67	1967-68
Major items of receipts or expenditures:						
Loans made .....	-1,280	-1,360	-1,392	-369	-369	-369
Loans repaid .....	+320	+320	+288	+177	+177	+177
Sales proceeds .....	+563	+563	+563	+322	+322	+333
Estimated carrying charges, interest, etc. ....	-105	-119	-157	-48	-37	-24
Subtotal, price support-Export subsidy (100,000 bales) .....	-502	-596	-678	+82	+93	+117
Cotton products .....	-4	-4	-4	0	0	0
Public Law 480 .....	-17	-17	-17	0	0	0
Trade incentive payments .....	-117	-117	-117	-117	-117	-117
Increase on 1st 15 bales .....				1-362	1-366	1-369
Price support payments .....				-117	-119	-120
Total major expenditures .....	-640	-734	-816	2-514	2-509	2-489
Change in CCC stocks (June 30) (from prior year) .....	+1,100,000	+1,600,000	+2,000,000	-1,500,000	-1,500,000	-1,600,000

<sup>1</sup> This payment on domestic consumption would be only \$312,000,000 for 1965-66, \$318,000,000 for 1966-67, and \$325,000,000 for 1967-68, balance of payment would be on cotton that would go for export. The additional cotton for export will be purchased from CCC at reduced prices.

<sup>2</sup> If export acres were not permitted both farm value of production and Government expenditures would be reduced about \$60,000,000, \$70,000,000, and \$80,000,000 for 1965-66, 1966-67, and 1967-68, respectively.

While gross producer income from cotton would be somewhat less under the committee amendment than under H.R. 6196 as it passed the House, net producer income would be somewhat more. In addition, producers choosing the domestic allotment would have the opportunity to earn income from alternative uses of the acreage that would otherwise be devoted to the production of cotton.

With respect to the additional price support for cooperators who choose to plant within their domestic allotments, the enclosed tables assume that this additional support will be 3½ cents a pound making a total price support level of 33½ cents (basis Middling-inch) for cotton of producers who choose the domestic allotment. Of course, this assumption and similar assumptions in the tables, such as the 6½-cent payment rate on cotton for export or domestic consumption, do not represent administrative decisions or commitments that these are the rates which will be established by the Secretary.

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.

NEED FOR INCREASING CONSUMPTION AND PROTECTING FARM INCOME  
FROM COTTON

Mr. WHITTEN. Several members of our subcommittee attended the meeting of your agriculture attachés in Tokyo, along with a member of the staff of the committee. They reported that in Japan the labor costs in the spinning mills is about 20 percent of what it is in the United States. They reported that in Hong Kong the wage rates are even lower than the Japanese rates. So it becomes apparent to me that the price of cotton is certainly not the only factor, and if we are to really protect the American producer, some action is going to have to be taken on section 22.

Is there any further comment you would care to make as to what your proposals will do, so far as increasing consumption or protecting farm income from cotton?

Secretary FREEMAN. You have very properly—and from a much broader experience and background than I can command—defined this situation and your remarks also dramatize its complexity.

In this instance, the question of whether cotton domestically at world price will halt the substitution of synthetic fibers is, as the chairman said, something about which there is not common agreement. If we have an increase in domestic consumption of nearly 2 million bales, if we are able to maintain our exports at 5 to 6 million bales, and we have been selling competitively, as you know, on bid, we will certainly be in a much healthier position with a 15- to 16-million bale utilization each year.

However, we will soon be producing that amount of cotton and we are going to have to recognize the exploding productivity which is taking place and to gear our production and our offtake accordingly, which I feel confidently we can do. But a lot will turn on the outcome of the cotton producers proposal which is now before the Senate, and which seems to be the only one at this time—to speak very directly from the standpoint of practicality—that stands a chance of enactment.

Mr. WHITTEN. Mr. Secretary, it will probably be some little time before our hearings are printed and any statement here won't cause any complications on that bill.

I think at this point I should ask Mr. Grant in connection with showing on cotton exports, or lack of them, to designate when U.S. cotton was offered competitively.

I happened to serve on this committee in the years where we didn't export any cotton because we didn't try to. When I say try, you don't try when you don't make your price meet that of your competitor. So I do think that designation should be made.

(The information requested concerning the years when cotton was sold competitively on world markets is shown on p. 21.)

#### BEEF IMPORTS

Now, since I have referred to section 22, you were kind enough to call attention to your announcement about persuading Australia and New Zealand to cut down their meat exports to this country.

Would you briefly tell us what was involved in that?

Secretary FREEMAN. In this instance, I am advised by our legal counsel that section 22, in its application, pertains to price-supported commodities. Therefore, since beef is not being supported, although it could be under the law—and I have had no intention at any time of doing so in light of the producers' vigorous opposition to such support—we do not have any authority to impose section 22. With a binding under the Reciprocal Trade Act of a 3-percent tariff in this situation. And in the absence of legislation, we felt that the soundest course of action was to work out with these suppliers into our market, an agreement that would cut back the volume of imports.

This has been done and where the imports had been increasing very, very, sharply in both 1962 and 1963, they will now decrease in 1964

and thereafter there will be a modest increase based upon the growth of the market.

A principle, incidentally, that we are seeking to apply to the Common Market countries in the coming GATT negotiations, where very significant amounts of our own trade are involved, and where we are faced with a danger of a complete shutout of certain critical export items, particularly grain, in those areas.

Therefore, I feel, if I may say so, Mr. Chairman, that this has represented a significant accomplishment in the absence of legislation. The Australians and New Zealanders recognized there was no action that we could take, but they also realized that in the long run, the United States could not continue as the only open market in the world which is a situation we found ourselves in and, therefore, after some very hard bargaining in which we tried to get a lower base—we urged a 5-year base rather than a 2-year base—we finally were able to accomplish a 2-year average base with the figures which are not a matter of record.

I might add this in connection with it, I think we ought to recognize that a relatively small part of the pressure on prices, which dropped sharply in fed steers, was a product of imports. Most of that was the product rather of our own very substantial increase in production, a record in beef, the highest pork production since 1944, the highest poultry production in the history of the Nation. All of these gathered for a tremendous pressure which brought about the price break.

And as such, the imports, while they played a part, a greater part—how great a part is debatable—but the best judgments, after careful analysis, would indicate that of about a \$3.70 price break, about \$0.50 of it was caused by the imports of beef and this is no small amount. But the greatest amount of the beef imported was cow meat with only about 5 percent actually that was directly competitive with the fed steer meat which suffered the greatest price break.

We need, I think, to recognize that here again, the tremendous productivity of American agriculture and relatively low elasticity of demand on the other hand, are constant factors with which we live in this period of adjustment. It is a difficult thing to try to bring about these adjustments and as the chairman well knows, a highly controversial one, whatever course of action you seek to follow.

#### CATTLE POPULATION, PRICES, AND IMPORTS

Mr. WHITTEN. Mr. Secretary, sometimes I think we get “adjusted out” actually. We create the Common Market, and now we are begging them not to freeze us out. We do the same thing in so many areas. I think, in view of your statements, that it would be well at this point in the record to supply figures showing the cattle population for a reasonable period of time, the average price for the general classifications, the amount of imports and the country from which imported where the amount is significant.

(The material referred to follows:)

## U.S. cattle numbers, beef and veal imports, and cattle prices, 1954-63

	Cattle on farms Dec. 31	Beef and veal imports (product weight)	Beef cattle prices <sup>1</sup>
Calendar year:	Million head	Million pounds	Dollars per 100 pounds
1954.....	96.6	130	16.00
1955.....	95.9	124	15.60
1956.....	92.9	117	14.90
1957.....	91.2	248	17.20
1958.....	93.3	619	21.90
1959.....	96.2	722	22.60
1960.....	97.5	513	20.40
1961.....	100.0	690	20.20
1962.....	103.7	968	21.30
1963.....	106.5	1,123	19.85

<sup>1</sup> U.S. average received by farmers.

## Beef and veal.—U.S. imports by country of origin, product weight, calendar years 1957-63

[In thousands of pounds]

Country	1957	1958	1959	1960	1961	1962	1963
Australia.....	5,531	17,715	224,034	144,684	233,878	441,719	517,346
New Zealand.....	50,114	183,672	161,617	130,723	154,447	213,504	235,690
Argentina.....	99,454	216,723	128,573	52,650	65,248	55,912	87,431
Ireland.....	6,544	23,775	41,984	52,763	64,449	70,725	72,997
Mexico.....	13,046	75,032	48,939	39,116	53,384	59,290	72,968
Nicaragua.....		40	5,768	10,127	14,577	15,795	24,504
Canada.....	47,518	53,616	22,564	18,884	32,321	19,361	17,226
Uruguay.....	11,581	9,548	12,945	10,753	14,781	16,126	16,054
Costa Rica.....	805	2,806	9,840	15,355	8,719	8,111	15,162
Guatemala.....					1,927	12,268	14,773
Paraguay.....	5,782	14,385	14,098	9,988	10,081	8,167	12,283
Brazil.....	3,447	13,619	36,007	9,023	16,363	17,206	10,922
Honduras.....		409	1,509	3,391	5,542	9,324	9,336
Denmark.....	700	2,472	3,428	4,536	6,489	7,650	6,146
United Kingdom.....	1,567	20	1,708	2,119	1,317	6,900	3,978
Haiti.....					402	2,765	2,732
Dominican Republic.....	946	4,143	5,369	5,494	3,829	739	13
Others.....	629	1,248	3,965	2,989	1,878	1,833	3,352
Total.....	247,664	619,223	722,348	512,605	689,572	967,515	1,122,913

Mr. WHITTEN. Now, Mr. Secretary, I never have agreed with my good friends in the cattle business, of whom I have many, who say that they don't have any price-support program. I tell them they have the best one in the world, because it is in somebody else's name. Price support on feed is quite definitely a price-support program for livestock and poultry.

Section 32 funds to pay export differentials to export citrus and various and sundry perishables or to buy up surpluses on the domestic markets, so that they won't depress the price, is about the best price-support program I can think of.

The point that I make here is that our whole system is built on the basis of keeping surpluses off the domestic market; your perishable program under section 32, which includes beef, if you see fit to use it is to keep down a surplus.

This is based on the homely illustration we have used many times. If eight automobiles in a given area had to be sold and there were only seven possible buyers, the owner of the eight automobiles would do well to destroy one. In an effort to find an outlet

for that eighth car, with seven buyers, you would run the price of all eight down. So what I am trying to say is that the extra 5 percent of imports can break the back of anything under certain conditions.

In that connection, I ran across the fact recently that some folks in some areas of the country are going to South America and Central America, going into the cattle business there. So I checked to see how they were going and this is what we are doing as a Nation.

#### FOREIGN ASSISTANCE UNDER AID PROGRAM

Under the Foreign Assistance Act of 1961, if the members of this subcommittee, using them as an example, wished to do so, we could get approval to go to South America or Central America, to go in the cattle business. And the Agency for International Development would pay 50 percent of the cost of our trip down there just to look the situation over.

Now, if we didn't go in business, we never would have to repay that. If we went in business, our Government would make loans to the five of us to go down there and go in the cattle business through the AID program, the World Bank, the International Finance Corporation, the Inter-American Development Bank, or the Export-Import Bank.

Then, after we got down there, if we picked a country that had some of this foreign currency on deposit, we could get a local loan.

Then when we went in the cattle business on a big scale, we could send our production back in here for sale on the domestic market—U.S. financed, U.S. promoted, and no restrictions on sending it back.

And then the AID program would guarantee against political risks if somebody else wanted to take over the Government, and would guarantee against some business risks.

Is the Department familiar with that and have we made any protest against it? Do you have any knowledge of how many such loans may have been made, not just in cattle, but in connection with all agricultural commodities of which we have a surplus and where we have difficulty?

Secretary FREEMAN. I am not familiar with the cattle example, which the chairman cites.

#### INVESTIGATION OF MEAT IMPORTS

Mr. WHITTEN. I am quoting from reports that I had orally, plus newspaper stories. May I say at this point, this committee some weeks ago asked our committee investigators to develop and report to us (1) the volume of U.S. imports of livestock, meat, and meat products from Canada, and Australia, New Zealand, Argentina, Brazil, and other major producing countries for the past 10 years; (2) programs and policies of Federal agencies governing imports of livestock, meat, and meat products from abroad, including changes made during this 10-year period; (3) examples of the use of section 22 of the Agricultural Adjustment Act to control such imports or lack of use of such authority; (4) policies and programs of the Federal Government and

agencies such as International Bank involving the furnishing of technical and financial assistance to organizations or individuals in foreign countries for production of livestock, meat, and meat products; (5) names of U.S. citizens or organizations which have gone into livestock production in foreign countries during this period including information on location volume and whether or not U.S. Government loans were involved; (6) the legislative authority for U.S. agencies to engage in such programs and the amount of Federal funds and number of employees engaged in such programs; (7) the U.S. price levels at the farm, wholesale, and retail level of such products during the period and effect of price changes on U.S. livestock producers; (8) the effect of such imports on the use of section 32 funds and on the various farm programs of the United States affecting grain production and marketing.

Now, if they are selling cattle in the United States from these countries, quite definitely somebody here is not going to be using American feed to feed his livestock which is displaced. He can't do it long, to say the least. We have asked for this information in order to follow it up.

#### AID PAMPHLET FOR U.S. BUSINESSMEN

Our Government just to make it easy for our folks to go abroad and ruin us by sending this stuff back, has published a real nice looking pamphlet here and it is headed "U.S. Government Memorandum to Businessmen From State Department, Agency for International Development, Subject: Aid to Business Overseas Investment."

Now, do you have membership on any board or any policymaking group on this matter? Or is Agriculture ignored in connection with this?

Secretary FREEMAN. This pamphlet, I have not seen. As the chairman is well aware, of course, there is a widespread AID program and our efforts in it have been, where agriculture is concerned, to contribute to the national policies and to seek to influence and shape those policies so that the interests of American agriculture will be protected and furthered accordingly.

I might say, Mr. Chairman, that our exports, our agricultural exports have increased very, very rapidly, and much more percentage-wise, for example, than the concessional exports under the food-for-peace program. I think that in the overall, where the AID programs have been successful, I might cite Japan as the outstanding example. The result has been a very significant increase in exports of our own agriculture commodities.

Japan today is the No. 1 agricultural importer from the United States. It was one of these countries that we gave very significant aid to during a period when they were having very, very severe difficulties.

The detailed administration of this program is something I am not familiar with.

Mr. WHITTEN. I realize that you are not familiar with this. Neither was I familiar with it. I knew, as I said, from past experience, and investigations of this committee, that we were busy furnishing tech-

nicians to put ourselves out of business in areas where we were in trouble ourselves.

But now, furnishing technical help is one thing, though I opposed most of that, and have been voting against it for a long, long time. But these are American people with money that we invite to go abroad and go in business and guarantee them against losses over there, when here at home, they would have to take their own risk.

Mr. Secretary, do you know of any way that American agriculture can live with our Government sending folks abroad to go in business to send things back here and guarantee them against risk abroad, but let domestic producers run all the risk here?

Secretary FREEMAN. I would answer that—

Mr. HORAN. I might say these are ones that probably wouldn't go in business at home in this country.

Secretary FREEMAN. Mr. Chairman, I am not prepared to cite specific figures, but in a number of instances, and perhaps I speak a bit selfishly, as one whose responsibilities run to agriculture, that the improvements of the economies in countries which hitherto have been unable to import any American agriculture commodities is almost immediately followed by significant increases in our markets in those countries.

And if we are able to help their economies and to create markets in the process for American agriculture exports, as Secretary of Agriculture, I am actively trying to further our exports and to sweeten our own agriculture economy and to give greater markets to our farm producers.

I think a very strong case can be made in many, many countries that this is what has resulted.

Our exports have climbed very sharply; today agriculture is one of our main dollar earners, and although there are some subnormal factors in this year's trade, it will run close to \$6 billion a year, a very significant increase, and has been climbing steadily.

A part of this climb has been in countries whose economies had been stimulated and perhaps in part by programs that have stimulated investments so that they will be able to afford in turn to purchase American agriculture commodities.

#### U.S. EXPORTS TO NEW ZEALAND AND AUSTRALIA

Mr. WHITTEN. We have two examples here, New Zealand and Australia, that are exporting all this beef to us. What has been the record on our export of agriculture commodities to Australia and New Zealand?

Secretary FREEMAN. I know roughly some, but these are not AID countries. These, Mr. Chairman, as you know—

Mr. WHITTEN. I don't know whether they qualify for this. There may be some restrictions as to what countries. I guess they would not be classified as underdeveloped, so they probably would be excluded.

Secretary FREEMAN. I think so.

Mr. WHITTEN. We might have in the record what the facts are with regard to our export of agriculture commodities to these countries which you list as being exporters of livestock to the United States. (The information referred to follows:)

*Exports under Public Law 480 of agricultural commodities by type of program to selected countries which are principal exporters of meat to the United States, fiscal years 1956-57—1962-63*

[In thousands of dollars]

	Title I	Title II	Title III (foreign donations)	Title III (barter)
Canada:				
1956-57				
1957-58				
1958-59				2,891
1959-60				34
1960-61				
1961-62				420
1962-63				
Mexico:				
1956-57		216	318	3,018
1957-58	15,125		526	2,708
1958-59	9,519		669	2,536
1959-60			841	
1960-61			1,739	363
1961-62			3,450	1,105
1962-63		525	9,000	
Australia:				
1956-57				
1957-58				2,054
1958-59				5,049
1959-60				
1960-61				
1961-62				1,315
1962-63				
Ireland:				
1956-57				3,187
1957-58				838
1958-59				2,158
1959-60				9,451
1960-61				3,231
1961-62				6,011
1962-63				1,779
New Zealand:				
1956-57				
1957-58				
1958-59				9
1959-60				
1960-61				
1961-62				262
1962-63				

*U.S. commercial (dollar) exports of agricultural commodities by commodity groups to selected countries which are principal exporters of meat to the United States, fiscal years 1956-57—1962-63*

[Thousand dollars]

Country and year	Total	Grains and prepa- ra- tions	Cot- ton- exclud- ing linters	To- bacco, un- manu- fac- tured	Vege- table fats and oils	Oil- seeds	Oil- cake and meal (pro- tein meal)	Fruits and prepa- ra- tions	Vege- tables and prepa- ra- tions	Nuts and prepa- ra- tions	Anti- fats and oils	Poul- try and meat	Other meats and prod- ucts	Hides and skins	Dairy prod- ucts	Other
<b>Canada:</b>																
1956-57	373,693	23,005	49,231	1,571	12,923	25,690	12,845	97,990	65,090	4,911	5,229	9,386	6,680	7,635	1,243	50,264
1957-58	345,269	15,463	38,946	2,215	13,500	24,933	7,637	103,793	55,698	5,988	4,183	3,271	8,237	8,282	1,076	52,077
1958-59	351,847	27,535	10,422	2,060	34,033	34,935	13,180	108,469	55,081	6,342	2,312	3,704	9,690	8,680	1,100	57,335
1959-60	410,243	38,076	1,636	1,734	13,276	38,165	13,126	113,288	63,317	6,148	5,682	5,142	12,280	9,251	1,280	59,335
1960-61	454,667	59,379	41,768	1,636	14,360	45,015	11,456	114,550	88,367	6,625	6,025	6,969	21,630	9,416	1,747	55,131
1961-62	520,210	104,938	55,350	1,856	12,324	57,732	16,186	110,165	62,001	5,666	4,383	3,629	18,913	10,252	2,239	54,576
1962-63	517,444	117,444	38,801	1,898	10,600	61,076	20,734	107,066	55,160	5,832	4,953	3,625	28,091	7,316	1,662	53,206
<b>Mexico:</b>																
1956-57	73,066	16,604	1	2,779	1,827	1,413	177	2,059	3,061	1,029	6,320	326	1,167	5,562	1,585	26,156
1957-58	101,910	51,760	3	3,089	4,464	946	793	2,784	6,012	1,700	6,624	440	1,311	1,706	4,430	17,378
1958-59	98,518	4,380	7	4,054	2,579	581	605	3,054	11,554	80	3,788	550	1,545	3,889	5,208	17,644
1959-60	58,223	5,544	14	6,609	774	1,096	1,247	2,907	6,256	145	2,191	306	1,851	6,354	5,361	17,568
1960-61	60,315	7,171	1	4,119	3,814	753	1,662	2,940	6,876	201	2,116	92	1,141	5,500	6,244	17,685
1961-62	52,069	5,208	20	4,606	4,154	831	996	2,689	2,342	354	2,109	244	1,222	3,701	5,949	17,634
1962-63	68,349	22,498	27	5,248	4,688	639	1,104	3,197	3,476	220	1,222	299	1,061	4,392	5,727	18,551
<b>Australia:</b>																
1956-57	34,985		10,998	22,299	370		1		25				4		1	1,287
1957-58	37,337		7,995	25,668	656			5	25						2	3,086
1958-59	27,067		433	23,823	609				27		1				3	2,165
1959-60	31,378		7,638	19,242	773		8	32	350		6	5			6	3,009
1960-61	31,635		77	15,134	1,091	10	398	163	951		18	866	14	248	28	2,458
1961-62	34,045		9,168	13,756	1,692	16	399	370	2,097	422	8	90	14	170	30	5,753
1962-63	31,610		5,558	15,858	1,361	1	763	123	1,262	767	20	94	43	17	33	5,572
<b>Ireland:</b>																
1956-57	12,071	672	564	7,348	144		532	1,527	123	47	231		7	36		840
1957-58	11,564	377	685	7,016			434	1,916	55	159	64			14	4	840
1958-59	14,351	643	176	9,790			401	1,947	145		136		1	28	9	1,075
1959-60	10,346	780	4,996	4,996	1		853	1,909	100	168	36			14	5	530
1960-61	17,743	2,732	444	10,588			271	2,425	79	12	247		23	5	12	904
1961-62	18,053	661	11,148		1		242	2,916	170	69	36	3	4	3	19	1,028
1962-63	32,930	6,257	497	20,572	4		2,007	2,199	335	2	31	1		7	22	906
<b>New Zealand:</b>																
1956-57	6,655	4	4	4,823	108			814	59				1			847
1957-58	7,556	8	5,591	121	121			664	41							1,130
1958-59	8,529	3	6,314	130	130			835	65	(1)						1,182
1959-60	6,145	113	3,887	132				663	69			4		11	3	886
1960-61	8,542	126	5,740	96				1,327	58		3	1	6	29	1	1,145
1961-62	5,876	123	3,298	132				1,803	5		4	2	4	1	3	1,416
1962-63	6,776	126	4,343	151				751	159	25	1	1	10	2	2	1,204

1 Less than \$500.

## COTTON EXPORTS

Mr. MICHEL. Mr. Chairman, I don't know if you put the question earlier, while I stepped out of the room for a few minutes, as to how the Secretary would account, for example, for the decline of cotton sales to Japan and Hong Kong, where we were told this condition did exist, in this past year.

Is there an answer for it?

Secretary FREEMAN. I think the chairman gave the answer, that we did get in a position where we were not competitive. That position has been corrected through the bid system, which the chairman and others of this committee had urged and sponsored.

We are competitive now. Our cotton exports will go up sharply this year and we intend to remain competitive. Cotton is a peculiar commodity. For one thing, it has a cycle all of its own which no one quite understands.

I think the chairman will agree that there are a lot of imponderables in connection with it that are extremely difficult to pin down.

The substitution business is a big enigma. The argument is made and it can be backed up with some figures, that substitution of synthetic fibers is taking place rapidly where they have access to cotton at these low prices in these countries. Whether it will be so in the case of this country, I don't know. The textile industry says it is not true in this country, and makes a very persuasive case.

In this instance, it is my judgment that we ought to find out. So long as we do have significant stocks on hand, we can find out with an actual dollar savings. That is the program presently under consideration, and I would hope it will be given a trial. If that does not prove to be the case, then we have to face the problem of the substitution of synthetic fibers on a long-term basis and how cheap you would have to make cotton and just what the situation is. But it is a part of the technological adjustment which is taking place in a lot of other areas of our economy as well.

Mr. MICHEL. I might say, by way of observation here, that when Mr. Addabbo and I were privileged to sit in on the Far East Conference in Tokyo, and to hear firsthand the reports of our attachés in these countries, for example, where our cotton export to Hong Kong declined, it was practically picked up by volume from Pakistan, a country which has been the recipient of foreign aid, which again, underscores the point made by the chairman here in the discussion on livestock. It really is a real serious problem and one which the Department of Agriculture, it seems to me, ought to be making more of a case with the State Department. At least let our position be better known so we don't get ourselves in this kind of a bind time after time.

Secretary FREEMAN. We are seeking to do exactly that. And those items that are in significant oversupply in this country, we certainly are trying to do other than to stimulate their increased production in other countries.

Cotton again is a peculiar one, because regardless of what we did or do not do, it happens to be a commodity which has a market, worldwide, and for countries seeking dollars, as a part of the development of their economy, we are not controlling in that situation. We cer-

tainly, as a matter of policy, try not to stimulate production of those items, but we certainly have no power or way to prevent their doing so and in many instances, they do.

The best deterrent really is for us to be in a competitive position, worldwide, and to maintain our proportionate share of the world market. This we are doing with every resource at our command.

#### POLICY ON IMPORTS OF FARM PRODUCTS

Mr. MICHEL. Just one final question, Mr. Chairman, before you move on to another commodity.

Mr. Secretary, is our Department of Agriculture making our position very clear in the current meeting of GATT in Geneva, particularly with respect to the problem of meat imports in our own country, and are we thinking in terms of—well, establishing set quotas, for example?

Secretary FREEMAN. We have now, with the main supplying countries, where the big volume has been forthcoming, mainly New Zealand and Australia, stopped it for a 2-year period. And we go on from there now negotiating in the GATT group, seeking to bring some kind of sense out of this on an international basis.

Mr. MICHEL. I want to say for the record that our attaché from Australia, who was at the conference in Tokyo, gave a very descriptive, penetrating discussion of the situation that does exist down there, and I might say here he is a man of real high character, who impressed us very much.

Mr. HORAN. What was his name?

Secretary FREEMAN. Rodman.

Mr. MICHEL. Bill Rodman.

Secretary FREEMAN. He is a very able fellow.

Mr. MICHEL. A very fine and outstanding man and one we can be proud of.

Secretary FREEMAN. I called him in here subsequent to this so we could have the benefit of his background in these on-the-spot negotiations.

Mr. ADDABBO. He has some very good observations.

#### ATTACK ON FARM PROGRAMS

Mr. HORAN. The chairman began these hearings this afternoon by reminding you of the thing which the Supreme Court decision put into focus yesterday, that the rural representation in the Congress will be affected by that decision and will be reduced.

I was attracted by an article in Nation's Business, a magazine published by the Chamber of Commerce of the United States. It has a challenging headline and I read it and I suggest that you read it, if you haven't already done so.

The headline of it is "Crisis Forces Showdown on Farm Subsidies." Of course, the chairman's observations at the beginning of this hearing this afternoon would indicate, I think, to those of us who are aware of what the farmer has been through in the last 3 or 4 decades, we might or might not come out with justice on his side.

And the subheading says, "Farmers, Like Businessmen and Consumers, Are Now Finding Supports Raised Prices, but Curbed Sales."

Part of this article, which treats three or four price-supported commodities, it says, consider cotton. And then it points out the fact that historically we have been a very important cotton producer, so much so, that England, with her looms a hundred years ago, saw fit to maintain her contacts with the Confederates during the War Between the States.

Mr. WHITTEN. I thought that was because they recognized the soundness of our position.

Mr. HORAN. And he points out the fact that about 30 years ago, when we started taking over acreage controls under price supports, that we dominated the world fiber market. At that time, we were producing about 13 million bales and the rest of the world was producing about 11 billion bales. And today, we have reduced our acreage through the law around 10 million productive acres, from about 25 to 27 million acres of cotton domestically, to around 16 million acres, I believe it is, today.

Secretary FREEMAN. Yes.

#### COTTON PROGRAM

Mr. HORAN. A reduction of about 10 million acres, and that today we are producing about 16 million bales, but that cotton production in the meantime, outside of the United States, has climbed to a production of 34 million bales in 1963.

And world output of manmade fibers has surged from the equivalent of 1.2 million bales of cotton to more than 23 million bales during the same period.

He goes on to quote the gentleman who served in the Department, and I think with great credit, Dr. Don Paarlberg, during the Benson regime down there, quotes him from his position at Purdue University and quotes him as saying "During the past 25 years, worldwide per capita consumption of all fibers increased from 7.5 pounds to about 11 pounds—and world population increased by nearly a billion people." This was an enormous growing market, much of it ours if we had gone after it. But we did not.

American cotton conceded to its rivals—foreign cotton and synthetic fiber—virtually the entire growth in the world fiber market. So complex has the cotton situation become that the Government doesn't stop at subsidizing the cotton farmer through price proposals, and basic  $32\frac{1}{2}$  cents a pound, it also subsidizes exports of cotton and additionally a half cent a pound, and we have a measure that has already passed the House which would subsidize textile mills an additional  $8\frac{1}{2}$  cents a pound.

Is that right?

Secretary FREEMAN. That is right.

Mr. HORAN. Does that make sense?

Secretary FREEMAN. What part of it do you refer to, Congressman? That was a very long statement.

Mr. HORAN. Triple subsidy.

Secretary FREEMAN. Let's put it this way: The judgment that I have to bring to any piece of legislation is, is it workable and is it passable? And on that basis I would say that the program in question makes sense because there isn't anything else that is both passable and workable. I would not agree with a good part of that article because

I think we wouldn't be producing as much cotton or selling as much as we are right now, because there aren't very many American producers that feel that they can or would produce at world prices. And it would mean a tremendous sociological and economic shock to this country if we suddenly had cotton at world prices with no kind of support program. I think it would be catastrophic.

Mr. HORAN. He quotes Dr. M. K. Horne, chief economist of the National Cotton Council, who represents growers and processors. And Dr. Horan says:

There is simply no future for American cotton unless our domestic market price is moved down to a competitive level on some basis which gives our textile industry and the whole world real confidence that it will stay competitive in the years ahead.

Secretary FREEMAN. I think the record ought to show positively at that point Dr. Horne testified in favor of the Cooley bill before the Housing Agriculture Committee.

Mr. HORAN. I suspect he did.

Mr. WHITTEN. Dr. Horne and I went to school together and he Horne firmly believes the statements that you read. While there is a basis for a feeling that price is quite a factor, I never have felt that was the sole factor to the degree that Dr. Horne does. I have the highest regard for Dr. Horne and his ability.

Mr. HORAN. Dr. Horne in effect said:

Cottongrowers in the Mississippi River Delta area and the southwestern Cotton Belt, ranging from Texas to California, insist they could more than compete in price with foreign cotton on the world market if they could plant as much land as they wanted.

Mr. WHITTEN. That is Dr. Horne speaking?

Mr. HORAN. Dr. Horne agrees.

Mr. WHITTEN. Dr. Horne draws a salary like I do. He doesn't farm and I don't farm, and for that reason it is easy to believe the other fellow can do lots of things.

Mr. HORAN. Don't ruin his argument here. It is pretty good.

Dr. Horne agrees, assuming producers would have enough assurance of freedom from future Government restrictions to put advanced technology to full use.

He had already in this article made the point that in many instances the production and acreage had denied them the full use of advanced technologies which we are developing in another branch of the Department of Agriculture—Agriculture Engineering—and “to put advance technology to full use. We can really outstrip the rest of the world in technology.”

he says.

Instead of permitting U.S. competition in the world market, however—and I am now quoting Mr. Horne—

in effect, encouraging foreign production. Reductions in U.S. acreage allotments are almost invariably matched by increase in land planted to cotton by Mexico, the United Arab Republic, and other large producers.

I would say amen to that, because I have pointed that out in speeches when our bill was on the floor in previous years.

U.S. cotton men consider the present export subsidy as better than nothing but “containing the seeds of its own destruction.”

and again, in Dr. Horne's words:

Among other faults the U.S. subsidy for export sales simply puts a price umbrella over world prices.

That is not new.

Mr. WHITTEN. May I say that is absolutely incorrect. I say that for the record because whatever our price support level is, the Government has a right to sell competitively in world trade at what the price cotton will bring. It does enter into what the Government losses are. But price supports and our offering price in world trade have no connection whatever except as to how much the loss might be to the Government. You see what I am talking about.

Mr. HORAN. Definitely and I think that is a very very serious weakness because we can sell at the world market cotton that we have supported at 32.5 cents, but we can't sell at the world market to our own textile mills and that is the reason why we had the measure on the floor to consider and why we attempted to make it available to them and I don't blame the textile mills. I don't care whether they are getting rich or not. I am a user of cotton and not synthetics and I want them to prosper. I need their product.

Mr. WHITTEN. I realize that there is some need for adjustments, and I am for the cotton bill, but again, to have world markets, you have to sell competitively. The law has always recognized that formerly, it "authorized" Commodity Credit Corporation to sell cotton competitively. Now it "requires" you to keep competitive in world trade.

#### SUBSIDIES TO DOMESTIC MILLS

The domestic mills are paid a subsidy so that they get cotton that they buy for foreign export of the finished goods at the world price. That is not usually mentioned, but it is a fact.

One of the major problems is that, since they get cotton at the world price to the extent that they export the finished goods, paying a high price on the domestic product would not hurt them near as much if section 22 were used to keep foreign production from coming back in here to compete with them. The major problem comes because section 22 is not used to help the mills and this price differential primarily damages the producer, in that it promotes increased use of synthetics.

I want to say that at this point because these are some of the things that Dr. Horne does not stress in his article, or at least you have not read them.

Mr. HORAN. I don't think Dr. Horne wrote this article. [Continuing]:

Foreign cotton producers—

The article goes on—

price their fiber enough under the U.S. pegged price to sell all their supplies produced with cheap labor.

Mr. WHITTEN. Again, we don't have a pegged price for world markets we do it by affirmative action, erroneously, may I say.

Mr. HORAN (continuing):

The United States is left to supply whatever worldwide needs, if any, remain. Colombia has found this U.S. practice so lucrative that it has built up its own cotton industry into a net exporter instead of buying American cotton. Iron-

ically the program designed to aid cotton farmers actually helps their most vigorous competitor.

This article goes on to say—

Producers of manmade fibers to an even greater extent—

and I quote here from a Federal textile expert that must be one of your boys, Mr. Secretary, who quips wryly,

if the chemical companies that make synthetic fibers ever give an award for man of the year in their industry, the first recipient should be the individual who sets U.S. cotton price policy.

Well, then it goes on—

Within the past year or two, such big manufacturers as Cannon Mills and Erwin Mills, a subsidiary of Burlington Industries, both traditional 100-percent cotton users, have switched heavily into synthetics. "I have been," says Mr. C. A. Cannon, "in the cotton textile industry for 52 years. It has been my intention to use cotton and that is what our mills were built for. I have to stand here today before you and say we are substituting rayon for cotton in the tens of thousands of bales in our plant, making them into fabrics or mixing them with cotton to go into other fabrics, purely on account of the price. We are forced to do it."

Dr. Horne estimates the U.S. cotton industry has lost a market for 1.5 million bales to competition here and abroad between the end of 1960 and the middle of 1963.

This is the end of it, Mr. Chairman, but I think it is worth putting in the hearings.

A significant indicator of how the Federal farm program denies sales to cotton farmers is the number of spindles in the American textile industry producing 100-percent cotton yarn. As recently as 1960 approximately 91 percent of all spindle-hours, one spindle running 1 hour, went to make 100-percent cotton yarn. The share had dropped to 84 percent by last August. "The thing that really gives us oldtimers in the cotton industry somewhat of a feeling of frustration," says Caffee Robertson, cotton merchandiser from Memphis, "is that we don't think American cotton was in bad shape up until 1929 when the U.S. Government saw fit to come in."

Now, I don't know the answers to all of these things, but the problem is with us, and the chairman did raise the political picture. It is not on a partisan basis, but on a where-do-you-live basis, and it is anybody's guess what will happen to these programs that we are funding here as we begin these hearings, what will happen to them if they are brought out on the floor and they have come very close to being just that.

Secretary FREEMAN. I must say that I appreciate your comments, Congressman Horan, as you know better than I, having been here so much longer, that there are certain laws on the books, certain problems about changing them, and I operate under them, as best I can, and I hope that we will make some improvements on them and I will do my very best, and I appreciate your remarks.

#### VIEWPOINT OF "NATION'S BUSINESS"

Mr. WHITTEN. I might say this article, you read, is from Nation's Business?

Mr. HORAN. Oh, yes.

Mr. WHITTEN. Which, in turn, as we know—

Mr. HORAN. An organ of the chamber of commerce.

Mr. WHITTEN. Which, as we know, reflects a given viewpoint. It is a good magazine. I read it, myself. I might say, also, that I recognize a need to make some adjustments in line with the suggestions

and recommendations that may appear there. However, it has been commonly known throughout history that there is a competitive situation between buyer and seller, or seller and buyer. The folks mentioned there, primarily, are buyers and this problem with synthetics actually exists.

How much of it is price, I do not know. But any statement by Dr. Horne or anyone else that there is any legal restriction on selling competitively in world markets, whatever the price support may be, is certainly mistaken.

#### PROPOSALS FOR WHEAT

Proceeding further, we might turn to wheat, which is the next commodity that the President mentions and for which he asks for legislation and some corrective action. I quote from the President's message:

Wheat—Changes in the wheat program are urgently needed to check a drastic decline in producer income from the 1964 crop. In the absence of additional legislation it is estimated that wheat producers will receive between \$500 and \$700 million less in 1964 than they did in 1963.

I recommend that the existing law be amended to permit producers to participate in a certificate program on a voluntary basis. The law should be designed to (1) raise the income of wheatgrowers substantially above what it would be in the absence of new legislation; (2) avoid increases in budgetary costs; (3) maintain the price of wheat at a level which will not increase the price of bread to the consumer; and (4) enable the United States to discharge its responsibilities and realize the benefits of the International Wheat Agreement.

In order to be effective for the 1964 wheat crop, the legislation must be enacted immediately. I urge prompt consideration and disposition of this legislation.

Now, doubtless, Mr. Secretary, in connection with the President's preparation of this speech, you or folks in your Department were counseled with. I would guess they supplied the facts and figures and the records on which this conclusion was reached.

So I would like for you to supply for the record for the last 6 or 8 years, and again I am trying to let you use the period that is most easy to bring together, as long as it stretches over part of both administrations, the acreage, the price support level, amount of wheat on hand, and annual losses in exports, the average exports for dollars and those under various aid programs, as well as the average production per acre. You might discuss now the situation that leads the President to this conclusion, presuming that the Department supplied him with facts and figures which would lead to these recommendations on his part.

And you might tell us what action you have taken to implement the President's request to the Congress, on which you would be his special man before the committee.

Secretary FREEMAN. As the committee is aware, alternative programs were presented to the wheat producers last May in a wheat referendum.

Mr. WHITTEN. Could we have at this point in the record the law as you found it and these two alternatives? We are going to be talking about it, and we might just as well have the printed record show what we are talking about. You might proceed.

(The information referred to follows:)

The following several tables summarize the wheat situation as it has developed in recent years. Table I shows the supply, utilization, and production factors for the period 1951 through 1962.

Table II shows an estimate of supply and utilization of wheat for 1963-64 and projections of wheat supply and utilization for the 1964-65 marketing year.

Table III shows the price support operation and levels of price support and prices received by farmers for the period 1951 to date.

Table IV shows wheat exported by classes (grain only) for dollar sales and under special Government financed programs for marketing years 1957 through 1962.

Table V shows total of CCC export subsidies (cash, export payment certificates, and value of price differential allowed) on wheat and wheat flour for period 1954-63 fiscal years.

The data (table I) showing the supply, utilization, and stocks for the marketing years 1951 through 1962 reflect a significant improvement in the last 2 years of this period from the wheat imbalance that had prevailed during the immediately preceding years. Wheat stocks at the end of the 1962-63 marketing year, while still well above requirements, were 216 million bushels below the record high stocks figure of 1,411 million bushels at the beginning of the 1961-62 marketing year. As shown in table II the reduction in carryover stocks during the 1963-64 marketing year is expected to be 305 million bushels.

The stock reductions during the 1962-63 and 1963-64 marketing years result from the special wheat programs in effect during these years. Record large exports during the 1963-64 marketing year are also making an important contribution to the reduction in stocks.

The 1962 price support and stabilization program for wheat provided price support at \$2 per bushel and required a 10-percent mandatory cut in allotments based on a national allotment of 55 million acres. The program also provided payments to producers for the acreage required to be diverted and for additional acreage voluntarily diverted. Under this program 10.7 million acres were diverted from wheat production. Production was lower than in any year since 1957.

The 1963 program provided for price support of \$1.82 per bushel for cooperators and \$2 per bushel, which included 18 cents as a support payment, to cooperators who also participated in the wheat stabilization program. Farm allotments were on the basis of a 55-million-acre national allotment but payments were made to producers who voluntarily diverted wheat acreage to conservation uses. Under this program some 7.2 million acres were diverted from wheat production. Due to this reduction in acreage devoted to wheat and a record large export movement a significant reduction in carryover stocks will be obtained.

Utilization for the 1964-65 marketing year is projected at 1,320 million bushels, 70 million above projected production.

Even though utilization is expected to exceed production, market prices in the 1964-65 marketing year are expected to be far below 1963-64 levels as a consequence of the reduction in the support level of about 75 cents a bushel. The farm value of the 1963 crop plus Government payments to producers is now estimated at \$2,360 million. A 1964 crop of 1,250 million bushels would return to producers \$700 to \$500 million less if the price received by farmers drops to \$1.30 to \$1.50 a bushel.

Projections of wheat supply and utilization for the 1964-65 marketing year that will begin July 1, 1964, are also shown in table II. These projections reflect current indications of what might reasonably be expected in the way of stocks production and utilization during the 1964-65 marketing year if no new wheat program is provided by legislation. These current estimates reflect a somewhat smaller production in 1964 than was expected earlier. Based on the Department's December report of winter wheat plantings, wheat producers have obviously exercised a great deal of restraint, due largely to their expectation of future wheat programs, in seeding wheat. The current estimate of 1964 crop production of about 1,250 million bushels also assumes that a large majority of spring wheat producers will also comply with their allotments.

Even though it is currently felt that the wheat price during the 1964-65 marketing year might be slightly higher than originally anticipated, there still remains the possibility that harvest time prices will fall below the price levels of the International Wheat Agreement. In such event the United States may not be able to fulfill its commitments and obtain the benefits of the agreement.

It was in view of this situation that the President asked the Congress for immediate legislation to provide a program for the 1964 wheat crop to forestall the prospective sharp drop in farm income from wheat.

On the basis of our discussions with farm organizations, individual wheat producers, and Members of Congress, we developed and recommended to the Congress changes in existing legislation to provide a program to be effective for the 1964 crop that was in line with the President's recommendations that also had widespread producer support.

Our specific recommendations, as presented to the Senate Committee on Agriculture and Forestry on February 11, 1964, are:

To carry out this goal we would recommend legislation which would substantially raise the income of wheat producers over the level now expected for 1964. Any program should be voluntary. It should include the certificate approach, the system least costly to taxpayers. It should maintain the fair and stable domestic food prices of recent years. It should hold the line on budgetary costs.

Specifically, we would suggest modifications in existing law to—

- (1) Provide for a voluntary certificate plan for at least 1964 and 1965 crops;
- (2) Provide for a loan level which would price wheat competitively with feed grains;
- (3) Permit producers to substitute wheat and feed grain acres;
- (4) Provide diversion payments at a level which would cover the producer's cost of carrying and caring for land diverted from wheat to conservation uses; and
- (5) Include provisions to insure that producers will continue to enjoy the benefits of the International Wheat Agreement while meeting our responsibilities under that agreement.

TABLE I.—Wheat: Supply and distribution, and production factors, 1951-62

Year beginning July 1	Supply				Utilization						Production factors		
	Beginning stocks	Production	Imports <sup>1</sup>	Total	Food	Seed and feed	Total	Exports <sup>2</sup>	Total	Ending stocks	Planted acres	Harvested acres	Yield per harvested acre
	Million bushels	Million bushels	Million bushels	Million bushels	Million bushels	Million bushels	Million bushels	Million bushels	Million bushels	Million bushels	Million	Million	Bushels
1951.....	400	988	32	1,420	496	192	688	476	1,164	256	78.5	61.9	16.0
1952.....	256	1,306	22	1,584	488	172	660	318	978	606	78.6	71.1	18.4
1953.....	606	1,172	6	1,784	487	146	633	217	850	934	78.9	67.8	17.3
1954.....	934	984	4	1,922	486	125	611	275	886	1,036	62.5	54.4	18.1
1955.....	1,036	937	10	1,983	482	122	604	346	950	1,033	58.2	47.3	19.8
1956.....	1,034	1,005	8	2,047	482	106	588	550	1,138	909	60.7	49.8	20.2
1957.....	909	956	11	1,876	486	105	591	403	994	882	49.8	43.7	21.8
1958.....	882	1,457	8	2,347	497	112	609	443	1,052	1,295	56.0	53.0	27.5
1959.....	1,295	1,121	7	2,423	497	103	600	510	1,110	1,313	56.8	51.8	21.7
1960.....	1,313	1,357	8	2,678	497	108	605	662	1,267	1,411	54.9	51.9	26.2
1961.....	1,411	1,235	6	2,652	501	111	611	719	1,330	1,322	55.7	51.6	24.0
1962.....	1,322	1,094	5	2,421	501	86	587	639	1,226	1,195	49.1	43.6	25.1

<sup>1</sup> Imports include full duty wheat, wheat imported for feed, and dutiable flour and other wheat products in terms of wheat equivalent.

<sup>2</sup> Exports include flour wholly from U.S. wheat and other wheat products in terms of wheat equivalent.

NOTE.—Totals may not add because of rounding.

TABLE II.—Wheat: Estimated supply and utilization, 1963-64 and 1964-65

[Million bushels]

Item	1963-64	1964-65 (projected on basis of no new wheat legislation)
<b>Supply:</b>		
Carryover, July 1.....	1, 195	890
Production.....	1, 138	1, 250
Imports.....	5	5
<b>Total.....</b>	<b>2, 338</b>	<b>2, 145</b>
<b>Utilization:</b>		
<b>Domestic:</b>		
Food.....	500	500
Feed.....	33	75
Seed.....	65	65
<b>Total.....</b>	<b>598</b>	<b>640</b>
Exports.....	1 850	680
<b>Total.....</b>	<b>1, 448</b>	<b>1, 320</b>
Carryover, June 30.....	890	825

<sup>1</sup> Owing to the lateness of the Soviet Union wheat purchases and the current problems connected with the export of that already contracted, it appears that wheat exports during 1963-64 will total only about 850,000,000 bushels. The previous estimate of 1,000,000,000 bushels assumed exports to the Soviet bloc countries of about 200,000,000 bushels. To date only about 75,000,000 bushels have been purchased by the bloc. In addition, sales to non-Communist countries have slackened somewhat.

TABLE III.—Wheat: Price support operations and levels, and prices received by farmers, 1951 to date

Crop beginning July 1	Owned by CCC July 1 (millions)	Put under price support				Delivered to CCC <sup>1</sup>		Average price support level		Season average price received by farmers	
		Loans (millions)	Purchase agreements (millions)	Total		By volume (millions)	As percent of crop	Per bushel	As a percent of parity	Per bushel	As a percent of parity
				By volume (millions)	As percent of crop						
	<i>Bushels</i>	<i>Bushels</i>	<i>Bushels</i>	<i>Bushels</i>	<i>Percent</i>	<i>Bushels</i>	<i>Percent</i>	<i>Dollars</i>	<i>Percent</i>	<i>Dollars</i>	<i>Percent</i>
1951.....	196	200	13	213	22	91	9	2.18	90	2.11	87
1952.....	143	399	61	460	35	398	30	2.20	90	2.09	85
1953.....	470	494	61	555	48	486	41	2.21	90	2.04	83
1954.....	775	401	29	430	44	392	40	2.24	90	2.12	85
1955.....	976	277	43	320	34	277	30	2.08	83	1.99	79
1956.....	951	235	18	253	25	149	15	2.00	83	1.97	81
1957.....	824	224	33	257	27	194	20	2.00	80	1.93	77
1958.....	835	564	45	609	42	511	35	1.82	75	1.75	72
1959.....	1, 147	290	18	317	28	176	16	1.81	75	1.76	73
1960.....	1, 195	406	18	424	31	247	18	1.78	75	1.74	73
1961.....	1, 243	262	9	271	22	112	9	1.79	75	1.83	77
1962.....	1, 097	278	19	297	27	197	18	2.00	83	2.00	83
1963.....	1, 082	<sup>2</sup> 157	7	<sup>3</sup> 164	-----	-----	-----	<sup>3</sup> 1.82	73	-----	-----

<sup>1</sup> Includes deliveries of purchase agreement wheat to CCC.

<sup>2</sup> 1963-crop wheat through Jan. 31, 1964.

<sup>3</sup> Plus payment of 18 cents per bushel, to loan of \$1.82, for total price support of \$2 per bushel.

TABLE IV.—Wheat exports by classes,<sup>1</sup> dollar and Government-financed grain only

[Million bushels]							
Year beginning July 1	Hard Red Spring	Hard Red Winter	Soft Red Winter	White	Durum	Mixed	Total <sup>3</sup>
1957:							
Dollar sales.....	23.1	40.8	3.4	42.8	0.29	2.5	112.9
Government program <sup>2</sup> .....	4.8	106.7	20.3	67.7	-----	14.8	214.4
Total.....	27.9	147.5	23.7	110.5	.29	17.3	327.3
Dollar percent.....	83.0	28.0	14.0	39.0	100.0	14.0	34.0
1958:							
Dollar sales.....	23.6	33.0	22.7	33.3	0	.64	113.2
Government program.....	8.4	160.9	17.0	59.4	0	2.8	248.5
Total.....	32.0	193.9	39.7	92.7	0	3.4	361.7
Dollar percent.....	74.0	17.0	57.0	36.0	-----	19.0	31.0
1959:							
Dollar sales.....	23.5	31.3	15.3	30.5	0	.15	100.7
Government program.....	12.2	185.1	21.7	92.5	0	.61	312.2
Total.....	35.7	216.4	37.0	123.0	0	.76	412.9
Dollar percent.....	66.0	14.0	41.0	25.0	-----	20.0	24.0
1960:							
Dollar sales.....	21.6	107.0	25.9	46.6	5.3	2.3	208.7
Government program.....	3.7	241.3	25.9	85.9	0	.1	357.0
Total.....	25.3	348.3	51.8	132.5	5.3	2.4	565.7
Dollar percent.....	85.0	31.0	50.0	35.0	100.0	96.0	36.0
1961:							
Dollar sales.....	23.1	67.4	39.0	55.0	15.9	1.7	202.1
Government program.....	6.0	328.7	13.4	57.1	0	.1	405.3
Total.....	29.1	396.1	52.4	112.1	15.9	1.8	607.4
Dollar percent.....	79.0	17.0	74.0	49.0	100	93	33.0
1962:							
Dollar sales.....	17.3	38.3	24.7	29.1	3.3	1.6	114.3
Government program.....	8.0	304.7	11.8	84.4	-----	10.8	419.7
Total.....	25.3	343.0	36.5	113.5	3.3	12.4	534.0
Dollar percent.....	68.0	11.0	68.0	26.0	100.0	13.0	21.0

<sup>1</sup> Inspection for export.<sup>2</sup> Special Government-financed programs such as Public Law 480 sales for foreign currencies (the major portion) donation, barter, and special long-term credit sales.<sup>3</sup> Total derived from unrounded figures.

TABLE V.—Wheat and wheat flour export payments

[Millions of dollars]				
Fiscal year	International Wheat Agreement	Public Law 480	Other	Total
1954.....	\$55.9	-----	\$26.1	\$82.0
1955.....	98.5	-----	49.6	148.1
1956.....	89.7	-----	69.6	159.3
1957.....	86.3	-----	133.2	219.5
1958.....	78.6	<sup>1</sup> \$268.8	85.0	1 432.4
1959.....	46.7	110.3	63.9	220.9
1960.....	65.3	169.0	27.4	261.7
1961.....	74.4	178.2	74.5	327.1
1962.....	89.7	223.4	56.9	370.0
1963.....	73.8	282.9	26.3	383.0

<sup>1</sup> Includes export payment certificates issued in the amount of \$267.6 million covering wheat exported under title I, Public Law 480, during the fiscal years 1957 and 1958. Information for each year is not available.

NOTE.—This table consists of export payment certificates issued by Commodity Credit Corporation to exporters for wheat and wheat flour exported. These certificates are redeemable in cash or in kind from Commodity Credit Corporation stocks. Also included in the table is the value of the price differential allowed on wheat sold by Commodity Credit Corporation at reduced prices for export.

(The following is an excerpt from the Food and Agriculture Act of 1962 (Public Law 87-703):)

PROGRAM FOR 1964 AND SUBSEQUENT CROPS

SUBTITLE B—WHEAT

SEC. 310. Section 331 of the Agricultural Adjustment Act of 1938, as amended, is hereby amended by striking out the last paragraph thereof and inserting in lieu thereof the following paragraphs:

"Wheat which is planted and not disposed of prior to the date prescribed by the Secretary for the disposal of excess acres of wheat is an addition to the total supply of wheat and has a direct effect on the price of wheat in interstate and foreign commerce and may also affect the supply and price of livestock and livestock products. In the circumstances, wheat not disposed of prior to such date must be considered in the same manner as mechanically harvested wheat in order to achieve the policy of the Act.

"The diversion of substantial acreages from wheat to the production of commodities which are in surplus supply or which will be in surplus supply if they are permitted to be grown on the diverted acreage would burden, obstruct, and adversely affect interstate and foreign commerce in such commodities, and would adversely affect the prices of such commodities in interstate and foreign commerce. Small changes in the supply of a commodity could create a sufficient surplus to affect seriously the price of such commodity in interstate and foreign commerce. Large changes in the supply of such commodity could have a more acute effect on the price of the commodity in interstate and foreign commerce and, also, could overtax the handling, processing, and transportation facilities through which the flow of interstate and foreign commerce in such commodity is directed. Such adverse effects caused by overproduction in one year could further result in a deficient supply of the commodity in the succeeding year, causing excessive increases in the price of the commodity in interstate and foreign commerce in such year. It is, therefore, necessary to prevent acreage diverted from the production of wheat to be used to produce commodities which are in surplus supply or which will be in surplus supply if they are permitted to be grown on the diverted acreage.

"The provisions of this part affording a cooperative plan to wheat producers are necessary in order to minimize recurring surpluses and shortages of wheat in interstate and foreign commerce, to provide for the maintenance of adequate reserve supplies thereof, to provide for an adequate and orderly flow of wheat and its products in interstate and foreign commerce at prices which are fair and reasonable to farmers and consumers, and to prevent acreage diverted from the production of wheat from adversely affecting other commodities in interstate and foreign commerce."

SEC. 311. Section 332 of the Agricultural Adjustment Act of 1938, as amended, is hereby amended by striking out the provisions of such section and by inserting in lieu thereof the following:

"NATIONAL MARKETING QUOTA

"SEC. 332. (a) Whenever prior to April 15 in any calendar year the Secretary determines that the total supply of wheat in the marketing year beginning in the next succeeding calendar year will, in the absence of a marketing quota program, likely be excessive, the Secretary shall proclaim that a national marketing quota for wheat shall be in effect for such marketing year and for either the following marketing year or the following two marketing years, if the Secretary determines and declares in such proclamation that a two- or three-year marketing quota program is necessary to effectuate the policy of the Act.

"(b) If a national marketing quota for wheat has been proclaimed for any marketing year, the Secretary shall determine and proclaim the amount of the national marketing quota for such marketing year not earlier than January 1 or later than April 15 of the calendar year preceding the year in which such marketing year begins. The amount of the national marketing quota for wheat for any marketing year shall be an amount of wheat which the Secretary estimates (i) will be utilized during such marketing year for human consumption in the United States as food, food products, and beverages, composed wholly or partly of wheat, (ii) will be utilized during such marketing year in the

United States for seed, (iii) will be exported either in the form of wheat or products thereof, and (iv) as the average amount which was utilized as livestock (including poultry) feed in the marketing years beginning in 1959 and 1960; less (A) an amount of wheat equal to the estimated imports of wheat into the United States during such marketing year and, (B) if the stocks of wheat owned by the Commodity Credit Corporation are determined by the Secretary to be excessive, an amount of wheat determined by the Secretary to be a desirable reduction in such marketing year in such stocks to achieve the policy of the Act: *Provided*, That if the Secretary determines that the total stocks of wheat in the Nation are insufficient to assure an adequate carryover for the next succeeding marketing year, the national marketing quota otherwise determined shall be increased by the amount the Secretary determines to be necessary to assure an adequate carryover: *And provided further*, That the national marketing quota for wheat for any marketing year shall be not less than one billion bushels.

"(c) If, after the proclamation of a national marketing quota for wheat for any marketing year, the Secretary has reason to believe that, because of a national emergency or because of a material increase in the demand for wheat, the national marketing quota should be terminated or the amount thereof increased, he shall cause an immediate investigation to be made to determine whether such action is necessary in order to meet such emergency or increase in the demand for wheat. If, on the basis of such investigation, the Secretary finds that such action is necessary, he shall immediately proclaim such finding and the amount of any such increase found by him to be necessary and thereupon such national marketing quota shall be so increased or terminated. In case any national marketing quota is increased under this subsection, the Secretary shall provide for such increase by increasing acreage allotments established under this part by a uniform percentage."

SEC. 312. Section 333 of the Agricultural Adjustment Act of 1938, as amended, is hereby amended to read as follows:

"NATIONAL ACREAGE ALLOTMENT

"SEC. 333. Whenever the amount of the national marketing quota for wheat is proclaimed for any marketing year, the Secretary at the same time shall proclaim a national acreage allotment for the crop of wheat planted for harvest in the calendar year in which such marketing year begins. The amount of the national acreage allotment for any crop of wheat shall be the number of acres which the Secretary determines on the basis of expected yields and expected underplantings of farm acreage allotments will, together with (1) the expected production on the increases in acreage allotments for farms based upon small-farm base acreages pursuant to section 335, and (2) the expected production on increased acreages resulting from the small-farm exemption pursuant to section 335, make available a supply of wheat equal to the national marketing quota for wheat for such marketing year."

SEC. 313. Section 334 of the Agricultural Adjustment Act of 1938, as amended, is further amended as follows:

(1) By amending subsection (e) thereof by striking out in the first sentence thereof "any of the 1962, 1963, and 1964 crops" and inserting in lieu thereof "the 1962 and 1963 crops".

(2) By repealing subsection (g) thereof and by redesignating subsections (h) and (i) thereof as (g) and (h) respectively.

(3) By amending subsection (i) thereof, redesignated by this section as subsection (h), by inserting the following sentence immediately following the seventh sentence thereof: "The land-use provisions of section 339 shall not be applicable to any farm receiving an additional allotment under this subsection."

(4) By adding at the end thereof the following new subsection:

"(i) If, with respect to any crop of wheat, the Secretary finds that the acreage allotments of farms producing any type of wheat are inadequate to provide for the production of a sufficient quantity of such type of wheat to satisfy the demand therefor, the wheat acreage allotment for such crop for each farm located in a county designated by the Secretary as a county which (1) is capable of producing such type of wheat, and (2) has produced such type of wheat for commercial food products during one or more of the five years immediately preceding the year in which such crop is harvested, shall be increased by such uniform percentage as he deems necessary to provide for such quantity. No increase shall

be made under this subsection in the wheat acreage allotment of any farm for any crop if any wheat other than such type of wheat is planted on such farm for such crop. Any increases in wheat acreage allotments authorized by this subsection shall be in addition to the National, State, and county wheat acreage allotments, and such increases shall not be considered in establishing future State, county, and farm allotments. The provisions of paragraph (6) of Public Law 74, Seventy-seventh Congress (7 U.S.C. 1340(6)), and section 326(b) of this Act, relating to the reduction of the storage amount of wheat shall apply to the allotment for the farm established without regard to this subsection and not to the increased allotment under this subsection. The land-use provisions of section 339 shall not be applicable to any farm receiving an increased allotment under this subsection and the producers on such farms shall not be required to comply with such provisions as a condition of eligibility for price support."

SEC. 314. Part III of subtitle B of title III of the Agricultural Adjustment Act of 1938, as amended, is hereby amended by adding immediately after section 334 thereof the following:

"COMMERCIAL AREA

"SEC. 334a. If the acreage allotment for any State for any crop of wheat is twenty-five thousand acres or less, the Secretary, in order to promote efficient administration of this Act and the Agricultural Act of 1949, may designate such State as outside the commercial wheat-producing area for the marketing year for such crop. If such State is so designated, acreage allotments for such crop and marketing quotas for the marketing year therefor shall not be applicable to any farm in such State. Acreage allotments in any State shall not be increased by reason of such designation."

SEC. 315. Section 335 of the Agricultural Adjustment Act of 1938, as amended, is hereby amended to read as follows:

"SMALL FARM EXEMPTION

"SEC. 335. Notwithstanding any other provision of this part, no farm marketing quota for any crop of wheat shall be applicable to any farm with a farm acreage allotment of less than fifteen acres if the acreage of such crop of wheat does not exceed the small-farm base acreage determined for the farm, unless the operator elects in writing on a form and within the time prescribed by the Secretary to be subject to the farm acreage allotment and marketing quota. The small-farm base acreage for a farm shall be the smaller of (A) the average acreage of the crop of wheat planted for harvest in the three years 1959, 1960, and 1961, or such later three-year period, excluding 1963, determined by the Secretary to be representative, with adjustments for abnormal weather conditions, established crop-rotation practices on the farm, and such other factors as the Secretary determines should be considered for the purpose of establishing a fair and equitable small-farm base acreage, or (B) fifteen acres. The acreage allotment for any farm shall be the larger of (1) the small-farm base acreage determined as provided above on the basis of the three-year period 1959-1961, reduced by the same percentage by which the national acreage allotment for the crop is reduced below fifty-five million acres, or (2) the acreage allotment determined without regard to (1) above. If the operator of any such farm fails to make such election with respect to any crop of wheat, (i) for the purposes of Public Law 74, Seventy-seventh Congress (7 U.S.C. 1340), as amended, the farm acreage allotment for such crop of wheat shall be deemed to be the larger of (A) the small-farm base acreage or (B) the acreage allotment for the farm, (ii) the land-use provisions of section 339 shall be inapplicable to the farm, (iii) such crop of wheat shall not be eligible for price support, and (iv) wheat marketing certificates applicable to such crop shall not be issued with respect to the farm. The additional acreage required to provide acreage allotments for farms based upon small-farm base acreages under this section shall be in addition to National, State, and county acreage allotments."

SEC. 316. Section 336 of the Agricultural Adjustment Act of 1938, as amended, is hereby amended to read as follows:

"REFERENDUM

"SEC. 336. If a national marketing quota for wheat for one, two, or three marketing years is proclaimed, the Secretary shall, not later than sixty days after such proclamation is published in the Federal Register, conduct a referendum,

by secret ballot, of farmers to determine whether they favor or oppose marketing quotas for the marketing year or years for which proclaimed. Any producer who has a farm acreage allotment shall be eligible to vote in any referendum held pursuant to this section, except that a producer who has a farm acreage allotment of less than fifteen acres shall not be eligible to vote unless the farm operator elected pursuant to section 335 to be subject to the farm marketing quota. The Secretary shall proclaim the results of any referendum held hereunder within thirty days after the date of such referendum, and if the Secretary determines that more than one-third of the farmers voting in the referendum voted against marketing quotas, the Secretary shall proclaim that marketing quotas will not be in effect with respect to the crop of wheat produced for harvest in the calendar year following the calendar year in which the referendum is held. If the Secretary determines that two-thirds or more of the farmers voting in a referendum approve marketing quotas for a period of two or three marketing years, no referendum shall be held for the subsequent year or years of such period."

SEC. 317. Section 337 of the Agricultural Adjustment Act of 1938, as amended, is hereby repealed.

SEC. 318. The Agricultural Adjustment Act of 1938, as amended, is hereby amended by adding after section 338 a new section as follows:

#### "LAND USE

"SEC. 339. (a) (1) During any year in which marketing quotas for wheat are in effect, the producers on any farm (except a new farm receiving an allotment from the reserve for new farms) on which any crop is produced on acreage required to be diverted from the production of wheat shall be subject to a penalty on such crop, in addition to any marketing quota penalty applicable to such crops, as provided in this subsection unless (1) the crop is designated by the Secretary as one which is not in surplus supply and will not be in surplus supply if it is permitted to be grown on the diverted acreage, or as one of the production of which will not substantially impair the purpose of the requirements of this section, or (2) no wheat is produced on the farm, and the producers have not filed an agreement or a statement of intention to participate in the payment program formulated pursuant to subsection (b) of this section. The acreage required to be diverted from the production of wheat on the farm shall be an acreage of cropland equal to the number of acres determined by multiplying the farm acreage allotment by the diversion factor determined by dividing the number of acres by which the national acreage allotment is reduced below fifty-five million acres by the number of acres in the national acreage allotment. The actual production of any crop subject to penalty under this subsection shall be regarded as available for marketing and the penalty on such crop shall be computed on the actual acreage of such crop at the rate of 65 per centum of the parity price per bushel of wheat as of May 1 of the calendar year in which such crop is harvested, multiplied by the normal yield of wheat per acre established for the farm. Until the producers on any farm pay the penalty on such crop, the entire crop of wheat produced on the farm and any subsequent crop of wheat subject to marketing quotas in which the producer has an interest shall be subject to a lien in favor of the United States for the amount of the penalty. Each producer having an interest in the crop or crops on acreage diverted or required to be diverted from the production of wheat shall be jointly and severally liable for the entire amount of the penalty. The persons liable for the payment or collection of the penalty under this section shall be liable also for interest thereon at the rate of 6 per centum per annum from the date the penalty becomes due until the date of payment of such penalty.

"(2) The Secretary may require that the acreage on any farm diverted from the production of wheat be land which was diverted from the production of wheat in the previous year, to the extent he determines that such requirement is necessary to effectuate the purposes of this subtitle.

"(3) The Secretary may permit the diverted acreage to be grazed in accordance with regulations prescribed by the Secretary.

"(b) The Secretary is authorized to formulate and carry out a program with respect to the 1964 and 1965 crops of wheat under which, subject to such terms and conditions as he determines are desirable to effectuate the purposes of this section, payments may be made in amounts not in excess of 50 per centum of the estimated basic county support rate on the normal production of the acreage diverted taking into account the income objectives of the Act, determined

by the Secretary to be fair and reasonable with respect to acreage diverted pursuant to subsection (a) of this section. The Secretary may permit producers on any farm to divert from the production of wheat an acreage, in addition to the acreage diverted pursuant to subsection (a), equal to 20 per centum of the farm acreage allotment for wheat: *Provided*, That the producers on any farm may, at their election, divert such acreage in addition to the acreage diverted pursuant to subsection (a), as will bring the total acreage diverted on the farm to fifteen acres. Such program shall require (1) that the diverted acreage shall be devoted to conservation uses approved by the Secretary; (2) that the total acreage of cropland on the farm devoted to soil-conserving uses, including summer fallow and idle land but excluding the acreage diverted as provided above, shall be not less than the total average acreage of cropland devoted to soil-conserving uses including summer fallow and idle land on the farm during a representative period, as determined by the Secretary, adjusted to the extent the Secretary determines appropriate for (i) abnormal weather conditions or other factors affecting production, (ii) established crop-rotation practices on the farm, (iii) participation in other Federal farm programs, (iv) unusually high percentage of land on the farm devoted to conserving uses, and (v) other factors which the Secretary determines should be considered for the purpose of establishing a fair and equitable soil-conserving acreage for the farm; and (3) that the producers shall not knowingly exceed (i) any farm acreage allotment in effect for any commodity produced on the farm, and (ii) except as the Secretary may by regulations prescribe, with the farm acreage allotments on any other farm for any crop in which the producer has a share: *Provided*, That no producer shall be deemed to have exceeded a farm acreage allotment for wheat if the entire amount of the farm marketing excess is delivered to the Secretary or stored in accordance with applicable regulations to avoid or postpone payment of the penalty: *And provided further*, That no producer shall be deemed to have exceeded a farm acreage allotment for any crop of wheat if the farm is exempt from the farm marketing quota for such crop under section 335. The producers on a new farm shall not be eligible for payments hereunder. The Secretary shall provide for the sharing of payment among producers on the farm on a fair and equitable basis. Payments may be made in cash or in wheat.

"(c) The Secretary may provide for adjusting any payment on account of failure to comply with the terms and conditions of the land-use program formulated under subsection (b) of this section.

"(d) Not to exceed 50 per centum of any payment to producers under subsection (b) of this section may be made in advance of determination of performance.

"(e) The Secretary may permit the diverted acreage to be devoted to the production of guar, sesame, safflower, sunflower, castor beans, and flax, when such crops are not in surplus supply and will not be in surplus supply if permitted to be grown on the diverted acreage, subject to the condition that payment with respect to diverted acreage devoted to any such crop shall be at a rate determined by the Secretary to be fair and reasonable taking into consideration the use of such acreage for the production of such crops: *Provided*, That in no event shall the payment exceed one-half the rate which would otherwise be applicable if such acreage were devoted to conservation uses and no price support shall be made available for the production of any such crop on such diverted acreage.

"(f) The program formulated pursuant to subsection (b) of this section may include such terms and conditions, including provision for the control of erosion, in addition to those specifically provided for herein, as the Secretary determines are desirable to effectuate the purposes of this section.

"(g) The Secretary is authorized to promulgate such regulations as may be desirable to carry out the provisions of this section.

"(h) The Commodity Credit Corporation is authorized to utilize its capital funds and other assets for the purpose of making the payments authorized in this section and to pay administrative expenses necessary in carrying out this section during the period ending June 30, 1963. There is authorized to be appropriated such amounts as may be necessary thereafter to pay such administrative expenses."

SEC. 319, Public Law 74, Seventy-seventh Congress (7 U.S.C. 1340), as amended, is hereby amended as follows:

(1) By amending paragraph (1) to read as follows:

"(1) The farm marketing quota for any crop of wheat shall be the actual production of the acreage planted to such crop of wheat on the farm less the farm marketing excess. The farm marketing excess shall be an amount

equal to twice the normal yield of wheat per acre established for the farm multiplied by the number of acres of such crop of wheat on the farm in excess of the farm acreage allotment for such crop unless the producer, in accordance with regulations issued by the Secretary and within the time prescribed therein, establishes to the satisfaction of the Secretary the actual production of such crop of wheat on the farm. If such actual production is so established, the farm marketing excess shall be an amount equal to the actual production of the number of acres of wheat on the farm in excess of the farm acreage allotment for such crop. In determining the farm marketing quota and farm marketing excess, any acreage of wheat remaining after that date prescribed by the Secretary for the disposal of excess acres of wheat shall be included as acreage of wheat on the farm, and the production thereof shall be appraised in such manner as the Secretary determines will provide a reasonably accurate estimate of such production. Any acreage of wheat disposed of in accordance with regulations issued by the Secretary prior to such date as may be prescribed by the Secretary shall be excluded in determining the farm marketing quota and farm marketing excess. Self-seeded (volunteer) wheat shall be included in determining the acreage of wheat. Marketing quotas for any marketing year shall be in effect with respect to wheat harvested in the calendar year in which such marketing year begins notwithstanding that the wheat is marketed prior to the beginning of such marketing year."

(2) By amending paragraph (2) to read as follows:

"(2) Whenever farm marketing quotas are in effect with respect to any crop of wheat, the producers on a farm shall be subject to a penalty on the farm marketing excess of wheat at a rate per bushel equal to 65 per centum of the parity price per bushel of wheat as of May 1 of the calendar year in which the crop is harvested. Each producer having an interest in the crop of wheat on any farm for which a farm marketing excess of wheat is determined shall be jointly and severally liable for the entire amount of the penalty on the farm marketing excess."

(3) By inserting in paragraph (3) "twice" before "the normal production" in the first and second sentences thereof, and by inserting in the second sentence thereof "twice the" between "of" and "normal" in the phrase "upon the basis of normal production", by striking out "corn and" from the first sentence thereof, and by striking out "corn or" from the last sentence thereof.

(4) By amending paragraph (4) to read as follows:

"(4) Until the producers on any farm store, deliver to the Secretary, or pay the penalty on, the farm marketing excess of any crop of wheat, the entire crop of wheat produced on the farm and any subsequent crop of wheat subject to marketing quotas in which the producer has an interest shall be subject to a lien in favor of the United States for the amount of the penalty."

(5) By striking out "corn or" from paragraph (5).

(6) By striking out "corn or" from paragraph (6).

(7) By repealing paragraph (7), and by renumbering paragraphs (8) through (11) as (7) through (10), respectively.

(8) By striking out "corn or" and "as the case may be," from paragraph (8), redesignated by this section as paragraph (7), and adding at the end of such paragraph the following sentence: "If the buyer fails to collect such penalty, such buyer and all persons entitled to share in the wheat marketed from the farm or the proceeds thereof shall be jointly and severally liable for such penalty."

(9) By repealing paragraph (12), and by adding the following new paragraphs to follow paragraph (11), redesignated by this section as paragraph (10):

"(11) The persons liable for the payment or collection of the penalty on any amount of wheat shall be liable also for interest thereon at the rate of 6 per centum per annum from the date the penalty becomes due until the date of payment of such penalty.

"(12) If marketing quotas for wheat are not in effect for any marketing year, all previous marketing quotas applicable to wheat shall be terminated, effective as of the first day of such marketing year. Such termination shall not abate any penalty previously incurred by a producer or relieve any buyer of the duty to remit penalties previously collected by him."

SEC. 320. Section 301(b) (13) of the Agricultural Adjustment Act of 1938, as amended, is amended—

(1) by striking out paragraph (A);

(2) by inserting in paragraphs (D) and (E) after the words "in the case of rice" the words "and wheat", by inserting in said paragraphs after the words "per acre of rice" the following: "or wheat, as the case may be," and by inserting in said paragraph after "determined" the following: "in the case of rice, or during the five years immediately preceding the year in which such normal yield is determined in the case of wheat";

(3) by striking from paragraph (G) the following: (A) "wheat," in each of the two places it first occurs therein; (B) "and, in the case of wheat, but not in the case of corn, cotton, or peanuts, for trends in yields"; (C) "ten calendar years in the case of wheat, and"; and (D) "in the case of corn, cotton, or peanuts,".

SEC. 321. Section 371 of the Agricultural Adjustment Act of 1938, as amended, is hereby amended as follows:

(1) Subsection (a) is amended by deleting "corn, wheat," in the first sentence thereof.

(2) The first sentence of subsection (b) is amended by striking out "any national acreage allotment for corn or", "wheat," and "in order to effect the declared policy of this Act or".

SEC. 322. Section 385 of the Agricultural Adjustment Act of 1938, as amended, is hereby amended by inserting in the first sentence after "parity payment," the following: "payment under section 339."

SEC. 323. The amendments to the Agricultural Adjustment Act of 1938, as amended, and to Public Law 74, Seventy-seventh Congress, as amended, made by sections 310 through 322 of this Act shall be in effect only with respect to programs applicable to the crops planted for harvest in the calendar year 1964 or any subsequent year and the marketing years beginning in the calendar year 1964, or any subsequent year.

#### WHEAT MARKETING ALLOCATION PROGRAM

SEC. 324. Title III of the Agricultural Adjustment Act of 1938, as amended, is hereby amended (1) by designating subtitles D and E as subtitles E and F, respectively, and (2) by inserting after subtitle C a new subtitle D as follows:

#### "SUBTITLE D—WHEAT MARKETING ALLOCATION

##### "LEGISLATIVE FINDINGS

"SEC. 379a. Wheat, in addition to being a basic food, is one of the great export crops of American agriculture and its production for domestic consumption and for export is necessary to the maintenance of a sound national economy and to the general welfare. The movement of wheat from producer to consumer, in the form of the commodity or any of the products thereof, is preponderantly in interstate and foreign commerce. Unreasonably low prices of wheat to producers impair their purchasing power for nonagricultural products and place them in a position of serious disparity with other industrial groups. The conditions affecting the production of wheat are such that without Federal assistance, producers cannot effectively prevent disastrously low prices for wheat. It is necessary, in order to assist wheat producers in obtaining fair prices, to regulate the price of wheat used for domestic food and for exports in the manner provided in this subtitle.

##### "WHEAT MARKETING ALLOCATION

"SEC. 379b. During any marketing year for which a marketing quota is in effect for wheat, beginning with the marketing year for the 1964 crop, a wheat marketing allocation program shall be in effect as provided in this subtitle. Whenever a wheat marketing allocation program is in effect for any marketing year the Secretary shall determine (1) the wheat marketing allocation for such year which shall be the amount of wheat which in determining the national marketing quota for such marketing year he estimated would be used during such year for human consumption in the United States, as food, food products, and beverages, composed wholly or partly of wheat, and that portion of the amount of wheat which in determining such quota he estimated would be exported in the form of wheat or products thereof during the marketing year on which the

Secretary determines that marketing certificates shall be issued to producers in order to achieve, insofar as practicable, the price and income objectives of this subtitle, and (2) the national allocation percentage which shall be the percentage which the national marketing allocation is of the national marketing quota. Each farm shall receive a wheat marketing allocation for such marketing year equal to the number of bushels obtained by multiplying the number of acres in the farm acreage allotment for wheat by the normal yield of wheat for the farm as determined by the Secretary, and multiplying the resulting number of bushels by the national allocation percentage. If a noncommercial wheat-producing area is established for any marketing year, farms in such area shall be given wheat marketing allocations which are determined by the Secretary to be fair and reasonable in relation to the wheat marketing allocation given producers in the commercial wheat-producing area.

#### "MARKETING CERTIFICATES

"SEC. 379c. (a) The Secretary shall provide for the issuance of wheat marketing certificates for each marketing year for which a wheat marketing allocation program is in effect for the purpose of enabling producers on any farm with respect to which certificates are issued to receive, in addition to the other proceeds from the sale of wheat, an amount equal to the value of such certificates. The wheat marketing certificates issued with respect to any farm for any marketing year shall be in the amount of the farm wheat marketing allocation for such year, but not to exceed (i) the actual acreage of wheat planted on the farm for harvest in the calendar year in which the marketing year begins multiplied by the normal yield of wheat for the farm, plus (ii) the amount of wheat stored to avoid or postpone a marketing quota penalty, which is released from storage during the marketing year on account of underplanting or underproduction. The Secretary shall provide for the sharing of wheat marketing certificates among producers on the farm on the basis of their respective shares in the wheat crop produced on the farm, or the proceeds therefrom.

"(b) No producer shall be eligible to receive wheat marketing certificates with respect to any farm for any marketing year in which a marketing quota penalty is assessed for any commodity on such farm or in which the farm has not complied with the land-use requirements of section 339 to the extent prescribed by the Secretary, or in which, except as the Secretary may by regulation prescribe, the producer exceeds the farm acreage allotment on any other farm for any commodity in which he has an interest as a producer. No producer shall be deemed to have exceeded a farm acreage allotment for wheat if the entire amount of the farm marketing excess is delivered to the Secretary or stored in accordance with applicable regulations to avoid or postpone payment of the penalty. No producer shall be deemed to have exceeded the farm acreage allotment for wheat on any other farm, if such farm is exempt from the farm marketing quota for such crop under section 335.

"(c) Whenever a wheat marketing allocation program is in effect for any marketing year, the Secretary shall determine and proclaim for such marketing year the face value per bushel of marketing certificates. The face value per bushel of marketing certificates shall be equal to the amount by which the level of price support for wheat accompanied by certificates exceeds the level of price support for wheat not accompanied by certificates (noncertificate wheat).

"(d) Marketing certificates and transfers thereof shall be represented by such documents, marketing cards, records, accounts, certifications, or other statements or forms as the Secretary may prescribe.

#### "MARKETING RESTRICTIONS

"SEC. 379d. (a) All persons are prohibited from acquiring marketing certificates from the producer to whom such certificates are issued, unless such certificates are acquired in connection with the acquisition from such producer of a number of bushels of wheat equivalent to the marketing certificates. Marketing certificates shall be transferable only in accordance with regulations prescribed by the Secretary. Any unused certificates legally held by persons other than the producer to whom such certificates are issued shall be purchased by Commodity Credit Corporation if tendered to the Corporation for purchase in accordance with regulations prescribed by the Secretary. Notwithstanding the foregoing provisions of this section, Commodity Credit Corporation is authorized to purchase from producers certificates not accompanied by wheat in cases where

the Secretary determines that it would constitute an undue hardship to require the producer to transfer his certificates only in connection with the disposition of wheat.

"(b) During any marketing year for which a wheat marketing allocation program is in effect, (i) all persons engaged in the processing of wheat into food products shall, prior to marketing any such product for human food in the United States, acquire marketing certificates equivalent to the number of bushels of wheat contained in such product, and (ii) all persons exporting wheat or food products shall prior to such export acquire marketing certificates equivalent to the number of bushels so exported. Marketing certificates shall be valid to cover only sales or exportations made during the marketing year with respect to which they are issued, and after being once used to cover a sale or export of a food product or an export of wheat shall be void and shall be disposed of in accordance with regulations prescribed by the Secretary. Notwithstanding the foregoing provisions hereof, the Secretary may require marketing certificates issued for any marketing year to be acquired to cover sales or exportations made on or after the date during the calendar year in which wheat harvested in such calendar year begins to be marketed as determined by the Secretary even though such wheat is marketed prior to the beginning of the marketing year, and marketing certificates for such marketing year shall be valid to cover sales or exportations made on or after the date so determined by the Secretary.

"(c) Upon the giving of a bond or other undertaking satisfactory to the Secretary to secure the purchase of and payment for such marketing certificates as may be required, and subject to such regulations as he may prescribe, any person required to have marketing certificates in order to market or export a commodity may be permitted to market any such commodity without having first acquired marketing certificates.

"(d) As used in this subtitle, the term 'food products' means any product composed wholly or partly of wheat to be used for human consumption, including beverage.

#### "ASSISTANCE IN PURCHASE AND SALE OF MARKETING CERTIFICATES

"Sec. 379e. For the purpose of facilitating the purchase and sale of marketing certificates, the Commodity Credit Corporation is authorized to issue, buy, and sell marketing certificates in accordance with regulations prescribed by the Secretary. Such regulations may authorize the Corporation to issue and sell certificates in excess of the quantity of certificates which it purchases. Such regulations may authorize the Corporation in the sale of marketing certificates to charge, in addition to the face value thereof, an amount determined by the Secretary to be appropriate to cover estimated administrative costs in connection with the purchase and sale of the certificates and estimated interest incurred on funds of the Corporation invested in certificates purchased by it.

#### "CONVERSION FACTORS

"Sec. 379f. The Secretary shall establish conversion factors which shall be used to determine the amount of wheat contained in any food product. The conversion factor for any such food product shall be determined upon the basis of the weight of wheat used in the manufacture of such product.

#### "AUTHORITY TO FACILITATE TRANSITION

"Sec. 379g. The Secretary is authorized to take such action as he determines to be necessary to facilitate the transition from the program currently in effect to the program provided for in this subtitle. Notwithstanding any other provision of this subtitle, such authority shall include, but shall not be limited to, the authority to exempt all or a portion of the wheat or food products made therefrom in the channels of trade on the effective date of the program under this subtitle from the marketing restrictions in subsection (b) of section 379d, or to sell certificates to persons owning such wheat or food products at such prices as the Secretary may determine. Any such certificate shall be issued by Commodity Credit Corporation.

## "REPORTS AND RECORDS

"Sec. 379h. This section shall apply to processors of wheat, warehousemen and exporters of wheat and food products, and all persons purchasing, selling, or otherwise dealing in wheat marketing certificates. Any such person shall, from time to time on request of the Secretary, report to the Secretary such information and keep such records as the Secretary finds to be necessary to enable him to carry out the provisions of this subtitle. Such information shall be reported and such records shall be kept in such manner as the Secretary shall prescribe. For the purpose of ascertaining the correctness of any report made or record kept, or of obtaining information required to be furnished in any report, but not so furnished, the Secretary is hereby authorized to examine such books, papers, records, accounts, correspondence, contracts, documents, and memorandums as he has reason to believe are relevant and are within the control of such person.

## "PENALTIES

"Sec. 379i. (a) Any person who violates or attempts to violate or who participates or aids in the violation of any of the provisions of subsection (b) of section 379d of this Act shall forfeit to the United States a sum equal to two times the face value of the marketing certificates involved in such violation. Such forfeiture shall be recoverable in a civil action brought in the name of the United States.

"(b) Any person, except a producer in his capacity as a producer, who violates or attempts to violate or who participates or aids in the violation of any provision of this subtitle, or of any regulation, governing the acquisition, disposition, or handling of marketing certificates or who fails to make any report or keep any record as required by section 379h shall be deemed guilty of a misdemeanor and upon conviction thereof shall be subject to a fine of not more than \$5,000 for each violation.

"(c) Any person who, in his capacity as a producer, knowingly violates or attempts to violate or participates or aids in the violation of any provision of this subtitle, or of any regulation, governing the acquisition, disposition, or handling of marketing certificates or fails to make any report or keep any record as required by section 379h shall, (i) forfeit any right to receive marketing certificates, in whole or in part as the Secretary may determine, with respect to the farm or farms and for the marketing year with respect to which any such act or default is committed, or (ii), if such marketing certificates have already been issued, pay to the Secretary, upon demand, the amount of the face value of such certificates, or such part thereof as the Secretary may determine. Such determination by the Secretary with respect to the amount of such marketing certificates to be forfeited or the amount to be paid by such producer shall take into consideration the circumstances relating to the act or default committed and the seriousness of such act or default.

"(d) Any person who falsely makes, issues, alters, forges, or counterfeits any marketing certificate, or with fraudulent intent possesses, transfers, or uses any such falsely made, issued, altered, forged, or counterfeited marketing certificate, shall be deemed guilty of a felony and upon conviction thereof shall be subject to a fine of not more than \$10,000 or imprisonment of not more than ten years, or both.

## "REGULATIONS

"Sec. 379j. The Secretary shall prescribe such regulations as may be necessary to carry out the provisions of this subtitle including but not limited to regulations governing the acquisition, disposition, or handling of marketing certificates."

SEC. 325. The Agricultural Act of 1949, as amended, is amended as follows:

(1) By inserting after section 106 the following new section:

"SEC. 107. Notwithstanding the provisions of section 101 of this Act, beginning with the 1964 crop—

"(1) price support for wheat accompanied by marketing certificates shall be at such level not less than 65 per centum or more than 90 per centum of the parity price therefor as the Secretary determines appropriate taking into consideration the factors specified in section 401(b),

"(2) if marketing quotas are in effect for wheat price support for wheat not accompanied by marketing certificates shall be at such level as the Secretary determines appropriate taking into consideration competitive world prices of wheat, the feeding value of wheat in relation to feed grains, and the level at which price support is made available for feed grains,

"(3) price support shall be made available only to cooperators; and if a commercial wheat-producing area is established for such crop, price support shall be made available only in the commercial wheat-producing area,

"(4) the level of price support for any crop of wheat for which a national marketing quota is not proclaimed or for which marketing quotas have been disapproved by producers shall be as provided in section 101, and

"(5) if marketing quotas are in effect for the crop of wheat, a 'cooperator' with respect to any crop of wheat produced on a farm shall be a producer who (i) does not knowingly exceed (A) the farm acreage allotment for wheat or any other commodity on the farm or (B) except as the Secretary may by regulation prescribe, the farm acreage allotment on any other farm for any commodity in which he has an interest as a producer, and (ii) complies with the land-use requirements of section 339 of the Agricultural Adjustment Act of 1938, as amended, to the extent prescribed by the Secretary. If marketing quotas are not in effect for the crop of wheat, a 'cooperator' with respect to any crop of wheat produced on a farm shall be a producer who does not knowingly exceed the farm acreage allotment for wheat. No producer shall be deemed to have exceeded a farm acreage allotment for wheat if the entire amount of the farm marketing excess is delivered to the Secretary or stored in accordance with applicable regulations to avoid or postpone payment of the penalty, but the producer shall not be eligible to receive price support on such marketing excess. No producer shall be deemed to have exceeded the farm acreage allotment for wheat on any other farm, if such farm is exempt from the farm marketing quota for such crop under section 335."

(2) By changing the period at the end of the third sentence in section 407 to a colon and adding the following: "Provided, That if a wheat marketing allocation program is in effect, the current support price for wheat shall be the support price for wheat accompanied by marketing certificate and wheat sold shall be accompanied by a marketing certificate."

SEC. 326. Notwithstanding any other provision of law, performance rendered in good faith in reliance upon action or advice of an authorized representative of the Secretary may be accepted as meeting the requirements of subsections (c), (d), and (g) of section 16 of the Soil Conservation and Domestic Allotment Act, as amended, or of section 307 of the Food and Agriculture Act of 1962, section 339 of the Agricultural Act of 1938, as amended, or of section 124 of the Agricultural Act of 1961, and payment may be made therefor in accordance with such action or advice to the extent the Secretary deems it desirable in order to provide fair and equitable treatment.

SEC. 327. In the establishment of State, county, and farm acreage allotments for wheat under the Agricultural Adjustment Act of 1938, as amended, the acreage which is determined under regulations of the Secretary to have been diverted from the production of wheat under the special programs formulated pursuant to section 307 of this Act, section 339 of the Agricultural Adjustment Act of 1938, as amended, and section 124 of the Agricultural Act of 1961, shall be credited to the State, county, and farm as though such acreage had actually been devoted to the production of wheat.

SEC. 328. Effective with the 1964 crop, during any year in which an acreage diversion program is in effect for feed grains, the Secretary shall, notwithstanding any other provision of law, permit producers of feed grains to have acreage devoted to the production of feed grains considered as devoted to the production of wheat and producers of wheat to have acreage devoted to the production of wheat considered as devoted to the production of feed grains to such extent and subject to such terms and conditions as the Secretary determines will not impair the effective operation of the program for feed grains or wheat.

#### AN EXPLANATION OF THE 1964 WHEAT PROGRAM

(U.S. Department of Agriculture)

The marketing quota referendum on the 1964 wheat crop offers wheatgrowers an opportunity to approve a program that will make progress toward solving wheat problems that have been troublesome almost constantly since World War I.

If approved by wheatgrowers in the referendum to be held on May 21, 1963, the program will have the following results:

1. Maintain farmers' wheat income at about the level of the past 2 years.
2. Permit an orderly reduction of the tremendous supply of wheat already on hand from previous crops. (We have 1.2 billion bushels on hand now; 600 to 700 million bushels is considered an adequate reserve.)
3. Provide for fair wheat prices to both producer and consumer.
4. Prevent acreage diverted out of wheat production from being used to overproduce other crops.
5. Reduce Government costs for a wheat program.

#### WHY IS WHEAT IN TROUBLE?

Under the wheat program that has been available since 1938, the smallest acreage that could be set as the national wheat allotment was 55 million acres.

During the 5-year period, 1934 through 1938, the average yield of wheat of the United States was 12.8 bushels an acre. Today, the national average yield is about 25 bushels per acre, double what it was back when the minimum acreage allotment was set by law. Therefore, a national allotment that could not be set any lower than 55 million acres had been producing more wheat than could be used in the United States and exported.

In addition, the old program permitted any farm to grow up to 15 acres of wheat even when marketing quotas were in effect. The acres taken out of wheat production could be used for the production of feed grains and other crops. The extra acres of feed grains added to the already heavy supplies of those grains.

The carryover of wheat from previous crops when the 1962 marketing year began was 1.3 billion bushels. That carryover is about equal to the best year of record for domestic use and exports—it is twice the size of carryover considered adequate for national security and insurance against a short crop.

The United States now averages about 600 million bushels for our own use. We also export about 600 million bushels.

Most of the huge supply of wheat is owned by the Federal Government. The production from a national wheat allotment of 55 million acres and the 15-acre exemption has been larger than the market would take. The wheat not needed for domestic use or export was added to the Government inventory.

The cost of the wheat program, counting export costs, in 1953 was \$194 million. By 1961 the program cost was up to \$1.5 billion—seven times the 1953 cost—60 percent of the wheat income for that year.

#### THE PROGRAM IN BRIEF

The program being voted on in the May 21 referendum provides for—

1. Farm allotments equal to about 90 percent of the 1963 allotment on the average—a national allotment of 49.5 million acres.
2. A national marketing quota of 1.2 billion bushels.
3. Payment for diversion from wheat to conservation uses as a result of complying with 1964 wheat allotment.
4. An opportunity for each wheatgrower to voluntarily reduce below his allotment and devote the acreage to conservation. This acreage would also be eligible for diversion payments.
5. A two-price arrangement whereby most of each participating grower's wheat would be eligible for price support at \$2 a bushel and the balance at \$1.30 a bushel on a national average basis.

#### MARKETING QUOTA PROCLAMATION

The Food and Agriculture Act of 1962 directs the Secretary of Agriculture to proclaim a national marketing quota for wheat whenever he finds that the total supply of wheat will be excessive at the beginning of the marketing year for the crop of wheat for which the quota is proclaimed.

On March 29, 1963, the Secretary proclaimed a national marketing quota of 1,220 million bushels and a national wheat acreage allotment of 49.5 million acres. The required referendum will be held on May 21, 1963.

If at least two-thirds of the wheatgrowers voting in the referendum approve marketing quotas, the program will be in effect.

## CHANGES IN THE MARKETING QUOTA AND ALLOTMENT

The program to be voted on in the referendum removes the minimum 55-million-acre national allotment and replaces it with a minimum bushelage quota—called the national marketing quota—which cannot be smaller than 1 billion bushels. At least two-thirds of wheatgrowers voting in the referendum must approve marketing quotas before the program can be put in effect. The national marketing quota for 1964 has been set at 1,220 million bushels. With a national allotment of 49.5 million acres and allowances for small farm allotments, over plantings of allotments, estimated voluntary, diversion of wheat acres and abandonment, it is expected that the harvested acreage would be about 41 million acres with an expected production of 1,060 million bushels. A crop of this size would permit 165 million bushels to be marketed from the Federal Government inventory.

## THE NATIONAL MARKETING QUOTA AND FARM ALLOTMENTS

With the national marketing quota converted to the national acreage allotment of 49.5 million acres, each wheat-producing State will be apportioned a State wheat allotment based on the average acreage of wheat in the State for the preceding 10 years, adjusted for trends and allowing credit for diversion. Similarly, each county in a State is then assigned a county wheat allotment based on the 10-year average wheat acreage in the county. Farm wheat allotments will be determined on the basis of the farm wheat history acreage (including acreage diverted from wheat) for the past 5 years, with some adjustment for change in farming practices, type of soil, and topography.

Before the referendum, wheatgrowers will receive from their ASC county committee an official notice of the wheat allotment acreage assigned to their farm. At the same time producers will receive a notice of the normal wheat yield for their farms.

## DIVERSION ACREAGE—PAYMENT AT 30 PERCENT OF SUPPORT

The law authorizes the Secretary of Agriculture to make diversion payments to wheat producers who stay within their farm allotments and add to the normal conserving acreage for the farm the acreage diverted from wheat. The diversion payments are to help maintain wheat income while the carryover of wheat is being reduced.

The number of acres on which the diversion payment will be made is the difference between the 1964 wheat allotment and what the allotment would have been with a national allotment of 55 million acres. This is done in ASC county offices by multiplying the 1964 allotment for the farm by 11.11 percent. For example: If the farm allotment for 1964 is 54 acres, the wheat acres to be diverted to conservation use would be 11.11 percent times 54, or 6 acres. (Thus this farm is eligible for a diversion payment if 54 acres are seeded to wheat and the acres for conserving use are increased by 6.)

The payment per acre for this diversion is the farm normal yield multiplied by 30 percent of the county support price rate based on the \$2 national average. The diversion payment for the farm is the rate per acre times the number of acres diverted from wheat. Using the national average support rate, for example, the per-acre payment rate for a farm with a normal yield of 25 bushels would be determined as follows: 30 percent of \$2 equals \$0.60—25 bushels times \$0.60 equals \$15.00—farm diversion payment rate per acre—and the payment for the farm would be 6 acres times \$15 equals \$90 diversion payment. In addition to the diversion payment, the producer on this farm would be eligible for the price-support loan and wheat certificates, if the diverted acreage is in addition to the normal conserving base for the farm.

## VOLUNTARY DIVERSION BELOW ALLOTMENT—PAYMENT 50 PERCENT OF SUPPORT

The program also offers a diversion payment for a voluntary diversion of part of the 1964 wheat allotment for conservation uses. The largest number of acres for which the voluntary diversion payment will be made is 20 percent of the 1964 allotment or an acreage which will bring the total farm diversion to 15. (There are special provisions for farms with allotments of less than 15 acres—see p. 1.)

Using the above illustration of a farm with an allotment of 54 acres, the additional wheat acres that could be diverted will be 20 percent of 54 acres, or 10.8

acres. The payment per acre on the additional voluntary diversion is based on 50 percent of the county price-support rate. In the example case, the payment rate per acre for the farm would be 50 percent of \$2 (\$1) multiplied by the normal yield of 25 bushels for the farm, or \$25. If the 10.8 acres figured above are diverted the payment for voluntary diversion would be  $10.8 \times \$25 = \$270$ .

#### SUMMARY OF DIVERSION PAYMENTS

1. Diversion by staying within the 1964 allotment: 6 acres at \$15 per acre--	\$90
2. Voluntary diversion below allotted acres: 10.8 acres at \$25-----	270
	360
Total diversion payment-----	360

If the farm operator earns the total diversion payment in this case, he would seed 43.2 acres of wheat ( $54 - 10.8 = 43.2$ ) and increase his acres devoted to conserving uses by 16.8 acres ( $6 + 10.8$ ) and would be eligible for a price-support loan, a diversion payment, and certificates.

#### ADVANCE PAYMENTS

Upon request, a producer may receive in advance 50 percent of the total payment being earned for diversion of wheat land to conservation uses.

#### MARKETING CERTIFICATES

The program provides for the Secretary to issue marketing certificates to wheat producers for their share of the wheat needed for domestic food and for a part of the exports. For 1964, 975 million bushels of wheat will be eligible for marketing certificates. Certificates issued to participants who grow their entire allotment will be 80 percent of the normal production of the farm allotment; for participants who voluntarily reduce 20 percent below their allotment—100 percent of the normal production of the acreage planted to wheat.

Using for illustration the farm with a 54-acre allotment, the certificates would apply as follows: The normal yield per acre is 25 bushels. Therefore, the normal production for the 54-acre allotment would be 1,350 bushels. Certificates issued for that farm would be for 80 percent of 1,350 bushels, or 1,080 bushels.

If, on this farm, the operator voluntarily diverted all the wheat acres he could for diversion payment—16.8 acres—and planted only the remainder of the farm allotment to wheat he would receive certificates for the same number of bushels—1,080 bushels. With 20 percent of the allotment diverted, the certificates issued would be for a number of bushels equal to the normal production of all the wheat acreage seeded on the farm. If the yield is below normal or even if the crop is a complete failure, the producer will be able to take his unused certificates to the county ASC office and get 70 cents for each bushel they represent.

However, if the acres planted to wheat for 1964 are less than 80 percent of the farm allotment, certificates would be issued for the normal production of the acres actually planted. If a producer has marketing quota excess wheat from former crops stored under bond, he may plant less than 80 percent of his allotment and use some of the stored wheat for his certificates.

#### HANDLING OF THE CERTIFICATES

Each participating producer will receive from the ASC county office a marketing quota card indicating his wheat is free from marketing quota penalty and showing the number of bushels of certificated wheat for his farm.

The first buyer will record on the marketing card the number of bushels purchased by him and the number of bushels of certificated wheat remaining unsold. The first buyer would periodically report his purchases to the U.S. Department of Agriculture and receive credit for the certificates.

#### PRICE SUPPORTS

Certificated wheat will be eligible for a loan at the county support rate based on a national average rate of \$2 a bushel and noncertificated wheat will be supported at the county support rate based on \$1.30 a bushel national average. Differentials will be established for location, class, and grade.

Farms on which the voluntary diversion is 20 percent of the farm allotment would produce noncertificated wheat when the actual yield per acre was above the normal yield for the farm.

On farms on which there is no voluntary diversion and the producer plants all of his 1964 wheat allotment, with a normal yield per acre there would be wheat produced for which certificates would not be issued. In this situation the producer could place the noncertificated wheat under loan at the local noncertificated price-support rate (\$.130 a bushel national average).

Any noncertificated wheat produced on a participating farm may also be sold on the market, sold to other producers, fed to livestock, stored, or used for seed.

#### PROVISIONS FOR SMALL FARM ALLOTMENTS

The wheat program for 1964 does away with the provision through which any farm could produce as much as 15 acres of wheat without being subject to marketing quota penalties. The new law also removed the authorization for the production of up to 30 acres of wheat without a marketing quota penalty provided all the wheat was used on the farm on which it was produced.

For small farms, the wheat allotment will be the larger of—

1. An allotment determined in the same way as for the farms with more than 15 acres of wheat, or
2. An allotment equal to 90 percent of the average wheat acreage for the farm for the 3 years 1959, 1960, and 1961. This average cannot be more than 15 acres.

The operator of a farm with an allotment of less than 15 acres may choose to participate in the program as an allotment grower. If he chooses to be an allotment grower and participate in the program, he must do so at least 7 days before the referendum—his deadline for the decision is May 13. The back of the notice of farm allotment (MQ-24) has a space for this purpose. If he signs up to become an allotment grower he is eligible: To vote in the referendum; to receive his share of the marketing certificates; to qualify for diversion payments; and to put wheat into the price-support loan. The small growers who agree to become allotment growers have the option of diverting their entire acreage up to 15 acres to conserving uses all at the high diversion rate based on 50 percent of the county support price rate.

If the small farm operator does not choose to become an allotment grower, he can plant wheat up to the larger of his average wheat acreage for 1959, 1960, and 1961 or his 1964 allotment without being subject to a marketing quota penalty. Production in excess of that limit would be subject to marketing quota penalties. He will have no vote in the referendum. He can sell wheat at the noncertificated wheat market price, or as seed or feed, or use it in any way that he likes. He will not be eligible for price support, certificates, or diversion payments.

An example of a participating farm with a small wheat allotment:

	<i>Acres of Wheat</i>
1959-----	15
1960-----	9
1961-----	15

Average acres of wheat—13 acres. This is the small farm wheat base.

Allotment based on 3-year average acres—90 percent of the small farm base—11.7 acres. This will be the 1964 allotment for the farm unless the allotment calculated by the same method used for farms with more than 15 acres is larger, in which case the larger figure will become the farm allotment.

The normal yield per acre for the farm is 30 bushels.

The allotment of 11.7 acres is planted for 1964 and 1.3 acres are diverted and devoted to conservation use in addition to the normal conserving use for the farm.

This farm would then be eligible for—

1. \$2 price support (national average) on 80 percent of the normal production of the allotment of 11.7 acres: 80 percent of 30 bushels  $\times$  11.7  $\times$  \$2 = \$561.60.
2. \$.130 price support (national average) on 20 percent of normal production of the allotment, 11.7 acres: 20 percent of 30 bushels  $\times$  11.7  $\times$  \$.130 = \$91.26.

3. A diversion payment on the 1.3 acres of wheat diverted to conservation use. The diversion payment would be: 30 bushels  $\times$  1.3 acres  $\times$  (30 percent of \$2) = \$23.40.

The income from wheat on this farm would be:

Certificated wheat.....	\$561.60
Noncertificated wheat.....	91.26
Diversion payment.....	23.40
Total.....	676.26

On this farm the entire wheat acreage could be diverted for payments at the rate of 50 percent of the support price for certificated wheat. The diversion payment would be:

50 percent of  $\$2 \times 30$  bushels = \$30 per acre.

13 acres diverted:  $13 \times \$30 = \$390$ .

Under this circumstance there would be no certificates for this farm since all the wheat acres would be diverted to conservation use.

Operators of small farms who choose not to participate would be subject to marketing quota penalties on wheat produced in excess of their 3-year average acreage (the small farm wheat base) or their allotment whichever is larger.

If the operator of this farm did not choose to take part in the program, 13 acres of wheat could be produced without any of the wheat being subject to marketing quota penalty. The operator would not be eligible for a price-support loan on his wheat, he would receive no certificates, he could not vote in the referendum, and there would be no diversion payment. If the 13 acres of wheat produced a normal yield of 30 bushels to the acre there would be 390 bushels of wheat that could be sold at the market price at the time of sale.

Small farm operators who choose to participate in the program will be subject to marketing quota penalties for the wheat produced on an acreage above the farm allotment. (However, where practical the excess may be stored under bond to postpone or avoid such penalty.)

#### NO HARVESTING OF CROPS FROM DIVERTED ACRES

The diversion payment will not be made automatically to those producers who divert acreage from wheat production. Each producer who wants the diversion payment will file with his ASC county office an intention to participate by a deadline date. The production and harvesting of a nonapproved crop from the minimum required diverted acreage on farms with allotments of more than 15 acres and on small farms where the operator has elected to be an allotment grower will make the acreage subject to a land use penalty. The land use penalty per acre will be figured on the basis of 65 percent of the parity price of wheat multiplied by the normal yield of wheat established for the farm. The maximum acreage on which this penalty could apply is 11.11 percent of the 1964 wheat allotment.

#### GRAZING OF DIVERTED ACREAGE

Grazing the acreage diverted from wheat production to conservation use will be permitted without change of payment up to a spring date and after an established date in the fall. State ASC committees will establish these dates for their States. In addition, the diverted acreage may also be grazed during the summer, but the diversion payment per acre will be reduced by one-half. Wheat growers who want to graze their diverted acreage should make application at the county ASC office. Such arrangement should be made at the time of signup.

#### MARKETING QUOTA PENALTIES

When marketing quotas are in effect, the law provides for marketing penalties on wheat produced on acreage in excess of the farm allotment. The penalty rate per bushel is 65 percent of the national parity price for wheat—about \$1.65 a bushel. The penalty applies on a bushelage equal to twice the normal yield per acre times the number of acres in excess of the farm allotment. However, if the proven actual yield is lower, the ASC county committee may reduce the number of bushels that are subject to the marketing quota penalty to the actual yield.

Producers who have excess wheat may avoid paying the marketing quota penalty by storing the excess wheat in accordance with regulations issued by the

Secretary similar to past programs. This wheat may be taken out of storage in subsequent years by underplanting the farm allotment or when the yield per acre is less than normal.

If excess wheat is stored, the wheat grown on the allotment is eligible for price support and certificates if other provisions of the program, including conserving use on the diverted acres, are met and the normal acreage of conserving use is maintained. Farms with excess wheat acreage are not eligible for diversion payments and the excess wheat is not eligible for price support.

For an explanation of marketing quota penalties on small farms when the operator did not elect to be an allotment grower, see the section, "Provisions for Small Farm Allotments," p. 3.

#### GROWING WHEAT ON FEED GRAIN ACREAGE

If there is a feed grain diversion program in effect in 1964, wheat production on permitted feed grain acreage will be authorized. Price support on such wheat would be at the support level for noncertificated wheat (\$1.30 a bushel national average).

#### NONCOMMERCIAL WHEAT AREA

There will be no noncommercial wheat area in 1964.

#### NO INCREASES IN ALLOTMENTS FOR A CLASS OF WHEAT IN SHORT SUPPLY

The Food and Agriculture Act of 1962 authorizes the Secretary of Agriculture to increase the farm allotments for any class of wheat in short supply or likely to be in short supply. None of the classes of wheat are in that position; therefore, the authorization will not be used in 1964.

#### VOTING ELIGIBILITY

Producers who have an interest in a 1964 farm wheat acreage allotment are eligible to vote in the 1964 wheat marketing quota referendum. However, if the allotment is less than 15 acres, the operator must elect by May 13 to participate as an allotment grower in 1964 if he and other producers on the farm wish to vote in the referendum. This election is made by signing in the space provided on the back of the regular allotment notice, MQ-24, for the farm or on another copy of the form provided by the county ASC office.

A person can cast only one ballot in the referendum regardless of the number of wheat farms in which he is interested except:

1. Individual members of a partnership shall each have a vote, the partnership as such shall not have a vote. (An individual member of a qualified partnership who also has an individual interest in another farm is not entitled to more than one vote.)
2. A person may also vote as the representative of an organization, such as a corporation. (Such an organization is entitled to only one vote.)
3. A person may also vote as the administrator or executor of an estate, or as a trustee or guardian, but the persons whom he represents are not eligible.

Producers who have an interest in an allotment include—

1. *Landowners who receive all or a share of the wheat crop or proceeds thereof.*—Landowners who rent their land to a tenant for cash are not eligible. In the event land is owned jointly by two or more persons, the following will apply:

(a) In the States of Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, and Washington, which have community property statutes, owners of community property (both husband and wife) are eligible to vote if the allotment is on community property.

(b) In all States, joint owners (both names on the deed) are eligible to vote if the allotment is on the jointly owned property.

2. *Tenants or sharecroppers having an interest in the farm acreage allotment because of sharing in the wheat crop or proceeds thereof.*—Producers who lease land as joint tenants (both names on the lease) are each eligible to vote.

Examples:

(a) Husband and wife both sign written lease to operate farm—both are eligible to vote.

(b) Only the husband signs written lease to operate farm—only the husband will be eligible to vote.

(c) Husband and wife lease the farm on a verbal lease with the owner, and the referendum committee determines that both are responsible for carrying out the tenant obligations under the lease—both can vote.

#### POLLING PLACES

Each ASC county committee will designate and announce polling places for the referendum.

#### IF MARKETING QUOTAS ARE DISAPPROVED

If more than one-third of those who vote in the referendum on May 21 disapprove marketing quotas, they will not apply to the 1964 crop of wheat.

Price support would drop to 50 percent of parity—about \$1.25 per bushel national average. The national average would be adjusted for class, grade, and location. Only those growers who stay within their allotments would be eligible for the 50-percent-of-parity price supports. The farm wheat allotments would be the same as though marketing quotas were in effect.

In addition, there would be no diversion payments, and no wheat certificates issued.

Those producers who did not stay within their allotments would not be subject to marketing quota penalties, and they could sell their wheat for whatever the market would pay.

#### QUALITY, GRADE AND LOCATION

As in the past, the price-support rates for wheat produced in 1964 will take into consideration the class of wheat, the location of the wheat, the grade, and such factors as protein and sedimentation value. The class, grade, and location factors are based on the long-time differentials for such factors between the terminal markets. The price-support rates will take into consideration premium grades, discounts for lower grades, and moisture content.

Secretary FREEMAN. The vote in the referendum was such that the program now in effect would allow unlimited plantings with no marketing quotas or marketing quota penalties. The support level would be 50 percent of parity, a level that would permit wheat to compete as a feed with other feed grains, for those who saw fit to comply with their acreage allotment based on a national allotment of 49½ million acres.

This program, then, a voluntary one, would involve a loss in wheat farmer income of \$500 to \$700 million.

The objective of the President's program is to recover that farm income without increased costs of bread to the consumer and without any increased costs to the taxpayer.

That can be accomplished through the medium of a voluntary certificate program which has, in large part, passed out of the House Subcommittee on Wheat to the Committee on Agriculture, providing for certificates, one for our domestic usage at approximately 70 cents, another for export at approximately 25 cents on about 82 percent of the normal production on the 49½ million acres.

This would involve only a small additional cost. Our estimates on a program of this kind indicate Government expenditures may increase about \$100 million but, because the current price of wheat would be maintained, the cost to the consumer would not increase while \$400 to \$500 million would be recaptured for the wheat farmer.

The program is a very simple one. Wheat would move in the market freely at a price which would be in the neighborhood of \$1.30, which makes it competitive with corn as a livestock feed.

Before any miller could mill wheat into flour, he would have to acquire equivalent domestic certificates. The exporter would have to have equivalent export certificates.

In this fashion, the moneys involved and the difference between the current support level and the level at which the combined market price and certificate would reach would be maintained, but the income would be held for the producer.

That is the essence of the program, Mr. Chairman, and it is also pending. I understand that it has been acted on favorably with some minor modifications by the Senate Committee on Agriculture and Forestry and is pending in the Senate and embodied in general the administrative recommendations which were not specific in terms of detail, but left these, in each case, to the respective committees to iron out.

But this program would accomplish the goals of recapturing significant farm income without an appreciable increase in cost to the taxpayer, without increased cost to the consumer, and would bring our surplus down about another 100 million bushels of wheat.

Mr. WHITTEN. Mr. Secretary, we all stay busy with hearings before other subcommittees handling other departments. Personally, I am meeting in the mornings with the Defense Subcommittee and I am sure everyone here has somewhat the same problem. So you have an occasion to see the members of the Agriculture Committee, perhaps, far more than we do at this time.

What is the outlook for legislation in these two areas, in your own opinion, either on or off the record.

Secretary FREEMAN. Off the record.

(Discussion off the record.)

#### EFFECT ON BUDGET ESTIMATES

Mr. MICHEL. Mr. Chairman, might I inject a question here, particularly with respect to the Secretary's comments on pending legislation relative to cotton and wheat?

Does the budget, which you presented, reflect the cost of those programs or is it deficient in that sense?

Secretary FREEMAN. It does reflect the cost of those programs. It reflects what would be spent on wheat in fiscal year 1965 regardless of whether there is legislation or not, so that is unchanged. It reflects a savings in cotton of in the neighborhood of \$200 million.

The present projection on the programs under consideration now in the Senate would, as I recall the figure, be about \$160 million, which in this volume, is within the same general range.

#### PROPOSALS FOR DAIRY PRODUCTS

Mr. WHITTEN. Proceeding then to dairy products, the President says the following:

Modern dairying requires a large capital investment and a high degree of technical skill. No industry is more important to our health. Yet income to many efficient farmers is cruelly low, and this year it was reduced considerably by drought in many areas. I believe that a system for voluntary adjustment of output is the key to a successful dairy program. I recommend legislation to: (1) provide incentives to dairy farmers to reduce surplus production; and (2) permit producers in Federal milk marketing order areas, through a "base excess plan" to reduce their production of milk without reducing their share of the class I market.

Again, I am sure that this, too, was based upon facts and figures that were supplied to him by you or your Department. Could you define for us the situation in which you found the dairy industry when you took over, so far as supplies on hand, price support levels, domestic consumption, et cetera, and the situation as it exists now. Also, what you have done, if anything, to implement the President's request?

(The material requested is as follows:)

When this administration took office in 1961, the dairy price support program was being carried out under the same basic legislative authority in existence today—the Agricultural Act of 1949, as amended. The act requires that milk and butterfat be supported at such level from 75 to 90 percent of parity as is necessary to assure an adequate supply. Early in 1961 the dairy price support level was at 80 percent of parity. The national average price for manufacturing milk was being supported at \$3.22 per hundredweight and butterfat in farm-separated cream was supported at 59.6 cents per pound.

In March 1961, the Department increased the support prices for the 1961-62 marketing year to \$3.40 per hundredweight for manufacturing milk and 60.4 cents per pound for butterfat. These prices were 85 percent of the parity equivalent price for manufacturing milk and 82 percent of parity for butterfat.

It was necessary, under the law, to reduce dairy price support to 75 percent of parity beginning April 1, 1962. Dairy price supports have remained at the legal minimum of 75 percent of parity in the 1963-64 marketing year and will continue at that level in 1964-65.

The President, in his 1963 farm message, recommended a voluntary dairy program. The administration recommends a voluntary dairy program combining two proposals. The first proposal would authorize shifting from the present "blend" pricing system in Federal milk marketing orders to a base-excess pricing plan—that is, a plan whereby each producer would receive a "base" or pro rata share of the sales of milk in the market for the higher-valued fluid uses with the remainder of his marketings, or "excess," being priced at the lower rate applicable to milk going into manufacturing uses. The purpose is to enable a producer to reduce his total marketings without losing any part of his share of the fluid market. The second proposal would authorize payments to producers who voluntarily restrict their output of milk.

Shown below are tables containing data on stocks, production, utilization, prices, purchases, and expenditures under the dairy price support and related programs.

*Commodity Credit Corporation purchases, utilization, and uncommitted stocks, Apr. 1, 1962-Jan. 31, 1963, compared with Apr. 1, 1963-Jan. 31, 1964*

[In millions of pounds]

Item	Butter		Cheese		Nonfat dry milk	
	1962-63 <sup>1</sup>	1963-64 <sup>2</sup>	1962-63 <sup>1</sup>	1963-64 <sup>2</sup>	1962-63 <sup>1</sup>	1963-64 <sup>2</sup>
Purchases (delivery basis).....	267.8	220.6	128.6	105.5	<sup>3</sup> 1,061.2	<sup>3</sup> 757.6
Utilization.....	223.3	455.4	174.3	110.3	813.3	994.4
Uncommitted inventories at end of period..	327.5	132.8	43.7	28.5	521.6	272.5

<sup>1</sup> Apr. 1, 1962-Jan. 31, 1963.

<sup>2</sup> Apr. 1, 1963-Jan. 31, 1964.

<sup>3</sup> The decrease in purchases of nonfat dry milk was largely due to increased exports from commercial sources under the payment-in-kind program. Such exports totaled 206.7 million pounds in the first 10 months of the present marketing year compared with 9.6 million pounds a year earlier.

*Milk (fat solids basis): Supply and distribution, 1951 to date*

[In billions of pounds milk equivalent]

Year beginning Jan. 1	Supply				Utilization							Ending stocks	
	Begin- ning stocks	Produc- tion <sup>1</sup>	Imports	Total	Domestic						Exports and shipments		
					Civilian consump- tion excluding USDA programs	Fluid milk under school lunch and special milk programs	USDA distrib- ution of butter and cheese	Military		Fed to calves			Total
								From CCC supplies	Total				
1951.....	4.8	115.2	0.5	120.5	107.1	0.7	0.2	.....	3.0	3.4	114.4	2.5	3.6
1952.....	3.6	115.1	.7	119.4	106.5	.8	1.3	.....	2.7	3.3	113.4	1.6	5.1
1953.....	5.1	120.2	.5	125.8	105.4	.8	1.3	.....	2.6	3.3	113.4	1.6	10.8
1954.....	10.8	122.1	.4	133.3	107.7	.9	2.5	0.1	2.9	3.3	117.3	2.3	13.7
1955.....	13.7	122.9	.5	137.1	109.9	1.4	3.2	0.7	3.2	3.3	121.0	7.0	9.1
1956.....	9.1	124.9	.5	134.5	111.0	1.8	3.4	.5	3.1	3.1	122.4	6.5	5.6
1957.....	5.6	124.6	.7	130.9	111.1	2.0	2.3	.4	3.1	3.0	121.5	3.0	6.4
1958.....	6.4	123.2	.5	130.1	110.9	2.1	4.2	.5	2.9	2.8	122.1	3.2	4.8
1959.....	4.8	122.0	.6	127.4	110.9	2.3	2.9	.5	2.9	2.7	121.7	1.5	4.2
1960.....	4.2	123.0	.6	127.8	111.4	2.5	2.1	.3	2.7	2.6	121.3	1.1	5.4
1961.....	5.4	125.4	.8	131.6	109.4	2.6	3.4	.4	2.8	2.5	120.7	1.0	9.0
1962.....	9.9	126.0	.8	136.7	109.0	2.7	4.9	.6	3.3	2.4	122.3	1.7	12.7
1963 <sup>2</sup> .....	12.7	124.8	.9	138.4	109.5	2.9	5.2	.5	3.3	2.4	123.3	5.3	8.8

<sup>1</sup> Includes Alaska and Hawaii, beginning 1960.

<sup>2</sup> Preliminary.

*Milkfat and nonfat solids contents of CCC and section 32 purchases of dairy products, compared with total milkfat and nonfat solids contents of farm marketings of milk and cream (delivery basis)*

Marketing years beginning Apr. 1 except as noted	Marketed by farmers <sup>1</sup>										Purchases			
	As whole milk (wholesale and retail)					As farm-skimmed cream		Total		Milkfat		Nonfat solids		
	Milk	Milkfat <sup>2</sup>		Nonfat solids <sup>3</sup>	Butterfat <sup>4</sup>	Nonfat solids <sup>5</sup>	Milkfat	Nonfat solids	Milkfat	Nonfat solids	Quantity	Percent of marketings	Quantity	Percent of marketings
		Average test	Quantity											
	Million pounds	Percent	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Percent	Million pounds	Percent	
1951-52	77,968	3.93	3,064	6,791	695	6,951	3,759	0.9	69.3	1.0				
1952-53	82,006	3.90	3,202	7,151	643	7,299	3,845	145.7	237.4	3.3				
1953-54	88,898	3.87	3,440	7,725	613	7,866	4,053	643.1	774.7	9.8				
1954-55	90,495	3.86	3,493	7,864	588	8,352	4,081	222.5	554.1	6.9				
1955-56	94,774	3.84	3,639	8,226	551	8,598	4,190	197.9	629.8	7.5				
1956-57	97,871	3.82	3,739	8,485	492	8,598	4,231	259.5	788.5	8.9				
1957-58	100,316	3.81	3,822	8,687	434	8,787	4,256	137.9	949.1	10.8				
1958-59	101,813	3.78	3,849	8,807	382	8,895	4,231	131.0	804.5	9.0				
1959-60	103,342	3.76	3,886	8,931	337	9,009	4,223	130.2	839.0	9.3				
1960-61	105,899	3.75	3,982	9,152	293	9,219	4,275	420.6	804.9	8.7				
1961-62	110,537	3.75	4,145	9,548	256	9,607	4,401	332.5	1,286.3	13.4				
1962-63	111,989	3.74	4,188	9,668	219	9,718	4,407	288.0	1,272.2	13.1				
1963-64 <sup>8</sup>	112,000	3.74	4,189	9,666	195	9,711	4,385		794.6	7.9				

<sup>1</sup> Estimated from nearest calendar year marketings on the basis of the ratios of milk production in the marketing years to production in such calendar years. (Data on marketings by calendar years in milk, farm production, disposition, and income, issued annually.)

<sup>2</sup> Assumes milkfat content of marketings average the same as those for total milk production in calendar year.

<sup>3</sup> Estimated on the basis of milkfat percentages used and the following formula: Percent of nonfat solids in milk equals 7.01 plus 0.434 of the milkfat percentage. This formula is given in estimating the solids-nonfat content of milk, Marketing Research Report No. 65, AMS, May 1954.

<sup>4</sup> Based on published data.

<sup>5</sup> Assumes that butterfat in farm-skimmed cream averages 28 percent and that nonfat solids content of the cream averages 29 percent of the butterfat content.

<sup>6</sup> Excludes milkfat and nonfat solids in butter and cheese purchased in March 1954 and immediately contracted for sale back to the sellers in April 1954.

<sup>7</sup> In addition, payment-in-kind certificates were issued for the export of 23,200,000 pounds of nonfat solids in 1962-63 and 230,400,000 pounds in 1963-64. Such exports represent 0.2 percent of the farm marketings of nonfat solids in 1962-63 and 2.4 percent in 1963-64.

<sup>8</sup> Partly forecast.

CCC and section 32 purchases of dairy products by program years, since Apr. 1, 1951

[In millions of pounds]

Marketing year beginning Apr. 1	Butter	Cheddar cheese	Nonfat dry milk	
			Contracts	Deliveries <sup>1</sup>
1951-52.....	0.2	0.8	71.9	71.9
1952-53.....	143.3	75.3	217.6	217.6
1953-54 <sup>2</sup> .....	375.0	386.8	682.0	680.1
1954-55.....	210.5	153.4	535.8	526.1
1955-56.....	177.6	157.4	623.7	604.4
1956-57.....	154.4	197.2	798.5	736.2
1957-58.....	215.1	248.3	829.3	907.4
1958-59.....	150.2	34.7	941.3	825.8
1959-60.....	135.2	50.3	748.3	856.8
1960-61.....	154.4	.2	1,103.5	837.3
1961-62.....	434.9	<sup>3</sup> 191.9	1,026.9	1,275.4
1962-63.....	347.1	<sup>3</sup> 136.9	1,347.7	1,278.8
1963-64 <sup>4</sup> .....	300.0	<sup>3</sup> 125.0	900.0	<sup>3</sup> 900.0

<sup>1</sup> Purchase contracts in large containers plus scheduled deliveries in small containers in each period.

<sup>2</sup> Excludes 5,200,000 pounds of butter and 86,700,000 pounds of cheese purchased in March and contracted for resale back to the sellers in April.

<sup>3</sup> Deliveries.

<sup>4</sup> Partly forecast.

<sup>5</sup> The decrease from 1962-63 is mainly accounted for by increased exports directly from commercial stocks under the payment-in-kind program. Such exports are estimated at 240,000,000 pounds in 1963-64 compared with 24,200,000 pounds in 1962-63.

Net Government expenditures on dairy price support and related programs by fiscal years, beginning July 1, 1951

[In millions of dollars]

Fiscal year (July-June)	CCC net expendi- tures <sup>1</sup>	Military milk pro- gram <sup>2</sup>	Payment- in-kind program <sup>3</sup>	Sec. 32 expendi- tures <sup>4</sup>	Total (ex- cluding special milk)	Special milk program
1951-52.....	1.7			7.5	9.2	
1952-53.....	274.9			25.1	300.0	
1953-54.....	400.6			74.0	474.6	
1954-55.....	221.0	1.0		24.4	246.4	17.2
1955-56.....	218.0	7.3		39.0	264.3	45.8
1956-57.....	206.0	16.4		75.6	298.0	60.4
1957-58.....	195.4	30.4		123.7	349.5	66.3
1958-59.....	99.3	23.0		106.2	228.5	74.3
1959-60.....	149.9	23.6		35.1	208.6	80.5
1960-61.....	170.4	25.3		82.1	277.8	84.2
1961-62.....	529.9	25.9		47.1	602.9	89.2
1962-63.....	440.1	24.8	8.1		473.0	93.9

<sup>1</sup> CCC purchase and other costs (processing, repackaging, transportation, storage, and handling), less proceeds from sales (including sales to sec. 32).

<sup>2</sup> CCC reimbursements to military agencies, Veterans' Administration and other participants.

<sup>3</sup> Amount of payment-in-kind certificates issued by CCC on exports of nonfat dry milk.

<sup>4</sup> Sec. 32 expenditures for purchases from CCC and direct purchases in the market.

NOTE.—Excludes Government costs of activities under titles I and II of Public Law 480.

Support levels and prices of manufacturing milk and butterfat under the milk and butterfat price-support program, beginning Apr. 1, 1951

Marketing year beginning Apr. 1	Manufacturing milk			Butterfat		
	Support level		Actual price per 100 pounds (annual average) <sup>2</sup>	Support level		Actual price per pound (annual average)
	Percent of parity equivalent <sup>1</sup>	Per 100 pounds		Percent of parity <sup>1</sup>	Per pound	
	<i>Percent</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Percent</i>	<i>Cents</i>	<i>Cents</i>
1951-52-----	86	3.60	3.97	89	67.6	74.1
1952-53-----	90	3.85	4.00	90	69.2	71.6
1953-54-----	89	3.74	3.46	90	67.3	65.7
1954-55-----	75	3.15	3.15	75	56.2	57.3
1955-56-----	80	3.15	3.19	76	56.2	57.7
1956-57-----	82	3.15	-----	78	56.2	-----
	84	3.25	3.31	81	58.6	60.0
1957-58-----	82	3.25	3.28	79	58.6	60.3
1958-59-----	75	3.06	3.16	75	56.6	59.1
1959-60-----	77	3.06	3.22	77	56.6	60.5
1960-61-----	76	3.06	-----	76	56.6	-----
	80	3.22	-----	80	59.6	-----
	85	3.40	3.31	82	60.4	59.9
1961-62-----	83	3.40	3.39	81	60.4	60.7
1962-63-----	75	3.11	3.19	75	57.2	58.3
1963-64-----	75	3.14	3.24	75	58.1	58.4

<sup>1</sup> Except as noted the figures listed are the actual percentages of the parity or parity equivalent prices published near the end of March before the beginning of the marketing year. In some cases the announced percentages, based on forward estimates of parity, were slightly different.

<sup>2</sup> For 1951 through 1961-62 the average prices indicated are for manufacturing milk (the 3-product series). Beginning in 1962-63 the average price indicated is for manufacturing-grade milk.

<sup>3</sup> Price increased effective Apr. 18, 1956.

<sup>4</sup> Price effective Apr. 1-Sept. 16, 1960.

<sup>5</sup> Price effective Sept. 17, 1960-Mar. 9, 1961.

<sup>6</sup> Price effective Mar. 10, 1961.

<sup>7</sup> 11-month average of adjusted prices.

<sup>8</sup> 11-month average.

Secretary FREEMAN. The permanent legislation, which is on the books, has been there for a long time and calls for at least 75 percent of parity supports on dairy commodities based on the manufactured milk price, which is about \$3.14. This is the minimum level and continues.

During the last year, and the figures can be put in the record, the amount of carryover in butter, in cheese, and dry milk, has been substantially reduced. It has been reduced because, first, production was down about 1 percent, primarily in my judgment, because of a very heavy drought year.

Second, because of both commercial and concessional sales, we sold 90 million pounds of butter, for example, mainly to Western Europe, because of the drought conditions over there, which was quite unusual, and moved over 170 million more pounds of butter products under Public Law 480. So our stocks have been significantly lessened, but the problem of overproduction in dairy, in my judgment, continues.

*Dairy products: Total utilization of price-support purchases in domestic and foreign outlets, and stocks, 1950-63*

[In millions of pounds]

Utilization and stocks	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
<b>Butter</b>														
Utilization:														
Domestic.....	153.9	27.5	-----	90.1	100.1	143.2	128.2	131.2	178.7	112.0	128.0	193.5	201.5	223.6
Foreign.....	43.4	-----	-----	28.1	152.7	222.8	96.7	10.9	29.4	18.5	.9	1.8	57.4	258.4
<b>Total.....</b>	<b>197.3</b>	<b>27.5</b>	<b>-----</b>	<b>118.2</b>	<b>312.8</b>	<b>366.0</b>	<b>224.9</b>	<b>2 142.4</b>	<b>208.1</b>	<b>130.5</b>	<b>2 129.4</b>	<b>2 195.5</b>	<b>258.9</b>	<b>482.0</b>
Uncommitted stocks.....	27.3	-----	16.1	256.8	263.7	60.1	-----	31.1	6.8	-----	15.9	150.0	2 294.3	3 120.1
<b>Cheese</b>														
Utilization:														
Domestic.....	46.2	7.9	1.1	22.7	112.3	82.2	135.1	85.5	123.5	40.8	7.4	69.7	171.3	139.4
Foreign.....	80.4	.8	-----	14.8	83.3	142.0	167.5	159.4	91.6	11.9	-----	.8	22.4	24.2
<b>Total.....</b>	<b>126.6</b>	<b>8.7</b>	<b>1.1</b>	<b>37.5</b>	<b>195.6</b>	<b>224.2</b>	<b>302.6</b>	<b>244.9</b>	<b>215.1</b>	<b>52.7</b>	<b>7.4</b>	<b>70.5</b>	<b>193.7</b>	<b>2 164.3</b>
Uncommitted stocks.....	7.9	-----	1.7	253.2	334.8	260.6	145.9	142.5	2.6	7.1	-----	54.0	63.2	18.9
<b>Nonfat dry milk</b>														
Utilization:														
Domestic.....	57.2	62.2	41.2	16.7	642.5	103.5	151.3	67.0	62.0	168.7	104.1	256.2	208.6	253.2
Foreign.....	201.0	144.0	20.2	179.1	342.7	545.3	574.8	702.8	702.8	613.8	588.6	923.1	760.4	956.7
<b>Total.....</b>	<b>318.2</b>	<b>206.2</b>	<b>61.4</b>	<b>195.8</b>	<b>985.2</b>	<b>648.8</b>	<b>726.1</b>	<b>769.8</b>	<b>764.8</b>	<b>2 783.0</b>	<b>2 695.5</b>	<b>2 1,184.6</b>	<b>2 972.4</b>	<b>1,209.9</b>
Uncommitted stocks.....	202.7	50.1	40.2	431.8	97.2	4.1	32.0	26.8	45.3	-----	177.4	186.1	513.9	302.7

<sup>1</sup> Data based on contracts executed. Does not include purchases specifically for sec.

<sup>2</sup> but includes transfers from CCC to sec. 32 account.

<sup>3</sup> Total is less than sum of individual items due to inventory reduction, including claims actions, rejections, and returns to sellers.

<sup>4</sup> Includes 69,600,000 pounds of uncommitted butter in the form of packaged butter, butter oil, and ghee, 1962; 17,000,000 pounds, 1963.

<sup>5</sup> Excludes payment-in-kind exports for 1962 and 1963.

In terms of correcting it, the recommendations made by the President are at this status. The pay excess plan which you know is a proposal which would no longer permit the blending of class 1 and class 2 price which encourages more production, but which would continue for the producer his share in the given milk order of the class 1 milk, and he would be paid for it at the class 1 price and would be paid at a class 2 price for additional production, thereby discouraging additional production which is stimulated when he is permitted to blend these prices.

This base excess plan has passed the Senate and is pending before the House committee. In the Senate, a proposal to apply the payments system to reduce production was brought up on the floor by Senator McCarthy from Minnesota and did not pass.

That same proposal is pending before the House committee and has not been acted upon. It would apply particularly to the manufacturing milk areas and would envisage payments to farmers who held or reduced their production, based upon the volume of their production. This legislation, therefore, is pending and it has not been active recently because the attention is focused more directly in both the House and Senate on cotton and wheat in the past few weeks.

#### BUDGETARY CONSIDERATIONS

Mr. WHITTEN. Following up the points Mr. Michel has made with regard to other commodities, is your budget recommendations based on proposed change in the legislation?

Secretary FREEMAN. They are based on the assumptions that this would pass and a reduction in the amount involved in the dairy program of \$30 million.

Mr. WHITTEN. Now, in the event that legislation should not pass prior to our actions, do you and the President intend to send us a budget estimate down to make adjustments? Or if we finance these programs without new legislation, will we have to exceed the budget?

Secretary FREEMAN. In this instance, I think this committee in its wisdom has recognized it is pretty hard to "cross the t's and dot the i's" in terms of these commodity programs where we are in a position that the Secretary of Agriculture has to maintain the prices at this given level and the chairman well knows through the Commodity Credit Corporation and as such, this estimate is made for budget purposes, but there are wide variations which are not within my control.

Mr. WHITTEN. I point out again that the law requires you to support commodities under certain conditions. Another law says if you do it without money you are in trouble. So I would presume that the Congress would bail you out of the difficulty if the Corporation began to run short of funds.

Secretary FREEMAN. I think you probably would be able to do more than that, Mr. Chairman.

Mr. WHITTEN. We on this committee could come near doing it if we had a budget estimate to match it against. But we will cross that bridge when we get to it.

Turning now to the next problem area, we are developing these problems fairly well by questions and I am giving you a chance to supply full information.

I couldn't help but think that your prepared statement, where you didn't touch on any of these problems, reminds me of the fellow with all these problems who thought if you just ignored them, they might go away.

So I couldn't help but think in your prepared statement, these problems are so very serious, maybe you thought if we just ignored them they might go away, but we are filling it in now.

Secretary FREEMAN. Mr. Chairman, you have been needling me quite consistently about my prepared statement. I am sorry you don't think more of it. Might I say—

Mr. WHITTEN. I think it is very good insofar as it goes. But it is a mighty short road.

Secretary FREEMAN. May I say I would like the record to show, and the chairman's points have been very appropriate, that this committee and those people who are concerned with agriculture are well aware of these problem areas in these commodities. But in the changes that are taking place in agriculture, the solutions are not exclusively to be found around these commodities but also in the other areas—trying to bring about a reallocation of our resources in rural America, and to alleviate poverty. These are new and pioneering efforts and I know of this committee's interest in them. I am very grateful of your support and tolerance in connection with them, and I felt that you would be interested in a full report on them. I was sure that the other items could be dealt with more accurately, and with a saving of your time, because you know so much about them anyway, by asking questions to refresh your memory and to bring you up to date, that we could expedite the important work of this committee.

Mr. WHITTEN. Thank you, Mr. Secretary. I think that your answer is certainly appropriate and, I am sure, correct.

#### SUGAR PROGRAMS

Now, the next problem that the President in his formal message pointed out related to sugar, and I quote from the message:

The rise in sugar prices in 1963 reflected a reduction in world supplies. The Cuban crop was about one-half the pre-Castro level. Europe had two poor sugarbeet crops. But the fears voiced last year that the United States would be unable to obtain sufficient sugar proved groundless. Action by the Department of Agriculture assured sugar users an adequate supply and helped halt the price increases that attended heavy buying in anticipation of shortages.

However, the experience of the past year—and the fact that foreign sugar quotas expire at the end of 1964—highlight the need for some action at this session of Congress to assure ample supplies of sugar to consumers at fair prices.

I recommend the removal of marketing restrictions on the sale of domestically produced sugar during the calendar year 1964. This legislation will relieve the pressure on world market supplies at a time when these supplies are short.

The effectiveness of our present arrangements for foreign sugar procurement are under intensive study. On the basis of this study I shall—early in this session—make recommendations for remedial legislation.

Apparently the recommended legislation has not yet come down—  
Secretary FREEMAN. That is right.

Mr. WHITTEN. I think it well at this point in the record that you trace the history of the sugar situation, the law, and how it was carried out, and what changes the Castro situation and Cuba has brought about. We want the record to show the information that led the President to believe the statements that are here.

(The material referred to follows:)

SUGAR

Prior to the Castro regime, about three-quarters of all the sugar imported by the United States came from Cuba where ample supplies for our market were maintained at all times. Cuba supplied about one-third of our total sugar requirements and had the ability to expand production at will.

The Congress amended the Sugar Act in July 1960 and authorized the President to discontinue importations of Cuban sugar and to obtain supplies from friendly foreign countries. Many of these countries had surplus sugar at that time which they eagerly shipped to the premium-priced U.S. market.

The Congress further amended the Sugar Act in March 1961 to continue the authorization to the President to prohibit the importation of sugar from any country not in diplomatic relations with the United States and to procure our replacement import requirements of sugar from foreign countries with special consideration to Western Hemisphere countries. The bulk of the sugar which previously had been obtained from Cuba was obtained during 1961 and 1962 as nonquota sugar from the Republic of the Philippines and countries in the Western Hemisphere.

World production of sugar from the 1960-61 crop was at a record high of a little more than 60 million tons. Thereafter, a drastic and continuing decline in Cuban production under the Castro regime and two successive poor crops in Europe caused a shift from abundant world supplies to the tight supply situation which developed last year. World consumption continued to increase until late last year and substantially outran production from both the 1961-62 and 1962-63 crops.

The Sugar Act was last amended in July 1962 when Cuba's former share of our sugar requirements was reduced by about one-half which was retained on a reserve basis. Quotas for other foreign countries were increased by more than a million tons and quotas for domestic areas as a group, were increased by more than 600,000 tons. The mainland cane and sugarbeet areas were also to share pro rata in 65 percent of increases in total sugar requirements above the basic 9.7-million-ton level. The amount retained for Cuba, was placed in what is frequently called a global quota to be filled by friendly countries with special consideration to Western Hemisphere countries. The act also provides an import fee on foreign sugar except from the Philippines to be calculated on the basis of the excess of the U.S. price of sugar which will fulfill the price objective of the act over the world price. Global-quota sugar was subject to the full fee and country quota sugar, to a fraction of the full fee. The Congress also for the first time, included a provision for the growth and expansion of the beet sugar industry by requiring the Secretary to set aside a reserve acreage each year for allocation usually to new localities on the basis of specified criteria. Pursuant to this provision, the Secretary has committed reserve acreage to four localities for the construction of this number of new processing plants.

World sugar prices in January 1962 averaged 2.24 cents per pound, but by January 1963, had increased to an average of 5.41 cents per pound. Thereafter prices rose sharply as fears developed in trade circles that the shortage of sugar in the world would create a similar situation in the United States before a new crop could be harvested. Although these fears proved groundless, there was a rush to stockpile sugar in April and May of 1963 and sugar prices reached the highest level in more than 40 years. The domestic raw sugar price at New York advanced from an average December 1962 price of 6.54 cents per pound to an average of 11.08 cents per pound for May 1963.

The Department of Agriculture took a number of actions to assure sufficient supplies of sugar to the American consumer and to increase our domestic production. During August 1962, the Department announced that there would be no restrictions on the production of the 1963 crop of sugarbeets and also announced that the 1963 crop of mainland sugarcane could be as high as the level of the restricted 1962 crop. In March 1963, acreage restrictions on mainland cane were relaxed and then in early May were removed. At the same time, announcement was made that there would be no restrictions on the 1964 crop. It was also announced in March, that the 1964 sugarbeet crop would be unrestricted and on May 6, that the 1965 crop would be unrestricted.

In view of the buildup in sugar stocks by industrial users and secondary distributors principally during April and May 1963, and the spurt in sugar prices which resulted, the Department on May 6, 1963, increased total sugar requirements by 600,000 tons to 10.4 million tons for the calendar year. By May 23, all of this additional sugar supply was assured and prices declined sharply at first and thereafter more slowly until August when the price of raw sugar averaged 6.6 cents per pound which is in line with the price reference point of the Sugar Act.

The trend in domestic price was reversed during September and October in sympathy with an upward movement in world sugar prices which in turn was initiated by news concerning the failure of the grain crops in the Soviet Union and fears concerning the sugarbeet crop. Shortly thereafter the sugarcane crop in Cuba was severely damaged by Hurricane Flora which hovered over the island for 4 days. By November 4, the price of raw sugar at New York had risen to 10.25 cents per pound. It was obvious that the mainland cane and beet crops were progressing extremely well and would be about 800,000 tons larger than the sugar production from the preceding crops. The Secretary of Agriculture announced on November 5, 1963, that he would recommend legislation, limited to the year 1964, to permit unlimited marketings of domestic sugar. The price of raw sugar at New York began to decline immediately and by November 26 had dropped to 8.6 cents per pound.

On December 5, 1963, the Department announced its intentions to establish U.S. sugar requirements at 9.8 million tons and to authorize the importation of only 1 million tons of the 1.5 million tons of global quota sugar which would result from the 9.8 million total. This, together with the high level of sugar stocks at the beginning of 1964, would substantially reduce import requirements and thus lessen the upward pressures on the tight world supply situation. This proposed action was finalized on December 16. The million tons of global quota sugar was fully subscribed by January 21, 1964. During the period December 16 to January 21, the price of raw sugar duty paid at New York increased from 8.4 cents to 9.5 cents per pound and thereafter began to decline and as of February 26, was 8 cents per pound. While this price is almost 1.5 cents per pound above the price reference point in the Sugar Act, it is also about 2 cents below the price on a comparable basis for sugar delivered to other destinations.

The world supply situation is still very tight. Sugar stocks in 45 selected countries totaled 5.8 million short tons at the beginning of the 1963-64 season. This compares with beginning stocks of 8 million tons a year earlier and 9.3 million tons 2 years earlier.

(The following are the laws applicable to sugar at the present time:)

#### SUGAR ACT OF 1948, AS AMENDED<sup>1</sup>

AN ACT To regulate commerce among the several States, with the Territories and possessions of the United States, and with foreign countries; to protect the welfare of consumers of sugars and of those engaged in the domestic sugar-producing industry; to promote the export trade of the United States; and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That this Act may be cited as the "Sugar Act of 1948."

#### TITLE I—DEFINITIONS

SEC. 101. For the purposes of this Act, except title V—

- (a) The term "person" means an individual, partnership, corporation, or association.
- (b) The term "sugars" means any grade or type of saccharine product derived from sugarcane or sugar beets, which contains sucrose, dextrose, or levulose.
- (c) The term "sugar" means raw sugar or direct-consumption sugar.
- (d) The term "raw sugar" means any sugars (exclusive of liquid sugar from foreign countries having liquid sugar quotas), whether or not principally of crystalline structure, which are to be further refined or improved in quality to produce any sugars principally of crystalline structure or liquid sugar.

<sup>1</sup> Includes operative amendments made to the Sugar Act of 1948 (P.L. 388, 80th Cong., approved Aug. 8, 1947), by P.L. 140, 82nd Cong., approved Sept. 1, 1951, P.L. 545, 84th Cong., approved May 29, 1956, P.L. 592, 86th Cong., approved July 6, 1960, P.L. 15, 87th Cong., approved March 31, 1961, P.L. 535, 87th Cong., approved July 13, 1962, and P.L. 539, 87th Cong., approved July 19, 1962. (7 U.S.C. 1100)

(e) The term "direct-consumption sugar" means any sugars principally of crystalline structure and any liquid sugar (exclusive of liquid sugar from foreign countries having liquid sugar quotas), which are not to be further refined or improved in quality.

(f) The term "liquid sugar" means any sugars (exclusive of sirup of cane juice produced from sugarcane grown in continental United States) which are principally not of crystalline structure and which contain, or which are to be used for the production of any sugars principally not of crystalline structure which contain, soluble non-sugar solids (excluding any foreign substances that may have been added or developed in the product) equal to 6 per centum or less of the total soluble solids.

(g) Sugars in dry amorphous form shall be considered to be principally of crystalline structure.

(h) The "raw value" of any quantity of sugars means its equivalent in terms of ordinary commercial raw sugar testing ninety-six sugar degrees by the polariscope, determined in accordance with regulations to be issued by the Secretary. The principal grades and types of sugar and liquid sugar shall be translated into terms of raw value in the following manner:

(1) For direct-consumption sugar, derived from sugar beets and testing ninety-two or more sugar degrees by the polariscope, by multiplying the number of pounds thereof by 1.07;

(2) For sugar, derived from sugarcane and testing ninety-two sugar degrees by the polariscope, by multiplying the number of pounds thereof by 0.93;

(3) For sugar, derived from sugarcane and testing more than ninety-two sugar degrees by the polariscope, by multiplying the number of pounds thereof by the figure obtained by adding to 0.93 the result of multiplying 0.0175 by the number of degrees and fractions of a degree of polarization above ninety-two degrees;

(4) For sugar and liquid sugar, testing less than ninety-two sugar degrees by the polariscope, by dividing the number of pounds of the "total sugar content" thereof by 0.972.

(5) The Secretary may establish rates for translating sugar and liquid sugar into terms of raw value for (a) any grade or type of sugar or liquid sugar not provided for in the foregoing and (b) any special grade or type of sugar or liquid sugar for which he determines that the raw value cannot be measured adequately under the provisions of paragraphs (1) to (4), inclusive of this subsection (h).

(i) The term "total sugar content" means the sum of the sucrose and reducing or invert sugars contained in any grade or type of sugar or liquid sugar.

(j) The term "quota," depending upon the context, means (1) that quantity of sugar or liquid sugar which may be brought or imported into the continental United States, for consumption therein, during any calendar year, from Hawaii, Puerto Rico, the Virgin Islands, or a foreign country or group of foreign countries; (2) that quantity of sugar or liquid sugar produced from sugar beets or sugarcane grown in the continental United States which, during any calendar year, may be shipped, transported, or marketed in interstate commerce, or in competition with sugar or liquid sugar shipped, transported, or marketed in interstate or foreign commerce; or (3) that quantity of sugar or liquid sugar which may be marketed in Hawaii or in Puerto Rico, for consumption therein, during any calendar year.

(k) The term "producer" means a person who is the legal owner, at the time of harvest or abandonment, of a portion or all of a crop of sugar beets or sugarcane grown on a farm for the extraction of sugar or liquid sugar.

(l) The terms "including" and "include" shall not be deemed to exclude anything not mentioned but otherwise within the meaning of the term defined.

(m) The term "Secretary" means the Secretary of Agriculture.

(n) The term "to be further refined or improved in quality" means to be subjected substantially to the processes of (1) affination or defecation, (2) clarification, and (3) further purification by adsorption or crystallization. The Secretary is authorized, after such hearing and upon such notice as he may by regulations prescribe, to determine whether specific processes to which sugars are subjected are sufficient to meet the requirements of this paragraph (n) and whether sugars of specific qualities are raw sugar within the meaning of paragraph (d) of this section, or direct-consumption sugar within the meaning of paragraph (e) of this section.

(o) The term "continental United States" means the 49 States and the District of Columbia.<sup>2</sup>

## TITLE II—QUOTA PROVISIONS

### ANNUAL ESTIMATE OF CONSUMPTION IN CONTINENTAL UNITED STATES

SEC. 201. The Secretary shall determine for each calendar year, beginning with the calendar year 1948, the amount of sugar needed to meet the requirements of consumers in the continental United States; such determinations shall be made during the month of December in each year for the succeeding calendar year (in the case of the calendar year 1948, during the first ten days thereof) and at such other times during such calendar year as the Secretary may deem necessary to meet such requirements. In making such determinations the Secretary shall use as a basis the quantity of direct-consumption sugar distributed for consumption, as indicated by official statistics of the Department of Agriculture, during the twelve-month period ending October 31 next preceding the calendar year for which the determination is being made, and shall make allowances for a deficiency or surplus in inventories of sugar, and for changes in consumption because of changes in population and demand conditions, as computed from statistics published by agencies of the Federal Government; and, in order that such determinations shall be made so as to protect the welfare of consumers and of those engaged in the domestic sugar industry by providing such supply of sugar as will be consumed at prices which will not be excessive to consumers and which will fairly and equitably maintain and protect the welfare of the domestic sugar industry, the Secretary, in making any such determination, in addition to the consumption, inventory, population, and demand factors above specified and the level and trend of consumer purchasing power, shall take into consideration the relationship between the price for raw sugar that he estimates would result from such determination and the parity index, as compared with the relationship between the average price of raw sugar during the three-year period 1957, 1958, and 1959, and the average of the parity indexes during such three years, with the view to attaining generally stable domestic sugar prices that will carry out over the long term the price objective previously set forth in this section; and in order that the regulation of commerce provided by this Act shall not result in excessive prices to consumers, the Secretary shall make such additional allowances as he deems necessary in the amount of sugar determined to be needed to meet requirement of consumers. The term "parity index" as used herein shall mean such index as determined under section 301 of the Agricultural Adjustment Act of 1938, as amended, and as published monthly by the United States Department of Agriculture.

### PRORATION OF QUOTAS

SEC. 202. Whenever a determination is made, pursuant to section 201, of the amount of sugar needed to meet the requirements of consumers, the Secretary shall establish quotas, or revise existing quotas—

(a) (1) For domestic sugar-producing areas, by apportioning among such areas five million eight hundred and ten thousand short tons, raw value, as follows:

<i>Area</i>	<i>Short tons, raw value</i>
Domestic beet sugar.....	2,650,000
Mainland cane sugar.....	895,000
Hawaii.....	1,110,000
Puerto Rico.....	1,140,000
Virgin Islands.....	15,000
Total.....	5,810,000

(2) (A) To the above total of five million eight hundred and ten thousand short tons, raw value, there shall be added an amount equal to 65 per centum of the amount by which the Secretary's determination of requirements of consumers in the continental United States for the calendar year exceeds nine million seven hundred thousand short tons, raw value. Such additional amount shall be apportioned between the domestic beet sugar area and the mainland cane sugar area

<sup>2</sup> Added by Pub. L. 86-70, approved June 25, 1959.

on the basis of the quotas for such areas established under paragraph (1) of this subsection and the amounts so apportioned shall be added to the quotas for such areas.

(B) Whenever the production of sugar in Hawaii, Puerto Rico, or in the Virgin Islands in any year subsequent to 1961 results in there being available for marketing in the continental United States in any year sugar in excess of the quota for such area for such year established under paragraph (1) of this subsection, the quota for the immediately following year established for such area under paragraph (1) of this subsection shall be increased to the extent of such excess production: *Provided*, That in no event shall the quota for Hawaii, Puerto Rico, or the Virgin Islands, as so increased, exceed the quota which would have been established for such area at the same level of consumption requirements under the provisions of section 202(a) of the Sugar Act of 1948, as amended, in effect immediately prior to the date of enactment of the Sugar Act Amendments of 1962.

(b) For the Republic of the Philippines, in the amount of one million and fifty thousand short tons, raw value, of sugar.

(c) (1) for the six-month period ending December 31, 1962, for foreign countries other than the Republic of the Philippines an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of (i) the quotas established pursuant to subsections (a) and (b) of this section, (ii) the amount of nonquota purchase sugar authorized for importation between January 1 and June 30, 1962, inclusive, pursuant to Sugar Regulation 820, and (iii) the quotas for foreign countries other than the Republic of the Philippines established by Sugar Regulation 811 for the six-month period ending June 30, 1962.

(2) For the calendar years 1963 and 1964, for foreign countries other than the Republic of the Philippines, an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of the quotas established pursuant to subsections (a) and (b) of this section.

(3) (A) The quotas for foreign countries other than the Republic of the Philippines determined under paragraphs (1) and (2) of this subsection, less five thousand six hundred and sixty-seven short tons, raw value, for 1962 and less eleven thousand three hundred and thirty-two short tons, raw value, for 1963 and 1964, shall be prorated among such countries on the following basis:

<i>Country</i>	<i>Per centum</i>
Cuba.....	57.77
Peru.....	6.71
Dominican Republic.....	6.71
Mexico.....	6.71
Brazil.....	6.37
British West Indies.....	3.19
Australia.....	1.41
Republic of China.....	1.24
French West Indies.....	1.06
Colombia.....	1.06
Nicaragua.....	0.88
Costa Rica.....	0.88
Ecuador.....	0.88
India.....	0.71
Haiti.....	0.71
Guatemala.....	0.71
South Africa.....	0.71
Panama.....	0.53
El Salvador.....	0.36
Paraguay.....	0.35
British Honduras.....	0.35
Fiji Islands.....	0.35
Netherlands.....	0.35

(B) For the six-month period ending December 31, 1962, Canada, United Kingdom, Belgium, and Hong Kong shall be permitted to import into the continental United States the amount of sugar allocated to each in Sugar Regulation 811, issued December 11, 1961 (26 F.R. 11963). For the calendar years 1963 and 1964, Canada, United Kingdom, Belgium, and Hong Kong shall be permitted to import into the continental United States a total of thirteen hundred and thirty-two short tons of sugar, raw value, which amount shall be allocated to such

countries in amounts as specified in Sugar Regulations 811, as amended, issued March 31, 1961 (26 F.R. 2774) :

(C) For the six-month period ending December 1962, the Secretary is authorized to allocate to foreign countries not enumerated in subparagraph (A) or (B) an amount of sugar, raw value, not exceeding in the aggregate five thousand short tons. For the calendar years 1963 and 1964, the Secretary is authorized to allocate to foreign countries not enumerated in subparagraph (A) or (B) an amount of sugar, raw value, not exceeding in the aggregate ten thousand short tons. Each foreign country to which an allocation is made under the provisions of this subparagraph for any period or year shall be permitted to import into the continental United States the amount of sugar allocated to it by the Secretary.

(4) (A) Notwithstanding the provision of paragraph (3) of this subsection, whenever the United States is not in diplomatic relations with any country, named in paragraph (3) of this subsection and during such period after resumption of diplomatic relations with such country as the Secretary determines is required to permit an orderly adjustment in the channels of commerce for sugar, the proration or allocation provided for in paragraph (3) of this subsection shall not be made to such country, and a quantity of sugar not to exceed an amount equal to the proration or allocation which would have been made but for the provisions of this paragraph, may be authorized for purchase and importation from foreign countries, except that all or any part of such quantity need not be purchased from any country with which the United States is not in diplomatic relations, or from any country designated by the President whenever he finds and proclaims that such action is required in the national interest. In authorizing the purchase and importation of sugar from foreign countries under this paragraph, special consideration shall be given to countries of the Western Hemisphere and to those countries purchasing United States agricultural commodities.

(B) Of the quantity authorized for purchase and importation under subparagraph (A), the President is authorized to allocate to countries within the Western Hemisphere, for the six-month period ending December 31, 1962, an amount of sugar, raw value, not exceeding in the aggregate seventy-five thousand short tons, and for the calendar years 1963 and 1964, an amount of sugar, raw value, not exceeding in the aggregate one hundred and fifty thousand short tons.<sup>3</sup>

(5) Sugar authorized for purchase pursuant to paragraph (4) of this subsection shall be raw sugar, except that if the Secretary determines that the total quantity is not reasonably available as raw sugar from the countries either named or determined by the Secretary under paragraph (4) of this subsection, he may authorize for purchase for direct consumption from such countries such part of such quantity of sugar as he determines may be required to meet the requirements of consumers in the United States.

(6) Sugar shall not be authorized for purchase pursuant to paragraph (4) of this subsection from any foreign country which imports sugar unless, in the preceding and current calendar year, its aggregate exports of sugar to countries other than the United States equal or exceed its aggregate imports of sugar.

(d) Whenever in any year any foreign country with a quota or proration thereof of more than ten thousand short tons, raw value, fails to fill such quota or proration by more than ten per centum and at any time during such year the world price of sugar exceeds the domestic price, the quota or proration thereof for such country for subsequent years shall be reduced by an amount equal to the amount by which such country failed to fill its quota or proration thereof, unless the Secretary finds that such failure was due to crop disaster or force majeure or finds that such reduction would be contrary to the objectives of this Act. Any reduction hereunder shall be prorated in the same manner as deficits are prorated under section 204.

(e) If a foreign country imports sugar, it may not export sugar to the United States to fill its quota or proration thereof for any year unless, in both the preceding and current calendar years, its aggregate exports of sugar to countries other than the United States equal or exceed its aggregate imports of sugar. If sugar is exported to the United States from any foreign country in any year in violation of this subsection (e), the quota or proration thereof for such foreign

<sup>3</sup> Presidential Proclamation 3485 (27 F.R. 7371, July 27, 1962).

country for subsequent years shall be reduced by an amount equal to three times the lesser of (i) the amount of such country's excess of imports of sugar over its exports of sugar to countries other than the United States during the preceding or current calendar year, in whichever year an excess or the larger excess occurs, or (ii) the amount of sugar exported to the United States by such country to fill its quota or proration thereof during the calendar year in which the violation of this subsection (e) occurred. The provisions of this subsection shall not apply to sugar exported by any foreign country to the United States to fill any allocation made to it under subsection (c) (3) (C).

(f) The quota or proration thereof or purchase authorization established for any foreign country may be filled only when sugar produced from sugarbeets or sugarcane grown in such country.

#### CONSUMPTION ESTIMATES AND QUOTAS FOR HAWAII AND PUERTO RICO

SEC. 203. In accordance with such provisions of section 201 as he deems applicable, the Secretary shall also determine the amount of sugar needed to meet the requirements of consumers in Hawaii, and in Puerto Rico, and shall establish quotas for the amounts of sugar which may be marketed for local consumption in such areas equal to the amounts determined to be needed to meet the requirements of consumers therein.

#### PRORATION OF QUOTA DEFICITS

SEC. 204. (a) The Secretary shall from time to time determine whether, in view of the current inventory of sugar, the estimated production from the acreage of sugarcane or sugarbeets planted, the normal marketings within a calendar year of new-crop sugar and other pertinent factors, any area or country will be unable to market the quota or proration for such area or country. If the Secretary determines that any domestic area or foreign country will be unable to market the quota or proration for such area or country, he shall revise the quota for the Republic of the Philippines by prorating to it an amount of sugar which bears the same ratio to the deficit as the quota for the Republic of the Philippines determined under section 202 (b) then in effect bears to the sum of such quota for the Republic of the Philippines and of the prorations to foreign countries named in section 202 (c) (3) (A) then in effect; and shall allocate an amount of sugar equal to the remainder of the deficit to foreign countries within the Western Hemisphere named in section 202 (c) (3) (A): *Provided*, That no part of any such deficit shall be prorated or allocated to any country not in diplomatic relations with the United States. If the Secretary determines that the Republic of the Philippines will be unable to fill its share of any deficit determined under this subsection, he shall allocate such unfilled amount to foreign countries within the Western Hemisphere named in section 202 (c) (3) (A): *Provided*, That no such allocation shall be made to any foreign country not in diplomatic relations with the United States. In making allocations to foreign countries within the Western Hemisphere under this subsection, special consideration shall be given to those countries purchasing United States agricultural commodities. If the Secretary determines that neither the Republic of the Philippines nor the countries within the Western Hemisphere named in section 202 (c) (3) (A) can fill all of any such deficit whenever the provisions of section 202 (c) (4) apply, he shall add such unfilled amount to the quantity of sugar which may be purchased pursuant to section 202 (c) (4), and whenever section 202 (c) (4) does not apply he shall apportion such unfilled amount on such basis and to such foreign countries in diplomatic relations with the United States as he determines is required to fill such deficit.

(b) The quota established for any domestic area or the Republic of the Philippines under section 202 shall not be reduced by reason of any determination of a deficit existing in any calendar year under subsection (a) of this section.

#### ALLOTMENTS OF QUOTAS OR PRORATIONS

SEC. 205. (a) Whenever the Secretary finds that the allotment of any quota, or proration thereof, established for any area pursuant to the provisions of this Act, is necessary to assure an orderly and adequate flow of sugar or liquid sugar in the channels of interstate or foreign commerce, or to prevent disorderly marketing or importation of sugar or liquid sugar, or to maintain a continuous and stable supply of sugar or liquid sugar, or to afford all interested persons an

equitable opportunity to market sugar or liquid sugar within any area's quota, after such hearing and upon such notice as he may by regulations prescribe, he shall make allotments of such quota or proration thereof by allotting to persons who market or import sugar or liquid sugar, for such periods as he may designate, the quantities of sugar or liquid sugar which each such person may market in continental United States, Hawaii, or Puerto Rico, or may import or bring into continental United States, for consumption therein. Allotments shall be made in such manner and in such amounts as to provide a fair, efficient, and equitable distribution of such quota or proration thereof, by taking into consideration the processings of sugar or liquid sugar from sugarbeets or sugarcane, limited in any year when proportionate shares were in effect to processings to which proportionate shares, determined pursuant to the provisions of subsection (b) of section 302, pertained; the past marketings or importations of each such person; and the ability of such person to market or import that portion of such quota or proration thereof allotted to him. The Secretary is also authorized in making such allotments, whenever there is involved any allotment that pertains to a new sugarbeet processing plant or factory serving a locality having a substantial sugarbeet acreage for the first time or that pertains to an existing sugarbeet processing plant or factory with substantially expanded facilities added to serve farms having a substantial sugarbeet acreage for the first time, to take into consideration in lieu of or in addition to the foregoing factors of processing, past marketings, and ability to market, the need of establishing an allotment which will permit such marketing of sugar as is necessary for reasonably efficient operation of any such new processing plant or factory or expanded facilities during each of the first two years of its operation. In making such allotments, the Secretary may also take into consideration and make due allowance for the adverse effect of drought, storm, flood, freeze, disease, insects, or other similar abnormal and uncontrollable conditions seriously and broadly affecting any general area served by the factory or factories of such person. The Secretary may also, upon such hearing and notice as he may by regulations prescribe, revise or amend any such allotment upon the same basis as the initial allotment was made.

(b) An appeal may be taken, in the manner hereinafter provided from any decision making such allotments, or revisions thereof, to the United States Court of Appeals for the District of Columbia in any of the following cases:

(1) By any applicant for an allotment whose application shall have been denied.

(2) By any person aggrieved by reason of any decision of the Secretary granting or revising any allotment made to him.

(c) Such appeal shall be taken by filing with said court, within twenty days after the decision complained of is effective, notice in writing of said appeal and a statement of the reasons therefor, together with proof of service of a true copy of said notice and statement upon the Secretary. Unless a later date is specified by the Secretary as part of his decision, the decision complained of shall be considered to be effective as of the date on which public announcement of the decision is made at the office of the Secretary in the city of Washington. The Secretary shall thereupon, and in any event not later than ten days from the date of such service upon him, mail or otherwise deliver a copy of said notice of appeal to each person shown by the records of the Secretary to be interested in such appeal and to have a right to intervene therein under the provisions of this section, and shall at all times thereafter permit any such person to inspect and make copies of appellants' reasons for said appeal at the office of the Secretary in the city of Washington. Within thirty days after the filing of said appeal the Secretary shall file with the court the record upon which the decision complained of was entered, as provided in section 2112 of title 28, United States Code, and a list of all interested persons to whom he has mailed or otherwise delivered a copy of said notice of appeal.<sup>4</sup>

(d) Within thirty days after the filing of said appeal any interested person may intervene and participate in the proceedings had upon said appeal by filing with the court a notice of intention to intervene and a verified statement showing the nature of the interest of such party together with proof of service of true copies of said notice and statement, both upon the appellant and upon the Secretary. Any person who would be aggrieved or whose interests would be ad-

<sup>4</sup> This sentence substituted for previous sentence by Pub. L. 85-791, approved August 28, 1958.

versely affected by reversal or modification of the decision of the Secretary complained of shall be considered an interested party.

(e) At the earliest convenient time the court shall hear and determine the appeal upon the record before it, and shall have power, upon such record, to enter a judgment affirming or reversing the decision, and if it enters an order reversing the decision of the Secretary it shall remand the case to the Secretary to carry out the judgment of the court: *Provided, however,* That the review by the court shall be limited to questions of law and that findings of fact by the Secretary, if supported by substantial evidence, shall be conclusive unless it shall clearly appear that the findings of the Secretary are arbitrary or capricious. The court's judgment shall be final, subject, however, to review by the Supreme Court of the United States, upon writ of certiorari on petition therefor, under section 240 of the Judicial Code, as amended (U.S.C., title 28, sec. 1254), by appellant, by the Secretary, or by any interested party intervening in the appeal.

(f) The court may, in its discretion, enter judgment for costs in favor of or against an appellant, and other interested parties intervening in said appeal, but not against the Secretary, depending upon the nature of the issues involved in such appeal and the outcome thereof.

#### SUGAR-CONTAINING PRODUCTS

SEC. 206. The sugar or liquid sugar in any product or mixture, which the Secretary determines is the same or essentially the same in composition and use as a sugar-containing product or mixture which was imported into the United States during any three or more of the five years prior to 1960 without being subject to a quota under this Act, shall not be subject to the quota and other provisions of this Act, unless the Secretary determines that the actual or prospective importation or bringing into the United States or Puerto Rico of such sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act: *Provided,* That the sugar and liquid sugar in any other product or mixture imported or brought into the United States or Puerto Rico shall be subject to the quota and other provisions of this Act unless the Secretary determines that the actual or prospective importation or bringing in of the sugar-containing product or mixture will not substantially interfere with the attainment of the objectives of this Act. In determining whether the actual or prospective importation or bringing into the United States or Puerto Rico of any sugar-containing product or mixture will or will not substantially interfere with the attainment of the objectives of this Act, the Secretary shall take into consideration the total sugar content of the product or mixture in relation to other ingredients or to the sugar content of other products or mixtures for similar use, the costs of the mixture in relation to the costs of its ingredients for use in the United States or Puerto Rico, the present or prospective volume of importations relative to past importations, and other pertinent information which will assist him in making such determination. Determinations by the Secretary that do not subject sugar or liquid sugar in a product or mixture to a quota, may be made pursuant to this section without regard to the rulemaking requirements of section 4 of the Administrative Procedure Act, and by addressing such determinations in writing to named persons and serving the same upon them by mail. If the Secretary has reason to believe it likely that the sugar or liquid sugar in any product or mixture will be subject to a quota under the provisions of this section, he shall make any determination provided for in this section with respect to such product or mixture in conformity with the rulemaking requirements of section 4 of the Administrative Procedure Act.

#### AMOUNT OF QUOTA TO BE FILLED BY DIRECT-CONSUMPTION SUGAR

SEC. 207. (a) The quota for Hawaii established under section 202 for any calendar year may be filled by direct-consumption sugar not to exceed an amount equal to 0.342 per centum of the Secretary's determination for such year issued pursuant to section 201.

(b) The quota for Puerto Rico established under section 202 for any calendar year may be filled by direct-consumption sugar not to exceed an amount equal to 1.5 per centum of the Secretary's determination for such year issued pursuant to section 201: *Provided,* That one hundred and twenty-six thousand and thirty-three short tons, raw value, of such direct-consumption sugar shall be principally of crystalline structure.

(c) None of the quota for the Virgin Islands for any calendar year may be filled by direct-consumption sugar.

(d) Not more than fifty-six thousand short tons of sugar of the quota for the Republic of the Philippines for any calendar year may be filled by direct-consumption sugar as provided under section 201 of the Philippine Trade Agreement Revision Act of 1955.

(e) (1) None of the proration established for Cuba under section 202(c) (3) for any calendar year and none of the deficit prorations and apportionments for Cuba established under section 204(a) may be filled by direct-consumption sugar.

(2) The proration or allocation established for each foreign country which receives a proration or allocation of twenty thousand short tons, raw value, or less under section 202 (c) (3), may be filled by direct-consumption sugar to the extent of the average amount of direct-consumption sugar entered by such country during the years 1957, 1958, and 1959. None of the proration or allocation established for each foreign country which receives a proration or allocation of more than twenty thousand short tons, raw value, under section 202 (c) (3), may be filled by direct-consumption sugar. None of the deficit proration and apportionments for foreign countries established under section 204 (a) may be filled by direct-consumption sugar. The provisions of this paragraph shall not apply to any allocation made to a foreign country under section 202 (c) (3) (C).

(f) This section shall not apply with respect to the quotas established under section 203 for marketing for local consumption in Hawaii and Puerto Rico.

(g) The direct-consumption portion of the quotas established pursuant to this section, and the enforcement provisions of title II applicable thereto, shall continue in effect and shall not be subject to suspension pursuant to the provisions of section 408 of this Act unless the President acting thereunder specifically finds and proclaims that a national economic or other emergency exists with respect to sugar or liquid sugar which requires the suspension of direct-consumption portions of the quotas.

#### LIQUID SUGAR QUOTAS

SEC. 208. A quota for liquid sugar for foreign countries for each calendar year is hereby established as follows: two million gallons of sirup of cane juice of the type of Barbados molasses, limited to liquid sugar containing soluble nonsugar solids (excluding any foreign substances that may have been added or developed in the product) of more than 5 per centum of the total soluble solids, which is not to be used as a component of any direct-consumption sugar but is to be used as molasses without substantial modification of its characteristics after importation, except that the President is authorized to prohibit the importation of liquid sugar from any foreign country which he shall designate whenever he finds and proclaims that such action is required by the national interest.

#### PROHIBITED ACTS

SEC. 209. All persons are hereby prohibited—

(a) From bringing or importing into the continental United States from Hawaii, Puerto Rico, the Virgin Islands, or foreign countries, (1) any sugar or liquid sugar after the applicable quota, or the proration of any such quota, has been filled, or (2) any direct-consumption sugar after the direct-consumption portion of any such quota or proration has been filled;

(b) From shipping, transporting, or marketing in interstate commerce, or in competition with sugar or liquid sugar shipped, transported, or marketed in interstate or foreign commerce, any sugar or liquid sugar produced from sugar beets or sugarcane grown in either the domestic-beet-sugar area or the mainland cane-sugar area after the quota for such area has been filled;

(c) From marketing in either Hawaii or Puerto Rico, for consumption therein, any sugar or liquid sugar after the quota therefor has been filled;

(d) From exceeding allotments of any quota, direct-consumption portion of any quota, or proration or allocation of any quota, made to them pursuant to the provisions of this Act;

(e) From bringing or importing into the Virgin Islands for consumption therein, any sugar or liquid sugar produced from sugarcane or sugarbeets grown in any area other than Puerto Rico, Hawaii, or the continental United States.

SEC. 210. (a) The determinations provided for in sections 201 and 203, and all quotas, prorations, and allotments, except quotas established pursuant to the provisions of section 208, shall be made or established in terms of raw value.

(b) For the purposes of this title, liquid sugar, except that imported from foreign countries, shall be included with sugar in making the determinations provided for in sections 201 and 203 and in the establishment or revision of quotas, prorations, and allotments.

#### EXPORTATION OF SUGAR

SEC. 211. (a) Sugar or liquid sugar entered into the continental United States under an applicable bond established pursuant to orders or regulations issued by the Secretary for the express purpose of subsequently exporting the equivalent quantity of sugar or liquid sugar as such, or in manufactured articles, shall not be charged against the applicable quota or proration for the country of origin.

(b) Exportation within the meaning of sections 309 and 313 of the Tariff Act of 1930 shall be considered to be exportation within the meaning of this section.

(c) The quota established for any domestic sugar-producing area may be filled only with sugar or liquid sugar produced from sugarbeets or sugarcane grown in such area.

#### INAPPLICABILITY OF QUOTA PROVISIONS

SEC. 212. The provisions of this title shall not apply to (1) the first ten short tons, raw value, of sugar or liquid sugar imported from any foreign country, other than Cuba and the Republic of the Philippines, in any calendar year; (2) the first ten short tons, raw value, of sugar or liquid sugar imported from any foreign country, other than Cuba and the Republic of the Philippines, in any calendar year for religious, sacramental, educational, or experimental purposes; (3) liquid sugar imported from any foreign country, other than Cuba and the Republic of the Philippines, in individual sealed containers of such capacity as the Secretary may determine, not in excess of one and one-tenth gallons each; or (4) any sugar or liquid sugar imported, brought into, or produced or manufactured in the United States for the distillation of alcohol, including all polyhydric alcohols, or for livestock feed, or for the production of livestock feed.

#### IMPORT FEES

SEC. 213. (a) An import fee established as provided in subsection (b) of this section shall be paid to the United States as a condition for importing into the continental United States sugar purchased pursuant to paragraph (4) (A) of section 202(c) of this Act. Such fee shall be paid by the person applying to the Secretary for entry and release of sugar. Such payment shall be made in accordance with regulations promulgated by the Secretary.

(b) Whenever the Secretary determines that the currently prevailing price for raw sugar for the United States market exceeds the market price which he determines, from available information, prevails for raw sugar of foreign countries which may be imported into the continental United States pursuant to paragraph (4) (A) of section 202(c), he shall establish an import fee in such amount as he determines from time to time will approximate the amount by which a domestic price for raw sugar, at a level that will fulfill the domestic price objective set forth in section 201, would exceed the market price for raw sugar (adjusted for freight to New York, and most-favored-nation tariff) of foreign countries which may be imported into the continental United States pursuant to paragraph (4) (A) of section 202(c). Such fee shall be imposed on a per pound, raw value, basis, and shall be applied uniformly to sugar purchased pursuant to paragraphs (4) (A) and (5) of section 202(c).

(c) As a condition for importing sugar into the continental United States pursuant to paragraphs (3) and (4) (B) of section 202(c) and section 204(a) of this Act, an import fee shall be paid to the United States during the years 1962, 1963, and 1964, which fee in each such year shall be respectively 10, 20, and 30 per centum of the amount which the Secretary determines from time to time will approximate the amount by which a domestic price for raw sugar, at a level that will fulfill the domestic price objective set forth in section 201 would exceed either the prevailing market price for raw sugar (adjusted for freight to New York, and most-favored-nation tariff) of foreign countries which may be imported into the continental United States pursuant to paragraph (4) (A) of section 202(c), or whenever paragraph (4) (A) of section 202(c) does not apply, the prevailing world market price for raw sugar (adjusted for freight to New

York, and most-favored-nation tariff). The fee provided for in this paragraph shall be imposed on a per pound, raw value, basis, and shall be applied uniformly, except that the import fee imposed on any direct-consumption sugar during the years 1962, 1963, and 1964, shall be respectively 0.1, 0.2, and 0.3 of one cent per pound more than the import fee imposed on raw sugar under this paragraph.

(d) The funds collected as import fees by the Secretary pursuant to the provisions of this section shall be covered into the Treasury as miscellaneous receipts.

### TITLE III—CONDITIONAL-PAYMENT PROVISIONS

#### CONDITIONS OF PAYMENT

SEC. 301. The Secretary is authorized to make payments on the following conditions with respect to sugar or liquid sugar commercially recoverable from the sugar beets or sugarcane grown on a farm for the extraction of sugar or liquid sugar:

(a) That no child under the age of fourteen years shall have been employed or permitted to work on the farm, whether for gain to such child or any other person, in the production, cultivation, or harvesting of a crop of sugar beets or sugarcane with respect to which application for payment is made, except a member of the immediate family of a person who was the legal owner of not less than 40 per centum of the crop at the time such work was performed; and that no child between the ages of fourteen and sixteen years shall have been employed or permitted to do such work, whether for gain to such child or any other person, for a longer period than eight hours in any one day, except a member of the immediate family of a person who was the legal owner of not less than 40 per centum of the crop at the time such work was performed. The Secretary is authorized to make payments, notwithstanding a failure to comply with the conditions provided in this subsection, but the payments made with respect to any crop shall be subject to a deduction of \$10 for each child for each day, or a portion of a day, during which such child was employed or permitted to work contrary to the foregoing provisions of this subsection.

(b) That there shall not have been marketed (or processed), except for livestock feed, or for the production of livestock feed, as determined by the Secretary, an amount (in terms of planted acreage, weight, or recoverable sugar content) of sugar beets or sugarcane grown on the farm and used for the production of sugar or liquid sugar to be marketed in, or so as to compete with or otherwise directly affect interstate or foreign commerce, in excess of the proportionate share for the farm, if farm proportionate shares are determined by the Secretary pursuant to the provisions of section 302, of the total quantity of sugar beets or sugarcane required to be processed to enable the area in which such sugar beets or sugarcane are produced to meet the quota (and provide a normal carryover inventory) as estimated by the Secretary for such area for the calendar year during which the larger part of the sugar or liquid sugar from such crop normally would be marketed.

(c) (1) That all persons employed on the farm in the production, cultivation, or harvesting of sugar beets or sugarcane with respect to which an application for payment is made shall have been paid in full for all such work, and shall have been paid wages therefor at rates not less than those that may be determined by the Secretary to be fair and reasonable after investigation and due notice and opportunity for public hearing; and in making such determinations the Secretary shall take into consideration the standards therefor formerly established by him under the Agricultural Adjustment Act, as amended, and the differences in conditions among various producing areas: *Provided, however,* That a payment which would be payable except for the foregoing provisions of this subparagraph may be made, as the Secretary may determine, in such manner that the laborer will receive an amount, insofar as such payment will suffice, equal to the amount of the accrued unpaid wages for such work, and that the producer will receive the remainder, if any, of such payment.

(2) That the producer on the farm who is also, directly or indirectly a processor of sugar beets or sugarcane, as may be determined by the Secretary shall have paid, or contracted to pay under either purchase or toll agreements, for any sugar beets or sugarcane grown by other producers and processed by him at rates not less than those that may be determined by the Secretary to be fair and reasonable after investigation and due notice and opportunity for public hearing.

## ESTABLISHMENT OF PROPORTIONATE SHARES FOR FARMS

SEC. 302. (a) The amount of sugar or liquid sugar with respect to which payment may be made shall be the amount of sugar or liquid sugar commercially recoverable, as determined by the Secretary, from the sugarbeets or sugarcane grown on the farm and marketed (or processed by the producer) not in excess of the proportionate share for the farm, if farm proportionate shares are determined by the Secretary, of the quantity of sugarbeets or sugarcane for the extraction of sugar or liquid sugar required to be processed to enable the producing area in which the crop of sugarbeets or sugarcane is grown to meet the quota (and provide a normal carryover inventory) estimated by the Secretary for such area for the calendar year during which the larger part of the sugar or liquid sugar from such crop normally would be marketed.

(b) (1) Whenever the Secretary determines that the production of sugar from any crop of sugarbeets or sugarcane will be greater than the quantity needed to enable the area to meet the quota, and provide a normal carryover inventory, as estimated by the Secretary for such area for the calendar year during which the larger part of the sugar from such crop normally would be marketed, he shall establish proportionate shares for farms in such area as provided in this subsection. In determining the proportionate shares with respect to a farm, the Secretary may take into consideration the past production on the farm of sugarbeets and sugarcane marketed (or processed) for the extraction of sugar or liquid sugar (within proportionate shares when in effect) and the ability to produce such sugarbeets or sugarcane.

(2) The Secretary may also, in lieu of or in addition to the foregoing factors, take into consideration with respect to the domestic beet sugar area the sugarbeet production history of the person who was a farm operator in the base period, in establishing farm proportionate shares in any State or substantial portion thereof in which the Secretary determines that sugarbeet production is organized generally around persons rather than units of land, other than a State or substantial portion thereof wherein personal sugarbeet production history of farm operators was not used generally prior to 1962 in establishing farm proportionate shares. In establishing proportionate shares for farms in the domestic beet sugar area, the Secretary may first allocate to States (except acreage reserved) the total acreage required to enable the area to meet its quota and provide a normal carryover inventory (hereinafter referred to as the 'national sugarbeet acreage requirement') on the basis of the acreage history of sugarbeet production and the ability to produce sugarbeets for extraction of sugar in each State.

(3) In order to make available acreage for growth and expansion of the beet sugar industry, the Secretary, in addition to protecting the interest of new and small producers by regulations generally similar to those heretofore promulgated by him pursuant to this Act, shall reserve each year from the national sugarbeet acreage requirement established by him the acreage required to yield 65,000 short tons, raw value, of sugar. The acreage so reserved shall be distributed on a fair and reasonable basis, when it can be utilized, to farms without regard to any other acreage allocations to States or areas within States determined by him and shall be withheld from such other allocations until it can be so utilized: *Provided, however,* That beginning with 1966, the total acreage previously reserved and not used, plus that reserved in the current year, shall not exceed the acreage required to produce 100,000 short tons, raw value, of sugar. At the time the Secretary distributes the sugarbeet acreage reserve for any year, which determination of distribution shall be made as far in advance of such year as practicable, such distribution shall thereby be committed to be in effect for the year in which production of sugarbeets is scheduled to commence in a locality or localities determined by the Secretary to receive such reserves for such year, such determination of distribution by the Secretary shall be final, and such commitment of the sugarbeet acreage reserve shall be irrevocable upon issuance of such determination of the Secretary by publication in the Federal Register; except that if the Secretary finds in any case that construction of sugarbeet processing facilities and the contracting for processing of sugarbeets has not proceeded in substantial accordance with the representations made to him as a basis for his determination of distribution of the sugarbeet acreage reserve, he shall revoke such determination in accordance with and upon publication in the Federal Register of such findings. In determining distribution of the sugarbeet acreage reserve and whenever proposals are made to construct sugarbeet process-

ing facilities in two or more localities where sugarbeet production is scheduled to commence in the same year, the Secretary shall base his determination and selection upon the firmness of capital commitment, suitability for growing sugarbeets, the proximity of other mills, need for a cash crop or a replacement crop, and accessibility to sugar markets, and the relative qualifications of localities under such criteria. Whenever there is no interest in constructing a new facility to commence production in a certain year, the Secretary shall give consideration to proposals, if any, to substantially expand existing factory facilities and in such event he shall base his determination of distribution of the sugarbeet acreage reserve on the aforementioned criteria and the extent of the proposed substantial expansion or expansions. If proportionate shares are in effect in the two years immediately following the year for which the sugarbeet acreage reserve is committed for any locality, the acreage of proportionate shares established for farms in such locality in each of such two years shall not be less than the smaller of the acreage committed to such farms or the acreage required to yield 50,000 short tons, raw value, of sugar based upon the yield expectancy initially considered by the Secretary in distributing the sugarbeet acreage reserve to such locality.

(4) The allocation of the national sugarbeet acreage requirement to States for sugarbeet production, as well as the distribution of the sugarbeet acreage reserve, shall be determined by the Secretary after investigation and notice and opportunity for an informal public hearing.

(5) In determining farm proportionate shares, the Secretary shall, insofar as practicable, protect the interests of new producers and small producers and the interest of producers who are cash tenants, share tenants, adherent planters, or sharecroppers and of the producers in any local producing area whose past production has been adversely, seriously, and generally, affected by drought, storm, flood, freeze, disease, insects, or other similar abnormal and uncontrollable conditions.

(6) Whenever the Secretary determines it necessary for the effective administration of this subsection in an area where farm proportionate shares are established in terms of sugarcane acreage, he may consider acreage of sugarcane harvested for seed on the farm in addition to past production of sugarcane for the extraction of sugar in determining proportionate shares as heretofore provided in this subsection; and whenever acreage of sugarcane harvested for seed is considered in determining farm proportionate shares, acreage of sugarcane harvested for seed shall be included in determining compliance with the provisions of section 301(b) of this Act, notwithstanding any other provisions of section 301(b).

(7) For the purposes of establishing proportionate shares hereunder and in order to encourage wise use of land resources, foster greater diversification of agricultural production, and promote the conservation of soil and water resources in Puerto Rico, the Secretary, on application of any owner of a farm in Puerto Rico, is hereby authorized, whenever he determines it to be in the public interest and to facilitate the sale or rental of land for other productive purposes, to transfer the sugarcane production record for any parcel or parcels of land in Puerto Rico owned by the applicant to any other parcel or parcels of land owned by such applicant in Puerto Rico.

(c) Payments shall be effective with respect to sugar or liquid sugar commercially recoverable from sugar beets and sugarcane grown on a farm commencing with the crop year 1948.

#### ACREAGE ABANDONMENT AND CROP DEFICIENCY PAYMENTS

SEC. 303. In addition to the amount of sugar or liquid sugar with respect to which payments are authorized under subsection (a) of section 302, the Secretary is also authorized to make payments, on the conditions provided in section 301, with respect to bona fide abandonment of planted acreage and crop deficiencies of harvested acreage, resulting from drought, flood, storm, freeze, disease, or insects, which cause such damage to all or a substantial part of the crop of sugar beets or sugarcane in the same factory district (as established by the Secretary), county, parish, municipality, or local producing areas, as determined in accordance with regulations, issued by the Secretary, on the following quantities of sugar or liquid sugar: (1) With respect to such bona fide abandonment of each planted acre of sugar beets or sugarcane, one-third of the normal yield of commercially recoverable sugar or liquid sugar per acre for the farm, as determined by the Secretary; and (2) with respect to such crop

deficiencies of harvested acreage of sugar beets or sugarcane, the excess of 80 per centum of the normal yield of commercially recoverable sugar or liquid sugar for such acreage for the farm, as determined by the Secretary, over the actual yield.

COMPUTATION OF PAYMENTS AND PERSONS ELIGIBLE FOR PAYMENTS

SEC. 304. (a) The amount of the base rate of payment shall be 80 cents per hundred pounds of sugar or liquid sugar, raw value.

(b) All payments shall be calculated with respect to a farm which, for the purposes of this Act, shall be a farming unit as determined in accordance with regulations issued by the Secretary, and in making such determinations, the Secretary shall take into consideration the use of common work stock, equipment, labor, management, and other pertinent factors.

(c) The total payment with respect to a farm shall be the product of the base rate specified in subsection (a) of this section multiplied by the amount of sugar and liquid sugar, raw value, with respect to which payment is to be made, except that reduction shall be made from such total payment in accordance with the following scale of reductions:

That portion of the quantity of sugar and liquid sugar which is included within the following intervals of short tons, raw value:

	<i>Reduction in the base rate of payment per hundred- weight of such portion</i>
350 to 700.....	\$0. 05
700 to 1,000.....	.10
1,000 to 1,500.....	.20
1,500 to 3,000.....	.25
3,000 to 6,000.....	.275
6,000 to 12,000.....	.30
12,000 to 30,000.....	.325
More than 30,000.....	.50

(d) Application for payment shall be made by, and payments shall be made to, the producer or, in the event of his death, disappearance, or incompetency, his legal representative, or heirs: *Provided, however,* That all producers on the farm shall signify in the application for payment the percentage of the total payment with respect to the farm to be made to each producer: *And provided further,* That payments may be made, (1) in the event of the death, disappearance, or incompetency of a producer, to such beneficiary as the producer may designate in the application for payment; (2) to one producer of a group of two or more producers, provided all producers on the farm designate such producer in the application for payment as sole recipient for their benefit of the payment with respect to the farm; or (3) to a person who is not a producer, provided such person controls the land included within the farm with respect to which the application for payment is made and is designated by the sole producer (or all producers) on the farm, as sole recipient for his or their benefit, of the payment with respect to the farm.

USE OF LOCAL COMMUNITIES AND OTHER AGENCIES

SEC. 305. In carrying out the provisions of titles II and III of this Act, the Secretary is authorized to utilize local committees of sugar beet or sugarcane producers, State and county agricultural conservation committees, or the Agricultural Extension Service and other agencies, and the Secretary may prescribe that all or a part of the expenses of such committees may be deducted from the payments herein authorized.

FINALITY OF DETERMINATIONS

SEC. 306. The facts constituting the basis for any payment, or the amount thereof authorized to be made under this title, officially determined in conformity with rules or regulations prescribed by the Secretary, shall be reviewable only by the Secretary, and his determinations with respect thereto shall be final and conclusive.

APPLICABILITY OF TITLE III

SEC. 307. This title shall apply to the continental United States, Hawaii, Puerto Rico, and the Virgin Islands.

## TITLE IV—GENERAL PROVISIONS

## EXPENDITURES BY SECRETARY

SEC. 401. For the purposes of this Act, the Secretary may make such expenditures as he deems necessary to carry out the provisions of this Act, including personal services and rents in the District of Columbia and elsewhere.

## APPROPRIATIONS AND AVAILABILITY OF FUNDS

SEC. 402. (a) There is hereby authorized to be appropriated for each fiscal year for the purposes and administration of this Act the funds necessary to make the payments provided for in title III of this Act and such other amounts as the Congress determines to be necessary for such fiscal year to carry out the other provisions of the Act.

(b) All funds available for carrying out this Act shall be available for allotment to the bureaus and offices of the Department of Agriculture and for transfer to such other agencies of the Federal Government as the Secretary may request to cooperate or assist in carrying out the provisions of this Act.

(c) The funds made available for the purpose of enabling the Secretary to carry into effect the provisions of the Sugar Act of 1937, as amended, during the fiscal year 1948 are also hereby made available to the Secretary for purposes of administration of the provisions of this Act during the fiscal year 1948.

## REGULATIONS AND DETERMINATIONS

SEC. 403. (a) The Secretary is authorized to make such orders or regulations, which shall have the force and effect of law, as may be necessary to carry out the powers vested in him by this Act. Any person knowingly violating any order or regulation of the Secretary issued pursuant to this Act shall, upon conviction, be punished by a fine of not more than \$100 for each such violation.

(b) Each determination issued by the Secretary in connection with quotas and deficits under title II or payments under title III of this Act shall be promptly published in the Federal Register and shall be accompanied by a statement of the bases and considerations upon which such determination was made.

## JURISDICTION OF COURTS

SEC. 404. The several district courts of the United States are hereby vested with jurisdiction specially to enforce, and to prevent and restrain any person from violating, the provisions of this Act or of any order or regulation made or issued pursuant to this Act. If and when the Secretary shall so request, it shall be the duty of the several district attorneys of the United States, in their respective districts, to institute proceedings to enforce the remedies and to collect the penalties, fees and forfeitures provided for in this Act. The remedies provided for in this Act shall be in addition to, and not exclusive of, any of the remedies or penalties existing at law or in equity.

## CIVIL PENALTIES

SEC. 405. (a) Any person who knowingly violates, or attempts to violate, or who knowingly participates or aids in the violation of, any of the provisions of section 209, or any person who brings or imports into the continental United States direct-consumption sugar after the quantities specified in section 207 have been filled, shall forfeit to the United States the sum equal to three times the market value, at the time of the commission of any such act, (1) of that quantity of sugar or liquid sugar by which any quota, proration, or allotment is exceeded, or (2) of that quantity brought or imported into the continental United States after the quantities specified in section 207 have been filled, which forfeiture shall be recoverable in a civil suit brought in the name of the United States.

(b) Any person whose sugar processing operations otherwise meet the requirements of section 101(n) and who subjects to such processes sugar imported or brought into the continental United States under a declaration that it is raw sugar but which sugar subsequently is determined to be of direct-consumption quality, shall forfeit to the United States a sum equal to 1 cent per pound for each pound, raw value, of sugar in excess of that part of the direct-consumption

portion of the applicable quota or proration or allotment thereof remaining unfilled at the time of such determination, which forfeiture shall be recoverable in a civil suit brought in the name of the United States.

#### FURNISHING INFORMATION TO SECRETARY

SEC. 406. All persons engaged in the manufacturing, marketing, or transportation or industrial use of sugar or liquid sugar, and having information which the Secretary deems necessary to enable him to administer the provisions of this Act, shall, upon the request of the Secretary, furnish him with such information. Any person willfully failing or refusing to furnish such information or furnishing willfully any false information, shall upon conviction be subject to a penalty of not more than \$1,000 for each such violation.

#### SUGAR INVESTMENTS BY OFFICIALS PROHIBITED

SEC. 407. No person shall, while acting in any official capacity in the administration of this Act, invest or speculate in sugar or liquid sugar, contracts relating thereto, or the stock or membership interests of any association or corporation engaged in the production or manufacturing of sugar or liquid sugar. Any person violating this section shall upon conviction thereof be fined not more than \$10,000 or imprisoned not more than two years, or both. The provisions of this section shall not apply to persons whose services are obtained pursuant to section 305.

#### PRESIDENTIAL QUOTA ACTIONS

SEC. 408. (a) Whenever pursuant to the provisions of this Act the President finds and proclaims that a national economic or other emergency exists with respect to sugar or liquid sugar, he shall by proclamation suspend the operation, except as provided in section 207 of this Act, of all the provisions of title II above, and, thereafter, the operation of such title shall continue in suspense until the President finds and proclaims that the facts which occasioned such suspension no longer exist. The Secretary shall make such investigations and reports thereon to the President as may be necessary to aid him in carrying out the provisions of this section.

(b) In the event the President, in his discretion, determines that any foreign country having a quota or receiving any authorization under this Act to import sugar into the United States, has been or is allocating the distribution of such quota or authorization within that country so as to discriminate against citizens of the United States, he shall suspend the quota or other authorization of that country until such time as he has received assurances, satisfactory to him, that the discrimination will not be continued. Any quantity so suspended shall be authorized for purchase in accordance with the provisions of section 202(c) (4), or apportioned in accordance with section 204(a), whichever procedure is applicable.

(c) In any case in which the President determines that a nation or a political subdivision thereof has hereafter (1) nationalized, expropriated, or otherwise seized the ownership or control of the property of the United States citizens or (2) imposed upon or enforced against such property or the owners thereof discriminatory taxes or other exactions, or restrictive maintenance or operational conditions not imposed or enforced with respect to property of a like nature owned or operated by its own nationals or the nationals of any government other than the Government of the United States, and has failed within six months following the taking of action in either of such categories to take steps determined by the President to be appropriate and adequate to remedy such situation and to discharge its obligations under international law toward such citizens, including the prompt payment to the owner or owners of such property so nationalized, expropriated, or otherwise seized, or to arrange, with the agreement of the parties concerned, for submitting the question in dispute to arbitration or conciliation in accordance with procedures under which a final and binding decision or settlement will be reached and full payment or arrangements with the owners for such payment made within twelve months following such submission, the President shall suspend any quota, proration of quota, or authorization to purchase and import sugar under this Act of such nation until he is satisfied that appropriate steps are being taken. Any quantity so suspended shall be authorized for purchase in accordance with the provisions of section 202(c) (4), or apportioned in accordance with section 204(a) whichever procedure is applicable.

## SURVEYS AND INVESTIGATIONS

SEC. 409. Whenever the Secretary determines that such action is necessary to effectuate the purposes of this Act, he is authorized, if first requested by persons constituting or representing a substantial proportion of the persons affected in any one of the five domestic sugar-producing areas, to make for such area surveys and investigations to the extent he deems necessary, including the holding of public hearings, and to make recommendations with respect to (a) the terms and conditions of contracts between the producers and processors of sugar beets and sugarcane in such area and (b) the terms and conditions of contracts between laborers and producers of sugar beets and sugarcane in such area. In carrying out the provisions of this section, information shall not be made public with respect to the individual operations of any processor, producer, or laborer.

SEC. 410. The Secretary is authorized to conduct surveys, investigations, and research relating to the conditions and factors affecting the methods of accomplishing most effectively the purposes of this Act and for the benefit of agriculture generally in any area. Notwithstanding any provision of existing law, the Secretary is authorized to make public such information as he deems necessary to carry out the provisions of this Act.

## INTERNATIONAL SUGAR AGREEMENT

SEC. 411. The Secretary is authorized to issue such regulations as may be necessary to carry out article 7 of the International Sugar Agreement for the Regulation of the Production and Marketing of Sugar (ratified by and with the advice and consent of the United States Senate on April 29, 1954), restricting importations of sugar into the United States from foreign countries not participating in such agreement, or to carry out the corresponding provisions of any such future agreements ratified by and with the advice and consent of the United States Senate.

## TERMINATION OF ACT

SEC. 412. The powers vested in the Secretary under this Act shall terminate on December 31, 1966, except that the Secretary shall have power to make payments under title III under programs applicable to the crop year 1966 and previous crop years.

## EFFECTIVE DATE

(SEC. 19, P.L. 535, 87th Cong. approved July 13, 1962)

Except as otherwise provided, the amendments made by this Act shall become effective January 1, 1962. The amendments made by section 6 and section 12 of this Act shall each become effective on the date stated in regulations implementing each of such sections and published in the Federal Register, or sixty days after the date of enactment of this Act, whichever is earlier.

NOTE.—Sections 6 and 12, referred to above, are Sections 206 and 213, herein, concerning Sugar-Containing Products and Import Fees, respectively.

## EXCISE TAXES WITH RESPECT TO SUGAR—INTERNAL REVENUE CODE OF 1954

## CHAPTER 37

## Subchapter A—Sugar

## SEC. 4501. IMPOSITION OF TAX.

(a) GENERAL.—There is hereby imposed upon manufactured sugar manufactured in the United States, a tax, to be paid by the manufacturer at the following rates:

(1) on all manufactured sugar testing by the polariscope 92 sugar degrees, 0.465 cent per pound, and, for each additional sugar degree shown by the polariscopic test, 0.00875 cent per pound additional, and fractions of a degree in proportion;

(2) on all manufactured sugar testing by the polariscope less than 92 sugar degrees, 0.5144 cent per pound of the total sugars therein.

The manufacturer shall pay the tax with respect to manufactured sugar (1) which has been sold, or used in the production of other articles, by the manufacturer during the preceding month (if the tax has not already been paid) and

(2) which has not been so sold or used within 12 months ending during the preceding calendar month, after it was manufactured (if the tax has not already been paid). For the purpose of determining whether sugar has been sold or used within 12 months after it was manufactured, sugar shall be considered to have been sold or used in the order in which it was manufactured.

(b) **IMPORT TAX.**—In addition to any other tax or duty imposed by law, there is hereby imposed, under such regulations as the Secretary or his delegate shall prescribe, a tax upon articles imported or brought into the United States as follows:

(1) on all manufactured sugar testing by the polariscope 92 sugar degrees, 0.465 cent per pound, and, for each additional sugar degree shown by the polariscopic test, 0.00875 cent per pound additional, and fractions of a degree in proportion;

(2) on all manufactured sugar testing by the polariscope less than 92 sugar degrees, 0.5144 cent per pound of the total sugars therein;

(3) on all articles composed in chief value of manufactured sugar, 0.5144 cent per pound of the total sugars therein.

(c) **TERMINATION OF TAX.**—No tax shall be imposed under this subchapter on the manufacture, use, or importation of sugar or articles composed in chief value of sugar after June 30, 1967. Notwithstanding the provisions of subsection (a) or (b), no tax shall be imposed under this subchapter with respect to unsold sugar held by a manufacturer on June 30, 1967, or with respect to sugar or articles composed in chief value of sugar held in customs custody or control on such date.

#### SEC. 4502. DEFINITIONS

For the purposes of this subchapter—

(1) **MANUFACTURER.**—Any person who acquires any sugar which is to be manufactured into manufactured sugar but who, without further refining or otherwise improving it in quality, sells such sugar as manufactured sugar or uses such sugar as manufactured sugar in the production of other articles for sale shall be considered, for the purposes of section 4501(a), the manufacturer of manufactured sugar and, as such, liable for the tax under section 4501(a) with respect thereto.

(2) **PERSON.**—The term “person” means an individual, partnership, corporation, or association.

(3) **MANUFACTURED SUGAR.**—The term “manufactured sugar” means any sugar derived from sugarbeets or sugarcane, which is not to be, and which shall not be, further refined or otherwise improved in quality; except sugar in liquid form which contains nonsugar solids (excluding any foreign substance that may have been added or developed in the product) equal to more than 6 per centum of the total soluble solids and except also sirup of cane juice produced from sugarcane grown in continental United States. The grades or types of sugar within the meaning of this definition shall include, but shall not be limited to, granulated sugar, lump sugar, cube sugar, powdered sugar, sugar in the form of blocks, cones, or molded shapes, confectioners’ sugar, washed sugar, centrifugal sugar, clarified sugar, turbinado sugar, plantation white sugar, muscovado sugar, refiners’ soft sugar, invert sugar mush, raw sugar, sirups, molasses, and sugar mixtures.

(4) **TOTAL SUGARS.**—The term “total sugars” means the total amount of the sucrose and of the reducing or invert sugars.

(5) **UNITED STATES.**—The term “United States” shall be deemed to include the States, the District of Columbia, and Puerto Rico.

#### SEC. 4503. EXEMPTIONS FOR SUGAR MANUFACTURED FOR HOME CONSUMPTION

No tax shall be required to be paid under sec. 4501(a) upon the manufacture of manufactured sugar by or for the producer of the sugar beets or sugarcane from which such manufactured sugar was derived for consumption by the producer’s own family, employees, or household.

#### SEC. 4504. IMPORT TAX IMPOSED AS TARIFF DUTY

The tax imposed by section 4501(b) shall be levied, assessed, collected, and paid in the same manner as a duty imposed by the Tariff Act of 1930 and shall be treated for the purposes of all provisions of law relating to the customs revenue as a duty imposed by such act, except that for the purposes of sections

336 and 350 of such act (the so-called flexible tariff and trade agreements provisions) such tax shall not be considered a duty or import restriction, and except that no preference with respect to such tax shall be accorded any article imported or brought into the United States, and except that such tax may be subject to refunds as a tax under the provisions of section 6418(a).

#### CHAPTER 65—ABATEMENTS, CREDITS, AND REFUNDS

##### SEC. 6412. FLOOR STOCKS REFUNDS.

\* \* \* \* \*

(d) SUGAR.—With respect to any sugar or articles composed in chief value of sugar upon which tax imposed under section 4501(b) has been paid and which, on June 30, 1967, are held by the importer and intended for sale or other disposition, there shall be refunded (without interest) to such importer, subject to such regulations as may be prescribed by the Secretary or his delegate, an amount equal to the tax paid with respect to such sugar or articles composed in chief value of sugar, if claim for such refund is filed with the Secretary or his delegate on or before September 30, 1967.

##### SEC. 6418. SUGAR.

(a) USE AS LIVESTOCK FEED OR FOR DISTILLATION OF ALCOHOL.—Upon the use of any manufactured sugar, or article manufactured therefrom, as livestock feed, or in the production of livestock feed, or for the distillation of alcohol, there shall be paid by the Secretary or his delegate to the person so using such manufactured sugar, or article manufactured therefrom, the amount of any tax paid under section 4501 with respect thereto.

(b) EXPORTATION.—Upon the exportation from the United States to a foreign country, or the shipment from the United States to any possession of the United States except Puerto Rico, of any manufactured sugar, or any article manufactured wholly or partly from manufactured sugar, with respect to which tax under the provisions of section 4501(a) has been paid, the amount of such tax shall be paid by the Secretary or his delegate to the consignor named in the bill of lading under which the article was exported or shipped to a possession, or to the shipper, or to the manufacturer of the manufactured sugar or of the articles exported, if the consignor waives any claim thereto in favor of such shipper or manufacturer; except that no such payment shall be allowed with respect to any manufactured sugar, or article, upon which, through substitution or otherwise, a drawback of any tax paid under section 4501(b) has been or is to be claimed under any provisions of law made applicable by section 4504.

#### CHAPTER 66—LIMITATIONS

##### SEC. 6511. LIMITATIONS ON CREDIT OR REFUND.

\* \* \* \* \*

(e) SPECIAL RULES IN CASE OF MANUFACTURED SUGAR.—

(1) USE AS LIVESTOCK FEED OR FOR DISTILLATION OF ALCOHOL.—No payment shall be allowed under section 6418(a) unless within 2 years after the right to such payment has accrued a claim therefor is filed by the person entitled thereto.

(2) EXPORTATION.—No payment shall be allowed under section 6418(b) unless within 2 years after the right to such payment has accrued a claim therefor is filed by the person entitled thereto.

#### CHAPTER 75—CRIMES, OTHER OFFENSES, AND FORFEITURES

##### SEC. 7240. OFFICIALS INVESTING OR SPECULATING IN SUGAR.

Any person, while acting in an official capacity in the administration of subchapter A of chapter 37, relating to manufactured sugar, who invests or speculates in sugar or liquid sugar, contracts relating thereto, or the stock or membership interests of any association or corporation engaged in the production or manufacture of sugar or liquid sugar, shall be dismissed from office or discharged from employment and shall be guilty of a felony and, upon conviction thereof, be fined not more than \$10,000, or imprisoned not more than 2 years, or both.

NOTES:

The foregoing provisions of the Internal Revenue Code do not reflect amendments made by the Tariff Classification Act of 1962 (P.L. 87-456, approved May 24, 1962,) which will become effective on or after the 10th day following the date of a Presidential proclamation provided for in the same law.

These amendments substitute a tax rate of 0.53 cent per pound of total sugar content for the rates shown above under section 4501(a). The import tax and any reference thereto, as part of the Internal Revenue Code, are repealed and transferred to the Tariff Schedules as an Appendix thereof, in the form of an additional duty at the same rate and for such time as the excise tax on sugar in the Internal Revenue Code is in effect. The text of these amendments is as follows:

SEC. 302. (a) The first sentence of section 4501(a) of the Internal Revenue Code of 1954 is amended to read as follows: "There is hereby imposed upon manufactured sugar manufactured in the United States, a tax, to be paid by the manufacturer at the rate of 0.53 cent per pound of the total sugars therein."

(b) Section 4501(a) of such Code is hereby repealed. Subsection (c) of section 4501 of such Code is redesignated as subsection (b), and such subsection is amended—

(1) by striking out "manufacture, use, or importation" in the first sentence thereof and inserting in lieu thereof "manufacture or use"; and

(2) by striking out "subsection (a) or (b)" in the second sentence thereof and inserting in lieu thereof "subsection (a)".

(c) Section 6418(b) of such Code is amended by striking out "; except that no such payment shall be allowed with respect to any manufactured sugar, or article, upon which, through substitution or otherwise, a drawback of any tax paid under section 4501(b) has been or is to be claimed under any provisions of law made applicable by section 4504".

(d) Sections 4504, \* \* \* \* 6412(d) and \* of such Code are hereby repealed and the tables of sections for such Code are correspondingly amended.

The text of the new Appendix to the Tariff Schedules, Part 1, Subpart A, is contained on page 40 of the "First Supplemental Report" (January 1962), referentially enacted by Section 101(b) of the Tariff Classification Act of 1962, and is as follows:

*Appendix to the tariff schedules*

Item	Articles	Rate of Duty	Effective Period
Part 1.—TEMPORARY LEGISLATION			
Subpart A.—Temporary Provisions for Additional Duties			
Subpart A headnotes:			
1. The duties provided for in this subpart are cumulative duties which apply in addition to the duties, if any, otherwise imposed on the articles involved. The duties provided for in this subpart apply only with respect to articles entered during the period specified in the last column.			
2. Sections 336 and 350 of this Act (the so-called flexible tariff and trade-agreements provisions, respectively) shall not apply with respect to the duty provided for in item 901.00.			
3. With respect to any articles upon which the duty imposed under item 901.00 has been paid and which, on the date of termination of the tax provided for in section 4501, I.R.C., are held by the importer and intended for sale or other disposition, there shall be refunded (without interest) to such importer an amount equal to the duty paid _____ on such articles under item 901.00.			
901.00	Sugars, sirups, and molasses provided for in items 155.20 to 155.31, inclusive, of part 10A of schedule 1, if not to be further refined or otherwise improved in quality, and articles of sugars, sirups, and molasses of the kinds described in such items, all the foregoing (except sugars, sirups, molasses, or articles to be used as livestock feed, or in the production of livestock feed, or for the distillation of alcohol).....	The same as the tax imposed under sec. 4501, I.R.C. <sup>2</sup>	For such time as the tax imposed under sec. 4501, I.R.C., is in effect. <sup>1</sup>

<sup>1</sup> The tax terminates June 30, 1967.

<sup>2</sup> The tax rate is 0.53 cents per pound of total sugars.

## POTATO SITUATION

Mr. WHITTEN. The next commodity he mentions is potatoes. I quote:

Potato production is vulnerable to extreme price fluctuations resulting from wide variations in production. I recommend the enactment of legislation which will permit potato producers, if they so approve by referendum, to be given acreage allotment and marketing quotas aimed at stabilizing potato prices.

What has been the situation—supplywise, marketwise, pricewise—which leads the President to that statement and what is the status of the action to bring about what he has urged?

Secretary FREEMAN. The situation has been one of "boom and bust." It has been a very grave situation. I had a report today from a group that went up to Aroostook County, Maine, where the level of mortgages on farm property in this potato area has climbed to such astronomical levels, that no one is foreclosing any mortgages because there isn't enough security left to foreclose on. This is a poverty area where, when you look at the homes and the general facilities it would not seem to be, but they have had 5 years of very low potato prices.

Potatoes have been a real problem commodity and in this instance, a very active and conscientious potato advisory committee has been meeting for 3 years. They have largely reached an agreement for a program which would include no price supports, but acreage allotments and marketing quotas to bring about a realistic balance of supply and demand.

This legislation is pending in both the House and Senate and has not yet come up for action.

Mr. WHITTEN. At this point, I would like to insert in the record the remaining parts of the President's message and would like to have you follow each numbered paragraph with such supporting information as you have, together with any actions that may have been taken or any developments since the message was presented.

I think if you will supply that for the record, that will be sufficient. (The remaining text follows:)

## STRENGTHENING COOPERATIVES

6. Strengthening cooperatives.—Farmers should be encouraged to maintain their position in the marketplace through their own efforts, and to utilize cooperative organizations for this purpose. This has been the declared policy of the Congress for many years, and the extremely large capital investments required in modern farming have increased the need for such cooperatives to furnish harvesting, storing, processing, transporting, and marketing services, as well as electric and telephone services and other consumer needs, as a means of increasing net farm income. New legislation is needed to clarify the right of cooperatives to expand their operations by merger and acquisition. I shall shortly transmit to the Congress, also, legislation to provide additional credit facilities to permit rural cooperatives to assume additional responsibility in the war to combat poverty.

(The Department's comments follow:)

Cooperatives could contribute much more to the strengthening of farmers' bargaining power if they could consolidate into fewer and stronger organizations with better and more efficient plants and better use of personnel. At present, antitrust laws deter cooperatives from moving aggressively toward strengthening their position by mergers and acquisitions. Merger standards are uncertain at best, and the fact that mergers can be voided legally many years later further complicates the problem. Premerger clearances now avail-

able through the Department of Justice and the Federal Trade Commission are inadequate for this distinctively different form of business enterprise. At present the laws make no provision for a consideration of such important factors as the overall effects on competition and the best interests of agriculture. The precise form of the administration's recommendations for legislation to meet these problems is still under discussion within the executive branch.

#### FUTURES TRADING

7. Futures trading.—Trading in futures contracts on commodity exchanges is an old and valuable method of providing essential pricing service to farmers, processors, and handlers. When adequately policed and protected, it is an essential means of shielding producers from the hazards of major price fluctuations. Yet it is clear that the present authority of the Secretary of Agriculture, which covers trading of an annual value of nearly \$50 billion, is inadequate for effective supervision of the futures markets. Accordingly, I shall shortly transmit to the Congress legislation to remedy the defects of the present law without impairing the basic operations of commodity exchanges.

(The Department's comments follow:)

Experience in supervising commodity futures trading on commodity exchanges has indicated a need for more authority to enable the Department of Agriculture to more effectively carry out the purpose of the Commodity Exchange Act and protect the public interest. The Department believes it should have, and has previously sought, the authority to prescribe under certain conditions the minimum margins which commodity exchanges should require of traders in the commodity markets. Responsibility and authority for the control of margins now rests with the commodity exchanges, and no Federal agency presently has authority to prescribe such margins. However, the Federal Reserve Board prescribes minimum margins in trading in stocks.

The Department also believes it should have the authority to seek court injunctions against persons who appear to be manipulating or cornering the market, or otherwise violating the act or preparing to do so. Such authority could be used to stop a situation threatening to destroy the economic function and value of commodity markets before such damage is done. There is urgent need for such authority in the Department of Agriculture with regard to commodity trading comparable to that given other Federal regulatory agencies, including the Securities and Exchange Commission.

Other provisions aimed at further strengthening the act and facilitating its administration will also be proposed.

Proposed legislation aimed at strengthening the Commodity Exchange Act in areas discussed above, has been drafted and is under final consideration in the executive branch and will be transmitted to Congress shortly.

#### CROPLAND CONVERSION

8. Shifting cropland to less intensive uses.—One of the major problems facing American agriculture today involves the balance between land devoted to various crops and land used for other purposes. Cropland should be sufficient to produce all of the food and fiber we can expect to consume at home and export abroad; and all land not needed for this purpose should be shifted to other uses.

Rental contracts on 7.4 million acres of cropland that were placed in the conservation reserve between 1956 and 1960 expired December 31, 1963. That program was expensive, for it was designed, not to encourage long-term shifts of land to more desirable uses, but as a short-term measure. In its place, I recommend a program which encourages the permanent transfer of excess cropland into trees, grass, wildlife habitat, outdoor recreation, and other uses for which there is a growing public demand.

The Agricultural Act of 1962 authorized a pilot program of this kind under which \$10 million is the maximum available. This limitation should be increased to \$50 million.

(The Department's comments follow:)

The cropland conversion program is a far superior way to meet the need for shifting, to other uses, some of the cropland which now is being used to produce crops in oversupply. The cropland conversion program helps people stay on the farm and earn income from farming. It helps the farmer find a better use for his land and, therefore, the changes he makes in the use of his land are more likely to be permanent changes. Since farmers will be getting some income from use of the land, the cropland conversion program will be a much less expensive way of achieving desirable land-use adjustments. We feel that the present \$10 million limitation in the Food and Agriculture Act of 1962 should be increased to \$50 million. The land which would be converted from crops to other uses under a \$50 million program likely would not exceed 1,100,000 acres. This amount when shifted to a combination of trees, grass, wildlife habitat, and recreation use is not large enough to have an adverse economic impact on any segment of agriculture. While much of the land would be converted to grass, most of this grassland would not be available for grazing use in 1964 and some of it likely would not be heavily grazed in any future year. In any further expansion, the cropland conversion program could be limited to a size that would keep the amount of cropland converted to other uses in pace with growing needs for the products resulting from these other uses. This would avoid any substantial adverse economic effect on any segment of agriculture and without as great a cost to the Government for the land involved as has occurred under the conservation reserve program.

More than 2,800 farmers in 128 counties of 37 States have agreed to convert over 129,000 acres of cropland to other income-producing uses under the special pilot cropland conversion program.

The agreements with farmers, made the first year of operation of USDA's cropland conversion program, cover conversion of more than 114,000 acres of cropland to grass, 8,300 acres to development of recreational facilities, 5,900 acres to trees, and 256 acres to wildlife habitat.

Recreational developments approved under the program include facilities for fishing, hunting, boating, swimming, hiking, camping, skiing, and similar outdoor activities. Cost-sharing assistance was available to farmers for soil and water conservation measures, such as earthmoving and the establishment of protective cover of grass or trees. However, all of the cost of installing facilities such as boat docks, bathhouses, fireplaces, picnic tables, and similar items necessary for the development of recreation enterprises is borne by the farmer.

Agreements with farmers are for periods of either 5 or 10 years, depending upon the type of land being converted and the type of project to which conversion is being made. Project agreements aimed at converting cropland to longtime enterprises such as forests or recreation, usually for periods of 10 years, apply to more than 29,000 acres. Conversions to grass and wildlife habitat, for 5 years, cover almost 100,000 acres.

Adjustment and cost-share payments made to farmers are not income payments, but rather are designed to provide limited assistance in shifting cropland to alternate income-producing uses. The farmer is expected to earn his income from the land by using it for purposes other than crop production. The amount of assistance to farmers is based on such factors as land productivity, type of conversion, use to which the land is being converted, changes in operating costs, and the conservation measures needed by the land in its new use.

The cropland conversion program, authorized under the Food and Agriculture Act of 1962, is administered by the Agricultural Stabilization and Conservation (ASC) Service through its State and county ASC committees and with technical service assistance from Soil Conservation Service and Forest Service.

#### MARKETING

9. Market power.—There is one more pressing need if American agriculture is to be strengthened. The recent changes in the marketing structure for distribution of food are as revolutionary as those in production. There are some 200,000 retail grocery stores, but we know that \$1 out of every \$2 spent for groceries goes to fewer than 100 corporate, voluntary, or cooperative chains. Our information about how this greatly increased concentration of power is affecting farmers, handlers, and consumers is inadequate. The implications of other changes that take place such as vertical integration and contract farming

have not been fully explored. I urge that the Congress establish a bipartisan commission to study and appraise these changes so that farmers and business people may make appropriate adjustments and our Government may properly discharge its responsibility to consumers.

(The Department's comments follow:)

The major changes that have taken place during the past 20 years in the processing and distribution of farm and food products are of a magnitude greater than the combined changes of all the earlier commercial history of these products. These changes include: changes in the nature of the food products themselves; great concentration in the distributive segments of the industries involved; integration of retailer and wholesaler; the increasing importance of advertising and promotion; drastic changes in methods of procurement; the development of captive processing in some elements of the food business; and the growth of formal integration and contract farming. In many fields the terms of sale of a product, from the farm level up through the retail level, have shifted and changed. Yet the scope and nature of associated changes at the farm level are for the most part unrecognized.

The Department of Agriculture has a deep interest in these changes, because of the effects they have had, and will have in the years ahead, on American agriculture, on farm prices and incomes, and on the nature and accomplishments of farm programs. A bipartisan, impartial, competent study and appraisal of these changes would be of great value to both the Department and to the Congress in their attempts to develop policies and programs in the interest of farmers, business, and all Americans.

#### BASIS OF PARITY FORMULA

Mr. WHITTEN. There is one other question I would like to ask. I had a letter from you on this matter, but I notice in the paper that someone has raised the question of juggling parities. Some years ago I thought that your predecessor and his folks in his Department were changing the formula by weighting the relative value of different component parts of the parity formula. I won't go into your letter to me because you are here personally and I would like for you to put into the record the formula for determining parity that is in the law, a statement as to what factors enter into the determination and then tell us what all the hullabaloo is about and whether there is any accuracy in the charge that you have started including farm payments as a part of the price level?

Secretary FREEMAN. The true situation is that nothing has changed in terms of the parity ratio, the reporting of the parity ratio, or the calculation of the parity ratio. That all continues constant. However, in addition, a piece of information has been prepared which is called an adjusted parity ratio to express more accurately the situation in connection with the farm income. Farm income is not necessarily—

(The information requested follows:)

#### THE COMPUTATION OF PARITY PRICES

Parity prices are computed under the provisions of title III, subtitle A, section 301 (a) of the Agricultural Adjustment Act of 1938 as amended by the Agricultural Acts of 1948, 1949, 1954, and 1956.

The major provisions of the amended act relating to the calculation of parity prices are as follows:

"(1) (A) The 'parity price' for any agricultural commodity, as of any date, shall be determined by multiplying the adjusted base price of such commodity as of such date by the parity index as of such date.

"(B) The 'adjusted base price' of any agricultural commodity, as of any date, shall be (i) the average of the prices received by farmers for such commodity,

at such time as the Secretary may select during each year of the ten-year period ending on the 31st of December last before such date, or during each marketing season beginning in such period if the Secretary determines use of a calendar year basis to be impracticable, divided by (ii) the ratio of the general level of prices received by farmers for agricultural commodities during such period to the general level of prices received by farmers for agricultural commodities during the period January 1910 to December 1914, inclusive. As used in this subparagraph, the term 'prices' shall include wartime subsidy payments made to producers under programs designed to maintain maximum prices established under the Emergency Price Control Act of 1942.

"(C) The 'parity index,' as of any date, shall be the ratio of (i) the general level of prices for articles and services that farmers buy, wages paid hired farm labor, interest on farm indebtedness secured by farm real estate, and taxes on farm real estate, for the calendar month ending last before such date to (ii) the general level of such prices, wages, rates, and taxes during the period January 1910 to December 1914, inclusive.

"(D) The prices and indices provided for herein, and the data used in computing them, shall be determined by the Secretary, whose determination shall be final.

"(E) Notwithstanding the provisions of subparagraph (A), the transitional parity prices for any agricultural commodity, computed as provided in this subparagraph, shall be used as the parity price for such commodity until such date after January 1, 1950, as such transitional parity price may be lower than the parity price, computed as provided in subparagraph (A), for such commodity. The transitional parity price for any agricultural commodity as of any date shall be—

"(i) its parity price determined in the manner used prior to the effective date of the Agricultural Act of 1948 [January 1, 1950], less

"(ii) 5 per centum of the parity price so determined multiplied by the number of full calendar years (not counting 1956 in the case of basic agricultural commodities) which, as of such date, have elapsed after January 1, 1949, in the case of nonbasic agricultural commodities, and after January 1, 1955, in the case of basic agricultural commodities."

Section 301(a)(1)(F) outlines authority for the Secretary of Agriculture to make special adjustments in the method of computing parity prices for particular commodities if the method outlined in the act results in parity prices seriously out of line with those of other commodities.

For commodities not on the modernized basis parity prices are computed by both the "old" and the "new" formulas. The effective parity price—that is, the official parity price to be used for making determinations needed for price support or other programs—is then the higher of the following:

(1) The party price computed under the "new" formula outlined in the amended act, or

(2) The transitional parity price (as described in paragraph "(E)"). During 1964 the transitional parity price for nonbasic commodities is 25 percent of the "old" formula parity. Basic commodities completed transition to the modernized basis in January 1960 at which time corn and Puerto Rican tobacco shifted to modernized parity.

The effective parity prices published monthly are based on the provisions of the amended act. Briefly, the actual method of computation under the "new" formula is as follows:

(a) The average of prices received by farmers for individual commodities for the 10 preceding years is calculated (for 1964 this is the 1954-63 average). An allowance for unredeemed loans and other supplemental payments resulting from price support operations is included for those commodities for which applicable.

(b) This 10-year average is divided by the average of the index of prices received by farmers for the same 10 preceding calendar years, adjusted to include an allowance for unredeemed loans and other supplemental price support operations, to give an "adjusted base price."

(c) Parity prices are computed by multiplying the "adjusted base prices" by the current parity index (the index of prices paid by farmers, including interest, taxes, and farm wage rates, with 1910-14 equaling 100).

Only two commodities, avocados and dates, remain on the transitional parity—all others are on the "modernized parity" described above.

The indexes used in the computation of parity prices are published currently in Agricultural Prices.

The index of prices received by farmers is the statistical measure described in lines 2-10 of paragraph 1(B) above.

The parity index is the statistical measure described in paragraph 1(C) above.

Both of these indexes are published monthly in the Department's publication entitled "Agricultural Prices." The formulas used in their computation are the same as they have been since the last major revision, announced in the January 1959 issue of Agricultural Prices. The computation of parity prices of individual commodities is carried out precisely according to the law, as heretofore.

The parity ratio, which is the figure involved in the recent discussion, is not prescribed by law. It is not even mentioned in the law. It is not used in the computation of the parity price for any commodity, nor for establishing support levels, nor in the administration of any marketing orders.

The parity ratio has been computed and published by the Department simply as a convenient summary statistic of the overall relation between prices received by farmers and prices paid by farmers relative to 1910-14. Specifically, the parity ratio is the quotient obtained by dividing the index of prices received by the parity index (index of prices paid by farmers, including interest, taxes, and farm wage rates), and multiplying by 100 to put it in the form of a percentage. For example, in January 1964 the index of prices received was 243, the parity index was 313, and the parity ratio was 243 divided by 313 equals (.78) and multiplied by 100 to give 78. This was computed exactly as has been done routinely for many years.

If the parity ratio is 100, it means that a unit of commodities farmers sell has the same average purchasing power in terms of things farmers buy as in 1910-14. If the ratio is below 100, it means that a unit of commodities farmers sell has less purchasing power on the average than in 1910-14, and if the ratio is over 100, it means that a unit of commodities farmers sell has more purchasing power on the average than in 1910-14.

The adjusted parity ratio does not replace any existing measure. It is not used in computing the parity price of any commodity. It is not used in determining any support level. It is not used as a specific factor in administering any law.

The adjusted parity ratio is simply and solely a new statistical series for use in addition to the conventional ones for gaging the agricultural economy. It was developed in recognition of the fact that farmer's welfare involves more than price relations alone, that income is more important, and that the parity ratio, which involves only price relations, provides only a partial measure.

It should be noted that the adjusted parity ratio also is only a partial measure of farmers' welfare, but it is in some respects more completely descriptive than the parity ratio alone.

In presenting the adjusted parity ratio the Department described exactly how the adjusted parity ratio was computed, explained the reasons for its development, and gave the annual figures all the way back to 1933, the first year such payments were made. The Department stated explicitly that the parity ratio would be continued each month as heretofore.

The farm economy has many facets. No single index can completely measure it. The Department has simply added an additional measure which includes Government program payments not reflected in price relationships.

Mr. WHITTEN. We used to fuss at Mr. Benson some about this, too. He would jump from one to the other, a little bit fast in his figures. If you read it, it was technically correct, but it was mighty easy for one to be used instead of the other by the average reader. Now, you are not shifting from one to the other too fast, are you, Mr. Secretary, for the reader to keep up with you?

Secretary FREEMAN. I will move just as slowly as the chairman thinks is both dignified and honest.

Mr. WHITTEN. What use, may I say then, do you make of this parity? Is that limited to income and not used at all in the matter of determining parity? Is that based on the old parity formula as provided by law?

Secretary FREEMAN. That is right.

Mr. WHITTEN. And if by chance you show farmers' income on any basis, you merely count that in reporting what percentage of parity he gets in the way of income?

Secretary FREEMAN. That is correct. It is to give a realistic reading of farmer receipts which does not ignore this factor of payments.

#### ADMINISTRATION OF PACKERS AND STOCKYARDS ACT

Mr. WHITTEN. Mr. Secretary, I want to get into this matter of centralization of buying power in the hands of relatively few businesses, which has disturbed this committee at various times. You recall only a year or two ago, this committee urged that certain buying practices be investigated by the Department. We have repeatedly urged the Department to set up a separate unit for the handling of the Packers and Stockyards Act. The more I deal with that, the more I become convinced that the committee and the Congress is correct that this is important enough that we have a separate setup.

We are not trying to add to your costs, but now I am told by many folks who have to deal with it they have to go through four or five levels to get to somebody who can solve their problem or explain it. And the President's message adds further credence to the fact that the Packers and Stockyards Act setup seems to have all the authority necessary to go into this situation. May we have the pertinent provisions of the Packers and Stockyards Act inserted at this point in the record.

(The material requested follows:)

#### TITLE II—PACKERS

##### Sec. 201. When used in this Act—

The term "packer" means any person engaged in the business (a) of buying livestock in commerce for purposes of slaughter, or (b) of manufacturing or preparing meats or meat food products for sale or shipment in commerce, or (c) of manufacturing or preparing livestock products for sale or shipment in commerce, or (d) of marketing meats, meat food products, livestock products, dairy products, poultry, poultry products, or eggs in commerce; but no person engaged in such business of manufacturing or preparing livestock products or in such marketing business shall be considered a packer unless—

(1) Such person is also engaged in any business referred to in clause (a) or (b) above, or unless

(2) Such person owns or controls, directly or indirectly, through stockownership or control or otherwise, by himself or through his agents, servants, or employees, any interest in any business referred to in clause (a) or (b) above, or unless

(3) Any interest in such business of manufacturing or preparing livestock products, or in such marketing business is owned or controlled, directly or indirectly, through stock ownership or control or otherwise, by himself or through his agents, servants, or employees, by any person engaged in any business referred to in clause (a) or (b) above; or unless

(4) Any person or persons jointly or severally, directly or indirectly, through stockownership or control or otherwise, by themselves or through their agents, servants, or employees, own or control in the aggregate 20 per centum or more of the voting power or control in such business of manufacturing or preparing livestock products, or in such marketing business and also 20 per centum or more of such power or control in any business referred to in clause (a) or (b) above. (7 U.S.C. 191.)

Sec. 202. It shall be unlawful with respect to livestock, meats, meat food products, livestock products in unmanufactured form, poultry, or poultry products for any packer or any live poultry dealer or handler to:

(a) Engage in or use any unfair, unjustly discriminatory, or deceptive practice or device in commerce; or

(b) Make or give, in commerce, any undue or unreasonable preference or advantage to any particular person or locality in any respect whatsoever, or subject, in commerce, any particular person or locality to any undue or unreasonable prejudice or disadvantage in any respect whatsoever; or

(c) Sell or otherwise transfer to or for any other packer, or buy or otherwise receive from or for any other packer, any article for the purpose or with the effect of apportioning the supply in commerce between any such packers, if such apportionment has the tendency or effect of restraining commerce or of creating a monopoly in commerce; or

(d) Sell or otherwise transfer to or for any other person, or buy or otherwise receive from or for any other person, any article for the purpose or with the effect of manipulating or controlling prices in commerce, or of creating a monopoly in the acquisition of, buying, selling, or dealing in any article in commerce, or of restraining commerce; or

(e) Engage in any course of business or do any act for the purpose or with the effect of manipulating or controlling prices in commerce, or of creating a monopoly in the acquisition of, buying, selling, or dealing in any article in commerce, or of restraining commerce; or

(f) Conspire, combine, agree, or arrange with any other persons (1) to apportion territory for carrying on business in commerce, or (2) to apportion purchases or sales of any article in commerce, or (3) to manipulate or control prices in commerce; or

(g) Conspire, combine, agree, or arrange with any other person to do, or aid or abet the doing of, any act made unlawful by subdivision (a), (b), (c), (d), or (e). (7 U.S.C. 192.)

SEC. 203. (a) Whenever the Secretary has reason to believe that any packer has violated or is violating any provisions of this title, he shall cause a complaint in writing to be served upon the packer, stating his charges in that respect, and requiring the packer to attend and testify at a hearing at a time and place designated therein, at least thirty days after the service of such complaint; and at such time and place there shall be afforded the packer a reasonable opportunity to be informed as to the evidence introduced against him (including the right of cross-examination), and to be heard in person or by counsel and through witnesses, under such regulations as the Secretary may prescribe. Any person for good cause shown may, on application, be allowed by the Secretary to intervene in such proceeding, and appear in person or by counsel. At any time prior to the close of the hearing the Secretary may amend the complaint; but in case of any amendment adding new charges the hearing shall, on the request of the packer, be adjourned for a period not exceeding fifteen days.

(b) If, after such hearing, the Secretary finds that the packer has violated or is violating any provisions of this title covered by the charges, he shall make a report in writing to which he shall state his findings as to the facts, and shall issue and cause to be served on the packer an order requiring such packer to cease and desist from continuing such violation. The testimony taken at the hearing shall be reduced to writing and filed in the records of the Department of Agriculture.

(c) Until the record in such hearing has been filed in a court of appeals of the United States, as provided in section 204, the Secretary at any time, upon such notice and in such manner as he deems proper, but only after reasonable opportunity to the packer to be heard, may amend or set aside the report or order, in whole or in part.

(d) Complaints, orders, and other processes of the Secretary under this section may be served in the same manner as provided in section 5 of the Act entitled "An Act to create a Federal Trade Commission, to define its powers and duties, and for other purposes," approved September 26, 1914. (7 U.S.C. 193.)

SEC. 204. (a) An order made under section 203 shall be final and conclusive unless within thirty days after the service the packer appeals to the circuit court of appeals for the circuit in which he has his principal place of business, by filing with the clerk of such court a written petition praying that the Secretary's order be set aside or modified in the manner stated in the petition, together with a bond in such sum as the court may determine, conditioned that such packer will pay the costs of the proceedings if the court so directs.

(b) The clerk of the court shall immediately cause a copy of the petition to be delivered to the Secretary, and the Secretary shall thereupon file in the court

the record in such proceedings as provided in section 2112 of title 28, United States Code. If before such record is filed the Secretary amends or sets aside his report or order, in whole or in part, the petitioners may amend his petition within such time as the court may determine, on notice to the Secretary.

(c) At any time after such petition is filed, the court, on application of the Secretary, may issue a temporary injunction, restraining, to the extent it deems proper, the packer and his officers, directors, agents, and employees, from violating any of the provisions of the order pending the final determination of the appeal.

(d) The evidence so taken or admitted, and filed as aforesaid as a part of the record, shall be considered by the court as the evidence in the case. The proceedings in such cases in the court of appeals shall be made a preferred cause and shall be expedited in every way.

(e) The court may affirm, modify, or set aside the order of the Secretary.

(f) If the court determines that the just and proper disposition of the case requires the taking of additional evidence, the court shall order the hearing to be reopened for the taking of such evidence, in such manner and upon such terms and conditions as the court may deem proper. The Secretary may modify his findings as to the facts, or make new findings, by reason of the additional evidence so taken, and he shall file such modified or new findings and his recommendations, if any, for the modification or setting aside of his order, with the return of such additional evidence.

(g) If the circuit court of appeals affirms or modifies the order of the Secretary, its decree shall operate as an injunction to restrain the packer, and his officers, directors, agents and employees from violating the provisions of such order or such order as modified.

(h) The court of appeals shall have jurisdiction, which upon the filing of the record with it shall be exclusive, to review, and to affirm, set aside, or modify, such orders of the Secretary, and the decree of such court shall be final except that it shall be subject to review by the Supreme Court of the United States upon certiorari, as provided in section 1254 of title 28, if such writ is duly applied for within sixty days after entry of the decree.

The issue of such writ shall not operate as a stay of the decree of the circuit court of appeals, insofar as such decree operates as an injunction, unless so ordered by the Supreme Court. (7 U.S.C. 194.)

SEC. 205. Any packer, or any officer, director, agent, or employee of a packer, who fails to obey any order of the Secretary issued under the provisions of section 203, or such order as modified—

(1) After the expiration of the time allowed for filing a petition in the circuit court of appeals to set aside or modify such order, if no such petition has been filed within such time; or

(2) After the expiration of the time allowed for applying for a writ of certiorari, if such order, or such order as modified, has been sustained by the circuit court of appeals and no such writ has been applied for within such time; or

(3) After such order, or such order as modified, has been sustained by the courts as provided in section 204: shall on conviction be fined not less than \$500 nor more than \$10,000, or imprisoned for not less than six months nor more than five years, or both. Each day during which such failure continues shall be deemed a separate offense. (7 U.S.C. 195.)

Mr. WHITTEN. Now, would you please give us a report as to why the Department continues to drag its feet in carrying out this request of the Congress to set this up as a separate unit in the Department, so that it might have some freedom of action and some freedom of access to those to which it deals?

Secretary FREEMAN. I don't believe, Mr. Chairman, that there is any feet dragging, and I think we have reorganized this operation, have given it new leadership, and it is acting, I think, very vigorously in carrying forth its mandate, which is a very difficult and complicated one.

The proposal made by the President for a commission to review the changes in the marketing structure of agriculture is not comparable to the congressional assignment of responsibility of the Packers and Stockyards Act.

If we would take a look, a very penetrating one, which would involve a very significant study, would stretch through the whole area of American agriculture and marketing, recognizing that with some \$75 billion a year being spent for food, and a substantial part of this now, half of it being spent through fewer than a hundred corporate, voluntary, or cooperative chains, out of 200,000 grocery stores, it is clear that we now have a new element in the marketplace by way of retail buying power which is exercising great force.

The traditional marketing methods through middlemen, wholesalers, and others, with the competition that resulted from it, is being bypassed in large part and conceivably price setting is taking place—and I don't suggest illegally, necessarily—by the very nature of the economic forces through the medium of these tremendous concentrations of retail buying power.

Now, the implications of this, together with what flows from the problems of vertical integration and contract farming, means, frankly, that although we think we know something about the production revolution in American agriculture, I am not sure that we really have the data or the information to draw sound conclusions in connection with this marketing revolution. And this Commission would call for a very careful and thorough review of this total area.

We might ask such questions as these: What changes have actually occurred in the size, concentration relationship of food, and farm outlets—companies, markets, channels, and methods of operations—with special emphasis on the terms upon the basis of which goods and services are transferred from the farm producers upward through other segments to the consumer?

Second, what will these industries be like in the future, present trends continuing?

Third, would they then be consistent with the overall interests of the Nation in the long run?

Fourth, if not, what kind of system would assure both efficiency and free and fair competition among firms and between segments?

Fifth, to what extent, if any, should we constrain, scale operations, or business interrelationships in order to obtain appropriate distribution of power without sacrificing efficiency?

Sixth, are the services and regulations of Government, in particular, the Department of Agriculture, adequate for present and future policy goals?

Seventh, what kind of food industry does this country want, what costs will the Nation accept to get it, and what specific changes, if any, are necessary in the farming, processing, and distribution segments, and in Government?

I envisage in this, Mr. Chairman, something that will be as broad reaching as the old TNEC reports of the O'Mahoney committee years ago, and it is going to take a real deep and perceptive look at this total structure and what is taking place in it; and I would be the first to say, I don't think anybody really knows what this means, and the implications that flow from it.

Mr. WHITTEN. I recognize, Mr. Secretary, that this is a rather broad problem and that it will require broad study and surveying and bringing together facts and figures. Also, I remain of the opinion that if your Packers and Stockyards Section had been on its toes as much as perhaps it should, that some of these facts and figures might already be available.

I would like for you to give some thought to at least including one of your better representatives on any commission you might set up, and that they participate to a considerable degree. Finding out something does not solve the problem, unless you are in a position to do something about what you find out. And rather than have this drag out too long, if any remedies are in order, or if any recommendations are to be made, it strikes me that much of it would be speeded up, may I say, if you already had direct contact with this section.

I would like to urge again that you give some real thought, and I think maybe this committee may give some real thought, to trying to set this Packers and Stockyards Act up in a separate section in the Department, so the people can get to it and won't have to go through so many levels of supervision.

The committee will stand adjourned for the day.

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THURSDAY, FEBRUARY 20, 1964.

USE OF SECTION 22 OF AGRICULTURAL ADJUSTMENT ACT

Mr. WHITTEN. The committee will come to order. Pursuing for the moment the subject we went into yesterday, I noticed your statement with regard to lack of a basis for limiting imports of meats and beef, et cetera; I seem to recall that such authority is contained in section 22 of the Agricultural Adjustment Act.

It seems to me that if you have price exports on grain and it is common practice to feed out beef primarily for the domestic market, and that if foreign imports of beef reach a sufficient level to stop the feeding out of steers here, it would be a serious threat to a farm program and, as such, would come within the provisions of section 22.

I hope the Department will study that in connection with whether or not that might be true. The reason I mention it is that this thing is reaching serious proportions in the public mind as well as with the people engaged in the cattle business.

It looks to me like we are dependent upon asking, so to speak, these foreign countries not to ship too much here. In addition, a U.S. program of aid to Americans who want to go abroad and take advantage of cheap labor and then ship back their production. Then today I talked to a Member of Congress from Iowa who was called last night and told that the school lunch people are serving Argentina beef at Akron, Iowa.

Now, when you get into that kind of thing, it raises some serious questions. Were you aware of any purchase of Argentine beef for the school lunch program?

Secretary FREEMAN. No. All food distributed to school lunch programs by the Department is domestically produced. We can only assume that if Argentine beef has been served it was purchased locally by the school with its own funds, although we urge schools to purchase domestically produced foods.

Mr. HORAN. Mr. Chairman, I wonder, did you ask to have the statute involved here inserted in the record?

Mr. WHITTEN. Yes, I would like the appropriate section to be included in the record.

Mr. HORAN. Could we also have chronologically, the instances wherein section 22, since its inception in 1938, has been used?

Mr. WHITTEN. We might ask Mr. Grant to make a note to add that, if he will.

(The information referred to follows:)

SECTION 22 OF THE AGRICULTURAL ADJUSTMENT ACT (OF 1933), AS REENACTED  
AND AMENDED

(As of December 31, 1963)

"SEC. 22. (a) Whenever the Secretary of Agriculture has reasons to believe that any article or articles are being or are practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective or materially interfere with, any program or operation undertaken under this title or the Soil Conservation and Domestic Allotment Act, as amended, or section 32, Public Law No. 320, Seventy-fourth Congress, approved August 24, 1935, as amended, or any loan, purchase, or other program or operation undertaken by the Department of Agriculture, or any agency operating under its direction, with respect to any agricultural commodity or product thereof, or to reduce substantially the amount of any product processed in the United States from any agricultural commodity or product thereof with respect to which any such program or operation is being undertaken, he shall so advise the President, and, if the President agrees that there is reason for such belief, the President shall cause an immediate investigation to be made by the United States Tariff Commission, which shall give precedence to investigations under this section to determine such facts. Such investigation shall be made after due notice and opportunity for hearing to interested parties, and shall be conducted subject to such regulations as the President shall specify (7 U.S.C. 624(a)).

"(b) If, on the basis of such investigation and report to him of findings and recommendations made in connection therewith, the President finds the existence of such facts, he shall by proclamation impose such fees not in excess of 50 per centum ad valorem or such quantitative limitations on any article or articles which may be entered, or withdrawn from warehouse, for consumption as he finds and declares shown by such investigation to be necessary in order that the entry of such article or articles will not render or tend to render ineffective, or materially interfere with, any program or operation referred to in subsection (a) of this section, or reduce substantially the amount of any product processed in the United States from any such agricultural commodity or product thereof with respect to which any such program or operation is being undertaken: *Provided*, That no proclamation under this section shall impose any limitation on the total quantity of any article or articles which may be entered, or withdrawn from warehouse, for consumption which reduces such permissible total quantity to proportionately less than 50 per centum of the total quantity of such article or articles which was entered, or withdrawn from warehouse, for consumption during

a representative period as determined by the President: *And provided further*, That in designating any article or articles, the President may describe them by physical qualities, value, use, or upon such other bases as he shall determine.

"In any case where the Secretary of Agriculture determines and reports to the President with regard to any article or articles that a condition exists requiring emergency treatment, the President may take immediate action under this section without awaiting the recommendations of the Tariff Commission, such action to continue in effect pending the report and recommendations of the Tariff Commission and action thereon by the President (7 U.S.C. 624(b)).

"(c) The fees and limitations imposed by the President by proclamation under this section and any revocation, suspension, or modification thereof, shall become effective on such date as shall be therein specified, and such fees shall be treated for administrative purposes and for the purposes of section 32 of Public Law No. 320, Seventy-fourth Congress, approved August 24, 1935, as amended, as duties imposed by the Tariff Act of 1930, but such fees shall not be considered as duties for the purpose of granting any preferential concession under any international obligation of the United States (7 U.S.C. 624(c)).

"(d) After investigation, report, findings, and declaration in the manner provided in the case of a proclamation issued pursuant to subsection (b) of this section, any proclamation or provision of such proclamation may be suspended or terminated by the President whenever he finds and proclaims that the circumstances requiring the proclamation or provision thereof no longer exist or may be modified by the President whenever he finds and proclaims that changed circumstances require such modification to carry out the purposes of this section (7 U.S.C. 624(d)).

"(e) Any decision of the President as to facts under this section shall be final (7 U.S.C. 624(e)).

"(f) No trade agreement or other international agreement heretofore or hereafter entered into by the United States shall be applied in a manner inconsistent with the requirements of this section (7 U.S.C. 624(f))."

*Authority.*—Section 22 of the Agricultural Adjustment Act, as amended, directs the Secretary of Agriculture to advise the President whenever he has reason to believe that any article or articles are being imported under such conditions and in such quantities as to render or tend to render ineffective or materially interfere with any price support or other program, relating to agricultural commodities, undertaken by the Department of Agriculture, or to reduce substantially the amount of any product processed in the United States from any agricultural commodity or product thereof with respect to which any such program or operation is being undertaken. If the President agrees there is reason for such belief, he directs the Tariff Commission to conduct an investigation including a public hearing, and to submit a report to him of its findings and recommendations. The President is authorized, based on such findings, to impose such fees or quotas in addition to the basic duty as he shall determine necessary. The additional fees may not exceed 50 percent ad valorem and the quotas proclaimed may not be less than 50 percent of the quantity imported during a previous representative period, as determined by the President. Furthermore, the President may designate the affected article or articles by physical qualities, value, use, or upon such other basis as he shall determine.

Whenever the Secretary of Agriculture reports to the President that a condition exists requiring emergency treatment, the President may take action without awaiting the report of the Tariff Commission. Any such action by the President shall continue in effect pending the report and recommendations of the Tariff Commission and action thereon by the President.

No trade agreement or other international agreement entered into at any time by the United States may be applied in a manner inconsistent with the requirements of section 22.

The import quotas on specified dairy products and certain grain products, as explained further in this bulletin, are administered by the Import Staff, Foreign Agricultural Service, U.S. Department of Agriculture, Washington 25, D.C., through the issuance of import licenses and special permits. The import quotas for dairy products are prorated among, and import licenses are issued to, eligible applicants who had imported the commodity during a specified period. Import

Regulation 1, Revision 2, issued by the Department of Agriculture, governs the granting of the import licenses. Quotas on the other commodities not requiring import licenses or special permits are administered by the Bureau of Customs, U.S. Treasury Department, Washington 25, D.C., on a "first-come, first-served" basis. The authority to import commodities under section 22 does not relieve the importer from compliance with other applicable laws and regulations.

*History.*—Section 22 was originally added to the Agricultural Adjustment Act of 1933 by the act of August 24, 1935. It has been amended several times and was revised in its entirety by section 3 of the Agricultural Act of 1948 and again by section 3 of the act of June 28, 1950. It was further amended by sections 8(b) and 104 of the Trade Agreements Extension Acts of 1951 and 1953, respectively.

Since section was enacted, import controls have been imposed with respect to 11 different commodities or groups of commodities. These include (1) wheat and wheat flour; (2) cotton, certain cotton wastes, and cotton products; (3) specified dairy products; (4) rye, rye flour, and rye meal; (5) barley, hulled or unhulled, including rolled, ground, and barley malt; (6) oats, hulled or unhulled, and unhulled ground oats; (7) shelled almonds; (8) shelled filberts; (9) peanuts and peanut oil; (10) tung nuts and tung oil; and (11) flaxseed and linseed oil.

*Commodities released from control.*—All or a part of nine of these commodities or groups of commodities have been removed from import controls. These are, by type of control and effective date, as follows:

Commodity	Type of control	Effective date
(1) Harsh or rough cotton less than $\frac{3}{8}$ inch in staple length.....	Quota....	Sept. 20, 1946–Jan. 28, 1958.
(2) Card strips made from cotton $1\frac{3}{16}$ inches or more in length.....	---do....	Sept. 20, 1939–Mar. 31, 1942.
(3) Barley, hulled or unhulled, including rolled barley, ground barley and barley malt.....	---do....	Oct. 1, 1954–Sept. 30, 1955.
(4) Oats, hulled or unhulled, and unhulled ground oats.....	---do....	Oct. 1, 1954–Sept. 30, 1955.
(5) Shelled almonds, and blanched, roasted, or otherwise prepared or preserved almonds (not including almond paste).....	Fee.....	Oct. 1, 1951–Sept. 30, 1955.
(6) Shelled filberts, whether or not blanched.....	Quota....	Oct. 1, 1952–Sept. 30, 1953.
(7) Peanut oil.....	Fee.....	Oct. 1, 1954–Sept. 30, 1955.
(8) Tung nuts and tung oil:		
a. Tung oil.....	Fee.....	July 1, 1953–Apr. 5, 1961.
b. Tung nuts (oil equivalent).....	Quota....	Sept. 9, 1957–May 1, 1962.
(9) Flaxseed and linseed oil.....	---do....	Apr. 28, 1958–May 1, 1962.
(10) Rye, rye flour, and rye meal.....	Fee.....	July 1, 1953–Apr. 5, 1961.
	Quota....	Apr. 1, 1954–June 30, 1961.

*Commodities currently under control.*—The commodities remaining under control and the dates on which the initial controls were imposed are discussed in the following sections I through IV.

#### I. COTTON, CERTAIN COTTON WASTE AND COTTON PRODUCTS

Nonlicensed country quotas on long staple and short staple cotton and on cotton waste were imposed on September 20, 1939. Cotton having a staple length of  $1\frac{1}{16}$  inches or more was removed from the long staple cotton quota on December 19, 1940, but was again included effective August 1, 1958, at which time this quota was subdivided on the basis of staple length. The country quota on long staple cotton was changed to a global quota on July 29, 1942. The global quota on certain cotton products became effective on September 11, 1961.

Annual country and global quotas currently in effect are as follows:

A. *Global quotas*

[Pounds]

	Representative period average annual imports, July 1, 1928, to June 30, 1933	Quota	Annual quota period
1. Long staple cotton (1½ inches or longer).....	68,085,885	45,656,420	Aug. 1 to July 31.
Subdivided as follows:			
(a) 1½ inches or longer.....		39,590,778	Aug. 1 to July 31.
(b) 1½ inches or more but less than 1¾ inches.....		6,065,642	

Provided that of the 6,065,642 pounds, not more than 1,500,000 pounds shall consist of harsh or rough cotton (except cotton of perished staple, grabbots, and cotton pickings), white in color and having a staple of 1½<sub>32</sub> inches or more in length, and not more than 4,565,642 pounds shall consist of other cotton.

[Pounds]

	Representative period average annual imports Jan. 1, 1940, to Dec. 31, 1953	Quota	Annual quota period
2. Cotton products produced in any stage preceding the spinning into yarn (except cotton wastes).....	(1)	1,000	Sept. 11 to Sept. 10.

<sup>1</sup> The exact quantity is unknown but adjudged to have been less than 1,000 pounds, see Tariff Commission report to the President on "Certain Cotton Product," TC Publication 31, of September 1961.

B. *Country quotas*

[Pounds]

	Representative period average annual imports, July 1, 1928, to June 30, 1933	Quota	Annual quota period
1. Short staple cotton (less than 1½ inches).....	15,504,403	14,516,882	Sept. 20 to Sept. 19.

Subdivided as follows:

Country	Quota (pounds)
Egypt and the Sudan	783, 816
Peru	247, 952
India and Pakistan ("first come, first served")	2, 003, 483
China (Taiwan)	1, 370, 791
Mexico	8, 883, 259
Brazil	618, 723
U.S.S.R.	475, 124
Argentina	5, 203
Haiti	237
Ecuador	9, 333
Honduras	752
Paraguay	871
Colombia	124
Iraq	195
British East Africa	2, 240
Netherlands East Indies	71, 388
British West Indies (other than Barbados, Bermuda, Jamaica, Trinidad and Tobago)	21, 321
British West Africa (other than Gold Coast and Nigeria)	16, 004
Nigeria	5, 377
French Africa (other than Algeria, Tunisia, and Madagascar)	689
<b>Total</b>	<b>14, 516, 882</b>

	Representative period average annual im- ports, July 1, 1928- June 30, 1933	Quota	Annual quota period
2. Cotton waste (card strips made from cotton under 1 $\frac{3}{16}$ -inch comber waste, lap waste, sliver waste, roving waste).	(1)-----	5,482,509 pounds <sup>2</sup> ----	Sept. 20-Sept. 19.

<sup>1</sup> The annual average imports of 23,173,884 pounds of various types of cotton wastes during the representative period included receipts of waste types which were not put under quota. Data for all specific types of waste are not available.

<sup>2</sup> Not more than 33 $\frac{1}{4}$  percent shall be filled by cotton wastes other than comber waste made from cotton of 1 $\frac{3}{16}$  inches or more in staple length in the case of United Kingdom, France, the Netherlands, Switzerland, Belgium, Germany, and Italy.

Subdivided as follows:

Country	Quota (pounds)
United Kingdom	4, 323, 457
Canada	239, 690
France	227, 420
India and Pakistan ("first come, first served")	69, 627
Netherlands	68, 240
Switzerland	44, 388
Belgium	38, 559
Japan	341, 535
China (Taiwan)	17, 322
Egypt	8, 135
Cuba	6, 544
Germany	76, 329
Italy	21, 263
<b>Total</b>	<b>5, 482, 509</b>

## II. WHEAT AND WHEAT PRODUCTS

Importations of wheat and specified wheat products, with the exceptions listed, are subject to nonlicensed quota controls. The quotas were instituted by Presidential proclamation dated May 28, 1941. The basic quotas have not been changed, although certain exceptions were made during World War II.

Annual country quotas are currently in effect as follows :

	Representative period average annual imports, Jan. 1, 1929- Dec. 31, 1933	Quota	Annual quota period
1. Wheat.....	25,923 bushels.....	800,000 bushels.....	May 29-May 28. Do.
2. Wheat products.....	237,137 pounds.....	4,000,000 pounds.....	

Subdivided as follows:

Country of origin	Quota	
	Wheat (bushels)	Wheat pro- ducts (pounds)
Canada.....		
China (Taiwan).....	795,000	3,815,000
Hungary.....		24,000
Hong Kong.....		13,000
Japan.....		13,000
United Kingdom.....		8,000
Australia.....	100	75,000
Germany.....		1,000
Syria.....	100	5,000
New Zealand.....	100	5,000
Chile.....		1,000
Netherlands.....		1,000
Argentina.....	100	1,000
Italy.....	2,000	14,000
Cuba.....	100	2,000
France.....		12,000
Greece.....	1,000	1,000
Mexico.....		1,000
Panama.....	100	1,000
Uruguay.....		1,000
Poland and Danzig.....		1,000
Sweden.....		1,000
Yugoslavia.....		1,000
Norway.....		1,000
Canary Islands.....		1,000
Rumania.....		1,000
Guatemala.....	1,000	
Brazil.....	100	
U.S.S.R.....	100	
Belgium.....	100	
Total.....	800,000	4,000,000

Wheat, wheat flour, semolina, crushed or cracked wheat or similar wheat products, classified as "unfit for human consumption" are not subject to import quota controls. Likewise, samples of wheat or specified wheat products in lots of 10 pounds or less and certified or registered seed wheat in lots of 100 bushels or less are not subject to import quota controls. Wheat or specified wheat products in lots of 10 pounds or more for experimental purposes and certified or registered seed wheat in lots of more than 100 bushels for seeding and crop improvement purposes may be imported ex-quota if the importer requests such import authority from the Secretary of Agriculture and if written approval is granted by the Secretary. Such requests should be addressed to the Import Staff, Foreign Agricultural Service, U.S. Department of Agriculture, Washington, D.C.

### III. SPECIFIED DAIRY PRODUCTS

Import controls under section 22 became effective July 1, 1953, for the dairy products numbered 1 through 10, as listed below. The annual quota period for these commodities is from July 1 through June 30. The Import Staff, Foreign Agricultural Service, U.S. Department of Agriculture, Washington, D.C., issues import licenses to individual importers. The quotas are apportioned generally on the basis of the proportionate share of total imports imported by each individual importer from supplying countries during a representative base period when no restrictions were in effect.

Quota controls on items 11 (a) and (b) became effective April 15 and August 7, 1957, respectively. The quota year for item 11(a) is the calendar year and the quota is administered by the Bureau of Customs, U.S. Treasury Department, Washington, D.C., on a first-come, first-served basis. Butterfat as defined in 11(b) may not be imported. Importations not in excess of 100 pounds in the aggregate of the listed dairy commodities may be authorized ex-quota for display and sampling at trade fairs and for research, provided application is made to and written approval is granted by the Secretary of Agriculture. Such applications should be filed with the Import Staff, Foreign Agricultural Service, U.S. Department of Agriculture, Washington, D.C.

The following table shows a comparison of current quotas with importations during the representative periods. The representative periods are as indicated in parenthesis. Effective July 1, 1960, the President's proclamation increased the annual quota for Edam and Gouda cheese from 4,600,200 to 9,200,400 pounds and on Italian-type cheese from 9,200,100 to 11,500,100 pounds.

	Representative period average annual imports (pounds)	Quota (pounds)
1. Butter.....	1,411,525 (1930-34).....	707,000
2. Dried whole milk.....	13,055 (1948-50).....	7,000
3. Dried buttermilk.....	991,283 (1948-50).....	496,000
4. Dried cream.....	Less than 500 (1948-50).....	500
5. Dried skimmed milk.....	3,613,279 (1948-50).....	1,807,000
6. Malted milk, and compounds or mixtures of or substitutes for milk or cream.	11,418 (1948-50).....	6,000
7. Cheddar cheese and cheese and substitutes for cheese contained or processed from Cheddar cheese.	5,490,262 (1948-50).....	2,780,100
8. Edam and Gouda cheese.....	1,831,085 (1948-50).....	9,200,400
9. Blue-mold cheese (except Stilton) and cheese and substitu- tes for cheese containing, or processed from Blue- mold cheese.	2,066,000 (1948-50).....	1 5,016,999
10. Italian-type cheese—made from cow's milk, original loaves (Romano made from cow's milk, Reggiano, Parmesano, Provolone, Provolette, and Sbrinz).	8,121,987 (1948-50).....	11,500,100
11. Articles with 45 percent or more butterfat:		
(a) Butter substitutes, including butteroil containing 45 percent or more butterfat.	1,800,000.....	2 1,200,000
(b) All articles containing 45 percent or more of butter- fat, except those articles already subject to quotas, cheese, evaporated and condensed milk, and products imported in retail packages.	Not available.....	0

<sup>1</sup> Increased from 4,167,000 by Presidential Proclamation 3460, Mar. 30, 1962.

<sup>2</sup> Quota for calendar year 1957 only, set at 1,800,000 pounds.

#### IV. PEANUTS

Nonlicensed import controls were instituted July 1, 1953. The quota on peanuts is the same as that initially imposed. The ad valorem fee of 25 percent on imports of peanut oil in excess of 80 million pounds was terminated on April 5, 1961.

Annual global quotas are in effect as follows:

	Representa- tive period average an- nual imports Jan. 1, 1936- Dec. 31, 1939 (pounds)	Quota	Annual quota period
Peanuts: whether shelled, not shelled, blanched, salted, prepared or preserved (including roasted peanuts but not including peanut butter).	3,417,812	1,709,000 pounds peanuts in the shell charged against this quota on basis of 75 pounds for each 100 pounds of in- shell peanuts.	Aug. 1- July 31.

Mr. WHITTEN. Let me read section 22 here.

Whenever the Secretary of Agriculture has reason to believe that any article or articles are being or are practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective or materially interfere with any program or operation under-

taken under this title or the Soil Conservation and Domestic Allotment Act, as amended, or section 32, Public Law No. 320, 74th Congress, approved August 24, 1935, as amended, or any loan, purchase, or other program or operation undertaken by the Department of Agriculture, or any agency operating under its direction, with respect to any agricultural commodity or product thereof, or to reduce substantially the amount of any product processed in the United States from any agricultural commodity or product thereof, with respect to which any such program or operation is being undertaken, he shall so advise the President and if the President agrees that there is reason for such belief, the President shall cause an immediate investigation to be made by the U.S. Tariff Commission, which shall give precedence to investigations under this section to determine such facts.

Such investigation shall be made after due notice and opportunity for hearing to interested parties, shall be conducted subject to such regulations as the President shall specify.

I would like to point out several things here. I mentioned that if beef came into this country to the point of slowing down the feeding out of cattle, which is a customary practice, it could endanger your feed grain, corn, and other grain programs.

Furthermore, this section says that investigative proceedings should be started if imports force the use of section 32. Section 32 provides funds which you use regularly to buy surplus turkeys, surplus beef, surplus pork, and other meats. Certainly an undue influxion of foreign meats could easily drive you to use of section 32.

I mentioned to you the situation in Iowa. I would hope when the school lunch people are before us, they will have full information on this.

It came to me orally, from a colleague from Iowa in the Congress.

Continuing now, and I quote, subsection (b) of section 22 reads as follows:

If, on the basis of such investigation and report to him of findings and recommendations made in connection therewith, the President finds the existence of such facts, he shall by proclamation impose such fees not in excess of 50 per centum ad valorem, or such quantitative limitation on any article or articles which may be entered or withdrawn from warehouse for consumption as he finds, and declares shown by such investigation to be necessary in order that the entry of such article or articles, will not render or tend to render ineffective or materially interfere with any program or operations referred to in section A of this \* \* \*.

Again, in a nutshell, what can the President do—and incidentally, it must be initiated by you? He can put a 50-percent tax on imports or he can set a quantitative limitation. It says if these findings are made by the President, he "shall"—it doesn't say "may."

Now, in view of these facts that, I think the Department would certainly have the responsibility of reviewing the overall situation and determining whether or not this section applies.

Our attention is called to the fact that yesterday it was the view of yourself, as spokesman for the Department, that section 22 could be applied only to price-supported commodities. But I call attention again to the fact that the language is much broader than that.

It says that if these articles are coming in in such quantities as to render or tend to render or materially interfere with any program or operation undertaken under this title, or section 32, some action should be taken. Certainly, section 32 is to buy up surpluses and that is the point I made yesterday; when you say only 5 percent of the commodities are surplus we may make the situation fit the illustration of eight units which must be sold with only seven buyers.

This is a serious situation, and I say again, with all due deference to the cotton bill, either the one that I understand the Senate has voted out, or the Cooley bill, If we refuse flatly to use section 22 in proper cases, there isn't any agricultural program that can work effectively.

Where you ought to use it, how soon and at what level is always a question. And may I say again, Mr. Secretary, this act says it shall be initiated by you. After that, it becomes a matter for determination by the Tariff Commission. But I do think the facts are such as to warrant a full study by you as to what the possible solution is.

We hope we can count on you doing that.

Again, what we are requesting here is a thorough study and a determination. Of course, we can't run your shop for you. We might try sometimes, but that is your business.

#### EFFECT OF FOREIGN ASSISTANCE ACTIVITIES ON AMERICAN SURPLUSES

Now I also would like to know if we are furnishing from the Department, or whether the State Department or the foreign aid people, with your consent and advice in the Department, are furnishing any technicians to any foreign countries for the purpose of assisting in the production of any commodity of which we have a surplus in this country?

Can that be made available to us?

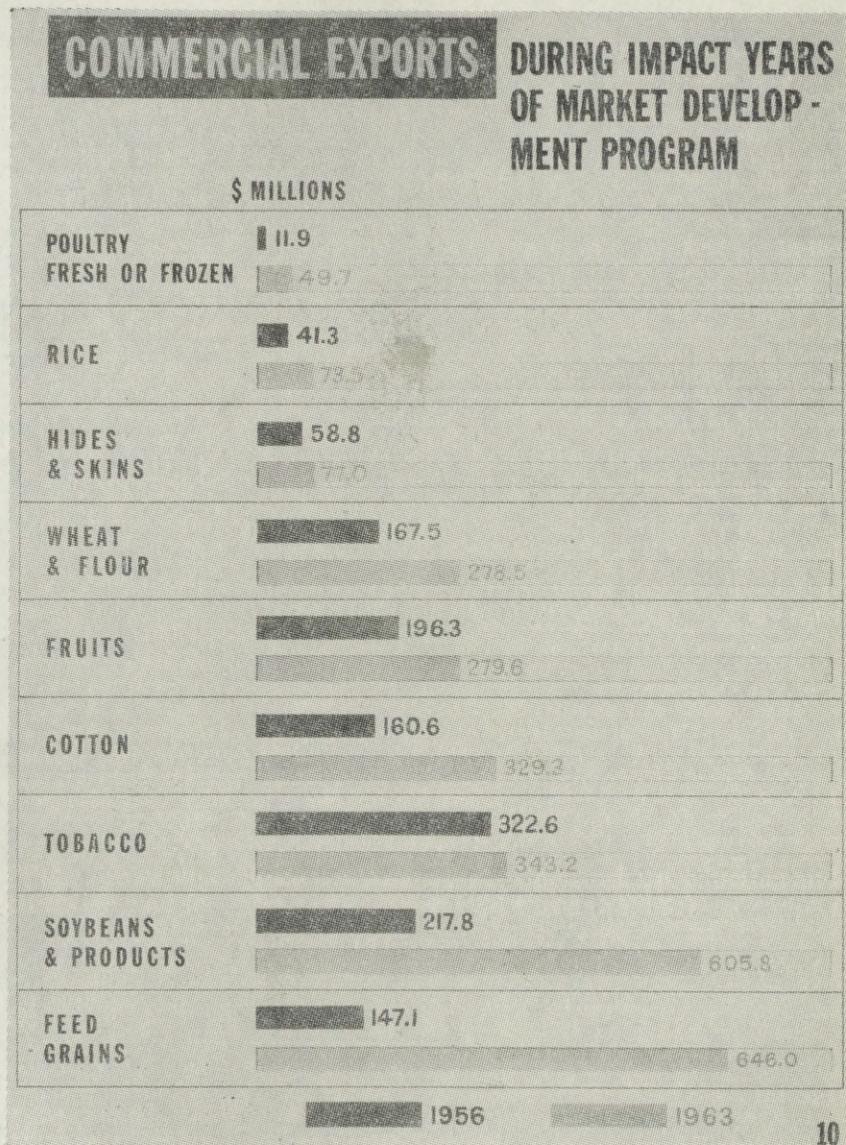
Secretary FREEMAN. Yes. I would answer that by saying that we are seeking to cooperate with other segments in the Government, to carry forward the policy of the United States—of which one is economic assistance—and in doing so, to properly safeguard the interests of American agriculture. To my best knowledge, we are not assisting foreign countries in the production of commodities that we have in surplus, so that those same commodities will be competitive and create problems for American agriculture.

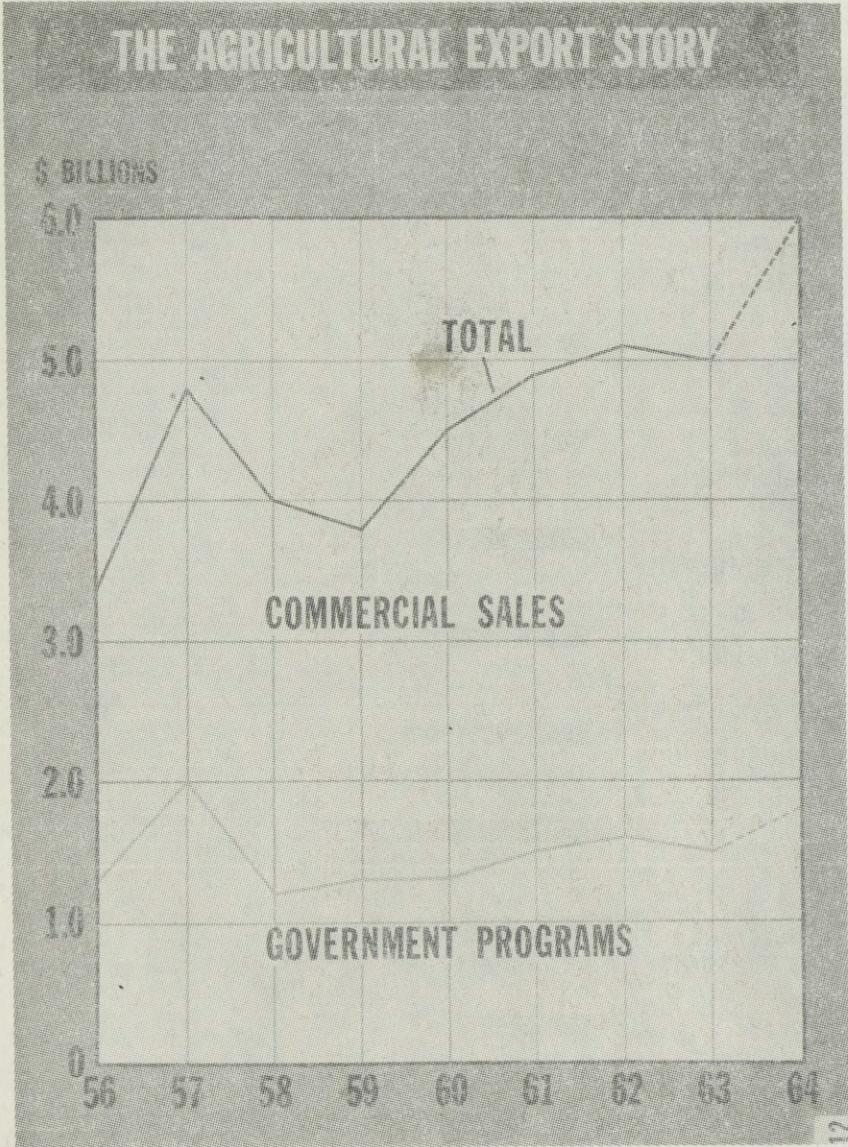
I would want to the record to show that it is my personal conviction, as I review the export figures of our own agricultural commodities, that our aid efforts have resulted in significant increases in our exports and on balance they can properly be given credit for having contributed to the very significant growth in our agricultural exports. This is particularly true in the area of the food-for-peace program, with the use of foreign currencies—received from the sale of agricultural commodities—for various market development programs, and the launching of what I believe has been a very successful trade promotion effort in a great number of different commodities—wheat and others.

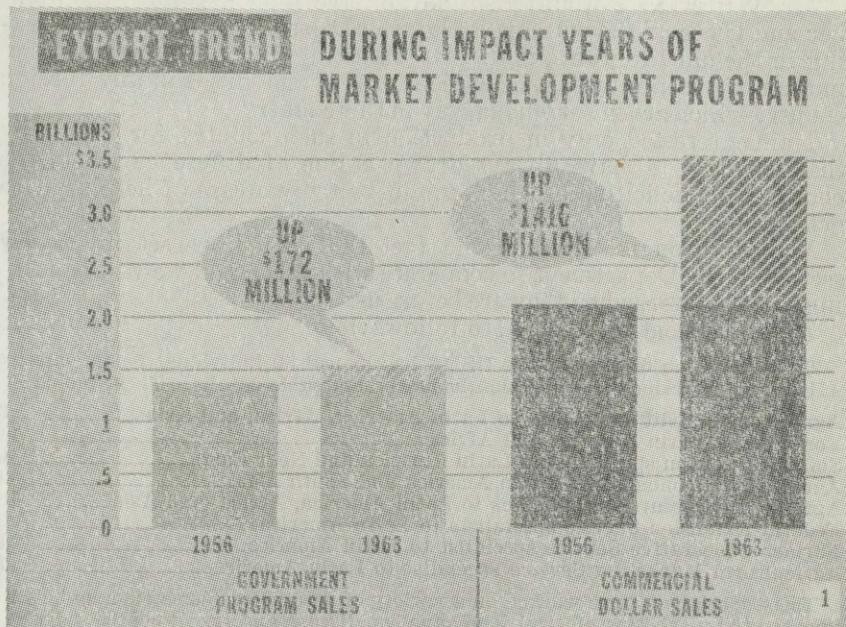
Japan has a lot of your wheat out there now, Congressman Horan, that they didn't have before. And as the economy is strengthened in these various countries, they find themselves in a food shortage position and their commercial needs grow. As such, this is an important part of our market-creating program. There are some very interesting examples of this that I used this week testifying before the House Agriculture Committee on Public Law 480 that might be incorporated in this record, and I think would be of great interest to this subcommittee.

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

(The charts referred to follow :)







### AGRICULTURAL MARKET DEVELOPMENT ABROAD

A WORLD-WIDE PROGRAM INVOLVING:

-  44 U.S. TRADE ASSOCIATIONS
-  218 FOREIGN TRADE ASSOCIATIONS
-  67 COUNTRIES
-  728 NON-GOVERNMENT PEOPLE

**\$15.7 MILLION EXPENDED FY 1963:**

Category	Amount
GOVERNMENT	\$9.8
PRIVATE	\$5.9

Mr. WHITTEN. I would also like to have for the record, the number and types of the employees that the Department may have assisting in the aid programs, if they are assisting in connection with promotion of the production of agricultural commodities in any foreign country which are in surplus supply in this country.

I am interested only in production in such country for export by that country. I have always drawn a line of difference where the country is a deficit area, which might be truly a case of helping it to get ahead.

My attention is called to the fact that you have set up a new section in the Department to cooperate with AID, and we will be talking to them later, when they are before us.

(The information referred to follows:)

To date in this fiscal year the USDA has loaned 50 individual technicians to AID for short periods of 1 to 3 months on reimbursable details. These include—

Agricultural credit specialists to Latin America, Africa, and Asia.....	6
Foresters to Latin America and Africa.....	14
Soil conservation specialists to Latin America and Near East.....	6
Agricultural economists to Latin America and South Asia.....	4
Agricultural research technicians to Latin America, Africa, and Asia.....	16
Federal Extension Service specialists to Latin America.....	2
Farmer Cooperative Service specialist to Latin America.....	1
Agricultural Marketing Service specialist to Latin America.....	1

These specialists have worked on a variety of specific problems such as how to improve the marketing of local food supplies, disease and insect controls, irrigation and drainage, soil fertility and plant nutrition, agricultural credit, forest fire control, and land tenure.

At AID's request the Department now has personnel stationed abroad on the following AID funded projects:

Project	Number of U.S. technicians	Location
Agricultural diversification.....	3	El Salvador.
Tsetse fly control.....	2	Africa.
Regional locust control.....	19	Near East and Africa.
Watershed planning.....	1	Tunisia.
Soil and water conservation.....	7	Algeria.

The Department is also continuing to make its domestic facilities available, under arrangements whereby the Agency for International Development finances the costs, to plan and conduct training programs for foreign nationals in the United States, supply technical information and advice to their AID personnel and in specific instances, our research laboratory facilities. Under this latter item, laboratory services and personnel for two AID projects are currently being provided; namely, plant and seed materials, and salinity and soil fertility.

Mr. WHITTEN. I also can say, under Public Law 480, where we sell commodities for foreign currency and then turn over 90 percent of the foreign currencies to the country receiving the commodities, and then we make up the deficit here in restoration of capital impairment, I am sure that would enable most anybody to increase exports. So in the figures we asked for yesterday, make a clear distinction between exports for dollars and exports through various and sundry aid programs, whether it is Public Law 480 or not.

Mr. GRANT. All right, sir.

Mr. WHITTEN. In view of the statement of the Secretary, that our exports have increased as a result of foreign aid, I would like you to go back for a period earlier than that and show the comparable figures.

I think you will find cotton is below what it was before the AID program. I think you will find the same is true of many, many agricultural commodities. The United States used to be a much larger exporter nation in many of these areas. Times change and conditions change, and if we went back to conditions existing then, we probably couldn't export as much.

But I do want to have the two figures here for what they are worth.

#### SITUATION ON CORN

Now we asked you yesterday with regard to a number of commodities. How about the situation with regard to corn? The supply on hand when you came in, Mr. Secretary, the price support at that time, and the law as it existed at that time? Also, discuss the changes, if any, that have been made in the law, the amount of corn on hand and in storage now as compared with the amount you inherited and the price support level and as of now and the market price? Could that be provided?

Mr. GRANT. Yes, sir.

(The information referred to follows:)

#### PROGRAMS AFFECTING FEED GRAIN PRODUCTION IN RECENT YEARS

Major legislative provisions relating to commodity acreage allotments, marketing quotas and price supports.

1. Those in effect when this administration took office.

Excerpts of the Agricultural Adjustment Act of 1938, as amended.

Part II, acreage allotments, corn: Acreage allotments were not in effect due to results of corn referendum held on November 25, 1958, in which farmers approved a price support program without acreage allotments.

Marketing quotas for corn were repealed by Public Law 690, 83d Congress, 68 Stat. 902, approved August 28, 1954.

The following sections were in effect:

"SEC. 330. Notwithstanding any other provision of law, acreage allotments and a commercial corn-producing area shall not be established for the 1959 and subsequent crops of corn."

Subpart B, price support:

#### "AGRICULTURAL ACT OF 1949

##### "PRICE SUPPORT FOR 1959 AND SUBSEQUENT YEARS (CORN AND FEED GRAINS)

"SEC. 105. (a) Notwithstanding the provisions of section 101 of this Act, beginning with the 1959 crop, price support shall be made available to producers for each crop of corn at 90 per centum of the average price received by farmers during the three calendar years immediately preceding the calendar year in which the marketing year for such crop begins, adjusted to offset the effect on such price of any abnormal quantities of low-grade corn marketed during any of such year: *Provided*, That the level of price support for any crop of corn shall not be less than 65 per centum of the parity price therefor.

"(b) Beginning with the 1959 crop, price support shall be made available to producers for each crop of oats, rye, barley, and grain sorghums at such level of the parity price therefor as the Secretary of Agriculture determines is fair and reasonable in relation to the level at which price support is made available for corn, taking into consideration the feeding value of such commodity in relation to corn, and the other factors set forth in section 401(b) hereof. (7 U.S.C. 1441 note.)"<sup>13</sup>

By 1961 the feed grain situation required changes in the law. Total feed grain stocks were 85 million tons at the end of the 1960-61 marketing year. Storage and other carrying costs for feed grains had reached \$464 million a

<sup>13</sup> Added by sec. 201 of the Agricultural Act of 1958, 72 Stat. 993.

year. The season average price received by farmers for the 1960 corn crop was a dollar per bushel, the lowest average since 1942.

Congress enacted a special program for feed grains for 1961 on March 22, 1961, as follows:

"PUBLIC LAW 87-5

"87TH CONGRESS, H.R. 4510

MARCH 22, 1961

"AN ACT To provide a special program for feed grains for 1961

*"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That section 105 of the Agricultural Act of 1949, as amended, is amended by adding the following new subsection:

"(c) Notwithstanding any other provision of law—

"(1) The level of price support for the 1961 crop of corn shall be established by the Secretary at such level not less than 65 per centum of the parity price therefor as the Secretary may determine. Price support for corn and grain sorghums shall be made available on not to exceed the normal production of the 1961 acreage of corn and grain sorghums of each eligible farm based on its average yield per acre for the 1959 and 1960 crop acreage.

"(2) The Secretary shall require as a condition of eligibility for price support on the 1961 crop of corn, grain sorghums, and any other feed grain which he may designate that producer shall participate in the special agricultural conservation program for 1961 for corn and grain sorghums to the extent prescribed by the Secretary."

"SEC. 2. Section 16 of the Soil Conservation and Domestic Allotment Act, as amended, is amended by adding the following new subsection:

"(c) Notwithstanding any other provision of law—

"(1) The Secretary shall formulate and carry out a special agricultural conservation program for 1961, without regard to provisions which would be applicable to the regular agricultural conservation program, under which, subject to such terms and conditions as the Secretary determines, conservation payments in amounts determined by the Secretary to be fair and reasonable shall be made to producers who divert acreage from the production of corn and grain sorghums to an approved conservation use and increase their average acreage devoted in 1959 and 1960 to designated soil conserving crops or practices by an equal amount: *Provided, however,* That any producer may elect in lieu of such payment to devote such diverted acreage to castor beans, safflower, sunflower, or sesame, if designated by the Secretary. Such special agricultural conservation program shall require the producer to take such measures as the Secretary may deem appropriate to keep such diverted acreage free from insects, weeds, and rodents. The acreage eligible for payments in cash or in an equivalent amount in kind under such conservation program shall be an acreage equivalent to 20 per centum of the average acreage on the farm planted to corn and grain sorghums in the crop years 1959 and 1960 or up to twenty acres, whichever is greater. Such payments in cash or in kind at the basic county support rate may be made on an amount of corn and grain sorghums not in excess of 50 per centum of the normal production of the acreage diverted from corn and grain sorghums on the farm based on its average yield per acre for the 1959 and 1960 crop acreage. Payments in kind only may be made by the Secretary for the diversion of up to an additional 20 per centum of such corn and grain sorghum acreage. Payments in kind on such additional acreage may be made at the basic county support rate on an amount of corn and grain sorghums not in excess of 60 per centum of the normal production of the acreage diverted from corn and grain sorghums on the farm based on its average yield per acre for the 1959 and 1960 crop acreage. The Secretary may make such adjustments in acreage and yields for the 1959 and 1960 crop years as he determines necessary to correct for abnormal factors affecting production, and to give due consideration to tillable acreage, crop rotation practices, type of soil, and topography. The Secretary may make not to exceed 50 per centum of any payments to producers in advance of determination of performance.

"(2) There are hereby authorized to be appropriated such amounts as may be necessary to enable the Secretary to carry out this section 16(c). Obligations may be incurred in advance of appropriations therefor and the

Commodity Credit Corporation is authorized to advance from its capital funds such sums as may be necessary to pay administrative expenses in connection with such program during the fiscal year ending June 30, 1961, and to pay such costs as may be included in carrying out section 3 of the Act which added this subsection to this Act.

“(3) The Secretary shall provide by regulations for the sharing of payments under this subsection among producers on the farm on a fair and equitable basis and in keeping with existing contracts.”

“Sec. 3. Payments in kind shall be made through the issuance of negotiable certificates which the Commodity Credit Corporation shall redeem for feed grains and, notwithstanding any other provision of law, the Commodity Credit Corporation shall, in accordance with regulations prescribed by the Secretary, assist the producer in the marketing of such certificates at such time and in such manner as the Secretary determines will best effectuate the purposes of the 1961 Feed Grain Program authorized by this Act. In the case of any certificate not presented for redemption within 30 days of the date of its issuance, reasonable costs of storage and other carrying charges, as determined by the Secretary, for the period beginning 30 days after its issuance and ending with the date of its presentation for redemption shall be deducted from the value of the certificate.

“Sec. 4. Not later than 90 days after the effective date of this Act the Secretary shall submit to the Congress a detailed report, including estimates where final figures are not available, setting forth but not limited to the number and percent of cooperators under this Act, the acreage retired from production by States, the cash payments made, the quantity and kind of feed grains made available under the payment-in-kind provisions of the Act and the value thereof, the overall cost of the program, the estimated savings compared with the program in effect before this Act became effective, and such other information as will indicate the progress, cost, and reduction of surpluses under this Act.

“Approved March 22, 1961.”

Changes since then have been:

1. Subtitle C—1962 Feed Grain Program of P.L. 87-128, approved August 8, 1961:

“SUBTITLE C—1962 FEED GRAIN PROGRAM

“Sec. 131. Section 105(c) of the Agricultural Act of 1949 is amended by adding the following new paragraphs (3) and (4):

“(3) The level of price support for the 1962 crop of corn shall be established by the Secretary at such level not less than 65 per centum of the parity price therefor as the Secretary may determine. Price support for corn, grain sorghums, and barley shall be made available on not to exceed the normal production of the 1962 acreage of corn, grain sorghums, and barley of each eligible farm based on its average yield per acre for the 1959 and 1960 crop acreage.

“(4) The Secretary shall require as a condition of eligibility for price support on the 1962 crop of corn and grain sorghums that the producer shall participate in the special agricultural conservation program for 1962 for corn and grain sorghums to the extent prescribed by the Secretary and (except in the case of a producer of malting barley as hereinafter described) shall not knowingly devote an acreage on the farm to barley in excess of the average acreage devoted on the farm to barley in 1959 and 1960. The Secretary shall require as a condition of eligibility for price support on the 1962 crop of barley that the producer shall participate in the special agricultural conservation program for 1962 for barley to the extent prescribed by the Secretary and shall not knowingly devote an acreage on the farm to corn and grain sorghums in excess of the average acreage devoted on the farm to corn and grain sorghums in 1959 and 1960: *Provided*, That no producer of malting barley shall be required to participate in the special agricultural conservation program for 1962 for barley if such producer has previously produced a malting variety of barley, plants barley only of an acceptable malting variety for harvest in 1962, does not knowingly devote an acreage on the farm to barley in excess of 110 per centum of the average acreage devoted on the farm to barley in 1959 and 1960, and does not knowingly devote an acreage on the farm to corn and grain sorghums in excess of the average acreage devoted on the farm to corn and grain sorghums in 1959 and 1960.”

"SEC. 132. Section 16 of the Soil Conservation and Domestic Allotment Act, as amended, is amended by adding the following new subsection:

"(d) Notwithstanding any other provision of law—

"(1) The Secretary shall formulate and carry out a special agricultural conservation program for 1962, without regard to provisions which would be applicable to the regular agricultural conservation program, under which, subject to such terms and conditions as the Secretary determines conservation payments in amounts determined by the Secretary to be fair and reasonable shall be made to producers who divert acreage from the production of corn and grain sorghums, and barley, respectively, to an approved conservation use and increase their average acreage of cropland devoted in 1959 and 1960 to designated soil conserving crops or practices including summer fallow and idle land by an equal amount: *Provided, however,* That any producer may elect in lieu of such payment to devote such diverted acreage to castor beans, guar, safflower, sunflower, or sesame, if designated by the Secretary. In order to be eligible for a payment, a producer (other than a producer of malting barley as described in section 105(c) (4) of the Agricultural Act of 1949) who participates in the special agricultural conservation program of 1962 for corn and grain sorghums must not knowingly devote an acreage on the farm in excess of the average acreage devoted on the farm to barley in 1959 and 1960, and a producer who participates in the special agricultural conservation program for 1962 for barley must not knowingly devote an acreage on the farm to corn and grain sorghums in excess of the average acreage devoted on the farm to corn and grain sorghums in 1959 and 1960. Such special agricultural conservation program shall require the producer to take such measures as the Secretary may deem appropriate to keep such diverted acreage free from insects, weeds, and rodents. The acreage eligible for payments in cash or in an equivalent amount in kind under such conservation program shall be an acreage equivalent to 20 per centum of the average acreage on the farm planted to corn and grain sorghums, or barley, in the crop years 1959 and 1960 or up to twenty acres, whichever is greater. Such payments in cash, or in kind at the basic county support rate for the 1961 crop in effect at the time payment rates for the special feed grain program for 1962 are established, adjusted to reflect any changes between the the national support rates for the 1961 and 1962 crops may be made on the amount of the commodity not in excess of 50 per centum of the normal production of the acreage diverted from the commodity on the farm based on its adjusted average yield per acre for the 1959 and 1960 crop acreage. Payments in kind only may be made by the Secretary for the diversion of up to an additional 20 per centum of the average, acreage on the farm planted to corn and grain sorghums, or barley, in the crop years 1959 and 1960. Payments in kind on such additional acreage may be made at the basic county support rate for the 1961 crop in effect at the time payments rates for the special feed grain program for 1962 are established, adjusted to reflect any changes between the national support rates for the 1961 and 1962 crops on an amount of corn and grain sorghums, or barley, not in excess of 60 per centum of the normal production of the acreage diverted from the commodity on the farm based on its adjusted average yield per acre for the 1959 and 1960 crop acreage. The Secretary may make such adjustments in acreage and yields for the 1959 and 1960 crop years as he determines necessary to correct for abnormal factors affecting production, and to give due consideration to tillable acreage, crop rotation practices, type of soil, soil and water conservation measure, and topography. To the extent that a producer proves the actual acreages and yields for the farm for the 1959 and 1960 crop years, such acreages and yields shall be used in making determinations. The Secretary may make not to exceed 50 per centum of any payments to producers in advance of determination of performance.

"(2) There are hereby authorized to be appropriated such amounts as may be necessary to enable the Secretary to carry out this section 16(d). Obligations may be incurred in advance of appropriations therefor and the Commodity Credit Corporation is authorized to advance from its capital funds such sums as may be necessary to pay administrative expenses in connection with such program during the fiscal year ending June 30, 1962, and to pay such costs as may be incurred in carrying out section 133 of the Agricultural Act of 1961.

“(3) The Secretary shall provide by regulations for the sharing of payments under this subsection among producers on the farm on a fair and equitable basis and in keeping with existing contracts.”

“SEC. 133. Payments in cash shall be made by Commodity Credit Corporation and payments in kind shall be made through the issuance of negotiable certificates which the Commodity Credit Corporation shall redeem for feed grains and, notwithstanding any other provision of law, the Commodity Credit Corporation shall, in accordance with regulations prescribed by the Secretary, assist the producer in the marketing of such certificates at such time and in such manner as the Secretary determines will best effectuate the purposes of the special feed grain program for 1962 authorized by this Act. In the case of any certificate not presented for redemption within thirty days of the date of its issuance, reasonable costs of storage and other carrying charges, as determined by the Secretary, for the period beginning thirty days after its issuance and ending with the date of its presentation for redemption shall be deducted from the value of the certificate.

“SEC. 134. Notwithstanding any other provision of law, the Secretary may place such limits on the extent that producers may participate in the special feed grain conservation program for 1962 authorized by this Act as he determines necessary because of an emergency created by drought or other disaster, or in order to prevent or alleviate a shortage in the supply of corn, grain sorghums, or barley.”

“PUBLIC LAW 87-451

“87TH CONGRESS, H.R. 11413

“MAY 15, 1962

“AN ACT To amend the Agricultural Act of 1961 to permit the planting of additional nonsurplus crops on diverted acreage

“*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That section 124(a) (2) of the Agricultural Act of 1961 is amended by changing the proviso to read as follows: ‘*Provided*, That the Secretary may permit such diverted acreage to be devoted to the production of guar, sesame, safflower, sunflower, castor beans, other annual field crops for which price support is not made available, and flax, when such crops are not in surplus supply and will not be in surplus supply if permitted to be grown on the diverted acreage, subject to the provisions of subsection (b) (4) of this section’.

“SEC. 2. Section 124(b) (1) of the Agricultural Act of 1961 is amended by striking out ‘or sesame.’ and inserting: ‘sesame, other annual field crops for which price support is not made available, or flax, payment for which shall be computed in accordance with subsection (b) (4) of this section.’

“SEC. 3. Section 124(b) of the Agricultural Act of 1961 is amended by adding the following new subsection:

“(4) Payment with respect to diverted acreage devoted to castor beans, guar, safflower, sunflower, sesame, other annual field crops for which price support is not made available, or flax, in accordance with the proviso of subsection (a) (2) of this section, shall be at a rate determined by the Secretary to be fair and reasonable taking into consideration the use of such acreage for the production of such crops: *Provided*, That in no event shall the payment exceed one-half the rate which would otherwise be applicable if such acreage were devoted to conservation uses and no price support shall be made available for the production of any such crop on such diverted acreage.’

“SEC. 4. Section 16(d) (1) of the Soil Conservation and Domestic Allotment Act, as amended, is further amended by changing the proviso in the first sentence to read as follows: ‘*Provided*, That the Secretary may permit such diverted acreage to be devoted to the production of guar, sesame, safflower, sunflower, castor beans, other annual field crops for which price support is not made available, and flax, when such crops are not in surplus supply and will not be in surplus supply if permitted to be grown on the diverted acreage, subject to the condition that payment with respect to diverted acreage devoted to any such crop shall be at a rate determined by the Secretary to be fair and reasonable, taking into consideration the use of such acreage for the production of such crops, but in no event shall the payment exceed one-half the rate which would otherwise be applicable if such acreage were devoted to conservation uses

and no price support shall be made available for the production of any such crop on such diverted acreage'."

"Approved May 15, 1962."

3. Title III—Commodity Programs, Public Law 87-703, approved September 27, 1962—Subtitle A—Feed Grains:

"Sec. 301. Section 105(c) of the Agricultural Act of 1949, as amended, is amended by adding the following new paragraphs (5) and (6):

"(5) The level of price support for the 1963 crop of corn shall be established by the Secretary at such level not less than 65 per centum of the parity price therefor as the Secretary may determine. Eighteen cents per bushel of the support price for corn, and a comparable portion of the support price for grain sorghums and barley shall be made available to producers through payments in kind. Such payments in kind shall be made on the number of bushels of such feed grain determined by multiplying the actual acreage of such feed grain planted on the farm for harvest in 1963 by the adjusted average yield per acre for the 1959 and 1960 crop acreage of such feed grain. Such payments in kind shall be made through the issuance of negotiable certificates which the Commodity Credit Corporation shall redeem for corn, grain sorghums, and barley (such feed grains to be valued by the Secretary at not less than the support price minus that part of the support price made available through payments in kind) and, notwithstanding any other provision of law, the Commodity Credit Corporation shall, in accordance with regulations prescribed by the Secretary, assist the producer in the marketing of such certificates. In the case of any certificate not presented for redemption within 30 days of the date of its issuance, reasonable costs of storage and other carrying charges, as determined by the Secretary, for the period beginning 30 days after its issuance and ending with the date of its presentation for redemption shall be deducted from the value of the certificate. The Secretary shall provide for the sharing of such certificates among the producers on the farm on the basis of their respective shares in the crop produced on the farm with respect to which such certificates are issued, or the proceeds therefrom. If the operator of the farm elects to participate in the special agricultural conservation program for 1963 for corn, grain sorghums, and barley, price support shall be made available to the producers on such farm only if such producers divert from the production of such feed grains in accordance with the provisions of such program an acreage on the farm equal to the number of acres which such operator agrees to divert, and the agreement shall so provide.

"(6) The Secretary shall require as a condition of eligibility for price support on the 1963 crop of corn, grain sorghums, and barley that the producer shall participate in the special agricultural conservation program for 1963 for corn, grain sorghums, and barley to the extent prescribed by the Secretary: *Provided*, That the Secretary may provide that no producer of malting barley shall be required as a condition of eligibility for price support for barley to participate in the special agricultural conservation program for 1963 if such producer has previously produced a malting variety of barley, plants barley only of an acceptable malting variety for harvest in 1963, does not knowingly devote an acreage on the farm to barley in excess of 110 per centum of the average acreage devoted on the farm to barley in 1959 and 1960, and does not knowingly devote an acreage on the farm to corn and grain sorghums in excess of the average acreage devoted on the farm to corn and grain sorghums in 1959 and 1960."

"Sec. 302. Section 16 of the Soil Conservation and Domestic Allotment Act, as amended, is amended by adding the following new subsection:

"(g) Notwithstanding any other provision of law—

"(1) The Secretary shall formulate and carry out a special agricultural conservation program for 1963, without regard to provisions which would be applicable to the regular agricultural conservation program, under which, subject to such terms and conditions as the Secretary determines, conservation payments in amounts determined by the Secretary to be fair and reasonable shall be made to producers who divert acreage from the production of corn, grain sorghums, and barley to an approved conservation use and increase their average acreage of cropland devoted in 1959 and 1960 to designated soil-conserving crops or practices including summer fallow and idle land by an equal amount: *Provided*, That the Secretary may permit such diverted acreage to be devoted to the production of guar, sesame, safflower, sunflower, castor beans, and flax, when such crops are not in surplus supply and will not be in surplus supply if permitted to be grown on the diverted acreage, subject to the condition that payment with respect to diverted

acreage devoted to any such crop shall be at a rate determined by the Secretary to be fair and reasonable, taking into consideration the use of such acreage for the production of such crops, but in no event shall the payment exceed one-half the rate which would otherwise be applicable if such acreage were devoted to conservation uses and no price support shall be made available for the production of any such crop on such diverted acreage. Such special agricultural conservation program shall require the producer to take such measures as the Secretary may deem appropriate to keep such diverted acreage free from erosion, insects, weeds, and rodents. The acreage eligible for payments in cash or in an equivalent amount in kind under such conservation program shall be an acreage equivalent to 20 per centum of the average acreage on the farm planted to corn, grain sorghums, and barley in the crop years 1959 and 1960 or up to twenty-five acres, whichever is greater. Payments in kind only may be made by the Secretary for the diversion of up to an additional 30 per centum of the average acreage on the farm planted to corn, grain sorghums, and barley, in the crop years 1959 and 1960. Payments may be made at the basic county support rate for the 1962 crop in effect at the time payment rates for the special feed grain program for 1963 are established, adjusted to reflect any changes between the national support rates for the 1962 and 1963 crops on an amount of the commodity not in excess of 50 per centum of the normal production of the acreage diverted from the commodity on the farm based on its adjusted average yield per acre for the 1959 and 1960 crop acreage. The Secretary may make such adjustments in acreage and yields for the 1959 and 1960 crop years as he determines necessary to correct for abnormal factors affecting production, and to give due consideration to tillable acreage, crop rotation practices, type of soil, soil and water conservation measures, and topography. The Secretary may also make such adjustments in yields as he determines necessary to reflect any increases in yields since the 1959 and 1960 crop years as the result of the adoption or the improvement of an irrigation system if such improvement or adoption of such irrigation system was made prior to the effective date of this sentence but such adjustment in yields shall apply only to payments with respect to acreage diverted pursuant to the requirements of section 105(c)(6) of the Agricultural Act of 1949, as amended. To the extent that a producer proves the actual acreages and yields for the farm for the 1959 and 1960 crop years, such acreages and yields shall be used in making determinations. The Secretary may make not to exceed 50 per centum of any payments to producers in advance of determination of performance. Notwithstanding any other provision of this subsection (g)(1), barley shall not be included in the program for a producer of malting barley exempted pursuant to section 105(c)(6) of the Agricultural Act of 1949 who participates only with respect to corn and grain sorghums and does not knowingly devote an acreage on the farm to barley in excess of 110 per centum of the average acreage devoted on the farm to barley in 1959 and 1960.

“(2) There are hereby authorized to be appropriated such amounts as may be necessary to enable the Secretary to carry out this section 16(g). Obligations may be incurred in advance of appropriations therefor and the Commodity Credit Corporation is authorized to advance from its capital funds such sums as may be necessary to pay administrative expenses in connection with such program during the fiscal year ending June 30, 1963, and to pay such costs as may be incurred in carrying out section 303 of the Food and Agriculture Act of 1962.

“(3) The Secretary shall provide by regulations for the sharing of payments under this subsection among producers on the farm on a fair and equitable basis and in keeping with existing contracts.”

“SEC. 303. Payments in cash shall be made by Commodity Credit Corporation and payments in kind shall be made through the issuance of negotiable certificates which the Commodity Credit Corporation shall redeem for feed grains (valued at not less than the support price minus that part of the support price made available through payments in kind) and, notwithstanding any other provision of law, the Commodity Credit Corporation shall, in accordance with regulations prescribed by the Secretary, assist the producer in the marketing of such certificates at such time and in such manner as the Secretary determines will best effectuate the purposes of the special feed grain program for 1963 authorized by this Act. In the case of any certificate not presented for redemption within thirty days of the date of its issuance, reasonable costs of storage and other carry-

ing charges, as determined by the Secretary, for the period beginning thirty days after its issuance and ending with the date of its presentation for redemption shall be deducted from the value of the certificate.

"SEC. 304. Notwithstanding any other provision of law, the Secretary may place such limits on the extent that producers may participate in the special feed grain conservation program for 1963 authorized by this Act as he determines necessary because of an emergency created by drought or other disaster, or in order to prevent or alleviate a shortage in the supply of corn, grain sorghums, or barley.

"SEC. 305. The Agricultural Act of 1949, as amended, is amended by striking out subsection (a) of section 105 and inserting in lieu thereof the following:

"(a) Notwithstanding the provisions of section 101 of this Act, beginning with the 1964 crop, price support shall be made available to producers for each crop of corn at such level, not less than 50 per centum or more than 90 per centum of the parity price therefor, as the Secretary determines will not result in increasing Commodity Credit Corporation stocks of corn."

Public Law 88-26, 88th Congress, H.R. 4997, May 20, 1963:

"TO EXTEND THE FEED GRAIN PROGRAM

"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the 'Feed Grain Act of 1963.'

"SEC. 2. Section 105 of the Agricultural Act of 1949, as amended, is amended—

"(1) by changing the period at the end of subsection (a) to a colon and adding the following: 'Provided, That in the case of any crop for which an acreage diversion program is in effect for feed grains, the level of price support for corn of such crop shall be at such level not less than 65 per centum or more than 90 per centum of the parity price therefor as the Secretary determines necessary to achieve the acreage reduction goal established by him for the crop.'

"(2) by adding the following new subsection (d):

"(d) The provision of this subsection shall be applicable with respect to the 1964 crop and the 1965 crop of feed grains if an acreage diversion program is in effect under section 16(h) of the Soil Conservation and Domestic Allotment Act, as amended. The Secretary shall require as a condition of eligibility for price support on the crop of any feed grain which is included in the acreage diversion program that the producer shall participate in the diversion program to the extent prescribed by the Secretary, and, if no diversion program is in effect for the 1964 crop or the 1965 crop, he may require as a condition of eligibility for price support on such crop of feed grains that the producer shall not exceed his feed grain base: *Provided*, That the Secretary may provide that no producer of malting barley shall be required as a condition of eligibility for price support for barley to participate in the acreage diversion program for feed grains if such producer has previously produced a malting variety of barley, plants barley only of an acceptable malting variety for harvest, does not knowingly devote an acreage on the farm to barley in excess of 110 per centum of the average acreage devoted on the farm to barley in 1959 and 1960, does not knowingly devote an acreage on the farm to corn and grain sorghums in excess of the average acreage devoted on the farm to corn and grain sorghums in 1959 and 1960, and does not devote any acreage devoted to the production of oats and rye in 1959 and 1960 to the production of wheat pursuant to the provisions of section 328 of the Food and Agriculture Act of 1962. Such portion of the support price for any feed grain included in the acreage diversion program as the Secretary determines desirable to assure that the benefits of the price support and diversion programs inure primarily to those producers who cooperate in reducing their acreages of feed grains shall be made available to producers through payments in kind. Such payments in kind shall be made on the number of bushels of such feed grain determined by multiplying the actual acreage of such feed grain planted on the farm for harvest by the adjusted average yield per acre. The base period used in determining such adjusted average yield shall be the same as that used for purposes of the acreage diversion program formulated under section 16(h) of the Soil Conservation and Domestic Allotment Act, as amended. The Secretary may make not to exceed 50 per centum of any payments hereunder to producers in advance of determination of performance. Such payments in kind shall be made through the issuance of negotiable certificates which the Commodity Credit Corporation shall redeem for feed grains

(such feed grains to be valued by the Secretary at not less than the current support price minus that part of the current support price made available through payments in kind, plus reasonable carrying charges) and, notwithstanding any other provision of law, the Commodity Credit Corporation shall, in accordance with regulations prescribed by the Secretary, assist the producer in the marketing of such certificates. In the case of any certificate not presented for redemption within thirty days of the date of its issuance, reasonable costs of storage and other carrying charges, as determined by the Secretary, for the period beginning thirty days after its issuance and ending with the date of its presentation for redemption shall be deducted from the value of the certificate. The Secretary shall provide for the sharing of such certificates among the producers on the farm on the basis of their respective shares in the crop produced on the farm with respect to which such certificates are issued, or the proceeds therefrom. If the operator of the farm elects to participate in the acreage diversion program, price support for feed grains included in the program shall be made available to the producers on such farm only if such producers divert from the production of such feed grains in accordance with the provisions of such program an acreage on the farm equal to the number of acres which such operator agrees to divert, and the agreement shall so provide.'

"SEC. 3. Section 16 of the Soil Conservation and Domestic Allotment Act, as amended, is amended by adding the following new subsection:

"(h) Notwithstanding any other provision of law—

"(1) For the 1964 crop and the 1965 crop of feed grains, if the Secretary determines that the total supply of feed grains will, in the absence of an acreage diversion program, likely be excessive, taking into account the need for an adequate carryover to maintain reasonable and stable supplies and prices of feed grains and to meet any national emergency, he may formulate and carry out an acreage diversion program for feed grains, without regard to provisions which would be applicable to the regular agricultural conservation program, under which, subject to such terms and conditions as the Secretary determines, conservation payments in amounts determined by the Secretary to be fair and reasonable shall be made to producers who divert acreage from the production of feed grains to an approved conservation use and increase their average acreage of cropland devoted in 1959 and 1960 to designated soil-conserving crops or practices including summer fallow and idle land by an equal amount. Payments shall not be made in amounts in excess of 50 per centum of the estimated basic county support rate, including that part of the support price made available through payments in kind, on the normal production of the acreage diverted from the commodity on the farm based on its adjusted average yield per acre. Notwithstanding the foregoing provisions, the Secretary may permit such diverted acreage to be devoted to the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, and flax, if he determines that such crops are not in surplus supply and will not be in surplus supply if permitted to be grown on the diverted acreage, subject to the condition that payment with respect to diverted acreage devoted to any such crop shall be at a rate determined by the Secretary to be fair and reasonable, taking into consideration the use of such acreage for the production of such crops, but in no event shall the payment exceed one-half the rate which would otherwise be applicable if such acreage were devoted to conservation uses, and no price support shall be made available for the production of any such crop on such diverted acreage. The base period for the purpose of determining the adjusted average yield in the case of payments with respect to the 1964 crop shall be the four-year period 1959-1962, and in the case of payments with respect to the 1965 crop shall be the five-year period 1959-1963. The term 'feed grains' means corn, grain, sorghums, barley, and if for any crop the producer so requests for purposes of having acreage devoted to the production of wheat considered as devoted to the production of feed grains, pursuant to the provisions of section 328 of the Food and Agriculture Act of 1962, the term 'feed grains' shall include oats and rye: *Provided*, That acreages of corn, grain sorghums, and barley shall not be planted in lieu of acreages of oats and rye: *Provided further*, That the acreage devoted to the production of wheat shall not be considered as an acreage of feed grains for purposes of establishing the feed grain base acreage for the farm for subsequent crops. Such feed grain diversion program

shall require the producer to take such measures as the Secretary may deem appropriate to keep such diverted acreage free from erosion, insects, weeds, and rodents. The acreage eligible for participation in the program shall be such acreage (not to exceed 50 per centum of the average acreage on the farm devoted to feed grains in the crop years 1959 and 1960 or twenty-five acres, whichever is greater) as the Secretary determines necessary to achieve the acreage reduction goal for the crop. Payments shall be made in kind. The average acreage of wheat produced on the farm during the crop years 1959, 1960, and 1961, pursuant to the exemption provided in section 335(f) of the Agricultural Adjustment Act of 1938, prior to its repeal by the Food and Agriculture Act of 1962, in excess of the small farm base acreage for wheat established under section 335 of the Agricultural Adjustment Act of 1938, as amended, shall be considered as an acreage of feed grains produced in the crop years of 1959 and 1960 for purposes of establishing the feed grain base acreage for the farm, and the rate of payment for diverting such wheat shall be an amount determined by the Secretary to be fair and reasonable in relation to the rates of payment for diverting feed grains. The Secretary may make such adjustments in acreage and yields as he determines necessary to correct for abnormal factors affecting production, and to give due consideration to tillable acreage, crop-rotation practices, types of soil, soil and water conservation measures, and topography. To the extent that a producer proves the actual acreages and yields for the farm, such acreages and yields shall be used in making determinations. Notwithstanding any other provisions of this subsection (1) (1), the Secretary may, upon unanimous request of the State committee established pursuant to section 8(b) of the Soil Conservation and Domestic Allotment Act, as amended, adjust the feed grain bases for farms within any State or county to the extent he determines such adjustment to be necessary in order to establish fair and equitable feed grain bases for farms within such State or county. The Secretary may make not to exceed 50 per centum of any payments to producers in advance of determination of performance: *Provided*, That in no event shall the Secretary in the crop years 1964 or 1965 make payments to any producers under this section 16(h) and under section 105(d) of the Agricultural Act of 1949, as amended, in excess of 20 per centum of the fair market value of any acreage involved. Notwithstanding any other provision of this subsection (h) (1), barley shall not be included in the program for a producer of malting barley exempted pursuant to section 105(d) of the Agricultural Act of 1949 who participates only with respect to corn and grain sorghums and does not knowingly devote an acreage on the farm to barley in excess of 110 per centum of the average acreage devoted on the farm to barley in 1959 and 1960.

“(2) Notwithstanding any other provision of this subsection, not to exceed 1 per centum of the estimated total feed grain bases for all farms in a State for any year may be reserved from the feed grain bases established for farms in the State for apportionment to farms on which there were no acreages devoted to feed grains in the crop years 1959 and 1960 on the basis of the following factors: Suitability of the land for the production of feed grains, the past experience of the farm operator in the production of feed grains, the extent to which the farm operator is dependent on income from

farming for his livelihood, the production of feed grains on other farms owned, operated, or controlled by the farm operator, and such other factors as the Secretary determines should be considered for the purpose of establishing fair and equitable feed grain bases. An acreage equal to the feed grain base so established for each farm shall be deemed to have been devoted to feed grains on the farm in each of the crop years 1959 and 1960 for purposes of this subsection except that producers on such farm shall not be eligible for conservation payments for the first year for which the feed grain base is established.

“(3) There are hereby authorized to be appropriated such amounts as may be necessary to enable the Secretary to carry out this section 16(h).

“(4) The Secretary shall provide by regulations for the sharing of payments under this subsection among producers on the farm on a fair and equitable basis and in keeping with existing contracts.

“(5) Payments in kind shall be made through the issuance of negotiable certificates which the Commodity Credit Corporation shall redeem for feed grains and, notwithstanding any other provision of law, the Commodity Credit Corporation shall, in accordance with regulations prescribed by the Secretary, assist the producer in the marketing of such certificates. In the case of any certificate not presented for redemption within thirty days of the date of its issuance, reasonable costs of storage and other carrying charges, as determined by the Secretary, for the period beginning thirty days after its issuance and ending with the date of its presentation for redemption shall be deducted from the value of the certificate. Feed grains with which Commodity Credit Corporation redeems certificates pursuant to this paragraph shall be valued at not less than the current support price, minus that part of the current support price made available through payments in kind, plus reasonable carrying charges.

“(6) Notwithstanding any other provision of law, the Secretary may, by mutual agreement with the producer, terminate or modify any agreement previously entered into pursuant to this subsection if he determines such action necessary because of an emergency created by drought or other disaster, or in order to prevent or alleviate a shortage in the supply of feed grains.”

“Sec. 4. Section 326 of the Food and Agriculture Act of 1962, as amended, is amended by deleting the word ‘and’ immediately preceding ‘(g)’ and inserting after ‘(g)’ the following: ‘and (h)’,”

“Approved May 20, 1963, 12:40 p.m.”

#### LEGISLATIVE HISTORY

House Report No. 180 (Agriculture Comm.).

Senate Report No. 172 (Agriculture and Forestry Comm.).

Congressional Record, vol. 109:

Apr. 25, 1963; Considered and passed House.

May 13-15, 1963; Considered in Senate.

May 16, 1963; Considered and passed Senate.

(The following tables provide data regarding stocks, production and utilization, and feed grain prices from 1951 through 1963:)

*Four feed grains: supply and distribution, 1951 to date (corn, grain sorghums, oats, barley)*  
[In millions of tons]

Marketing year beginning <sup>1</sup>	Supply			Utilization			Ending stocks			
	Beginning stocks	Production (grain only)	Imports <sup>2</sup>	Total	Domestic		Exports <sup>2</sup>	Total	Under price supports	Other stocks
					Feed and loss <sup>3</sup>	Food, industry, and seed				
1951	28.6	104.8	1.3	134.7	97.7	12.1	109.8	114.6	9.0	11.1
1952	20.1	111.0	1.7	132.8	88.8	11.7	100.5	105.7	16.6	10.4
1953	27.0	108.3	2.2	137.5	89.8	12.1	101.9	107.6	22.6	9.1
1954	31.1	114.1	2.9	148.7	89.7	12.4	102.1	117.4	29.7	9.4
1955	36.1	120.8	.9	160.7	96.7	12.6	109.3	114.6	34.7	8.5
1956	43.2	119.3	.8	163.4	94.3	12.6	106.9	123.2	40.8	8.0
1957	48.8	132.4	1.0	182.2	100.9	12.5	113.4	136.0	49.7	9.3
1958	59.0	144.1	.4	203.5	110.4	13.1	123.5	143.0	58.0	9.5
1959	67.9	149.6	.5	217.6	117.2	13.0	130.2	145.0	65.7	8.9
1960	74.6	155.6	.4	230.6	120.1	13.1	133.2	149.0	74.7	10.0
1961	84.7	140.6	.5	225.8	123.2	13.5	136.7	154.0	62.5	9.3
1962	71.8	142.9	.2	214.9	121.3	13.7	135.0	151.8	54.6	8.5
1963 <sup>4</sup>	63.1	155.9	.5	219.5	123.1	13.9	137.0	155.0	55.5	9.0

<sup>1</sup> Year beginning October 1 for corn and grain sorghum, July 1 for oats and barley.

<sup>4</sup> Preliminary utilization and carryover based on January 1964 stocks report; production based on annual summary, December 1963.

<sup>2</sup> Including grain equivalent of products.

<sup>3</sup> Residual, includes small quantities for other uses and waste.

NOTE.—All computations based on unrounded data.

## Corn: Supply and distribution, 1951 to date

[In millions of bushels]

Marketing year beginning Oct. 1	Supply			Utilization					Ending stocks		
	Beginning stocks	Production	Imports <sup>1</sup>	Total	Domestic			Exports <sup>1</sup>		Total	
					Food and industry	Feed and loss <sup>2</sup>	Seed				Total
1951	739	2,629	1	3,369	235	2,554	12	2,801	81	2,882	487
1952	487	2,981	1	3,469	230	2,313	12	2,555	145	2,700	769
1953	769	2,882	1	3,652	228	2,387	13	2,628	104	2,732	920
1954	920	2,708	1	3,629	226	2,243	12	2,491	103	2,594	1,035
1955	1,035	2,873	1	3,909	246	2,365	12	2,624	120	2,744	1,165
1956	1,165	3,075	1	4,241	249	2,378	11	2,638	184	2,822	1,419
1957	1,419	3,045	2	4,466	252	2,534	11	2,797	200	2,997	1,469
1958	1,469	3,356	1	4,827	272	2,788	13	3,073	230	3,303	1,524
1959	1,524	3,825	1	5,350	270	3,051	12	3,333	230	3,563	1,787
1960	1,787	3,908	1	5,696	275	3,110	11	3,396	292	3,688	2,008
1961	2,008	3,626	1	5,635	296	3,253	11	3,560	435	3,995	1,640
1962	1,640	3,637	1	5,278	302	3,232	12	3,546	416	3,962	1,316
1963 <sup>3</sup>	1,316	4,082	1	5,399	310	3,227	12	3,549	475	4,024	1,375

<sup>1</sup> Includes grain equivalent of products.<sup>2</sup> Residual, includes small quantities for other uses and waste.<sup>3</sup> Preliminary, utilization and carryover based on January stocks report, and production based on annual summary, December 1963.

## Grain sorghum: Supply and distribution, 1951 to date

[In millions of bushels]

Marketing year <sup>1</sup> beginning Oct. 1	Supply			Utilization					Ending stocks	
	Beginning stocks	Production	Total	Domestic			Exports	Total		
				Industry	Feed and loss <sup>1</sup>	Seed				
1951	38	163	201	12	115	2	129	62	191	10
1952	10	91	101	4	77	2	83	10	93	7
1953	7	116	123	5	78	2	86	15	101	22
1954	22	236	258	8	124	3	135	48	183	75
1955	75	243	318	8	159	3	170	66	236	81
1956	81	205	286	9	173	3	185	22	207	79
1957	79	598	647	9	268	3	280	57	338	309
1958	309	581	890	9	269	3	281	100	381	510
1959	510	555	1,065	12	371	2	385	99	484	581
1960	581	620	1,201	11	415	2	428	71	499	702
1961	702	480	1,182	9	411	2	422	99	521	661
1962	661	510	1,171	10	391	2	403	113	516	655
1963 <sup>2</sup>	655	583	1,238	10	466	2	478	110	588	650

<sup>1</sup> Residual, includes small quantities for other uses and waste.<sup>2</sup> Preliminary, utilization and carryover based on January 1964 stocks report, and production based on annual summary, December 1963.

## Oats: Supply and distribution, 1951 to date

[In millions of bushels]

Marketing year beginning July 1	Supply			Utilization				Ending stocks	
	Beginning stocks	Production	Imports 1	Total	Domestic		Exports 1		Total
					Food	Feed and loss 2			
1951	286	1,278	62	1,626	34	1,205	105	1,344	277
1952	277	1,217	69	1,563	53	1,169	108	1,310	249
1953	249	1,153	80	1,482	53	1,101	118	1,252	227
1954	227	1,410	20	1,656	94	1,185	119	1,338	303
1955	303	1,486	5	1,802	95	1,281	111	1,427	346
1956	346	1,151	17	1,514	97	1,106	105	1,228	240
1957	240	1,280	24	1,554	98	1,069	95	1,202	524
1958	324	1,401	39	1,729	99	1,204	88	1,351	366
1959	366	1,052	2	1,420	40	989	9	1,108	267
1960	267	1,135	1	1,423	40	946	83	1,069	325
1961	325	1,011	1	1,337	41	886	76	1,009	277
1962	277	1,020	4	1,301	42	886	74	1,002	274
1963 2	274	951	5	1,200	42	861	72	975	275

1 Includes grain equivalents of products.

2 Residual, includes small quantities for other uses and waste.

3 Preliminary, utilization and carryover based on January 1964 stocks report; production based on annual summary, December 1963.

## Barley: Supply and distribution, 1951 to date

[In millions of bushels]

Marketing year beginning July 1	Beginning stocks		Supply		Utilization		Exports <sup>1</sup>		Ending stocks			
	Total	Imports <sup>1</sup>	Production	Total	Domestic	Seed	Total	Total				
										Food	Industry	Feed and loss <sup>2</sup>
1951	94	13	257	364	6	87	151	15	259	31	290	73
1952	73	25	228	326	6	82	134	16	238	37	275	51
1953	51	38	247	336	5	86	131	24	246	19	265	71
1954	71	24	379	474	5	83	186	26	300	43	344	131
1955	131	28	403	562	5	85	228	24	342	103	445	117
1956	117	27	377	520	5	84	216	26	331	62	393	127
1957	127	24	443	595	5	82	221	26	334	92	426	169
1958	169	14	477	660	5	84	232	26	348	117	465	196
1959	166	18	422	638	5	87	233	25	350	118	469	167
1960	167	15	431	613	5	85	259	23	374	86	460	153
1961	153	20	396	569	5	87	246	23	361	84	445	124
1962	124	5	436	565	5	87	237	22	351	67	418	147
1963 <sup>3</sup>	147	15	400	562	5	87	238	22	372	55	427	135

<sup>1</sup> Includes grain equivalents of products.<sup>2</sup> Residual, includes small quantities for other uses and waste.<sup>3</sup> Preliminary, utilization and carryout based on January Stocks Report; production based on Annual Summary, December 1963.

## Corn: U.S. price-support operations, 1951 to date

Year beginning Oct. 1	Production (grain only)	Price-support operations				National average price-support level			National average price received by farmers as compared with parity		
		Owned by CCC on Oct. 1	Under price support			Deliveries to CCC	Parity for price support	Support rate per bushel	Support rate as percent of parity	Season average price received by farmers	Price received as percent of parity
			Loans	Purchase agreements	Total						
1951	2,629	403	25	26	1.0	1.75	1.57	90	1.66	85	
1952	2,981	291	315	417	14.0	1.78	1.60	90	1.51	85	
1953	2,882	1,236	377	471	16.3	1.78	1.60	90	1.48	83	
1954	2,708	354	204	555	9.6	1.80	1.62	90	1.42	79	
1955	2,873	681	356	421	14.7	1.81	1.58	87	1.35	75	
1956	3,075	818	401	477	15.5	1.77	1.50-1.25	85-71	1.29	73	
1957	3,045	932	320	369	12.1	1.81	1.40-1.10	77-61	1.11	61	
1958	3,356	1,101	343	381	11.3	1.76	1.38-1.06	77-60	1.12	64	
1959	3,825	1,153	482	530	13.8	1.70	1.06	66	1.04	61	
1960	3,908	1,286	563	638	16.3	1.62	1.06	65	.997	62	
1961	3,626	1,327	581	77	18.2	1.62	1.20	74	1.08	67	
1962	3,637	888	535	591	16.2	1.61	1.20	74	1.10	68	
1963 <sup>3</sup>	4,082	810					41.25				

<sup>1</sup> Published in "Feed Situation" based on operating reports.

<sup>2</sup> Partly estimated. Includes an allowance for deliveries of grain from the resale program.

<sup>3</sup> Preliminary.

<sup>4</sup> Available to producers participating in the feed grain program, loan is \$1.07 per bushel payment 18 cents per bushel.

NOTE.—All computations based on unrounded data.

## Grain sorghums: U.S. price-support operations, 1951 to date

Year beginning Oct. 1	Production		Price-support operations					National average price-support level			National average price received by farmers as compared with parity			
	Million bushels	Million hundred-weight	Owned by CCC on Oct. 1	Loans	Purchase agreements	Total	Percent of crop	Deliveries to CCC	Parity for price support	Support rate per hundred-weight	Support rate as percent of parity	Parity, beginning marketing year	Season average price received by farmers	Price received as percent of parity
			Million hundred-weight	Million hundred-weight	Million hundred-weight	Million hundred-weight	Percent	Million hundred-weight	Dollars per hundred-weight	Dollars per hundred-weight	Percent	Dollars per hundred-weight	Dollars per hundred-weight	Percent
1951.....	163	91	10	8	0.05	8	0.2	0.5	2.90	2.17	75	2.97	2.36	79
1952.....	161	51	3	2	2	2	4.1	0.6	2.97	2.38	80	2.86	90	
1953.....	146	65	.06	24	2	26	30.4	23.0	2.86	2.43	85	2.36	88	
1954.....	226	132	12	62	2	64	48.6	62.0	2.68	2.28	85	2.25	88	
1955.....	243	130	38	60	2	60	43.8	52.0	2.57	2.78	69	2.51	74	
1956.....	205	110	42	22	5	22	19.4	18.0	2.65	1.97	74	2.62	78	
1957.....	166	312	42	164	9	164	51.7	157.0	2.66	1.86	70	2.66	65	
1958.....	588	321	162	154	7	154	47.5	144.0	2.58	1.83	71	1.78	66	
1959.....	581	311	270	64	5	64	20.7	98.0	2.48	1.52	60	1.53	61	
1960.....	525	347	307	114	4	114	32.7	80.0	2.50	1.62	61	1.49	60	
1961.....	620	347	269	106	4	106	40.9	109.0	2.50	1.93	77	2.47	73	
1962.....	480	283	351	119	4	183	43.0	122.0	2.50	1.93	77	2.52	72	
1963.....	583	326	351						2.50	3.00	77	2.49	71	

1 Estimated

2 Preliminary

3 Available to producers participating in the feed-grain program loan, \$1.71 per hundred-weight, payment 29 cents per hundred weight.

NOTE.—All computations based on unrounded data. Published in "Feed Situation" based on operating reports.

Oats: U.S. price-support operations

Year beginning July 1	Production Million bushels	Price-support operations						National average price-support level			National average price received by farmers as compared with parity		
		Owned by CCC on July 1		Under price support			Deliveries to CCC	Parity for price support	Support rate per bushel	Support rate as percent of parity	Parity, beginning of marketing year	Season average price received by farmers	Price received as percent of parity
		Million bushels	Million bushels	Loans	Purchase agreements	Total							
1951	1,278	9	13	0.3	13	1.0	0.6	0.954	0.72	75	0.981	0.820	84
1952	1,217	5	18	4.0	22	1.8	14.0	.913	.78	80	.944	.788	83
1953	1,153	13	46	10.0	56	4.9	43.0	.879	.80	85	.881	.743	85
1954	1,410	16	65	10.0	75	5.3	60.0	.867	.75	85	.871	.713	81
1955	1,496	40	56	13.0	69	4.6	36.0	.852	.61	72	.857	.600	70
1956	1,151	59	34	2.0	36	3.1	18.0	.870	.65	75	.864	.686	79
1957	1,290	27	62	14.0	86	4.8	43.0	.879	.61	69	.873	.607	69
1958	1,401	27	69	15.0	85	6.0	48.0	.863	.61	71	.884	.578	65
1959	1,052	42	8	.4	8	.8	1.5	.839	.50	60	.837	.646	77
1960	1,155	15	19	1.0	20	1.7	1.5	.839	.50	60	.837	.598	71
1961	1,011	9	20	1.0	21	2.0	1.6	.841	.62	74	.837	.640	76
1962	1,020	14	230	2.0	234	3.1	18.0	.847	.62	73	.842	2,624	74
1963	1,981	17							3.65		.852		

<sup>1</sup> Partly estimated. Includes an allowance for deliveries of grain from the resale program.

<sup>2</sup> Preliminary.

<sup>3</sup> Available to producers participating in the feed grain program, loan prior payment oats per bushel.

Note—All computations based on unrounded data. Published in "Feed Situation" based on operating reports.

## Barley: U.S. price-support operations, 1951 to date

Year beginning July 1	Production Million bushels	Price-support operations					National average price- support level			National average price re- ceived by farmers as com- pared with parity			
		Owned by CCC on July 1	Loans	Purchase agree- ments	Total	Percent of crop	Deliv- eries to CCC	Parity for price support	Support rate per bushel	Support rate as percent of parity	Parity, begin- ning of market- ing year	Season average price received by farmers	Price received as per- cent of parity
		Million bushels	Million bushels	Million bushels	Million bushels	Percent	Million bushels	Dollars	Dollars	Percent	Dollars	Dollars	Percent
1951	378	20	16	7	46	4.3	2	1.49	1.11	75	1.26	82	
1952	278	2	10	7	17	4.3	3	1.41	1.22	80	1.38	95	
1953	247	2	30	45	77	18.3	32	1.36	1.24	85	1.17	87	
1954	373	14	101	115	238	38.4	95	1.35	1.15	85	1.09	80	
1955	403	74	79	18	166	33.8	77	1.33	1.14	71	1.02	69	
1956	371	60	63	14	137	29.5	64	1.36	1.04	75	.99	73	
1957	443	72	110	23	142	32.1	122	1.36	1.05	70	.89	65	
1958	477	55	90	20	110	23.1	70	1.32	.93	70	.90	67	
1959	422	67	33	7	49	10.0	9	1.28	.77	60	.86	67	
1960	361	60	42	49	114	11.4	17	1.25	.77	62	.84	67	
1961	396	50	43	7	44	11.1	14	1.25	.93	74	.98	79	
1962	436	33	33	7	40	9.1	126	1.26	.93	74	2.92	73	
1963	2 400	38							3.90		2.90		

<sup>1</sup> Partly estimated. Includes an allowance for deliveries of grain from the resale program.

<sup>2</sup> Preliminary.

<sup>3</sup> Available to producers participating in the feed-grain program, loan 82 cents per bushel, payment 14 cents per bushel.

Note.—All computations based on unrounded data. Published in "Feed Situation" based on operating reports.

## Total feed grains—Exports by fiscal year

[Thousand short tons]

Fiscal year	Government programs	Dollar sales	Total
1963	2,284.9	14,643.6	16,928.5
1962	3,417.8	12,756.8	16,174.6
1961	3,056.7	9,553.0	12,609.7
1960	3,421.0	9,359.0	12,780.0
1959	2,582.5	9,421.1	12,003.6
1958	2,220.7	7,086.2	9,306.9
1957	4,180.8	2,844.0	7,024.8
1956	5,041.3	3,431.4	8,472.7
1955	1,086.8	3,472.0	4,558.8

## SITUATION ON TOBACCO

Mr. WHITTEN. Now we come to tobacco. I am sure my colleague from Kentucky will want to develop this more fully, since tobacco production is so vital to much of his area.

But at this point in the record could we have the story on tobacco, tobacco production, amounts on hand, prices, et cetera, in line with what we are getting for the other commodities? Could we have that done?

Secretary FREEMAN. Yes, sir.

(The information referred to follows:)

## ADMINISTRATION OF TOBACCO PROGRAMS IN RECENT YEARS

Important actions which have been taken by the Department under this administration include:

1. A National Tobacco Industry Advisory Committee was appointed by the Secretary to review existing tobacco programs and recommend necessary changes to maintain a sound program.

2. A surplus removal program was initiated during 1962 as an export payment program to aid tobacco growers by encouraging the export of CCC loan stocks of leaf tobacco from the 1956 and earlier crops. This tobacco, especially in Flue-cured types, consisted primarily of the less desirable qualities that were remaining in loan stocks. This program which offered such tobacco at more competitive world prices was aimed at establishing new foreign customers and foreign markets.

3. Prior to the 1963 crop, public hearings were held to discuss quality factors and were participated in by all segments of the industry from growers to manufacturers.

4. Additional varieties which became predominant in recent crops were added to the discount list for reduced price support in the 1963 crop.

5. The official grade standards were substantially reviewed and revised to better describe the usability and desirability of tobacco.

6. The grade loan rates were substantially revised to provide increased price support for high quality mature tobacco and to lower the support for low quality tobacco.

7. An extensive educational campaign was launched advising growers of the importance of selecting varieties and adopting cultural practices to improve quality. The results of these efforts in the 1963 crop, especially for Flue-cured tobacco, produced encouraging results. Indications are that the quality of the 1963 crop has moved in the right direction to restore domestic and export demands for U.S. tobacco.

8. Average prices to growers and crop values have been maintained at relatively high levels.

9. Substantial reductions in acreage allotments have been announced for the 1964 crop. These reductions of 10 percent for Flue-cured, burley, and dark tobaccos were made in an effort to cut production below current demand requirements and reduce surpluses currently burdening the market.

The Department is now conducting another series of meetings with growers in the Flue-cured and burley producing areas which will be concluded March 11, 1964. These meetings are designed as tobacco forums which should add new light to solutions of tobacco problems and benefit the entire tobacco industry.

The following tables provide information regarding acreage, yield, production, stocks, supply, utilization, price, and value of tobacco production from 1953 to 1963:

Tobacco: Supply, distribution, price received by growers, and crop value, Flue-cured, burley, and total, 1953-63

Crop year <sup>1</sup>	Acreage	Yield per acre Thousand pounds	Production Million tons	Stocks		Supply Million pounds	Disappearance		Average price per pound Cents	Crop value Millions of dollars	Loan level per pound Cents
				Under loan Million tons	Other Million tons		Domestic Million pounds	Exports Million pounds			
1953	1,022	1,245	1,272	238	1,614	3,274	778	431	52.8	672	47.9
1954	1,042	1,261	1,314	279	1,636	3,229	744	429	52.7	682	47.9
1955	1,042	1,407	1,433	390	1,923	3,589	728	583	52.7	752	48.3
1956	871	1,625	1,423	2,258	1,808	3,981	705	465	51.5	753	48.9
1957	636	1,471	1,075	1,445	1,808	3,981	737	441	51.4	750	50.8
1958	633	1,691	1,091	1,617	2,308	3,839	736	445	58.2	629	54.0
1959	693	1,550	1,081	1,570	2,216	3,351	706	419	58.3	630	55.2
1960	692	1,808	1,251	1,557	2,406	3,351	752	475	60.4	706	55.2
1961	690	1,801	1,253	1,507	2,000	3,348	782	485	64.3	808	55.2
1962	730	1,630	1,408	377	1,583	3,439	777	451	60.1	840	56.1
1963 <sup>2</sup>	694	1,937	1,300	496	1,785	3,441	777	451	58.1	790	56.6

BURLEY TOBACCO, TYPE 31

1953	420	1,345	564	197	966	1,727	494	35	52.0	206	46.6
1954	421	1,586	663	225	970	1,866	486	33	49.8	232	46.2
1955	311	1,513	470	413	1,347	1,817	484	34	51.9	215	48.2
1956	310	1,635	506	377	1,209	1,801	482	28	62.0	222	48.1
1957	307	1,592	488	277	1,295	1,783	478	28	60.3	208	51.7
1958	297	1,587	465	276	1,277	1,742	483	25	51.8	204	50.4
1959	301	1,659	502	230	1,224	1,726	490	26	53.5	204	51.2
1960	296	1,639	485	230	1,191	1,670	508	41	60.1	214	57.2
1961	319	1,820	580	88	1,039	1,707	525	45	64.2	312	57.2
1962	339	1,992	675	33	1,157	1,812	531	45	68.0	346	57.2
1963 <sup>2</sup>	339	3,212	3,750	94	1,134	1,975	531	53	59.1	395	58.3

TOTAL UNITED STATES AND PUERTO RICO, TYPES II-62

1953	1,673	1,251	2,093	547	3,105	5,745	1,512	515	51.0	1,087	---
1954	1,704	1,395	2,277	616	3,718	5,995	1,443	515	50.8	1,157	---
1955	1,530	1,452	2,223	889	3,188	6,260	1,402	648	52.8	1,173	---
1956	1,389	1,584	2,199	948	3,222	6,369	1,443	547	52.5	1,176	---
1957	1,147	1,476	1,694	1,027	3,352	6,103	1,420	538	53.7	1,043	---
1958	1,101	1,600	1,762	990	3,156	6,107	1,420	536	55.7	1,048	---
1959	1,178	1,548	1,824	958	3,963	5,782	1,450	504	57.0	1,101	---
1960	1,168	1,687	1,971	725	3,106	5,802	1,490	504	60.1	1,157	---
1961	1,087	1,740	2,091	666	3,745	5,835	1,493	500	63.4	1,201	---
1962	1,253	1,875	2,350	488	3,265	6,103	1,503	530	58.0	1,270	---
1963 <sup>2</sup>	1,203	1,950	2,346	678	3,392	6,410	1,503	530	58.0	1,300	---

<sup>1</sup> Crop year beginning July 1 for Flue-cured (also Cigar-wrapper) and Oct. 1 for all other types  
<sup>2</sup> Preliminary.  
<sup>3</sup> Estimate based on volume of auction sales.  
<sup>4</sup> Includes estimates for 1963 crops not yet marketed.

TABLE 12.—Tobacco exports, 1955-63

Calendar year	Public Law 480			Mutual security programs	Total under Government-financed programs	Total unmanufactured tobacco exports	Exports under Government-financed programs as percentage of total exports
	Title I, foreign currency sales	Title III, barter <sup>1</sup>	Total				
QUANTITY (EXPORT WEIGHT)							
	Millions of pounds	Millions of pounds	Millions of pounds	Millions of pounds	Millions of pounds	Millions of pounds	Percent
1955.....	43.8		43.8	2.3	46.1	540.3	8.5
1956.....	71.2		71.2	4.3	75.5	510.4	14.8
1957.....	35.8		35.8		35.8	501.0	7.1
1958.....	37.9	0.5	38.4	2.6	41.0	481.8	8.5
1959.....	56.5	19.5	76.0	5.5	81.5	465.6	17.3
1960.....	31.2	27.3	58.5	22.8	81.3	496.1	16.4
1961.....	26.0	61.3	87.3	20.5	107.8	501.0	21.5
1962.....	28.5	50.3	79.2	.4	79.6	468.9	17.0
1963 <sup>2</sup> .....	35.4	17.2	<sup>3</sup> 56.0		56.0	505.5	11.1
VALUE							
	Millions of dollars	Millions of dollars	Millions of dollars	Millions of dollars	Millions of dollars	Millions of dollars	Percent
1955.....	31.3		31.3	0.6	31.9	356.2	9.0
1956.....	48.5		48.5	2.3	50.8	333.5	15.2
1957.....	26.6		26.6		26.6	359.1	7.4
1958.....	28.3	0.4	28.7	1.5	30.2	354.5	8.5
1959.....	41.6	11.3	52.9	3.5	56.4	346.2	16.3
1960.....	22.0	21.0	43.0	17.8	60.8	379.2	16.0
1961.....	20.4	35.2	55.6	16.5	72.1	390.9	18.4
1962.....	22.2	31.1	<sup>3</sup> 53.7	.3	54.0	374.1	14.4
1963 <sup>2</sup> .....	25.9	11.1	<sup>3</sup> 39.9		39.9	403.1	9.9

<sup>1</sup> Title III, Public Law 480 broadened the authority of the barter program, which is conducted under several legislative authorizations.

<sup>2</sup> Preliminary.

<sup>3</sup> Includes title IV sales for dollars on long-term credit.

#### RESEARCH ON TOBACCO AND HEALTH

Mr. WHITTEN. Last year—and I think this is one of the things that, with time, this committee is going to be most proud of—we actually changed the law on section 32 and provided that hereafter up to \$25 million of section 32 funds can be made available if approved by Congress for increasing the domestic consumption of basic commodities. There is no restrictions beyond that, except such as may be imposed by the Congress each year as it passes judgment on this.

Now Mr. Cooley of the Agricultural Appropriations Committee who comes from a tobacco area, my colleague, Mr. Natcher, and I have been exploring the possibility of working out some kind of joint effort in research with regard to the problems of tobacco, to see if we can help to offset the damage that is being done at the present time to this commodity, which is vital to so many producers, and also is vital to so many States because of the taxes that come from it.

We would be glad to have the benefit of your present advice as well as your future advice as to what we might be able to do, working in connection with the tobacco companies and perhaps the Health, Education, and Welfare Department.

## USE OF SECTION 32 FUNDS FOR RESEARCH

Have you had occasion to use section 32 for these research purposes? Our bill passed so late, I don't know if you have had an opportunity yet?

Secretary FREEMAN. Not yet, no. We have not.

There is legislation pending. Dr. Brady testified in connection with this legislation, as to ongoing research and the kinds of research that might be undertaken which would get at some of the carcinogenic elements in tobacco smoke that the analyses so far from the scientists and researchers indicate are dangerous substances. I believe that these research proposals have been generally favorably received and that authorization to proceed along this line will be forthcoming in due course, at which point the authority under section 32 that this committee wisely accomplished would certainly be a possibility for moving, as I take it, without requiring further appropriations.

Mr. WHITTEN. It is my understanding that what we did was to make it possible for the Congress to provide funds each and every year. I don't think this would be automatic. Certainly there was an assurance we would review each year what would be done with funds for the purpose of approving the use. It will not require a change in the law each year to do it, but I think it will require affirmative action by the Congress to make the funds available under the terms of the less restrictive provisions.

## COORDINATED EFFORTS IN RESEARCH

Now I will say briefly here the reason I am exploring this is that for some years we have pressed this matter of partnership undertakings. We have stressed the value of contract research, where you can hire the best people as against hiring young men right out of college, and having to train them and wait for the results. And something else that is greatly important: we have seen Health, Education, and Welfare, looking at their side only, do some unnecessary damage in the cranberry case and in the poultry case with capons. We know what they can do when they act without apparently thinking about the results of loose newspaper releases.

Thus, it becomes highly important that efforts in this area have the coordinated efforts of the companies, whose investments are involved together with the Department of Agriculture, where you have the primary interest in protecting a great agricultural commodity, and the Department of Health, whose primary purpose is the public health.

Now in each case, all have an interest in public health, but we need all parties to be familiar with what is going on, so that no undue harm will be done by loose talk. And I say that because we have seen examples of the harm that can be done.

## SMALL WATERSHED PLANNING

Mr. Secretary, you have had several new programs with regard to soil conservation work, watershed protection, and flood prevention. I have had reports from my own State that thought this committee provided \$500,000 extra the year before last for increased planning,

that actually you provided \$8,000 less to my State instead of its proportionate share of the \$500,000 increase.

This last year, again we provided increased sums above the Senate figure, I believe some \$480,000, for increased planning in this watershed area.

Are you familiar with why these funds haven't been allocated to meet these needs? The demands are terrific.

Put the full facts in the record.

(The information referred to follows:)

#### ALLOTMENT OF FUNDS FOR WATERSHED PLANNING

In the 1961 fiscal year, of total obligations of \$4,997,707 of watershed protection "planning" funds, \$98,634 were obligated in Mississippi. In 1962 the initial allotment of planning funds to Mississippi was \$100,000. Subsequently, additional increases in allotment totaling \$53,923 were made for a special contract for field surveys, and for aerial photography and preparation of contour maps by Kelsh plotter and temporary employment. The actual obligations for 1962 were \$150,739, or \$52,105 more than the 1961 obligations. Expression of the House and Senate Appropriations Committees feelings on the level of watershed planning work in 1962 was made in Conferees Report No. 726 which accompanied H.R. 7444. It contained the following statement under amendment No. 11:

"The conferees are in agreement that of the funds provided for 'watershed protection,' a total of \$6 million may be used for investigations and planning if determined to be necessary. This is in addition to some \$1.5 million expected to be expended by States and local organizations for watershed planning purposes."

Total obligations for the fiscal year 1962 amounted to only \$5,443,207 out of \$5,685,000 actually allotted. The primary reason for the limiting of obligations toward the latter part of the 1962 fiscal year was hesitancy to increase permanent staff in the face of a budget of \$5,500,000 for watershed planning in 1963. Funds for pay costs amounting to \$193,000 were later appropriated and total allotments amounted to \$5,693,000. Of this amount \$117,199 was allotted to Mississippi and \$110,368 was actually obligated. This was 1.97 percent of the total obligation of \$5,586,285.

For the 1964 fiscal year the House appropriated \$5,892,000 for watershed planning. The Senate reduced this figure to \$5 million. The House and Senate conferees agreed on \$5,446,000 (including \$153,700 added pay costs) for this item. Of this total, \$105,000 or 1.93 percent was allotted to Mississippi. Reduced available planning funds were distributed to best meet urgent program needs.

Mr. WHITTEN. Now I think I have covered most of the things I had in mind so far as the general situation in the Department of Agriculture.

#### AGRICULTURAL CONSERVATION PROGRAM

Now we come to the budget that is before us. If a program were to be judged by the number of participants in it, I guess the ACP program would be one of the finest the Government ever had, with about a million participants each year.

If it were judged by the amount of investment of funds on the part of the farmer it leads to, I believe it would head the list. If it were judged on the amount of real conservation that comes to all of the land in the Nation, I believe it would head the list. And I know if it were judged by the number of times it has been hit at and cut at and cut down, and yet won out, I know it would head the list.

Now with that record, why is it that this program is cut back again this year?

Secretary FREEMAN. Mr. Chairman, I can only say that some judgments have had to be made under a very stringent budgetary policy and economy guidelines laid down by the President. Within those guidelines, the judgments as made involved less than many might find desirable in some programs.

Mr. WHITTEN. May I call to your attention that this is the announcement for the coming year rather than the appropriation for the present. It is a cut in the announced program for the coming year, rather than a cut in this year's budget of money.

I haven't read where President Johnson at this stage has indicated that he intends to make a record on cutting next year. Now I trust and hope he will continue his economy move, because I think it is good, if you apply the economy at the right places. But a cut in a program that generates probably three or four times as much as it costs the Government and which is participated in by over a million people, seems to be a pennywise and pound-foolish decision. But I am not reflecting on anybody. I think my record for about 20 years shows I feel that way about this program, so I am sure it is nothing new.

#### MAJOR CHANGES PROPOSED IN 1965 BUDGET

Now what other substantial changes have you made? I would like you, Mr. Secretary, to touch on any substantial changes that are in the budget and the reason behind them. If you wish to turn to your budget officer, we would understand that.

Secretary FREEMAN. Well, let me pick out some here.

Mr. WHITTEN. The major ones. The minor things we shall not take up at this time.

Secretary FREEMAN. We have tried to present a tight and carefully prepared budget, under strict economy standards, which called for making some priority judgments, as I said earlier.

First, certain small research stations of various kinds have been either closed or consolidated; certain types of scientific research have been consolidated, we think without reducing the effectiveness of the overall program. The recommendations on the Extension Service are the same that were made a year ago. They are less than the Congress finally voted for 1964. There were some adjustments in Soil Conservation, but the overall total program, we think, has been maintained. There were some judgments particularly in marketing, where certain research on the physical handling of farm products and transportation facilities research are recommended to be discontinued. There is proposed legislation for supporting the meat and poultry programs on a fee basis.

#### PROPOSED LEGISLATION

Mr. WHITTEN. Mr. Secretary, I am glad to hear that you got your wheat and cotton bill out of the committee on the Senate side, but there are some things there that I think you are unduly optimistic about.

In the first place, that law hasn't passed yet, and I hope a law will pass. But putting meat and poultry inspection on a fee basis doesn't look too probable. I joined with Congressman Dirksen some years ago and we put it on a fee basis and held the line about as long as John

stayed in the Army. It had nothing in the world to do with Public Health. The same folks ran it, but they built up the biggest backfire. They said if you sent the bill for cost to the packing companies after the fact, the companies might jeopardize Public Health, which, of course, was not true in my opinion. We were unable to hold it, and I would seriously question whether we could bring that about now. At any rate, you agree that would require legislation, do you not?

Secretary FREEMAN. Yes, sir.

#### REDUCTION IN MARKETING RESEARCH

Mr. WHITTEN. Now you also made substantial reductions in the funds for the Transportation and Facilities Research Division, Agricultural Marketing Service. You mentioned that. There are several things there that I would like to point out.

The first is that you, yourself, show the concentration of business with a handful of firms and the relatively tight situation with regard to some of the markups on commodities. There is a constant need to cut down the amount of retail price that is absorbed between the producer and the consumer. We on this committee have gone along and you to a degree, but our colleagues on the other side have just increased this utilization research without end, and the first step in utilization research is to find out where the probable markets are.

If I understand this, this reduction applies to the division which has been trying to improve the markets and marketing procedures. Now you have cut out the research. What is the basis for that?

Secretary FREEMAN. Well, I think these programs have been very useful. There have been a number of them that it seems to me might properly be carried forward by the private trade itself rather than by the Government, and when priorities had to be established, these particular programs simply didn't have as high priority as others.

Mr. WHITTEN. Well, I am a strong believer in the attention given to the small farmer, who must make adjustments in his operation and various other aspects which you raised in your opening statement yesterday. But I would have to say that those involved probably represent about one-tenth of 1 percent of commercial production in this country which provides food and clothing. I can't say that some of the things that you are very proud of in the Department, such as section 5 loans and various other things, are not as important to the 180 million consumers in this country as some of these items that are reduced.

#### CROPLAND CONVERSION PROGRAM

What success have you had in getting lands into new use? Have you seen any sizable reduction in production of these basic commodities from it, or do you have to charge most of the benefits up to an improved land situation after you enter into these contracts?

Secretary FREEMAN. I am not sure I understand the question. If I understand it properly, the chairman is asking what our experience has been with the very small cropland conversion program.

And in that instance I would refer to my formal statement, on page 12, which points out that agreements have been entered into with 2,800 farmers, running from 5 to 10 years, for conversion of about 130,000 acres into grass or trees or recreation, on farms scattered around the country.

This has been a very small pilot program but a very promising one. These permanent conversions have been made at very low cost, compared with the acreage reserve and certainly much less than we would have to pay under the feed grain or wheat program.

The matter of further authority, increasing that amount, is pending before the House Agriculture Committee. The Senate passed legislation to extend the conservation reserve and to increase to \$20 million the authorization for the cropland conversion program. But so far it has not been acted on by the House committee.

#### ADMINISTRATIVE PROCEDURES ON RURAL ELECTRIFICATION LOANS

Mr. WHITTEN. Mr. Secretary, turning now to the actions of the Congress in our bill last year we made a number of recommendations.

I talked to Mr. Clapp of the REA and he will be before us later, but could you discuss at this point for the record what steps have been taken to carry out the directive of the committee directed to the Rural Electrification Administration? I recognize that the Senate report and the House report are somewhat different. We would like you to tell us briefly about it and include any announcements in the record.

Secretary FREEMAN. Very shortly there will be put in the Federal Register the procedures which are being instituted to comply with the mandate of both committees. There is a difference between the report of this committee and that of the Senate and we are seeking to comply in all good faith with both. In brief, the administrative machinery to make the surveys has been established.

We will, pursuant to the directives of the House and Senate committees, be making certifications on any transmission or generation loans to the committees and to the General Accounting Office.

And the Secretary will be advised in connection with both the surveys and the reports and also those instances in which the section 5 route is followed. All of this is now in process of being formalized. I think Mr. Clapp has reviewed it with the chairman of this committee and perhaps other members and with the chairman of the Senate committee. The specific details will be published in the Federal Register, I think, within a week or two.

(The announcement of power supply surveys is as follows:)

[Press release]

U.S. DEPARTMENT OF AGRICULTURE,  
Washington, February 25, 1964.

#### REA ISSUES POWER SUPPLY SURVEY POLICY ON GENERATION OR TRANSMISSION LOANS

REA policy and procedures for the conduct of power supply surveys in connection with loans for generation or transmission purposes are spelled out in a new bulletin soon to be released by that agency, the U.S. Department of Agriculture announced today.

The policy requires completion by the Rural Electrification Administration of a power supply survey before making any loan for generation or transmission facilities. The purpose of the surveys, according to the REA bulletin, is "to assure adequate review of existing and proposed power supply alternatives and to encourage closer cooperation between REA borrowers and other electric power suppliers."

Describing power supply arrangements as major and critical factors in the ability of REA borrowers to carry forward the rural electrification program, the bulletin, signed by REA Administrator Norman M. Clapp, states that "REA has

the responsibility to assist its borrowers in achieving power supply arrangements most advantageous to accomplishing the objectives of the Rural Electrification Act and, without prejudice to the accomplishment of these objectives, to conserve REA loan funds."

According to the bulletin, any REA borrower or potential borrower may request REA to make a survey of its specific power supply problem or needs. If REA decides to undertake the survey, it will be conducted in a manner that will provide a full review of the existing or proposed power supply arrangement, if any, and potential arrangements which may contribute to a solution of the problems and needs upon which the request was based.

If existing or proposed power contracts are found to be "unreasonable" for purposes of the Rural Electrification Act, the power supplier involved will be advised of the findings and REA will endeavor to have the contracts or proposals made "reasonable" through negotiations with the supplier. The REA borrower or potential borrower concerned will be made a party to any such negotiations between REA and the power supplier, and when necessary, REA will set a time limit for the negotiations to avoid unnecessary delays.

The REA power supply survey requirement applies to all loans for generation or transmission facilities, regardless of amount. In addition, the bulletin specifies that application for loans of more than \$2 million for either generation or transmission facilities, or both, will not be accepted for consideration by REA unless (1) a power supply survey has been completed, or (2) the REA Administrator determines that completion of the survey requires a full review of the facilities proposed in the application.

All loans for generation or transmission purposes will continue to be made in compliance with REA's established criteria (Bulletin 20-6, dated May 31, 1961) and, hence forth, upon certification by the REA Administrator to the Secretary of Agriculture that the loan was approved to meet needs determined by the power supply survey. The certification will state that the survey has been completed and that it shows the loan is (a) needed to construct facilities to implement an existing or proposed contract with the existing supplier; or (b) needed to provide facilities or service for which there is no existing or proposed contract from any other power supplier; or (c) needed because existing and proposed contracts for facilities or service were found to be "unreasonable," that each supplier involved was so advised, that REA attempted to have such contracts made "reasonable," and that the existing or other proposed suppliers had failed or refused to make them "reasonable" within the time set by the Administrator.

REA loans of more than \$2 million for generation or transmission facilities will be similarly certified to the Comptroller General of the United States, and to the U.S. Senate and House of Representatives as directed by those bodies. This certification is to be accompanied by 11 items of information on each loan as listed in the new bulletin.

The conditions under which REA makes loans for generation or transmission facilities, or both, and as set forth in the 1961 bulletin, are: (1) Where no adequate and dependable source of power is available to meet the consumers' needs, or (2) where the rates offered by existing power sources would result in a higher cost of power for the consumers than the cost from facilities financed by REA, or (3) where generation and transmission facilities are necessary to protect the security and effectiveness of REA-financed systems.

Mr. WHITTEN. Mr. Secretary, I think that pretty much covers the things I have in mind at the present time, together with the information which I asked that the record show.

Mr. Grant, as budget officer, I am sure will review the budget in detail with us later, as he has heretofore. I believe that is all of the questions I have at this time.

Mr. Natcher?

#### RESEARCH ON TOBACCO AND HEALTH

Mr. NATCHER. Mr. Secretary, I believe that we must immediately expand the program of research into plant breeding, culture, production, and handling of tobacco. We must include studies of the factors which may be detrimental to health, and ascertain as soon as possible

those quality factors and other characteristics which will preserve the desirable characteristics of tobacco and eliminate any factors which might be detrimental to health. As you well know, when tobacco is in trouble, my home State is in trouble. Forty-six percent of the total farm income from agricultural commodities in Kentucky is received from tobacco. The production of tobacco involves over 700,000 farm families and approximately 100,000 factory workers.

Tobacco is produced in 21 States and produces the fifth largest amount to our farmer of all agricultural commodities. This is an \$8 billion industry with the growers receiving about \$1.2 billion per year.

This commodity, Mr. Secretary, as you well know, produces some \$3.3 billion in taxes to our Federal, State, and local governments. As far as I know, the taxes from tobacco pay in more than all of the other agricultural commodities combined. Now I believe we must have an expanded program of study, of chemical constituents of tobacco, of all types. Because of the implications to the health of the consumer from the use of tobacco, with insecticidal residues, there is a continuing and urgent need for safer and yet more effective methods of control of insect pests of tobacco. Additional studies must be made on the effect of methods of application of insecticides.

Now that the report of the Surgeon General has been released, we must give added thought, I believe, to the problem of smoking and health, and planning future research in tobacco.

In testifying before the Tobacco Subcommittee of the House Committee on Agriculture on January 29, 1964, Dr. Luther L. Terry, Surgeon General of the Public Health Service of the Department of Health, Education, and Welfare, stated in part as follows:

Under research: The second major category in our program is research. Three kinds of research are called for. First, we need to know much more about the relationship of smoking to certain diseases, as well as to overall mortality. Coronary artery disease, now the leading cause of death in this country, is a good example.

The committee was unable to reach a firm conclusion to the role smoking plays in causing or precipitating death from this disease. We need to find out for sure whether smoking is a factor in this disease or whether it should be exonerated.

2. Social and behavioral research is another important field. We need much more knowledge about why people start smoking, why they maintain this habit, how they can stop once started. We need to know more about the alleged beneficial effects of smoking. If such exists, we need to know how to measure them so that the benefit can be balanced against the hazard. This is one of our dilemmas in the smoking problem. In other areas, automobile and traffic accidents, pesticides and insecticides, we can at least approximate a balance of benefit against risk. We cannot do this with smoking because we can't measure the benefit.

3. The third research category is how to make smoking safer. There are a number of approaches which are feasible and definitely need increased support. We need to know much more about the substance in tobacco smoke which produced the health hazards. Until we know more in this area, we will be handicapped in our efforts to remove the hazard. It is difficult to design a method of removing something if you don't know what it is. For example, you know substances in tobacco smoke can account for only a small portion of its cancer-producing power. We have no real clues as to what it is in tobacco smoke that influences coronary artery disease; if indeed it does. This would seem to be a fertile field for research, such as that proposed in the resolution now before this committee. In this specific context, I am sure the committee will realize that I must speak with some caution and reservations, since I am not an agricultural

or horticultural expert. I still feel, nevertheless, that I can wholeheartedly support additional research of the types which the resolution would authorize and direct.

I believe you are acquainted with the resolution, Mr. Secretary, that was introduced not only by the chairman of the Committee on Agriculture, Mr. Cooley, but by myself and other members from tobacco-producing States.

Secretary FREEMAN. Yes, sir.

Mr. NATCHER. Mr. Secretary, continuing on with Dr. Terry's statement:

It is well known that strains of tobacco differ quite widely in various constituents. It is well known the levels of some of these constituents influence the amount of hazard dose or potentiality hazard dose substance in tobacco smoke. I would give a great deal to know whether the types of tobacco used for pipes and cigars have anything to do with the lesser hazards associated with these modes of tobacco use. If tobacco behaves as other vegetables, I am sure that the amount of some of its constituents will vary with the conditions of the culture, soil, climate, fertilizer, and other agricultural practices. This suggests, however, another area of research. Any vegetable material, when burned under the conditions prevailing when tobacco is smoked will produce hazardous substances. Coal, oil, paper, even spinach, all produce benzopyrene, a potent cancer-producing substance when burned.

The efficiency of the combustion process makes a marked difference in the amount of this chemical in the smoke. As a matter of fact, most of the cancer-producing compounds identified in cigarette smoke are not present in the native tobacco leaf, but are formed during the burning process. These facts suggest that it will not be enough simply to develop better strains of tobacco and better methods of cultivation; we must also develop better methods of preventing the formation of these substances during the burning of tobacco, as well as of removing by filtration or other means the hazard dose substances that are formed. Both of these areas are promising after news for further development and have the potential of making smoking safer. It is well known that cigarettes can now be produced which yield quite low amounts of tars and nicotine, either by selection of the types of tobacco, by filters, or other means. It is relatively easy to measure this quantitatively. What isn't so well known or so easy to measure is the biological significance to man of the substances which do come through. Tobacco smoke is an exceedingly complex mixture of many different substances. It is not the amount of tars and nicotine produced that counts, it is the type and amount of hazard dose substances that get into a man that is important.

In summary, gentlemen, the action which I have outlined has the common purpose of avoiding or minimizing the intake of hazard dose substances by the American people. Action on many fronts is urgently needed. The Public Health Service intends to do what it can. This important and complex problem also calls for appropriate action by other Federal agencies, by State and local agencies, by nongovernmental organizations, and by the tobacco industry.

Mr. Secretary, I wanted to read this portion of the testimony of Dr. Terry into the record to give you some idea as to just what he said at the time he appeared before the Subcommittee on Tobacco of the House Committee on Agriculture. This is an important matter and one that, as I have pointed out to you, affects an industry that amounts to some \$8 billion a year.

Now, as our chairman has discussed this matter with you briefly, what do you have in mind, Mr. Secretary, from the standpoint of future action in regard to an expanded research program for tobacco.

Secretary FREEMAN. Well, Dr. Brady, who is the Director of Science and Education of the Department, has outlined a specific program of research which would be directed toward better identifying harmful elements and then seeking to produce the kind of tobacco which would minimize the existence of those elements.

As you have very properly underlined, research in this area has not been adequate, and we believe that there is substantial promise of real improvements in this regard. I certainly share your concern and the emphasis and importance which you have set forth here is such that this area ought properly to command more resources and more attention and we intend to give it such.

Mr. NATCHER. Thank you, Mr. Secretary.

As we go along on the hearings of agricultural appropriations for fiscal year 1965, of course Dr. Shaw and others from the agricultural research section will appear before our committee and we will take this matter up with them from the standpoint of the different types of research that are underway at this time in tobacco, and get their ideas too, Mr. Secretary, along this line. This is an important matter and I say to you quite frankly that the people in my State believe that if tobacco is harmful to the health of our people, something should be done about it. That is the way my people feel. I do urge that you give this matter serious consideration at this time. If the report of the Surgeon General is correct in any detail concerning certain conclusions that he and the members of the staff have reached, then certainly something should be done about it. I do appreciate your statement in answer to my question and I again want to emphasize the importance of this matter.

Mr. Chairman, with your permission, I would like to discuss with you some of the ideas that I have in mind in regard to additional research for tobacco.

I believe that we must immediately expand the program of research into the plant breeding, culture, production, and handling of tobacco. We must include studies of the factors which may be detrimental to health and ascertain as soon as possible those quality factors and other characteristics which will preserve the desirable characteristics of tobacco and eliminate any factors which may be detrimental to health.

While some good tobacco research has been done, much remains to be done. Our tobacco industry has reached the point where more basic fundamental research needs to be done in production, quality, utilization, and distribution.

Perhaps the most urgent need in all types of tobacco is improvement in quality. In this connection, it should be recognized that "quality tobacco" is produced by control of plant material, disease, and environment during growth. Quality is maintained with accurate environmental control in the curing and aging processes. Thus, quality depends on the total of all factors of production, processing, and aging. Essential knowledge for producing high-quality tobacco of all types, with minimum human effort and cost, should be sought through expanded programs in all areas of tobacco research.

Research in the chemistry and physiology of tobacco has increased tremendously in recent years. The study of chemical constituents of tobacco of all types must be continued to aid the plant breeder in producing varieties of desirable composition and to provide information that will enable the farmer to put on the market a product desirable to the manufacturer and to the consumer.

There is a need for fundamental knowledge in biochemistry, enzyme reactions, and the pathways of synthesis of tobacco constituents. Once the pathways of the synthesis of alkaloids have been elucidated

the plant breeder may use this knowledge in his program to develop a more desirable plant or steps may be taken to alter these pathways in order to produce more desirable tobacco.

New varieties of tobacco resistant to the major diseases are constantly being developed. These new varieties differ genetically from the established ones. There is evidence that these new varieties respond differently to fertilization and other field management practices. More fundamental information on the physiology of root growth, nutrient uptake, and environmental effects on plant growth is needed before these varieties can be properly evaluated.

Fundamental studies of the uptake and utilization of nutrient elements need to be expanded. Knowledge of the mechanisms and pathways involved in ion uptake by root cells will help in an understanding of the basic reason for varietal differences in rates of nutrient uptake. The metabolic role of cations, particularly potassium, and studies of factors affecting the utilization of calcium and other ions will be continued but needs strengthening in the field of personnel and equipment. A thorough knowledge of nutrient uptake and utilization will be extremely valuable in the production of good quality tobacco.

The quality of tobacco of all types is dependent to a great extent on the chemical changes that occur during senescence of the plant. These chemical changes that occur are controlled by the catalytic activity of various enzyme systems within the plant cells. Studies need to be carried out to determine what enzymatic changes take place during senescence of the plant and to determine how these enzymatic changes may be controlled in a manner that will result in a more desirable product. This field needs strengthening in the area of pure organic chemistry.

Because of the implications to the health of the consumer from the use of tobacco with insecticidal residues, there is a continuing and urgent need for safer and yet more effective methods of control of insect pests of tobacco.

Studies on the effect of methods of application of insecticides on time of application before harvest, and of various experimental as well as established curing and processing practices in reducing or eliminating insecticidal residues should be immediately expanded.

#### SMALL WATERSHED PROGRAM

Mr. Secretary, I certainly enjoyed that portion of your statement that appeared on page 16 concerning the Mud River watershed which is located in southwest Kentucky.

Just to show you how these projects develop and the benefits that are produced, I wasn't at all surprised to hear your remarks concerning this watershed and the benefits that it has brought to this particular section of our country.

In your statement, you stated that property values around the lake are rising and construction projects, together with increased jobs from recreation, will bring employment to about 170 persons.

Availability of water helped convince one firm to locate a plant in the community and another firm to double its size. Over 700 new jobs have been created.

Mr. Secretary, through the years since I have been a member of this subcommittee, our chairman, Mr. Whitten, of Mississippi, and

other members of this committee have always taken a great interest in our small watershed program in this country.

If you go back and check the records, you will find that Public Law 566 had its beginning in this subcommittee. Speaking of this particular watershed, I remember back in 1955 when your predecessor appeared before our subcommittee, I inquired as to just what the trouble was in regard to the Mud River watershed, and this appears on page 239 of the hearings for fiscal year 1956.

I want to read you just a portion to show you the difficulty we have, sometimes, in bring about some of these projects, and I quote from the hearings:

Mr. Secretary, next I want to talk to you a little bit about our soil conservation program and especially the watershed end of it. In the State of Kentucky, on January 20 of this year, our State conservationist, sent to your administrator, Mr. Williams, here in Washington, some six designated watershed projects for the State of Kentucky.

The first watershed, Mr. Secretary, was the Mud River watershed. This is in my congressional district and in my section of the State.

The second was Canoe Creek, the third, Twin Creek, the fourth, Cypress Creek, the fifth, Meadow, the sixth, Big Reddy. Here is the point I have in mind, Mr. Secretary. As I understand, the first watershed project here has been momentarily set aside, the Mud River watershed, due to the fact that the Corps of Engineers filed a memorandum in this case pointing out the fact that as a result of prior authorizations there is a project now pending which would, if constructed, flood this particular area, and also the same would be overflowed from the waters of the Green River.

Now, that is the Mud River watershed, Mr. Secretary, and I am just wondering this, in 1938, under the Flood Control Act that was passed in Congress, Mining City Dam was authorized. In addition to the authorization of the Mining City Dam, there were some four smaller flood-control reservoirs authorized.

Now, the Mining City Dam will never been constructed, Mr. Secretary, at least not as long as I am the Representative of the Second Congressional District of Kentucky, and as long as it floods thousands of acres in my home county and takes thousands of acres of the lowland in my district.

I say that to you advisedly. I am just wondering, Mr. Secretary, as to whether or not a memorandum, such as that, should hold up a watershed project like it has the Mud River watershed project and like it has the Cypress Creek project.

As a matter of fact, the Corps of Engineers point out that if those projects were started in the future, there might be some conflict. Do you run into that quite often?

Secretary BENSON. May I refer you to Assistant Secretary Peterson?

Mr. PETERSON. Congressman I am not personally familiar with the particular project of which you speak. However, the Bureau of the Budget regulations do provide for correlation between various agencies of the Government concerned in the watershed projects.

We have just recently started the planning work in connection with the watersheds which have come through, recommended by the appropriate State authorities, either the Governor or his designee.

We would be glad to look into that particular matter and give you more detail on it than I am at this particular moment.

Mr. Secretary, I do want to commend you on that portion of your statement concerning this Mud River watershed and to say to you, frankly and seriously, under the leadership of our chairman, Mr. Whitten, this committee has been very much interested in this program all down through the years, and every word contained in your statement pertaining to the Mud River watershed is correct.

There are some 280,000 acres in this watershed and it has been a great benefit to my section of the country. I want you to know we appreciate this watershed.

Mr. Secretary, I want to thank you for your appearance before our committee.

Mr. WHITTEN. Mr. Addabbo?

#### TOBACCO RESEARCH

Mr. ADDABBO. On the question of tobacco, in the meetings we had in Tokyo, one of the things brought out, was that one of our good money exports is tobacco, and I think that with our own statements coming out against tobacco, it may also hurt this as an export. So, I think here is another reason why we should have this research.

#### LOAN RATE UNDER COMMODITY PROGRAMS

With reference to your statement, Mr. Secretary, on page 6, you speak of the benefits of the loan price, et cetera, to the farmer. What concerned me was you have the price at harvest, \$1.59, and the loan price, \$1.68, approximately 9 cents more than what the market provides. Is this a Government loan?

Secretary FREEMAN. Yes.

Mr. ADDABBO. Is this the usual practice that the loan given is higher than what the actual present market price is at the time of the loan?

Secretary FREEMAN. Well, it will often happen that when a commodity is harvested and it hits the market in substantial quantity, it will have a significant price depressant effect.

The loan program, under such circumstances, functions to permit the farmer to be financed and contributes to more orderly marketing as he need not accept the low early season price but can wait until price smooths off. He can then redeem the loan at market and benefit from what is the real price, rather than being subject to the financial pressures and also to the speculation that otherwise takes place.

Mr. ADDABBO. Who sets this loan price?

Secretary FREEMAN. The loan rate is set by the Secretary on most commodities.

Mr. ADDABBO. What is the interest rate on this loan?

Secretary FREEMAN. The interest rate is 3½ percent.

#### CREATING NEW JOBS IN RURAL AREAS

Mr. ADDABBO. On page 9, where you say "Creating New Jobs" in the last sentence you say: "Last year, the REA helped to launch at least 535 industrial and business enterprises in rural areas." Is there sufficient guarantee and proof that none of these businesses were just displaced businesses or transferred businesses from other areas?

Secretary FREEMAN. I recall you asking this question a year ago, Congressman, and we have instructed all of the REA cooperatives in this regard, and we, in every way, seek to prevent the kind of pirating and underbidding which would lure industry from one place to another.

Instead, I have consistently urged that local communities, and I based this on my own experience as a Governor, do much better in developing their own talent, resources and programming, than in spending a lot of time lending assistance and running around the country in what is usually rather fruitless expeditions.

I think a great deal of money and, by the same token, a great deal of newspaper attention has been gotten by various people in the political arena; but this is not an appropriate return by way of plant locations. So this is our policy—we recognize this problem and seek to prevent it.

Mr. ADDABBO. Would it be possible to obtain a list of the type of businesses which were set up in these rural areas?

Secretary FREEMAN. Yes.

(The information requested follows:)

#### TYPES OF INDUSTRIES AND BUSINESSES ASSISTED BY REA BORROWERS

An REA survey at the end of 1963 showed that the 679 REA borrowers reporting had helped with the development of 535 new industries or businesses or expansions during the year.

Of these, 160 involved the processing and marketing of local foods and fibers. Another 68 were commercial recreation and tourism enterprises.

Of the remaining 307 projects, 63 were expansions of existing industries and businesses in the area.

The remaining 244 enterprises were varied. They included enterprises based on sand, gravel, and other local resources; retail and service businesses and various industries, some not specifically identified as to product.

REA provides no technical assistance or credit to its borrowers in the transfer of an industry from one area to another.

#### EFFECT OF CROPLAND CONVERSION

Mr. ADDABBO. Further, on page 13, you speak of the "Agricultural Conservation Program," and particularly you state there was a shift of 3,000 acres from corn to grass \* \* \* and improved 3,000 existing acres of pasture at the same time in Iowa.

Is it felt that this may possibly create problems in other areas? In other words, we have dairy surplus, livestock surpluses. Do you think improving 3,000 existing acres of pasture, creating more grassland, would this be creating greater problems?

Secretary FREEMAN. No, it would not. For example, that same land converted to grass, could and probably did grow only one-half as much total feed as it did when it was used to produce corn.

Further, we have and project a continuing need for an expanding cattle population. And the present practices also require a given amount of pasture and grazing land. Our problem in this area is really one of some kind of reasonable balance between supply and demand, which tends to go on a cycle basis and causes the price breaks.

The adjustments envisaged here—by way of moving from the production of, let us say, feed grains, which stimulates production more directly and quickly, into a more balanced use in terms of grazing—I think, are both economically and productionwise sound.

Mr. ADDABBO. In other words, on these conservation programs the person wishing to come under the program cannot decide himself that he wants to go into a different program? He must be in another program, which will not create additional problems.

Secretary FREEMAN. We try to have these factors in mind.

## BUDGET REDUCTION FOR MARKETING RESEARCH

Mr. ADDABBO. There is great disturbance from city marketing commissions and others about the omission of funds from the Agricultural Marketing Service, and facilities and transportation research. Last year we pointed this up and we were proud of this program in the city.

Is it the intention of the Department to close out this program immediately or will those programs started be completed?

Secretary FREEMAN. The programs that are started would be completed. If it is assumed that the funds to do so were voted by this committee and the Congress. And I would say, having inspected the market facilities in New York, there has been excellent work done in this regard and I do not reflect on the people or on the projects. This is just a question of establishing priorities and in this instance regretfully some of this kind of research did not command as high a priority as some other within the limits with which we have to work.

Mr. ADDABBO. The problem is going to be, this is one of the few research processes and things going on under the Department of Agriculture which directly, most directly, affects the consumer and city which is being cut out.

I believe this research program should have been looked at more carefully before it was eliminated.

## EXCHANGE OF TECHNICAL INFORMATION WITH FOREIGN COUNTRIES

Mr. Secretary, I recall a briefing you gave after your return from your trip to Russia, that there was discussion in reference to trading or exchanging of ideas and processes of farming, and I have been quite disturbed and I would like to know whether anything was done in this respect.

Is there being given to Russia or any of her satellites our special processes, or any samplings of our various plantings, in our farm community?

Secretary FREEMAN. Well, there is an exchange of technical knowledge. We have had subsequent to my visit to the Soviet Union some plant and industry explorations to the Soviet areas which have been very, very useful and the exchange of plants continues on about a good quid pro quo basis with them. The knowledge generally is scientific knowledge in the whole field of agriculture. It is something which is published and which is generally available publicly, which is not classified information, and which flows pretty widely.

I know of no agricultural research which is classified or held as secret. This being the case, the interchange of information takes place by the very nature of it. We are now negotiating, and have not successfully completed, an extension of the exchange programs which are on a quid pro quo basis for the kind of exchange that took place when I went to the Soviet Union and their Minister of Agriculture came here, followed by various scientific delegations from time to time. It is an exchange for comparable visits by them and as such this program I think has rebounded to our mutual benefit. But it has not been successfully extended at this point.

Mr. ADDABBO. In all actuality, the United States is far ahead and advanced in agriculture in comparison with Russia; is it not?

Secretary FREEMAN. Oh, yes; but the question is not so much one of scientific research. The difference in success with respect to agriculture is in the application of that knowledge. Each area, sometimes within a given farm, every plot of ground requires different treatment and the method of organization is really where the Soviets, with their overall big collective approach, particularly fall down. So they simply have not been able to successfully apply the scientific information they have, let alone successfully use much of ours.

It is true that hybrid corn would probably be the outstanding example, which came from the United States, which is being applied rather extensively now. But they in turn have had to take the various hybrids and adapt them to their local conditions.

In some areas they have successfully bred some kinds of seeds, and I am thinking now of several strains of wheat we saw, which are the ones our agronomers said we could use here in developing some rust-resistance of our own.

So, in this process, I think we are not helping them any more than we are getting assistance ourselves. Basically, it is the difference in the organization and systems where they fall behind.

Mr. ADDABBO. I can understand that for the present, but aren't we possibly creating a large future competitor?

We have helped many nations and we have given them the know-how and suddenly they have stolen or taken away agricultural market which we formerly had.

You have in Russia a country which has tremendous amount of land, and has not been able to produce effectively, and now we are showing them how they can produce, and they will produce items which are in great surplus here.

Now we may get a little knowledge from them, but that knowledge will not help us to any great extent, because we still have a surplus in the items whether we are being damaged by rust or anything else.

Secretary FREEMAN. I could only say in my judgment that the scientific information on American agriculture which is made available generally, and is published, I am sure has been useful to them and maybe to other countries but their big failure and I think their continuing failure comparatively is going to be their inability to use this knowledge which is rather general around the world.

Mr. ADDABBO. It is a fact that unless we give them the technical assistance, show them how they can use this knowledge, and this is what I am opposed to, this and giving them the samples, and letting them use our samples which we have spent the American taxpayers' dollars to develop through millions of dollar spent in research, et cetera.

I think this must be looked at closely, because I don't believe the American people are going to appreciate it.

#### MARKET DEVELOPMENT PROGRAM

Going into one other thing; on this Foreign Agricultural Service, when they are before our committee, I would hope they would have full statements and reports on their money spent, because there were several articles and there is an investigation going on now relative to

the money spent by that Service and possible waste of it. So I am going to expect a full detailed report from them when they appear before the committee.

Secretary FREEMAN. You are referring particularly to the trade promotion program?

Mr. ADDABBO. Yes.

Secretary FREEMAN. Yes; the whole market development field will be carefully reviewed. I know there have been some comments and one presentation, I think, critically before the House and I am sure they will develop that.

Mr. ADDABBO. Thank you.

Mr. WHITTEN. Mr. Horan.

#### REVISION OF GRAIN STANDARDS

Mr. HORAN. About a year ago you made some announcements about revising the grain standards and you got a mixed reaction from the industry, particularly some opposition from the grain trade, I believe.

Secretary FREEMAN. Yes, sir.

Mr. HORAN. But you are still on, or you announced recently, a resurgence in the determination to revise the grain standards?

Secretary FREEMAN. It was more than that, Congressman. I announced a revision of the grain standards that are now in effect.

Mr. HORAN. Would you supply those for the record?

Secretary FREEMAN. Yes, sir.

Mr. HORAN. How long are they?

Secretary FREEMAN. I will read the standards from the Federal Register if I may. Just to make this more meaningful, our tolerances within our grain standards have been about three times as loose as those of Canada, Russia, Argentina, and Australia. This has adversely affected our commercial sales because of the amount of foreign material that has been in our wheat. It can only be described as dirty wheat.

Mr. HORAN. How does this foreign material get into otherwise clear quality as it comes from the field of production?

Secretary FREEMAN. It gets in somewhere between, in the main, between the time it reaches the line elevator, until the time it gets to the foreign port.

Mr. HORAN. Due to commingling?

Secretary FREEMAN. Some is due to commingling, some is due to blending.

Mr. HORAN. By blending you mean, may I say, commingling on purpose?

Secretary FREEMAN. Yes; wheat will have certain amounts of broken kernels and foreign matter, and—

Mr. WHITTEN. Rodents are one of your problems too, aren't they?

Secretary FREEMAN. Rodent pellets could be included as part of the foreign matter. Within the allowances of the standards, the trade will blend various kinds of wheat up to the maximums. These practices have grown up over the years. In part, modern techniques by way of cleaning and handling are not followed as carefully as they should be, and we frankly don't do as good a job, or haven't, as our competitors.

So although we have tightened up some, we still are twice as liberal in the standards as are Canada and the others.

Mr. HORAN. How many categories do you have with regard to the revision of grain standards?

Secretary FREEMAN. Well, there are, of course, a series of different grades of wheat as you know running from one through six. The most usual, in terms of commercial trade, is Hard wheat No. 2. The total of dockage and foreign material for this grade is 10.9 percent under the old standards and under the new standards will be decreased to 6.2 percent.

Mr. HORAN. Do these grain standards apply to Durum and Hard Winter and Red and White wheats, and so forth?

Secretary FREEMAN. Yes.

Mr. HORAN. The same standards apply to all of them?

Secretary FREEMAN. Correct.

Mr. HORAN. Now, within a given variety or class of wheat, is there any attempt to determine what might be indicated as a quality index?

Secretary FREEMAN. Well, within the classification itself, the class describes the kind of wheat, vis-a-vis, White, Red, Hard, and so on.

Then the grades, as they are numbered, state the given quality within a general classification.

Further, the use of both protein and the sedimentation rates in terms of quality are applied when requested or required, with appropriate premiums to encourage the production of a high-quality wheat.

Mr. HORAN. Any attempt to revise the standards with reference to the end use of any given type of wheat?

Secretary FREEMAN. Yes. Our objective is to develop a better grade and quality of wheat for export purposes. It will be at a very high standard in order to be competitive with Manitoba.

Grade 2, which has been the world's standard—our effort is to provide a wheat which will be able to meet this kind of competition in foreign markets. Domestically, most purchasers buy according to their own specifications. Most processors, most bakers, don't generally follow the grades as such. They desire specific kinds of wheat which they know will meet their end use requirements. They know the kind of wheat they want and have their own testing laboratories.

They buy from their suppliers according to their specifications, which vary according to the different processors. And so this kind of specialization does take place as a practical matter in our domestic wheat market.

But it has not heretofore taken place in the international field and we are seeking to provide high-quality wheats to see if we can build up a quality which will be particularly competitive in foreign markets.

Mr. HORAN. Now, those suppliers who fill a definite and specified demand, do they receive a premium as to price?

Secretary FREEMAN. That is a matter that the free market largely determines. But it is my understanding that the bargaining, of course, will take place between the trade and the processor, as to a given specification and the price for it.

Mr. HORAN. Do you anticipate making application of these grain standards revisions to the field of price supports?

Secretary FREEMAN. Yes; they would apply in this field.

Mr. HORAN. Just how?

Secretary FREEMAN. Well, the wheat that we would take on under the Corporation would have to meet the standards as now revised and if it had more dockage, for instance, it would have to be discounted accordingly.

This will be a help to us in the Commodity Credit Corporation, because there has been a tendency to blend to the maximum limits and to sell that wheat to the Commodity Credit Corporation, and then to segregate, to particular specifications, for the private trades. The new standards will improve our position in getting a higher quality product and not being in a sense, this phrase is an overstatement, a kind of "residual dumping ground" in the wheat business.

(The information referred to follows:)

U.S. DEPARTMENT OF AGRICULTURE,  
*Washington, February 17, 1964.*

#### EFFECTIVE DATE OF REVISED WHEAT STANDARDS POSTPONED TO JUNE 1

The U.S. Department of Agriculture postponed until June 1 the effective date of its revision of the official U.S. standards for grades of wheat.

The new standards (announced January 22, USDA 232-64 press release) were to have become effective May 1.

USDA officials recommended a 1-month postponement to permit more orderly liquidation of the May "futures" contract, the last "futures" contract on the 1963 crop of wheat; and, in connection with the price-support program, to provide more time for issuance of necessary procedures and adjustment of operations to the revised standards.

U.S. DEPARTMENT OF AGRICULTURE,  
*Washington, January 22, 1964.*

#### SECRETARY FREEMAN ANNOUNCES CHANGES IN WHEAT STANDARDS

Secretary of Agriculture Orville L. Freeman said today the U.S. Department of Agriculture would tighten official U.S. standards for grades of wheat as an important step to increase dollar sales of U.S. wheat in oversea markets.

"The new standards become effective May 1," Secretary Freeman said. He said the new standards would—

Improve the competitive position of U.S. wheat in world markets—where competition will intensify in the future.

Help combat increasingly restrictive trade policies in some areas, particularly the Common Market.

Enable the Commodity Credit Corporation to better guarantee the quality of grain owned by the public.

Provide substantial taxpayer savings in the export subsidy program.

Strengthen the price of wheat for the farmer who grows quality wheat.

In general, the new standards—based on smaller ranges of tolerance for grades—will mean less dirt, foreign matter, and dockage in American wheat than in the past. Quality factors of weight, soundness, and cleanliness can be more readily and more precisely measured today than in the past. Current standards have too great a tolerance within grades to provide a reliable basis for judging soundness or cleanliness.

The following principal changes are being made:

Maximum limits are set for "total defects"—damaged kernels, foreign material, and shrunken and broken kernels. No limits for "total defects" exist in present standards, except for the summation of the maximum limits for each of these three factors. The change sets limits for total defects in grade No. 1 at 3 percent, in grade No. 2 at 5 percent. Limits are also set in the other numerical grades.

Limits for shrunken and broken kernels are lowered from 5 to 3 percent for grade No. 1. Limits are set at 12 percent for grade No. 4 and 20 percent for grade No. 5.

Minimum moisture content for wheat graded "tough" is reduced from 14 or 14.5 percent (depending on the class) to 13.5 percent for all classes. The change also eliminates moisture as a factor in determining sample grade.

"Dockage" is recorded in half percent, whole percent, or whole and half percent, with other fractions reduced to the nearest whole or half. Dockage is material other than wheat which may be removed readily by cleaning. It is not a grade-determining factor but is recorded on inspection certificates. At present, dockage—when equal to 1 percent or more—is recorded in whole percent. Fractions of a percent are reduced to the nearest whole percent.

Percentages of White Club wheat and Common White wheat in the subclass Western White wheat are to be stated on inspection certificates.

During a transitional period following May 1, grain inspectors will—on request—show the grade of wheat under the old as well as the new standards.

Secretary Freeman noted that the changes in grade standards were made only after conferences with wheat industry representatives, a study of competitive conditions in world markets by a joint Government-industry team, and four public hearings around the country as well as a special hearing conducted by the Secretary and Under Secretary to hear arguments for and against the changes.

"I wish particularly to thank all those persons who presented testimony either at the hearings or in writing," the Secretary said, "because of the interest in the grade revisions, I am sure that the new standards will more accurately reflect the needs of this country as it moves more aggressively into world markets.

"No decision I have made as Secretary has absorbed more time, nor is there one to which I have given more thought. The evidence is impressive that present U.S. grade standards are no longer adequate in view of the competitive situation in world markets, or in view of advances in the technology of handling wheat.

"Present wheat grades permit excessive amounts of nonmillable materials, a situation hardly designed to encourage the sale of U.S. wheat. Between 1951 and 1961, the U.S. share of the world dollar market for wheat declined from 35 percent to less than 19 percent. U.S. dollar exports of wheat remained constant, but the total volume of trade increased.

"A study during 1959 to 1961 of European wheat imports shows that the total foreign material and shrunken and broken kernels in U.S. wheat was more than double that of wheat from Canada, Russia, Argentina, or Australia. Last year, a study team of Government and trade experts found that U.S. wheat was at a competitive disadvantage in European markets.

"If the United States is to export wheat—and wheat is historically an important earner of foreign exchange—then we must make up our minds that our wheat must be at least of comparable quality to that of other exporters. The new wheat grades are a step in this direction."

The changes announced today result from a comprehensive review of the standards made by USDA's Agricultural Marketing Service during the past 2 years in cooperation with members of the wheat industry, State departments of agriculture, and State and commercial inspection agencies.

Proposed changes in wheat standards were published in the Federal Register of August 3 (press release USDA 2594-63). During October a public hearing was held with four sessions, in Kansas City, Mo., Minneapolis, Minn., Portland, Oreg., and Toledo, Ohio.

Interested persons were also given opportunity to submit written views and comments, which were considered in making the decision on revision of the standards.

Complete details of the revised standards are scheduled to be published in the Federal Register next week.

Copies of the amended standards may be obtained from the Director, Grain Division, Agricultural Marketing Service, U.S. Department of Agriculture, Washington, D.C.

[Reprinted from Federal Register of January 25, 1964]

## TITLE 7—AGRICULTURE

CHAPTER 1—AGRICULTURAL MARKETING SERVICE (STANDARDS, INSPECTIONS,  
MARKETING PRACTICES), DEPARTMENT OF AGRICULTURE

## PART 26—GRAIN STANDARDS

*Official grain standards of the United States for wheat*<sup>1</sup>

Pursuant to authority of the United States Grain Standards Act, 39 Stat. 482, as amended (7 U.S.C. 71 et seq.) and section 4 of the Administrative Procedure Act (5 U.S.C. 1003) a notice of proposed rule making was published in the Federal Register (28 F.R. 7949) on August 3, 1963, regarding a proposed revision of the Official Grain Standards of the United States for Wheat (7 CFR 26.101 et seq.). Public hearings were held at 4 locations as follows: Kansas City, Mo., on October 1; Minneapolis, Minn., on October 4; Portland, Ore., on October 8; and Toledo, Ohio, on October 11. Notice was also given that written data, views, and arguments might be submitted to the Agricultural Marketing Service of the United States Department of Agriculture to be received not later than October 31, 1963. Consideration has been given to all information obtained at the hearings, to written comments received and to other information available in the United States Department of Agriculture.

*Statement of considerations.* The aforementioned notice proposed changes to the Official Grain Standards of the United States for Wheat which were last revised effective June 15, 1957. The proposed revision set forth changes which were considered necessary to describe more accurately wheat inspected under the terms of the official standards. The need for these revisions has been reviewed for the past 2 years with wheat producer, trade, and processor groups and organizations.

*General statement.* Two features are involved in working on any set of grade standards. The first feature is to determine the factors or attributes of quality, including value and usability, and condition which (1) are important, (2) vary from lot to lot, and (3) can be satisfactorily measured using available and acceptable inspection techniques. All such factors are normally included in the U.S. grade standards for any agricultural product. The second feature is to determine how these factors of quality should be grouped or classified into a number of grades showing meaningful gradations in value or usability. This involves setting minimum or maximum allowances for each factor for each grade; setting tolerances or cut-off points for each grade; and coming out with a single grade designation (e.g., U.S. No. 1) which, because of specified limits on the individual quality factors, will provide a meaningful and useful yardstick of value or usability.

No new or additional factor of quality has been proposed in this revision of the wheat standards. Therefore, the official grade factors will continue to be confined basically to the weight, soundness, and cleanliness of the grain. These factors can be readily measured by simple mechanical or visual means, and are adapted to the customary, rapid inspection and certification job needed to sample and grade wheat at the time it is moving in interstate or foreign commerce. There are other important factors of quality, such as milling and baking characteristics of the wheat. Most tests for these characteristics are not simple or rapid. Also, the flour milling industry has many intricate and varied requirements as to milling and baking characteristics which would not be conducive at the present time to the adoption of a uniform, national set of standards incorporating these factors. Therefore, official certification of these factors remains entirely on a voluntary basis (e.g., protein, sedimentation, etc.) and they are not part of the official grade standards.

This revision, therefore, involves only the second feature—the tolerances or allowances for the existing quality factors to be established for the individual numerical grades. No change is proposed in test weights per bushel. The requirements for soundness and cleanliness for each numerical grade would be tightened. The purpose of such tightening is to improve the grade designations as yardsticks of soundness and cleanliness—which are still important quality factors in determining value and usability of wheat.

<sup>1</sup>The specifications of these standards shall not excuse failure to comply with the provisions of the Federal Food, Drug, and Cosmetic Act.

*General issues.* The general issues are whether :

(1) Tolerances used in the past are far too broad and allow too much variability within each grade to serve their purpose of providing useful and meaningful yardsticks of value and usability.

(2) The competitive position of U.S. wheat in foreign markets is damaged because of these excessive tolerances.

(3) Wheat delivered to Commodity Credit Corporation under its storage contracts is of reduced value because of these excessive tolerances.

(4) Tightening the requirements for soundness and cleanliness is entirely feasible, would benefit growers, and would be in the general interest of the entire wheat industry.

*Specific issues.* The specific issues are whether the following changes in the official standards for wheat should be adopted :

(a) Delete the subclasses Red Winter Wheat and Western Red Wheat in the class Soft Red Winter Wheat. (Red Winter Wheat and Western Red Wheat heretofore have been designated as subclasses of the class Soft Red Winter Wheat.)

(b) Change the subclass Western White to Mixed White and require that the percentages of White Club and Common White Wheat be made a part of the grade designation. (The subclass Western White is White Club Wheat and Common White Wheat mixed in varying proportions but until recent years wheat of this subclass was about 40 percent Club Wheat. The official grade standards for wheat heretofore have not required such composition determination to be made and shown as a part of the grade for the subclass Western White Wheat.)

(c) Express dockage to the nearest whole and half percent (e.g., 0.3 to 0.7 would be called 0.5) or, as an alternative, disregard other fractions and express dockage in half percent, whole percent, or whole and half percent (e.g., 0.4 would be disregarded and 0.9 would be called 0.5).

(In the past, dockage when equal to 1 percent or more was recorded on inspection certificates in whole percent and when less than 1 percent was not recorded. A fraction of a percent was disregarded.)

(d) Provide maximum limits for total defects (damaged kernels, foreign material and shrunken and broken kernels) in the numerical grades. (In the past, no limitation on total defects was set other than that which results from a summation of the limits for each defect. As an illustration total defects for grade No. 1 would be reduced from 7.5 percent to 3 percent and in grade No. 2 from 10 percent to 5 percent.)

(e) Change the limits of shrunken and broken kernels from 5 percent to 3 percent for grade No. 1 and establish maximum limits of 12 percent and 20 percent, respectively, for grades No. 4 and No. 5.

(f) Combine the tables of grade requirements for all classes of wheat. (Heretofore 5 tables of grade requirements were given for the separate classes.)

(g) Change the minimum and maximum moisture limits for tough wheat. (In the past, depending on the class, wheat with over 14 percent or 14.5 percent moisture was graded "tough" and if over 15.5 percent or 16 percent moisture was graded "sample grade." The minimum moisture content for "tough" would be reduced to 13.5 percent for all classes, the maximum limit would be deleted, and the application of "sample grade" based on moisture content would be discontinued.)

(h) Delete the provisions for making smut dockage determination on smutty wheat.

(i) Provide a special grade of "Heavy Wheat" for all classes of wheat. (In the past, the wheat standards defined only the minimum test weights permitted per grade and did not recognize superior test weights for any grade, except No. 1 Heavy Hard Red Spring Wheat.)

(j) Except for the class Red Durum, change the maximum limit for wheat of other classes for grade No. 1 from 5 percent to 3 percent and provide limits for contrasting classes. (In the past, the standards provided maximum limits (e.g., 0.5 percent, 1 percent, and 2 percent) for certain classes depending on the end use and ability to distinguish the classes on visual examination.)

(k) Renumber or otherwise redesignate the sections and paragraphs of the standards in the interest of clarity and make other minor changes as proposed.

(l) Provide for determination by AMS of equipment and procedure to be used in making moisture tests. (In the past, the standards have provided by reference for the use of an air-oven test or "any method which gives equivalent results.")

*Findings and conclusions.* Findings and conclusions on the aforementioned issues, based upon the data presented at the hearings, written and oral comments received, and other information available in the United States Department of Agriculture, are as follows with respect to the general issues:

(1) Tolerances used in the past are far too broad and allow too much variability within each grade to serve their purpose of providing useful and meaningful yardsticks of value and usability.

Graded wheat of known quality, including soundness and cleanliness, has a higher value than does a heterogeneous mixture of ungraded wheat. If this were not a fact, there would be no reason for having any established grades or inspection system. There is evidence that the present grade requirements are so loose that they do not provide a reliable basis for judging soundness or cleanliness. Both domestic and foreign buyers make a price allowance (discount) because of the possible wide variation in nonmillable material whenever they buy solely on the basis of the U.S. grades. Unless he has examined a sample of the wheat or has other contractual specifications, the buyer has to protect himself against receiving wheat at the bottom of the grade by applying a price discount. As expressed by a representative of the milling industry at the hearings, "the ill effects of these wide open permissible limits are the fears that they may engender in the mind of the prospective buyer of wheat by contract."

The total limit for damaged kernels, shrunken and broken kernels, and foreign material in the present standards is 7.5 percent for U.S. No. 1 grade, 10 percent for U.S. No. 2 grade, and 17 percent for U.S. No. 3 grade. Inspection records show that the majority of the domestic shipments in each of these grades contain only a fraction of the allowable maximum of non-millable material. Since much of the wheat is bought on the basis of samples, both the seller and buyer in such transactions well know that the wheat—even though it is certified as U.S. No. 1, U.S. No. 2, or U.S. No. 3 grade—does not begin to approach the maximum non-millable material tolerances permitted in the respective official grade. Consequently, such tolerances do not represent acceptable, commercial trading standards and, when the buyer does make a purchase solely on the basis of the official grades he has to protect himself by applying a price discount. The value of this objectionable material is that of mill-feed which is usually worth only 15 to 35 percent as much as sound, clean wheat.

(2) The present excessive tolerances in the U.S. grades for non-millable material damages the competitive position of U.S. wheat in foreign markets.

The Wheat Market Development Evaluation Team, composed of industry and government representatives, reported on its July-August 1963 survey of European markets as follows:

"Whenever the team met with representatives of the wheat trade, whether in the Netherlands, Belgium, West Germany, or the United Kingdom, it heard complaints regarding the quality and cleanliness of United States wheat. It was also asserted that price differentials were inadequate to offset these disadvantages—that prices were, therefore, not competitive. United States wheat has acquired the unfortunate distinction of being considered one of the "dirtiest" wheats in international trade \* \* \* A member of the Netherlands trade expressed his experience in the following words, "To the extent permitted by your grain standards, you will find foreign material present in the shipments of American wheat." Another went further, saying "I do not know of any other national system where artificial deterioration of a sound clean agricultural product is tolerated, or regarded as legal."

A study of European imports of wheat from November 1959 to January 1961 showed that the total foreign material, dockage, and shrunken and broken kernels in wheat from the United States was more than double the content of these non-millable materials in wheat from Canada, Russia, Argentina, or Australia. While slight improvement in the amount of some of these factors has been recorded in subsequent exports from the United States, the excessive non-millable material in wheat exports continues to the present time. Analysis of inspection certificates issued on export cargoes of wheat during 1962-63 shows that a much larger proportion of these cargoes contained more than 0.5 percent dockage than did the receipts of wheat at domestic markets or did the 2,561 samples of 1962 farm-stored wheat analyzed by State and Federal agencies.

Annual exports of wheat and flour have exceeded 500 million bushels since 1959. Foreign buyers depend almost entirely on official standards to measure the quality of wheat they buy. Although total exports have increased, dollar sales for export have not shared in this increase. The United States share of

commercial wheat exports dropped sharply between the crop years 1951 and 1961. Complaints from abroad indicate that the variable quality of U.S. wheat contributed to this drop.

The foreign wheat buyer has been operating in a buyer's market. He can buy wheat from other countries with greater uniformity of quality and containing less non-millable material than wheat exported from the United States. He objects to examining samples or writing special specifications for soundness or cleanliness and paying premiums in order to protect himself against getting excessive non-millable material. Furthermore, he knows that wheat he receives from the United States would not be commercially acceptable at the regular market price to most domestic U.S. buyers.

It is incongruous to argue that foreign buyers can obtain any quality of wheat they want, if they are willing to pay the price, merely by writing a set of specifications or examining a representative sample to meet their specifications for each purchase. If such were the general marketing practice, there would be no need for any wheat standards. This type of argument runs completely counter to the universally accepted view that the official grade standards should facilitate the movement of wheat through trade channels by providing realistic and useful measures of the quality factors designated in the grades.

Most wheat importing countries have restrictions which govern the amount of wheat they can import. Transportation costs of non-millable material and the amount of millable wheat are important factors in selecting the final source of supply. Also, import levies and taxes are assessed on gross weight which is an important factor in the Common Market. Flour extraction, set by law in many countries, is also based on the gross weight received by the miller. The negative economic impact of non-millable material in U.S. wheat is intensified as these restrictions become more severe.

(3) The Commodity Credit Corporation is peculiarly vulnerable because of the excessive tolerances for non-millable material in the U.S. grade standards for wheat.

CCC has no practicable alternative to using the official grades in its price support and storage operations. Since wheat is a fungible commodity, CCC does not require delivery of the identical grain which its contractors receive for storage. Instead, deliveries of CCC-owned wheat are made against the official grade standards, including the full tolerances for non-millable material. Much of the wheat which CCC acquires under the price support program is U.S. No. 2 or No. 3 grade because of light test weight per bushel but these grades also allow the maximum total tolerances of 10 percent and 17 percent, respectively, for damaged kernels, shrunken and broken kernels, and foreign material. Much of the wheat as it leaves the farm and country elevators contains only a fraction of these defects. The 1962 crop, farm-stored wheat survey, showed that the 1,000 samples of U.S. No. 3 grade wheat in Nebraska averaged only 1.98 percent and 484 samples of U.S. No. 3 grade wheat in South Dakota averaged 2.56 percent for Hard Red Spring Wheat and 3.50 percent for Hard Red Winter Wheat as compared with the 17 percent total tolerance for these factors in the present U.S. No. 3 grade. Domestic buyers protect their interests by examining representative samples prior to purchase. CCC has no practicable alternative to accepting the full grade tolerance for all defects, without discount, if the storage contractor delivers such wheat.

(4) Tightening the requirements for soundness and cleanliness is entirely feasible, would benefit growers, and would be in the general interest of the entire wheat industry.

Since the original standards were established in 1917, better equipment and better methods have come into use in the production, harvesting, transportation, storage, cleaning, and drying of grain. The broad allowance for nonmillable material within each grade which was needed in 1917 is not needed in 1963. Historical data clearly point up the significant improvement in the cleanliness of U.S. wheat delivered at country points and received at terminal markets, which has taken place gradually over a long period of years. To further postpone full use of this knowledge and equipment is tantamount to leaving grain marketing in the first quarter of the 20th century.

Available facts indicate that the growers and the country elevator do not make use of the present wide tolerances. Many wheat growers are paid on a net clean wheat basis. Therefore, a change in the U.S. grade tolerances, which may be applied to the wheat at some point in the marketing channel after it has left the farm, should in no way penalize the grower or reduce his prices. During the

transition from the old to revised, tighter wheat standards in 1957, wheat sold under the revised standards at higher prices even when falling in the same numerical grade.

Inspection records show that most wheat moving through the domestic market channels is well within the proposed revised tolerances. Therefore, tightening the standards as proposed will adversely affect (1) only those lots of wheat which were at or near the bottom of the grade and were clearly below normally acceptable levels of quality and were, therefore, objectionable even though they were technically "within grade" and (2) that small minority of persons who are abusing or misusing the existing wide tolerances which were originally established to allow for naturally occurring defects and not for the purpose of "blending down" lots of wheat to include the official maximum of non-millable or other undesirable material.

Allegations that tightening the wheat standards will simply result in shifting a greater percentage of the wheat into lower numerical grades are refuted by the experience when standards were tightened on soybeans in 1955 as revealed in the following data:

*Soybeans*

Crop year	U.S. No. 1	U.S. No. 2	U.S. No. 3 and lower
1952-54.....	24.0	46.4	29.6
1955.....	27.5	44.0	28.5

*Percent of carlots inspected*  
(Grade standards were tightened)

For the reasons set forth above, it is concluded that such changes can only prove to be beneficial—not detrimental—to the best interests of wheat growers and other segments of the industry.

With respect to the specific issues, it was proposed to:

(a) Delete the subclasses Red Winter Wheat and Western Red Wheat in the class Soft Red Winter Wheat. Red Winter Wheat and Western Red Wheat heretofore have been designated as subclasses of the class Soft Red Winter Wheat. Very little Soft Red Winter Wheat is produced west of the Great Plains area; therefore, the subclass Western Red Wheat of the class Soft Red Winter Wheat should be deleted. This would eliminate any need for the subclass designation Red Winter Wheat and all wheat of the class Soft Red Winter Wheat would be designated by the class name. No objections have been made to this proposed change and it should be adopted.

(b) Change the subclass Western White to Mixed White and require that the percentages of White Club and Common White Wheat be made a part of the grade designation. The subclass Western White is White Club Wheat and Common White Wheat mixed in varying proportions, but until recent years wheat of this subclass was about 40 percent Club Wheat. The official grade standards for wheat heretofore have not required such composition determination to be made and shown as a part of the grade for the subclass Western White Wheat.

Information submitted at the hearings and otherwise available to this Department has established that the subclass Western White Wheat has become a designation with good acceptance in foreign markets. Changing the name of this subclass to Mixed White Wheat would be confusing and detrimental to trade in these markets, unless club wheat were available in adequate amounts as a substitute. New rust-resistant varieties are expected to result in increased production of White Club Wheat within a few years. Therefore, the proposal to change the subclass name should not be adopted at this time. However, the percentage of White Club Wheat in Western White Wheat has markedly declined in the past two years and this percentage is an important element in determining the value and usability of Western White Wheat. A statement of the percentages of White Club Wheat and of Common White Wheat in Western White Wheat on the inspection certificates should be required.

(c) Express dockage to the nearest whole and half percent (e.g., 0.3 to 0.7 would be called 0.5) or, as an alternative, disregard other fractions and express dockage in half percent, whole percent, or whole and half percent (e.g., 0.4 would be disregarded and 0.9 would be called 0.5). In the past, dockage when equal to

1 percent or more was recorded on inspection certificates in whole percent and when less than 1 percent was not recorded. A fraction of a percent was disregarded. Dockage is not a grade determining factor. The amount of dockage is established before the official grade is determined. Dockage enters into the estimate of the value of a given lot of wheat, however, since it composes a proportion of the non-millable material.

The effect of the standards in the past has been to conceal the presence of dockage in quantities up to 0.9 percent. Ignoring dockage content up to 0.9 percent does not provide adequate information concerning the extent of the non-millable material in the wheat. There have been many proposals that the determination and recording of dockage be refined to smaller fractions of a percent.

To define dockage in one-half percent intervals gives greater precision in describing wheat than heretofore was provided by the standards. The proposal would encourage producers to deliver cleaner wheat to the first buyer and would discourage the blending of high-dockage wheat with cleaner wheat throughout the marketing process. The amount of dockage can be controlled through proper binning and cleaning.

There is little reason to believe that expressing dockage in more precise terms, as proposed, would decrease aggregate farm income to those producers who are producing quality wheat. In fact, the marketing system should be more responsive to quality at the farm level with subsequent improvement in quality throughout the marketing system.

The argument was made that the past system was satisfactory, but that showing dockage in increments of one-half percent would result in price discounts to producers. This argument breaks down of its own weight. In the first place, most wheat purchased by domestic millers contains considerably less than 0.9 percent dockage. In the second place, if it were true that wheat containing 0.9 percent dockage is readily acceptable to the trade, then a premium—not a discount—should be forthcoming for wheat that is recorded as having only 0.5 percent dockage. It is concluded that the alternate proposal should be adopted.

(d) Provide maximum limits for total defects (damaged kernels, foreign material, and shrunken and broken kernels) in the numerical grades. In the past, no limitation on total defects was set other than that which results from a summation of the limits for each defect. In other words, 2 percent of damaged kernels, 0.5 percent of foreign material and 5 percent of shrunken and broken kernels each separately had the same significance as the total of the three factors; i.e., the maximum for grade No. 1. Total defects for grade No. 1 would be reduced from 7.5 percent to 3 percent and grade No. 2 from 10 percent to 5 percent.

Data were obtained from more than 2,500 composite samples of farm-stored wheat in five major wheat States. In every State, "total defects" was less than in the proposed standards for the grade. This indicates that the proposed factor of "total defects" would not have an adverse effect on the grade of the wheat delivered by most farmers.

Exports of wheat surveyed in 1962-63 showed a different picture. Total defects exceed the proposed limit for the grade in every one of 33 cargoes of No. 1 Hard Red Spring Wheat. About one-third of the 46 cargoes of No. 2 Hard Red Spring Wheat exceeded the 5 percent maximum limit proposed. In exports of Hard Red Winter Wheat, 85 percent of No. 1 grade and 13 percent of No. 2 grade cargoes exceeded the proposed maximum on total defects. A factor of "total defects" should contribute to the reduction of the amount of non-millable material in exports and will provide for a more accurate description of wheat shipped in foreign and domestic trade.

It is reasonable and realistic to establish a combined total tolerance for a group of defects which is less than the sum of the individual tolerances established for each defect. In fact this approach is a common one in grade standards and is incorporated in the U.S. grades for oats, barley, and many other products. This approach recognizes that the incidence of total defects and the composition of these defects are both important features in determining value and usability. In developing grade standards, it is quite customary to determine first what total content of defective units or other undesirable material is commercially acceptable and reasonable for a designated grade. Then, within this total limitation, individual tolerances or "stoppers" are specified for important factors. Establishing a total defect limit would make each numerical grade more meaningful because it will reduce the amount of variation of quality within each grade.

It is concluded that the adoption of this proposal will result in less non-millable material in top grades of wheat and will facilitate trade.

(e) Change the limits of shrunken and broken kernels from 5 percent to 3 percent for grade No. 1; and establish maximum limits of 12 percent and 20 percent, respectively, for grades No. 4 and No. 5. The findings clearly show that shrunken and broken kernels influence the value by reducing the quantity of whole millable kernels of wheat.

The problem of shrunken and broken kernels is most acute in Durum wheat, but the proposal to set the maximum limit for No. 1 grade at 3.0 percent would still permit almost 90 percent of the Durum wheat inspected to grade No. 1 on this factor. For the other classes the percent grading No. 1 on the factor shrunken and broken kernels would be even higher.

This proposed change should be adopted.

(f) Combine the tables of grade requirements for all classes of wheat. Heretofore 5 tables of grade requirements were given for the separate classes. Since the grades and grade requirements are practically the same for all classes of wheat the tables for all classes should be combined for the purpose of simplification.

(g) Change the minimum and maximum moisture limits for tough wheat. In the past, depending on the class, wheat with over 14 percent or 14.5 percent moisture was graded "tough" and if over 15.5 percent or 16 percent moisture was graded "Sample grade." The minimum moisture content for "tough" would be reduced to 13.5 percent for all classes, the maximum limit would be deleted, and the application of "Sample grade" based on moisture content would be discontinued.

The keeping quality of wheat depends on various factors—moisture content, temperature, amount and kinds of micro-organisms present, and the initial soundness of the wheat. At moisture levels above about 12 percent, the rate of respiration in storage wheat increases and small differences in moisture content may account for large differences in keeping quality. At temperatures prevailing in summer in most of the wheat-producing areas of the U.S. wheat stored at moisture levels exceeding 13.5 percent will increase in fat acidity, will decrease in viability, and is in danger of developing germ damage characteristic of "sick" wheat. Musty odors will frequently develop after extended storage periods.

Scientific data indicate that the moisture limits heretofore provided for tough wheat in the standards are too high to assure safe storage or foreign shipment of wheat during the warm seasons of the year. A reduction of the maximum moisture limit to 13.5 percent for all classes of wheat would materially increase the safety with which wheat not grading "tough" can be stored or shipped.

Wheat storage is not confined to any geographical area and the danger of deterioration from high moisture should be recorded regardless of location. All wheat with more than 13.5 percent moisture should be graded "Tough wheat."

(h) Delete the provision for making smut dockage determinations on smutty wheat. This item is involved in the Pacific Northwest where for many years smutty wheat was scoured to remove the smut spores adhering to the surface of the wheat kernels. The material removed was called smut dockage. Varieties of wheat have now been developed that are practically smut free. In addition, the commercial practice of scouring to remove smut spores has been replaced by a washing process. Therefore, the smut-dockage method of appraising the quantity of smut in a lot of wheat should be discontinued.

(i) Provide a special grade of "Heavy Wheat" for all classes of wheat. In the past, the wheat standards defined only the minimum test weights permitted per grade and did not recognize superior test weights for any grade, except No. 1 Heavy Hard Red Spring Wheat. From the inception of grain grading, test weight has been recognized as an indicator of quality. It is concluded that the influence of superior test weight on quality should be recognized for grades 1, 2, and 3 for all classes of wheat.

(j) Except for the class Red Durum, change the maximum limit for wheat of other classes for grade No. 1 from 5 percent to 3 percent and provide limits for contrasting classes. In the past, the standards provided maximum limits (e.g. 0.5 percent, 1 percent, and 2 percent) for certain classes depending on the end use and ability to distinguish the classes on visual examination. The mixing of "wheat of other classes" into a specific lot tends to lower the value and usability of that lot of wheat.

The kernels of some classes of wheat are readily distinguishable from other classes and, therefore, are "contrasting classes." The proposal would make uniform maximum limits for contrasting classes in all grades. There was serious

objection to this restriction as applied to Soft Red Winter Wheat and White Wheat since the end use is similar. The proposal should be adopted with modifications so that (1) Soft Red Winter Wheat is not listed with the classes considered contrasting in White Wheat and (2) White Wheat is not listed with the classes considered contrasting in Soft Red Winter Wheat.

(k) Renumber or otherwise redesignate the sections and paragraphs of the standards in the interest of clarity and make other minor changes as proposed. One of the proposed minor changes would have redefined "Mixed Wheat". Modification of this proposed definition appears to be desirable in the interest of clarity and this definition should be adopted with such modification. The proposal to redesignate the sections and paragraphs of the standards and to make the other minor changes proposed are appropriate and should be adopted.

(1) Provide for determination by AMS of equipment and procedure to be used in making moisture tests. (In the past, the standards have provided by reference for the use of an air-oven test or "any method which gives equivalent results.")

The air-oven moisture test is accurate, but is so time consuming as to be impractical for routine inspection and has not been so used. The selection of a "method which gives equivalent results" as provided for in the past cannot be left to the judgment of individual licensed inspectors if uniformity of inspection results is to be achieved, and they are generally not informed of the availability and characteristics of moisture testing devices. The development of moisture testing devices capable of making quicker and more accurate moisture readings is constant, requiring continuing study and observation on the part of the Department, resulting in modification and change from time to time. This procedure is consistent with that followed in regard to other equipment used under the Act. This proposal should be adopted.

Therefore, under the authority of section 2 of the United States Grain Standards Act, as amended (7 U.S.C. 74) the Official Grain Standards of the United States for Wheat are revised to read as hereinafter set forth. Insofar as the revision differs from the proposals in the notice of rule-making, the differences are due to changes made as a result of comments of interested persons pursuant to the notice. It appears that public rule-making procedure with respect to such changes would not make additional information available to this Department. Therefore under section 4 of the Administrative Procedure Act (5 U.S.C. 1003) it is found upon good cause that notice and other public rule-making procedure with respect to the changes are unnecessary and impracticable.

The revised standards are as follows:

Sec.	
26.101	Terms defined.
26.102	Wheat.
26.103	Dockage.
26.104	Foreign material.
26.105	Other grains.
26.106	Damaged kernels.
26.107	Heat-damaged kernels.
26.108	Contrasting classes.
26.109	Shrunken and broken kernels.
26.110	0.064 x $\frac{3}{8}$ oblong hole sieve.
26.111	Stones.
26.112	Defects.
26.113	Principles governing application of standards.
26.114	Basis of determination.
26.115	Percentages.
26.116	Moisture.
26.117	Test weight per bushel.
26.118	Classes.
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§ 26.101	Terms defined.

For the purposes of the Official Grain Standards of the United States for Wheat, the terms specified in § 26.102 through § 26.112 shall have the meanings stated in said sections respectively.

§ 26.102 **Wheat.**

Wheat shall be the grain of common wheat, club wheat, and durum wheat which, before the removal of the dockage, consists of 50 percent or more of one or more of these wheats and not more than 10.0 percent of other grains for which standards have been established under the United States Grain Standards Act and which, after the removal of the dockage, contains 50 percent or more of whole kernels of one or more of these wheats.

§ 26.103 **Dockage.**

Dockage shall be weed seeds, weed stems, chaff, straw, grain other than wheat, sand, dirt, and any other material other than wheat, which can be removed readily from the wheat by the use of appropriate sieves and cleaning devices; also underdeveloped, shriveled, and small pieces of wheat kernels removed in properly separating the material other than wheat and which cannot be recovered by properly rescreening or recleaning. (See also §§ 26.115 and 26.129.)

§ 26.104 **Foreign material.**

Foreign material shall be all matter other than wheat which is not separated from the wheat in the proper determination of dockage.

§ 26.105 **Other grains.**

Other grains shall be rye, oats, corn, grain sorghum, barley, hull-less barley, flaxseed, ommer, spelt, einkorn, Polish wheat, poulard wheat, cultivated buckwheat, and soybeans.

§ 26.106 **Damaged kernels.**

Damaged kernels shall be kernels and pieces of kernels of wheat and other grains which are heat damaged, sprouted, frosted, badly ground damaged, badly weather damaged, moldy, diseased, or otherwise materially damaged.

§ 26.107 **Heat-damaged kernels.**

Heat-damaged kernels shall be kernels and pieces of kernels of wheat and other grains which have been materially discolored and damaged by heat.

§ 26.108 **Contrasting classes.**

Contrasting classes shall be (a) Durum Wheat, Red Durum Wheat, and White Wheat in the classes Hard Red Spring Wheat and Hard Red Winter Wheat; (b) Hard Red Spring Wheat, Red Durum Wheat, Hard Red Winter Wheat, Soft Red Winter Wheat, and White Wheat in the class Durum Wheat; (c) Durum Wheat and Red Durum Wheat in the class Soft Red Winter Wheat; and (d) Durum Wheat, Red Durum Wheat, Hard Red Spring Wheat, and Hard Red Winter Wheat in the class White Wheat.

§ 26.109 **Shrunken and broken kernels.**

Shrunken and broken kernels shall be all kernels and pieces of kernels of wheat and other matter that will pass readily through a 0.064 x  $\frac{3}{8}$  oblong hole sieve.

§ 26.110 **0.064 x  $\frac{3}{8}$  oblong hole sieve.**

A 0.064 x  $\frac{3}{8}$  oblong hole sieve shall be a metal sieve 0.0319 inch thick perforated with oblong holes 0.064 inch wide by  $\frac{3}{8}$  (0.375) inch long which are  $\frac{1}{8}$  (0.1250) inch from center to center and with 0.0525 inch end bridges. The perforations shall be staggered in relation to the adjacent rows.

§ 26.111 **Stones.**

Stones shall be concreted earthy or mineral matter and other substances of similar hardness that do not disintegrate readily in water.

§ 26.112 **Defects.**

Defects shall include damaged kernels, foreign material, and shrunken and broken kernels.

§ 26.113 **Principles governing application of standards.**

The principles stated in § 24.114 through § 26.117 shall apply in the determination of the classes and grades of wheat.

§ 26.114 **Basis of determination.**

Each determination of dockage, moisture, temperature, odor, garlic, live weevils or other insects injurious to stored grain, and distinctly low quality shall be upon the basis of the grain as a whole. All other determinations shall be upon the basis of the grain when free from dockage.

§ 26.115 Percentages.

All percentages shall be upon the basis of weight. Percentages except for dockage shall be expressed in whole and tenth percent to the nearest tenth of a percent. The percentage of dockage when equal to one-half percent or more shall be stated in terms of half percent, whole percent, or whole and half percent, as the case may be, with other fractions disregarded as shown in the following examples: Dockage ranging from 0.5 to 0.9 percent shall be expressed as 0.5 percent, from 1.0 to 1.4 percent as 1.0 percent, from 1.5 to 1.9 percent as 1.5 percent, etc.

§ 26.116 Moisture.

Moisture shall be ascertained by use of the equipment and procedure prescribed by the Agricultural Marketing Service, United States Department of Agriculture. (Information thereon may be obtained from said Service.)

§ 26.117 Test weight per bushel.

Test weight per bushel shall be the weight per Winchester bushel as determined by the method prescribed by the United States Department of Agriculture, as described in Circular No. 921 issued June 1953. Test weight per bushel shall be expressed to the nearest tenth of a pound.

§ 26.118 Classes.

Wheat shall be divided into the following seven classes: Hard Red Spring Wheat, Durum Wheat, Red Durum Wheat, Hard Red Winter Wheat, Soft Red Winter Wheat, White Wheat, and Mixed Wheat.

§ 26.119 Hard Red Spring Wheat.

The class Hard Red Spring Wheat shall include all varieties of hard red spring wheat. This class shall be divided into the following three subclasses:

(a) *Dark Northern Spring Wheat.* The subclass Dark Northern Spring Wheat shall be Hard Red Spring Wheat with 75 percent or more of dark, hard, and vitreous kernels.

(b) *Northern Spring Wheat.* The subclass Northern Spring Wheat shall be Hard Red Spring Wheat with 25 percent or more but less than 75 percent of dark, hard, and vitreous kernels.

(c) *Red Spring Wheat.* The subclass Red Spring Wheat shall be Hard Red Spring Wheat with less than 25 percent of dark, hard, and vitreous kernels.

§ 26.120 Durum Wheat.

The class Durum Wheat shall include all varieties of white (amber) Durum Wheat. This class shall be divided into the following three subclasses:

(a) *Hard Amber Durum Wheat.* The subclass Hard Amber Durum Wheat shall be Durum Wheat with 75 percent or more of hard and vitreous kernels of amber color.

(b) *Amber Durum Wheat.* The subclass Amber Durum Wheat shall be Durum Wheat with 60 percent or more but less than 75 percent of hard and vitreous kernels of amber color.

(c) *Durum Wheat.* The subclass Durum Wheat shall be Durum Wheat with less than 60 percent of hard and vitreous kernels of amber color.

§ 26.121 Red Durum Wheat.

The class Red Durum Wheat shall include all varieties of red durum wheat. There are no subclasses in this class.

§ 26.122 Hard Red Winter Wheat.

The class Hard Red Winter Wheat shall include all varieties of hard red winter wheat. This class shall be divided into the following three subclasses:

(a) *Dark Hard Winter Wheat.* The subclass Dark Hard Winter Wheat shall be Hard Red Winter Wheat with 75 percent or more of dark, hard, and vitreous kernels.

(b) *Hard Winter Wheat.* The subclass Hard Winter Wheat shall be Hard Red Winter Wheat with 40 percent or more but less than 75 percent of dark, hard, and vitreous kernels.

(c) *Yellow Hard Winter Wheat.* The subclass Yellow Hard Winter Wheat shall be Hard Red Winter Wheat with less than 40 percent of dark, hard, and vitreous kernels.

§ 26.123 Soft Red Winter Wheat.

The class Soft Red Winter Wheat shall include all varieties of soft red winter wheat. There are no subclasses in this class.

§ 26.124 **White Wheat.**

The class White Wheat shall include all varieties of white wheat. This class shall be divided into the following four subclasses:

(a) *Hard White Wheat.* The subclass Hard White Wheat shall be White Wheat with 75 percent or more of hard kernels and may contain not more than 10.0 percent of wheat of the white club varieties.

(b) *Soft White Wheat.* The subclass Soft White Wheat shall be White Wheat with less than 75 percent of hard kernels and may contain not more than 10.0 percent of wheat of the white club varieties.

(c) *White Club Wheat.* The subclass White Club Wheat shall be White Wheat consisting of wheat of the white club varieties and may contain not more than 10.0 percent of other white wheat.

(d) *Western White Wheat.* The subclass Western White Wheat shall be White Wheat containing more than 10.0 percent of wheat of the white club varieties and more than 10.0 percent of other white wheat.

§ 26.125 **Mixed Wheat.**

The class Mixed Wheat shall be any mixture of wheat which consists of one of the following:

(a) Two or more classes each of which constitutes more than 10.0 percent of the mixture; or

(b) One class that constitutes more than 10.0 percent and two or more other classes in combination that exceed 10.0 percent of the mixture; or

(c) Several classes none of which constitutes 10.0 percent or more of the mixture but which combined meet the definition for wheat.

§ 26.126 **Grades.**

Grades shall be the numerical grades, Sample grade, and special grades provided for in § 26.127 and § 26.128.

§ 26.127 **Numerical grades and Sample grade and grade requirements.**

(a) *Numerical grades and Sample grade and grade requirements for all classes of wheat except Mixed Wheat* (see also § 26.128).

Grade	Minimum test weight per bushel		Maximum limits of—						
			Defects					Wheat of other classes <sup>1</sup>	
	Hard Red Spring wheat	All other classes	Heat-damaged kernels	Damaged kernels (total)	Foreign material	Shrunken and broken kernels	Defects (total)	Con- trasting classes	Wheat of other classes (total)
	Pounds	Pounds	Percent	Percent	Percent	Percent	Percent	Percent	Percent
1	58.0	60.0	0.1	2.0	0.5	3.0	3.0	0.5	3.0
2	57.0	58.0	.2	4.0	1.0	5.0	5.0	1.0	5.0
3	55.0	56.0	.5	7.0	2.0	8.0	8.0	2.0	10.0
4	53.0	54.0	1.0	10.0	3.0	12.0	12.0	10.0	10.0
5	50.0	51.0	3.0	15.0	5.0	20.0	20.0	10.0	10.0

Sample grade: Sample grade shall be wheat which does not meet the requirements for any of the grades from No. 1 to No. 5, inclusive; or which contains stones; or which is musty, or sour, or heating; or which has any commercially objectionable foreign odor except of smut or garlic; or which contains a quantity of smut so great that any 1 or more of the grade requirements cannot be applied accurately; or which is otherwise of distinctly low quality.

<sup>1</sup> Red Durum wheat of any grade may contain not more than 10 percent of wheat of other classes.

(b) *Numerical grades and Sample grade and grade requirements for Mixed Wheat.* (See also § 26.128). Mixed Wheat shall be graded according to the numerical and Sample grade requirements of the class of wheat which predominates in the mixture, except that the factor "wheat of other classes" shall be disregarded.

§ 26.128 **Special grades, special grade requirements, and special grade designations.**

(a) *Tough wheat*—(1) *Requirements.* Tough wheat shall be wheat which contains more than 13.5 percent of moisture.

(2) *Grade designation.* Tough wheat shall be graded and designated according to the grade requirements of the standards applicable to such wheat if it were not tough, and there shall be added to and made a part of the grade designation the word "Tough."

(b) *Smutty wheat*—(1) *Requirements.* Smutty wheat shall be wheat which has an unmistakable odor of smut or which contains balls, portions of balls, or spores, of smut in a quantity equivalent to more than 14 balls of average size in 250 grams of wheat.

(2) *Grade designation.* Smutty wheat shall be graded and designated according to the grade requirements of the standards applicable to such wheat if it were not smutty; and

(i) In the case of smutty wheat which has an unmistakable odor of smut, or which contains balls, portions of balls, or spores, of smut, in excess of a quantity equal to 14 balls but not in excess of a quantity equal to 30 balls of average size in 250 grams of wheat, there shall be added to and made a part of the grade designation the words "Light Smutty"; and

(ii) In the case of smutty wheat which contains balls, portions of balls, or spores, of smut, in excess of a quantity equal to 30 balls of average size in 250 grams of wheat, there shall be added to and made a part of the grade designation the word "Smutty."

(c) *Garlicky wheat*—(1) *Requirements.* Garlicky wheat shall be wheat which contains two or more green garlic bulblets, or an equivalent quantity of dry or partly dry bulblets, in 1,000 grams of wheat.

(2) *Grade designation.* Garlicky wheat shall be graded and designated according to the grade requirements of the standards applicable to such wheat if it were not garlicky; and

(i) In the case of garlicky wheat which contains two or more but not more than six green garlic bulblets, or an equivalent quantity of dry or partly dry bulblets, in 1,000 grams of wheat, there shall be added to and made a part of the grade designation the words "Light Garlicky"; and

(ii) In the case of garlicky wheat which contains more than six green garlic bulblets, or an equivalent quantity of dry or partly dry bulblets, in 1,000 grams of wheat, there shall be added to and made a part of the grade designation the "Garlicky."

(d) *Weevily wheat*—(1) *Requirements.* Weevily wheat shall be wheat which is infested with live weevils or other insects injurious to stored grain.

(2) *Grade designation.* Weevily wheat shall be graded and designated according to the grade requirements of the standards applicable to such wheat if it were not weevily, and there shall be added to and made a part of the grade designation the word "Weevily."

(e) *Ergoty wheat*—(1) *Requirements.* Ergoty wheat shall be wheat which contains more than 0.3 percent of ergot.

(2) *Grade designation.* Ergoty wheat shall be graded and designated according to the grade requirements of the standards applicable to such wheat if it were not ergoty, and there shall be added to and made a part of the grade designation the word "Ergoty."

(f) *Treated wheat*—(1) *Requirements.* Treated wheat shall be wheat which been scoured, limed, washed, sulfured, or treated in such a manner that the true quality is not reflected by either the numerical grade or the Sample grade designation alone.

(2) *Grade designation.* Treated wheat shall be graded and designated according to the grade requirements of the standards applicable to such wheat if it were not treated, and there shall be added to and made a part of the grade designation a statement indicating the kind of treatment.

(g) *Heavy wheat*—(1) *Requirements.* Heavy wheat shall be (i) Hard Red Spring Wheat of grades No. 1, No. 2, and No. 3 which has a test weight per bushel of 60 pounds or more, or (ii) any other class of wheat of grades No. 1, No. 2, and No. 3 which has a test weight per bushel of 62 pounds or more.

(2) *Grade designation.* Heavy wheat shall be graded and designated according to the grade requirements of the standards applicable to such wheat if it were not heavy, and there shall be added to and made a part of the grade designation preceding the name of the class or subclass, as the case may be, the word "Heavy."

§ 26.129 *Grade designation for all classes and subclasses of wheat.*

(See also § 26.128). The grade designation for wheat shall include in the order named the number of the grade or the words "Sample grade," as the case may be; the name of the applicable subclass, or in the case of Red Durum Wheat, Soft Red Winter Wheat, and Mixed Wheat, the name of the class; the name of each applicable special grade; and when applicable the word "dockage" together with the percentage thereof. In the case of Western White Wheat, the grade designa-

tion shall also include, following the name of the subclass, the name and percentage of white club wheat and other white wheat in the mixture. In the case of Mixed Wheat, the grade designation shall also include, following the name of the class, the name and percentage of hard red spring, durum, red durum, hard red winter, soft red winter, and white wheat, if any, contained in the mixture.

The foregoing standards supercede the official grain standards of the United States for wheat as amended effective June 15, 1957, and shall become effective May 1, 1964.

Done at Washington, D.C., this 22d day of January 1964.

ORVILLE L. FREEMAN,  
*Secretary.*

Mr. MICHEL. Mr. Secretary, in view of your responses to the questions of Mr. Horan in this area, what would be the situation of the warehouseman who has in his facility warehouse receipts say,  $x$  number bushels of No. 2 corn, wheat, whatever commodity, but at the time of his taking in this grade and volume of the commodity in question, the standards were less than what they are today.

Does he get penalized in any way because he took over the grain with a lower standard than what is now going to be in effect?

Secretary FREEMAN. It is my understanding, and I am not a grain trader or an expert, that following June 1, the standards which have gone into effect will be applicable to grain placed in storage after that date. The grain that might be held on a warehouse receipt, issued prior to June 1 under the old standards and under loan or something of this kind, would be redeemable on the basis of that receipt. Any grain taken on subsequent to June 1 would be held to the specifications set forth in the warehouse receipt, which would be issued in accordance with the new standards.

Now what kind of transition arrangements might exist here? I would appreciate your directing more detailed questions to some of the management people.

Mr. MICHEL. Right. But I think you have pretty well answered it. We can explore that further with the folks that are dealing with this every day. But what I wanted to be absolutely sure was that we weren't getting to an ex post facto situation here, where warehousemen had taken in grain with such and such a standard in force now, and then when selling the grain or getting out from underneath the obligation, having a different standard applied.

Secretary FREEMAN. During this period, we are going to have to, in effect, operate under two standards until we have washed out the old ones, which will take a year or so.

Mr. MICHEL. Thank you.

Mr. HORAN. Now, the first application of the revised grain standards then will take place when the producer obtains a warehouse receipt?

Secretary FREEMAN. The new standards will become effective June 1, 1964. The first application will come when the farmer brings his grain to the line elevator for his initial sale, or storage after that date, as the case may be. And it will be classified according to these new standards, and it will be evaluated in terms of the amount of dockage in it more strictly than has hitherto been the case.

## PRICE SUPPORTS UNDER NEW GRAIN STANDARDS

Mr. HORAN. Now in the application of price supports against that wheat, are you going to make determinations on the basis of what your grain standards now would indicate is quality wheat, in terms of what might be maximum support prices?

Secretary FREEMAN. As I understand the operation of this procedure, the given price-support level appropriately adjusted for the area in question, and the grade of wheat plus the quality of that wheat, as measured by its protein and sedimentation rate, will determine the level of payment made.

Mr. HORAN. Well, now, am I to understand that there might be, if you followed this to its ultimate conclusion, that there might be some wheat submitted for price support as grain that would be ineligible for price supports?

Secretary FREEMAN. Yes. There is all kinds of grain that we will not support, because it won't meet minimum standards, it is too wet, wet corn, grain that doesn't grade up to necessary standards—and that is not supportable.

Mr. HORAN. Hasn't it been a problem in the past that price supports and the privileges of the Commodity Credit Corporation have been thrown open to grains that were of very poor quality and of minimum value?

Secretary FREEMAN. Well, no. Let me say "Yes," and "No," and then amplify.

First, grain that meets minimum standards in terms of quality and not being too wet and so forth, is all that is taken under loan. It must meet those standards or it will not be taken under loan, if everyone is doing his job properly. Then when this grain is commingled, our problem then tends to be that the grain of the best quality within a class will move off into commercial uses and the grain of the less quality within that class will tend to remain and so there is a tendency in the trade to siphon off the most valuable grain and to leave that which is less valuable.

But to say we are taking on grain that isn't fit for hog feed, is just not, I think, an accurate statement, unless someone is falling far short of living up to his orders.

## WAREHOUSE INSPECTIONS

Mr. MICHEL. If I might ask one other question at this point, which I think is apropos: At one time the tolerance which the inspector had in classifying a particular grain in a warehouse was something I think like 5 percent. In other words, if the inspector came and looked at an elevator, the commodities in an elevator, and it met specifications within a 5-percent tolerance, he never said anything to the warehouseman that "your grain is deteriorating," or "becoming out of condition."

If there was more than a 5-percent tolerance, then as I understand it, the inspector's obligation was to tell the warehouseman, "Look, so much of your grain is going out of condition; you better do something about it." Or, "We have to move against you."

Has there been any change that you know of, Mr. Secretary, in the change of that percentage of tolerance or would you supply that for the record?

Secretary FREEMAN. You are talking now about deterioration in storage?

Mr. MICHEL. Right.

Secretary FREEMAN. I can't answer that. I will have to supply it for the record.

(The information referred to follows:)

When warehouse examiners employed by the Department find evidence of deterioration of quality of grain in storage, such as spoilage from heating, insect infestation, etc., commonly referred to as "grain out of condition," they call the warehouseman's attention to the condition and recommend remedial action. The degree of deterioration somewhat governs the kind of action required. Aerating or turning will suffice in some cases; fumigation is prescribed in others; and if the spoilage has progressed beyond cure by these methods, steps to remove the grain from the warehouse are necessary. The problem is handled as the conditions warrant, on a bin-by-bin basis. Efforts are made to prevent the spread of spoilage to sound grain and to hold down losses arising from deterioration. Warehousemen are held accountable for the grade of the grain stored in the warehouse as described on the warehouse receipts, without any tolerance.

Mr. HORAN. I am prone to believe that wheat as it leaves the average commercial production area in my district, and I am talking now about those who have been wheat farmers for 80 years and we have been producing wheat commercially for that long in the Fifth District of the State of Washington, long before we were a State, while we were still a territory, that the wheat as it leaves the farm tends to be as per the variety pretty high-class stuff.

#### WHEAT QUALITY AT TERMINAL MARKETS

Now against that I had the privilege of being with Mr. Pope and with other members of the subcommittee, in Egypt and didn't see too much there. My primary objective was to see the effect of Public Law 480 shipments as they came from my area, and in Bombay and New Delhi, or Hoppur, and elsewhere in India, I say wheat as it arrived at its destination.

I have heard stories also of wheat arriving in other terminal markets or terminals, rather, that was as high as 15 percent corn and I just wondered. I don't condone that practice nor those findings.

What steps are you taking to try to clear that up?

Secretary FREEMAN. Well, the tightening of these standards, you see, will have that automatic effect, because grain is sold according to given standards and has to live up to those standards. We will simply be shipping cleaner wheat. I suppose there are instances where someone makes a substitution of the magnitude you just described. When this happens, inasmuch as the grain is handled by our private trade and by someone purchasing on the other side, the failure to live up to contract specifications is called to the attention of parties at interest immediately and the appropriate redress is demanded. We would not have any particular part to play in what is essentially a private trading matter.

Mr. HORAN. Do your grade standards revisions take into consideration whether the grain is produced under what might be called dry-land farming conditions or irrigation?

Secretary FREEMAN. No. The standards are set, of course, according to the end product that comes in from the combine, when it hits the line elevator, and it is then graded and evaluated according to the amount of dockage there would be in it.

Whether wheat is produced by dryland farming or through irrigation, the end product is usually a different kind of wheat. Your harder wheats are usually the product of your dryland farming, and your softer wheats are the product of the irrigated wheat growing.

Mr. HORAN. That was very interesting, Mr. Secretary, because I believe quality is a huge factor in our present situation.

#### TOBACCO PROGRAM

We are going to spend a little time with tobacco now. In the article I was reading from the Nation's Business, which is the organ of the National Chamber of Commerce, which deals with farm subsidies and the crises that this writer sees ahead, he takes up tobacco and he had this to say, and I quote from the Nation's Business article:

Tobacco's current ills demonstrate how support causes U.S. farmers to lose sales by lowering quality. Superior quality has made U.S. tobacco a much sought commodity in foreign as well as domestic markets over the years, so says Raymond Ioanes, Administrator of the Agriculture Department's Foreign Agricultural Service.

The U.S. quality advantage over foreign tobacco is, however, slipping and export sales are suffering as a consequence. I quote Mr. Ioanes: "We must pay attention to the question of the quality of our tobacco."

In Southern Rhodesia, hardy migrants from Britain, South Africa, and even the United States are spending additional amounts of money to boost the quality of their tobacco and cut into U.S. sales in Europe and Japan.

Now quoting Mr. Ioanes again: "Any additional narrowing in the quality gap between U.S. and foreign Flue-cured tobacco entering world trade would further impair the competitive position of U.S. leaf."

Again quoting: "The U.S. share of the world market is declining," warned Agricultural Chief Economist Willard Cochrane, in mid-November. "Since world tobacco trade is growing more rapidly than U.S. exports, high-price supports are encouraging large production of mediocre leaf."

And then he goes on to express that since we have reduced our per capita acreage from a little over 6 acres of tobacco production to about 3.5 acres, that the farmers are trying to produce more per acre as we see in the picture on the wall there. It says here, in parentheses:

In the attempts to bolster price by cutting production, the Government has sliced the average acreage allotment for Flue-cured tobacco to 3.5 acres a farm compared to 6.1 acres in 1947, one of the first normal years after World War II.

On that, I was wrong on the total acreage there, Bill, that says "per farm average here." Then it tells about a favorite boosting method in Flue-cured tobacco of spraying with a chemical to reduce the suckers or shoots on the lower part?

Secretary FREEMAN. MH 30.

Mr. HORAN. And that reduces the quality of the tobacco, according to this article.

Then Don Paarlberg gets back into the act. I quote now from Dr. Paarlberg: "Wherever you have a support program, you automatically reduce quality."

Mr. WHITTEN. If I may interrupt, Dr. Paarlberg and I didn't agree about things when he was here and I am not going to change my viewpoint now. But I hold him in the highest personal regard.

Mr. HORAN. Well, how about it?

Secretary FREEMAN. Well, like many things, there are some statements there that are accurate and there are some conclusions that are drawn from them that I think are inaccurate. Quality is always a problem. The use of MH 30 has been a serious problem. We recently thoroughly revised the tobacco grades to take into consideration the importance of maintaining high quality and the appropriate inducements thereto by adjusting support levels to favor the production of high quality tobaccos, and to significantly discount the production of low quality tobaccos. These recent grade standards have proved to be quite successful.

Last year the quality of our crop was significantly improved.

Mr. WHITTEN. In view of my statement about Dr. Paarlberg, as I said, I hold him in the highest regard, but I think I should enlarge on it to this degree: Price support based on volume is conducive to lower quality normally, since farmers grow that which produces more in weight or in size. But you do have to qualify the statement, because price supports could be set so that you had practically no support unless the commodity was top quality, in which case the producer's practice would be directly opposite.

Now that is not what actually happens, but it could happen.

Secretary FREEMAN. Right; the chairman's statement is very appropriate. It does happen. In tobacco we have set the standards to discourage the cultural practices that would produce large volume and low quality. This is not only MH 30, it is general cultural practices, the amount of fertilizer, the amount of water, the spacing in planting, and the general practices followed.

And we seek to grade so that higher qualities are appropriately rewarded. In wheat the same thing exists. We have premiums for certain levels of protein-sedimentation rate to encourage the production of high quality wheat and to discourage the production of just volume low-quality wheat. But this is a problem, and as the chairman said, if we paid the same support rate in terms of anything that could meet the classification of tobacco or wheat, whatever it may be, with no regard to quality, you would have the result that Mr. Paarlberg describes, but that does not necessarily follow at all. It depends on the standards, and how they are administered.

#### COTTON PROGRAM

Mr. HORAN. Let's go back to cotton. Now you support Upland cotton at 32.5 cents a pound.

Now we support standard Upland cotton at 32.5 cents a pound. Parenthetically it says "More extensive extra long staple cotton is supported under a separate program."

Would you comment on that?

Secretary FREEMAN. It is a different kind of cotton.

Mr. WHITTEN. That is the Egyptian type cotton.

Secretary FREEMAN. Yes.

Mr. HORAN. However, your differentiation, that is the point I am getting at, is in this case a clear case of recognizing quality. Is that it?

Secretary FREEMAN. It is a case of recognizing two different things, just like apples and oranges. I mean this is a different kind of cot-

ton altogether. Within that we have certain quality standards of cotton and it again is graded and the support rates vary according to the quality of the given cotton, measured from the basic Middling beginning point in relation to the value and the resulting support rate.

Mr. WHITTEN. Would the gentleman from Washington yield?

Mr. HORAN. Sure.

Mr. WHITTEN. I saw this article that the gentleman read on cotton. I had not read the one on tobacco, but I have written the magazine several times to point out things that were in my opinion incorrect, where I could document the reason for it.

I have yet to have them correct anything.

I am a strong believer in the Chamber of Commerce. I recognize it for what it is and whom it represents. But in this cotton area, or farm area, they have taken views that were completely warped, in my opinion, and from writers who were anything but objective. That has been my experience back through the years in dealing with the chamber of commerce.

Now in the business area or other areas, I am not in a position to differ with them, but sitting on this committee, I can on agricultural matters. And on these two types of cotton, the so-called Egyptian type cotton, it has a different use entirely. For most of the period, it had no price supports at all, because it produces relatively little length for the amount of investment, et cetera, so that few people went into it.

We had a short period when the situation changed; it is grown in Arizona, maybe a little in New Mexico, but it doesn't grow elsewhere, and it is used for parachutes, and certain specialized uses, which doesn't make it in any way compete qualitywise with other cotton. It is a much more expensive type and it is limited to a small area in Arizona and New Mexico, and maybe California has a little of it.

#### APPLE PRODUCTION

Mr. HORAN. You mentioned something about apples. We had a peculiar year as far as apples were concerned. We had a prolonged drought in the East which required the bulk of the apples produced from the Midwest to the Atlantic coast to be forced on the early part of the market and it had a depressing effect. At the same time out in the Pacific Northwest we had the biggest apple crop we have had in years and years. Some of that couldn't find a roof and was stored in the orchards and elsewhere, and it too had to find a home and the net result was that tremendous backup of stored apples in the Pacific Northwest and much at the instance and the urging of myself and others who are close to the Farmers Home Administration who do have loan programs out there under section 32 funds have now been applied to the removal of surplus apples out there.

However, I am happy to say that the element of quality entered into this, the purchases were made and they are being made at what I would regard as below the going price. But they are for export standard "with tolerance" which means that the inspector has some leeway that he would not have under export standards, export standards being very strict standards that we have developed, designed to meet the most demanding inspections that we sometimes find upon the arrival of our fruit in foreign countries.

Among the inspectors they call that "working them French," because the French have always been very strict about what fruit arrives, the shape, condition, freeness of defects or pest damage.

So the bulk of these are tray packed in cartons and the price is quite low. However, I think this will do a lot of good. They are going at a price which will I think reflect next year in an increase in the Nation's appetite for apples through school lunches. As we promise that the apples that are bought in the Western States will be distributed west of the Mississippi River, according to your announcement of February 19, except for one lot of Michigan apples which will be distributed in that State.

I assume that locally here up to now at least the school lunches have been favored by locally produced apples, which are good food for growing children and schoolchildren.

#### MARKETING OF FARM PRODUCTS

Now the President, Mr. Secretary, made quite a play and attack on monopolistic conditions in the food distribution system, and I believe with your blessing.

Secretary FREEMAN. I don't recall that language or that phraseology.

Mr. HORAN. Let me get a copy of it.

Secretary FREEMAN. Paragraph 9, on page 5, I think, is what you are referring to.

Mr. HORAN. Yes. In raising this question, Mr. Secretary, I don't challenge the power of the marketing outlets, but I will point out "market power" as the President included it in his message on agriculture.

There is one more pressing need of American agriculture to be strengthened. The recent changes in the marketing structure for distribution of food are as revolutionary as those in production. There are some 200,000 retail grocery stores but we know that \$1 out of every \$2 spent for groceries goes to fewer than 100 corporate voluntary or cooperative chains. Our information about how this greatly increased concentration of power is affecting farmers, handlers, and consumers is inadequate. The implications of other changes that take place as vertical integration and contract farming have not been fully explored. I urge that the Congress establish a bipartisan commission to study and appraise these changes so that farmers and business people may make appropriate adjustments and our Government may properly discharge its responsibility to consumers.

Secretary FREEMAN. Well, by this the President urges on the Congress the establishment of a broadly based bipartisan commission to review these facts which are revolutionizing marketing and to draw from them conclusions in connection with policies that ought to be followed.

I think these very facts are rather dramatically set forth in the realization that \$75 billion a year is spent by American consumers for food, spend through 200,000 grocery stores, but one out of every two of those food dollars goes through fewer than 100 corporate or cooperative entities, which is a concentration of the retail marketing power. Related to that is the well-known vertical integration that perhaps is most dramatically shown in the field of poultry, and which takes place in other fields, the whole development of contract farming, some of the big retail establishments today are dealing directly

with the consumer and the result is that many business establishments such as wholesalers, packinghouses, packers in livestock, find they no longer are in the operation of the marketplace. The mechanism of pricing no longer functions as it has traditionally. All of these are new and current developments from which broad implications flow and nowhere has an appropriate and real analysis, or even a fact-gathering effort of the magnitude that is called for to try and understand this, been made.

So this does not make any allegations of good, bad, or indifferent. It expresses, however, concern at changes which may very well be sharply adverse to the producer, which, and I speak now for myself, vertical integration and contract farming, I think represent in at least some of their forms, grave dangers to the family farm. And by the same token, potential dangers to the consumer, although these same chains in all fairness in the main compete very strongly with one another, and have tended, so far as we know, to pass on some of those savings to the consumer. By the same token, however, as this does take place, so far as we know, the producer finds himself in a tighter and tighter squeeze, as two big retail chains may fight a death struggle, each one trying to squeeze a better bargain out of the producer and demanding higher and higher standards of production at less and less payment. This has been very true, particularly on the west coast in the fruit and vegetable field, as I am sure you know. It is spreading now to the meat field. And we really do not know enough about it.

Mr. WHITTEN. It is pretty hard to justify, in view of that, the reduction in marketing research that the budget recommends, Mr. Secretary.

Secretary FREEMAN. I think, Mr. Chairman, if you pardon my saying so, that the kind of research involved here and the kind of research that is involved in terms of what we have not recommended for continuance in the budget, are different. The one is the mechanics of refrigeration, food handling, the physical organization of public markets, this kind of merchandising operation, as distinguished from economic studies of forces in the marketplace, and they are, I think, Mr. Chairman, different.

Mr. WHITTEN. They may be different, but they are certainly related and I don't see how you could properly handle one without a knowledge of the other. And to delay finding the answers you have been seeking all along, and to knock the funds out, I still think is unsound. However, I took up so much of your time, I won't pursue this further. I know Mr. Michel is waiting to question you when Mr. Horan is finished.

Mr. HORAN. I am about through. I am interested in this because there is truth in it. The chainstores can be used to advantage, I think if you approach them from the right side. I know in the distribution of the Nation's apple crop they have helped by putting on sales campaigns nationwide and all that is to the good. Then you get into the procurement capabilities of chainstores and at a time when the State director of the Farmers Home Administration was very anxious to set up an order marketing committee in my area, and he saw this way back last October, I think it is very much to his credit, at a time when he was trying to get this, the buyers for the chainstores were taking ad-

vantage of a situation and they were going around periodically, daily and weekly, not buying the stuff that ought to move, but buying the very best stuff because they could get it at a reduced price. And, of course, leaving the residue of the poorer fruit to remain in storage locally, yet to move. And that is reprehensible.

However, I don't think that we can stand in the way of progress. I don't think that any of us want to go back to the greengrocer, or I don't think any of us are particularly mad at the grocery store where we may shop now. We are happy it is there and, of course, a lot of us are prone to look at the ads and see where we can buy the cheapest, since we are consumers at this end. And to supply the American stomach with the class of goods that it is used to does require a lot of progress all of the way from the soil to the table. And it does have its reverberations in the whole field of economics as it applies to farming.

#### CONCEPT OF FAMILY FARM

I notice that No. 1 in your nine goals is to preserve and improve the family farm. What is a family farm?

Secretary FREEMAN. I would define a family farm as an operation which is run by a family without more than  $1\frac{1}{2}$  man-years of outside labor.

Mr. HORAN. Well, Mr. Whitten was here, I think the only one of the committee that was here, when I finally got Dr. Sherman Johnson to come up with a bulletin on what constituted an economic unit. And that was published in 1957. In 1960 or 1961 I was promised by Dr. Shaw before this was taken out of his hands that a new study of what constituted an economic unit would be made, much larger and much broader than Dr. Johnson's study of 1957, which included only six units. And the new one one is even going to have an apple ranch in the eastern part of the State of Washington. That was promised in January to be available in August of 1961. And then last year Dr. Koffsky did have some interim report. Has that been published?

Mr. GRANT. I think it has, Mr. Horan.

Mr. HORAN. I wonder if you would make a copy of the interim report available to me?

Mr. GRANT. Yes.

Mr. HORAN. I am very much interested in it. The original study took into cognizance what was required by way of land and investment in tools, livestock and so forth, and the number of acres required to return a net income of \$2,500 and \$3,500 to the farmer, and the investment that was necessary. I believe that the smallest investment was in western Oklahoma, on a cotton ranch, I believe that was it. And the biggest one was in eastern Montana, and that ran over \$100,000 to return \$3,500 net income at that time. The new study is to show what is required to return \$2,500, \$3,500, \$4,500, and \$5,500 net income to the farmer and will show the economic unit that is necessary for those net returns. Now to me those net returns have certainly nothing about them that is overly abundant or elaborate. They certainly aren't as much as a laboring man makes in certain fields of endeavor on a 40-hour week. And I assume that in these operations at least part of the year this farmer is working many hours. And it is my contention, and I would like to have your reaction to this, Mr. Secre-

tary, that when we talk about preserving the family size farm, and I am with you 100 percent, we can't get away from the economics that make a determination here.

Secretary FREEMAN. I would certainly agree that in general that is true. A subcommittee of the National Advisory Commission on the Family Farm filed a rather extensive and very useful report, I think, on this recently, and it made the point in general, and there are of course many exceptions, that an adequate family farm which would return a reasonable return comparable to other segments of society would need to gross \$10,000 a year or more. And then by way of size would not involve more than 1½ man-years of outside labor. This is the working definition. Where the very small unit, particularly those that gross less than \$2,500 is concerned, you have a very special kind of problem which we seek to meet through the rural area development program, providing alternative sources of income and employment and that kind of thing.

Mr. HORAN. I think the chairman hit that on the head when he said if that is all you gross, you better have a job in town.

Secretary FREEMAN. I think that is right. But there are people who can't get a job in town, and there are maybe millions of people who are over 65 years of age who have very little training, who are much better off on a little operation at \$1,500 a year gross return than somewhere in a city slum on relief rolls. And we would seek to try and maintain those people with as much dignity and decency as possible.

Mr. HORAN. I am definitely for that, but I can't use that type of farm as my criteria for what constitutes a family-size farm. I want the family-size farm that I envisaged to be a going concern and whatever is needed to achieve that I think we have to look at the economic facts squarely in the face and enable him to do that.

One of the things that made it very important that we know what an economic unit consisted of was the fact that we had such institutions as the Farmers Home Administration operating in the field of giving credit to what you might call the family-sized farmer, and we don't want to loan money to a man just to help him go broke faster. We want to loan money to him so he can repay the loan. And our chairman, Mr. Whitten, and myself, we are partly responsible for some revision of the Farmers Home loaning levels to achieve that.

#### POTATO SITUATION

Now, you do have now and I suspect you have already reported on a bill by Senator Muskie, of Maine, whose potato growers have had 5 years that have not been too good, a bill that would have an emergency operation within Farmers Home Administration, as I understand it, for those who had felt the rigors of repeated bad production or marketing years in any given commodity.

Have you any comment on that?

Secretary FREEMAN. Well, I think there is an area here that calls for some attention and it is being currently considered and the planning going on in the poverty program that would involve the possible use of grants in some instances, and certainly where a situation is not of a producer's making, as you have described your apple situation, and the potato situation in Maine, there would be a little more liberal

standards so that the current standards of capacity to repay which are fairly strict under certain conditions might be liberalized. I think I would be most sympathetic to consideration of that possibility.

Mr. HORAN. Well, I am not necessarily disagreeing with what you are saying there. However, I do think that we can help him to have a better idea of what he is up against and what he needs to have in order to meet the vicissitudes of any given situation.

I want to thank you for being so courteous to me, Mr. Secretary, and I leave you now with the feeling and my own conviction that as we deal with the problems of agriculture that we have to face the economic facts of life, both as to quality of produce and what is entailed in the progress we make, we have to take into consideration that we spend billions for research and part of that goes to agriculture and if we produce a new way to harvest tobacco we ought to have enough acreage behind that so that that newfangled system can be utilized and the operation will justify the investment entailed in acquiring such improvements. And they are all across the board.

The apple box was invented in my hometown, because we didn't have coopers, we had no bushels or barrels—we did have flat lumber and the apple box was born. It is a museum piece now. Cartons have taken over, everything is picked in tote bins, it is all handled by Hyster-rigged tractors in the orchard. We no longer use ditches to irrigate, it is all low-head sprinklers. We have to bring those big tote bins in and we stack them high in a precooler, get the orchard heat out of them, because 1 hour saved in getting a perishable to such a place may mean a week on the other end, as it awaits the pleasure of the housewife. And if you want to stay in business year after year, you have to think of more than just in terms of food.

Secretary FREEMAN. I am sure that is right, and increasingly so year by year.

Mr. HORAN. That is all, Mr. Chairman.

Mr. WHITTEN. Mr. Michel?

Mr. MICHEL. Mr. Secretary, I had occasion to go back and reread your testimony before the committee last year, and my interrogation of you at the time. I think you will have to agree I was probably a little bit rough last year and one wonders in retrospect, really, with what a nasty mood he must have gotten up that morning. Having had a full night's rest last night, I shan't be that rough on you this afternoon.

Nonetheless, we still have our differences, and I suspect that maybe some of my questioning will be tempered by the fact that the chairman himself expressed some of the very same concern that I have. Your formal statement addressed itself practically in totality to this area of rural areas development as against addressing yourself to these real urgent problems of wheat, corn, soybeans, cotton, livestock, and what do we do with the really big things that comprise the agricultural community.

#### RECREATIONAL FACILITIES IN RURAL AREAS

I have forgotten whether or not in your formal statement you make mention specifically of, for example, how many golf courses the Department of Agriculture has been responsible for constructing.

Secretary FREEMAN. No, not in number.

Mr. MICHEL. Could we have that figure supplied for the record?

Secretary FREEMAN. Yes.

Mr. MICHEL. And the number of ski resorts the Department has been involved in within the past year in one form or another, and the number of fishing ponds. If you would supply those, that will satisfy that question.

Secretary FREEMAN. Yes.

(The information referred to follows:)

The Department of Agriculture, during the 1963 calendar year, made loans or adjustment payments and cost-share assistance on 46 projects involving golf courses, 3 involving skiing, and 57 for the specific purpose of fishing. Three new winter sports ski area permits were issued in the Forest Service in 1963.

The Department provides cost-sharing assistance for farm ponds for livestock water, erosion control irrigation or, in some cases, wildlife. Many of these ponds are suitable for stocking with fish and there is no objection if they can be used in this manner to provide additional value to the farmer.

The Department provides technical assistance on recreation projects in addition to financial assistance. Technical assistance was provided during 1963 on recreation projects when financial assistance was not provided.

#### COST OF AGRICULTURAL PROGRAM

Mr. MICHEL. I had occasion to go back and read a quotation of the late President Kennedy on October 13, 1960, when he said:

I have stated it is my best judgment that our agriculture program will cost a billion and a half, possibly \$2 billion less than the present program.

Now, he made that statement on October 13, 1960. And in that fiscal year, 1960, I looked back and the figures disclose that the Department's overall budget ran \$5.4 billion. In the next fiscal year, 1961, it grew to \$5.9 billion. In the next fiscal year, 1962, it had grown to \$6.6 billion. And in 1963 I think the figures will show an expenditure of \$7.7 billion. And the best estimates as we close the books on this fiscal year will be something like \$6.9 billion, or roughly \$7 billion. So instead of a reduction in the cost of the Department of Agriculture as former President Kennedy had predicted of \$2 billion, we find, in effect, expenditures \$2 billion over what it was at the time he made the statement. Now, what comment would you have on that?

Secretary FREEMAN. I would say President Kennedy predicted rather accurately what happened in fiscal year 1960—which he must have had in mind.

The figure is \$7 billion in fiscal year 1959 and it went down to about \$5.5 billion in fiscal year 1960. So initially these predictions proved to be amazingly accurate.

Mr. MICHEL. Yes, but I am sure you will have to agree what he had in mind was he could eventually get the Department's figure down to the point where it would really mean a level of expenditure \$2 billion less for an extended period of time, over what he was talking about, wouldn't you say?

Secretary FREEMAN. Well, this I think is very true and we are moving in that direction. The real problem, of course, to not bandy figures around, which in these round numbers are not too meaningful, the real problem has been to try and remove the very heavy surpluses that were hanging over our head, and, in effect, try to get out of the business. I would make it quite clear that I would like nothing better than to have the Commodity Credit Corporation much less active in terms of both its stocks and its action in the market. We have made

some very significant progress in that direction, in both wheat and feed grains, that were the real big problems. We have had some explosions in tobacco and cotton production, and so the stocks have gone down significantly in one and they have gone up in some of the others. The overall productivity of agriculture itself has continued unabated, with enormous increases each year, and the magnitude of this is something that I quite frankly did not expect, nor do I know anyone who would have predicted with any real accuracy—the main prophet in this area has been Dr. Cochrane, who has been predicting this technology thing more accurately than anybody in the country. But even his predictions were significantly short of what actually has taken place. And this is our problem, and it is particularly our problem, as you well know, and we are operating under laws that have minimums in acreage and minimums in support levels. And if it wasn't for the effectiveness of this committee in interpreting this to the Congress as a whole, we would have had in American agriculture much worse problems than we have.

I also would say, looking down the road, that the voluntary programs that we have pioneered here, like the feed grain program, are not infallible. They are costly, more costly than we would like. I think the same programs operating as they were submitted by the administration, in feed grains for example, would have gotten the surpluses down with less cost and I think more efficiently, but that ran into some political roadblocks, and so the problem is one in which I am sure, Congressman Michel, you would not expect President Kennedy to have predicted with precise accuracy any more than the Secretary of Agriculture could do it.

Mr. MICHEL. Now, the figure for the upcoming fiscal year 1965, the total figure is \$5,815 million. Do you think, Mr. Secretary, seriously, you can really hold to that figure?

Secretary FREEMAN. Well, I surely hope so, and we have every intention to do so. Again, we are going to be effected by developments over which we have no control, vis-a-vis weather, production, and other things.

But the predictions upon which these figures of production rest are not doctored figures. They are the predictions of the experts within the Department, the people who have made systematically, as they have for many years, the judgments as to what their forecasts are and our figures rest on those forecasts.

The level of the replenishments of the Commodity Credit Corporation is one that is set pursuant to our estimates of the need above operating costs for the coming year, and we have made some recommendations in terms of programs which are harsh and which have been the product of the stern economy program of the President.

But these are not just figures. I can't say they will be completely attained, but we honestly seek to operate at that level. May I add also, there is some legislation involved in this.

#### MEAT AND POULTRY INSPECTION

Mr. MICHEL. This is what I would really like to address myself to on several specific items here. For example, on meat inspection, the budget presented to us would not reflect, would it, the \$30.8 million that you would hope to have picked up with a system of fees?

Secretary FREEMAN. Yes.

Mr. GRANT. The estimate for the appropriation is in the budget. There is a reduction which would take place when the legislation is enacted. So, on an expenditure basis, it does reflect the reduction. The estimate of appropriation does carry the estimate required to finance meat inspection in 1965.

Mr. MICHEL. Would the same hold true for the \$16.6 million for poultry inspection?

Mr. GRANT. Yes.

#### RURAL ELECTRIFICATION PROGRAM

Mr. MICHEL. Then in the field of REA, does the budget figure reflect enactment of the Congress of a revolving fund, so receipts for 1964 and 1965 would actually be used to cut down the figure that we would have to appropriate to meet the needs of REA?

Mr. GRANT. After legislation is enacted, it would. Pending enactment of the legislation, there has been no change as to the basis for providing loan funds for REA. But when the legislation is enacted, then there could be a reduction. There would be a proposal made to amend the budget to reduce the amount of the new loan authorization required.

Mr. MICHEL. What is the level of expenditure contemplated for REA this coming fiscal year?

Mr. GRANT. Do you want expenditures or do you want loan authorizations? The estimate of expenditures for 1965 is \$383 million.

Mr. MICHEL. What would loan authorizations be? You can supply that for the record.

(The information follows:)

The total electric and telephone loan authorizations requested for fiscal year 1965 are \$428 million of which \$65 million is to be placed in reserve to be used for either the electric or telephone program.

#### AUTHORIZATION FOR ACP PROGRAM

Mr. MICHEL. Now, this ACP figure is roughly \$100 million under what the Congress appropriated last year, is it not?

Secretary FREEMAN. Yes, sir.

Mr. MICHEL. And would you, Mr. Secretary, back me up in any effort I might make to hold that at that figure?

Secretary FREEMAN. Well, the Secretary of Agriculture—

Mr. MICHEL. Could we have a unique proposal, where a member of the opposition party might be speaking for the administration, or is that an unfair question to ask, Mr. Secretary?

Secretary FREEMAN. Yes; but you are not—

Mr. MICHEL. Let the record show there was raucous laughter at this point.

Secretary FREEMAN. Might I add I am aware of the fact, Mr. Congressman, that you are not held to any standard of fairness in dealing with an administration witness, so I come here with no illusions. I think we all recognize—

Mr. WHITTEN. I thought the best answer the present Secretary of Agriculture ever gave was the first year he was here, when somebody inquiring about a controversial subject said, "Mr. Secretary, do you care to comment on that?" and he said, "No."

## RESTORATION OF CCC LOSSES

Mr. MICHEL. Well, in this area, Mr. Secretary, of restoration of capital impairment of CCC, here we find, I think, probably an abnormal anticipated reduction, and as I read this budget through, I think I would just have to say that this reimbursement is being requested for only a portion of the 1963 realized losses, are they not?

Secretary FREEMAN. That is right.

Mr. MICHEL. And if we really wanted to be realistic and match those losses perfectly, how much additional would we be talking about?

Secretary FREEMAN. At present, the unreimbursed losses for the fiscal year 1963 would be \$930 million.

Mr. MICHEL. Now, if we don't meet that obligation this year, when are we going to meet it?

Secretary FREEMAN. We have projected this, we hope accurately, conscientiously, in terms of what will be required in the Commodity Credit Corporation to operate in the coming fiscal year, and we hope and believe that is accurate and have operated on the premise that restoration beyond that was not essential.

Mr. MICHEL. In other words, you are saying that if we don't go ahead and appropriate the additional amount of \$930 million, that there will still be ample flexibility and room for maneuver in disposing of stocks of CCC? Well, acquiring and disposing?

Secretary FREEMAN. We hope we can operate under the programs which are related to our estimates of what the situation will be and the laws under which we will operate, with that amount of capital restoration; yes.

I hasten to add, as I have already said, that these are necessarily predictions and they are based on premises that sometimes change, both because legislation is not forthcoming and because of unlooked-for developments in world markets, weather, and things of that kind.

Mr. MICHEL. And the proposed reduction in spending authority also reflects a proposal to relieve the Commodity Credit Corporation of the obligation to pay interest on Treasury borrowings which represent "past years realized losses." This would not affect the overall financial position of the Government as it would reduce both receipts and expenditures but it helps to hold down spending authority for price support programs, isn't that right?

Mr. GRANT. That is right, sir.

Mr. MICHEL. If the proposal with respect to interest for borrowings should be approved, the CCC borrowings of non-interest-bearing capital would amount, according to my figures, to \$3.8 billion at the end of fiscal year 1964. Is that correct, Mr. Grant?

Mr. GRANT. That is right, sir.

Mr. MICHEL. And this total would rise to \$4.9 billion at the end of the fiscal year 1965?

Mr. GRANT. That is correct.

## PAYMENT OF INTEREST ON REALIZED LOSSES

Mr. MICHEL. Now, assuming an interest rate of  $3\frac{1}{2}$  percent, the proposed change in Commodity Credit Corporation's obligation to pay interest would save that agency well over \$125 million in fiscal 1965 at the expense of Treasury receipts, according to our calculations.

Any comment, Mr. Grant?

Mr. GRANT. The only question I have, you say at the expense of Treasury receipts. The losses incurred by the Corporation, expenditures were made in prior years and the proposal, with respect to interest on Commodity Credit Corporation, has to do only with those losses which have already been incurred, making it unnecessary for the Corporation to continue to pay interest.

Actually, it doesn't have any effect on Treasury interest at all, or Treasury costs. It does reduce the costs of the farm program, though, or it reduces it because we would not be paying interest on realized losses, on which we have not requested reimbursement for appropriations.

PROPOSED LEGISLATION FOR COTTON AND DAIRY PRODUCTS

Mr. MICHEL. The budget indicates that proposed legislation for new programs for cotton-dairy products will reduce expenditures \$230 million in the fiscal year 1965. But details of the proposed new legislation haven't been available.

But it is my understanding that both the bills under consideration in both bodies would, as a matter of fact, increase the cost of the cotton program. Is that true?

Secretary FREEMAN. No; that is not correct. One of the reasons I was a little tardy at the beginning of this meeting was because we were working on these figures. The cotton program that was considered by the Senate committee yesterday was altered somewhat in its passage, and we were revising figures.

The initial program, as envisaged and discussed, would have involved a \$200 million saving. The program reported by the Senate committee would be somewhat less than that, but it would be a substantial savings in the cotton program. The dairy figure is a final one, as best we can make it, and that bill is pending before the House Agriculture Committee now.

Mr. MICHEL. Do you want to hazard a guess on the so-called savings on this version of the bill passed by the Senate?

Secretary FREEMAN. It would be just a guess, because the figures were being revised because some of the specifications of the bill were changed. I would hazard a guess in the neighborhood of \$150 million. But this would be counteracted in coming years because it would involve a cutback in the carryover of 2 million bales, instead of an addition in the carryover of 1½ million bales, which, as we have to carry this over a period of years projected into the future, involves additional costs which we will incur.

Mr. MICHEL. Now, in your guess on the estimates here of so-called savings, you are projecting this over how long a period?

Secretary FREEMAN. When I used the \$150 million figure, I was referring to the difference in the cost in the coming fiscal year between the program—

Mr. MICHEL. You mean fiscal 1965?

Secretary FREEMAN. That is correct, between the law on the books now for cotton and if what has been passed by the Senate becomes law.

May I make this adjustment? I was thinking in terms of this as a crop year now, as distinguished from a fiscal year, which sometimes overlap, because this is a guess estimate as you have properly noted.

## EXPORT PAYMENTS ON WHEAT

Mr. MICHEL. The budget says—

Export payments on wheat flour are not anticipated in 1965 as it is estimated that the domestic market price will fall below the competitive world price.

However, the Department has currently offered to pay a subsidy of 16 cents per bushel on Hard Red Winter wheat exported after July 1, 1964, and since we could export 600 million to a billion bushels of wheat, an average export subsidy of 10 to 15 cents per bushel would cost \$60 million to \$150 million, according to our figures.

Any payments that might be made on export wheat under the so-called voluntary certificate plan would represent an additional expenditure, would they not?

Secretary FREEMAN. No, I don't think so. This matter will balance itself out under the wheat program, again referring to the one that passed the Senate. Wheat would move, we think, in the market at roughly \$1.30. It would move into world markets in some instances at the world price, it might be in some instances a bit above the world price, depending on the quality, and it might be in some instances below the world price. And this would be balanced out with the exporter through the medium of the combination of the export certificate and the export subsidy. Under the Senate or House bills any export subsidy would be small and would be offset by receipts from surplus reduction. Additional budget expenditures on balance would be small, in fact budget receipts could result.

It is going to vary a great deal with the quality of the wheat in question, at a given time and place.

## EFFECT OF AID PROGRAM ON AMERICAN AGRICULTURE

Mr. MICHEL. Mr. Secretary, the chairman made mention, too, earlier in his line of interrogation, of what is happening in our foreign aid program, with respect to particularly the granting of money for surveys as to the feasibility of farming operations in foreign countries producing commodities which are in direct competition with our own.

I might say that a group of Illinois people have gotten together and called themselves Farm Agriculture Research & Marketing, Inc., which reads, FARM, and they have applied to AID for survey money in the amount of \$20,700 and their purpose is to explore the possibility of raising pork and corn in Costa Rica, Nicaragua, and Guatemala.

Mr. Secretary, did you know that this kind of thing was really going on?

Secretary FREEMAN. I hadn't heard of this particular enterprise. In a number of places, this kind of thing is going on, one that went across my desk recently that was very interesting, involving Vietnam. In this instance an organization which involved the application of the cooperative principle, was taking place in which corn was being used to stimulate hog production.

This was in no way competitive with American agriculture. But it was having a significant effect on those producers and the economy of that area, and is one of the ways where we might well look to meaningful future markets for corn.

The country in question, not growing corn very efficiently, we do so, and therefore, creating, in effect, a local market for one of our own commodities as the diet of the receiving country is progressively updated and their ability to support and pay for a higher quality commodity rather than being exclusively dependent upon cereals and rice. This kind of thing is, I think, the point I made several times in this testimony, that we have to—when we take a look at these AID programs, view them in terms of our future markets for the things we produce most efficiently, particularly in these countries that as of now would have no dollar earnings and no potential, but who, I think, will in the years ahead become very important markets. I think that the two words “trade” and “aid” can very well be related, that properly handled aid in many of these countries already has and will create important opportunities for trade.

Contrariwise, as the chairman has probably pointed out, the kind of cash commodities, cotton being an example, which will actively compete with our own in overproduction, present a different kind of a problem and here we seek to not contribute to the kind of production that will affect us.

Mr. MICHEL. Well, I don't want to belabor the record, and I think the chairman has made the point very well. I would simply underscore the thoughts he expressed, because in several of these areas it looks like we are working in direct contradiction with some of the very purposes for which this subcommittee is here, to protect the interests of American agriculture. And I would have some real serious reservations about continuing in programs of this kind.

#### SALE OF WHEAT TO SOVIET UNION

Mr. MICHEL. Mr. Secretary, did you have anything to do with instigating the sale of wheat to the Soviet Union?

Secretary FREEMAN. No one in the U.S. Government took initiative in convincing the Russians to request U.S. wheat. Once they had made their needs and their desire to buy wheat from us known, we participated along with other agencies in a review of all aspects of the sale of U.S. wheat to the Soviet Union. The decision to permit such sales was made only after this thorough review, including discussions with congressional leaders, had been completed.

Mr. MICHEL. I take it that you are very much in favor of the transaction and would like to have the reasoning behind your position.

Secretary FREEMAN. I favored the sale of U.S. wheat to the Soviet Union for a number of reasons. One of these was the humanitarian aspects involved in making food available to the many people who would otherwise be without. In addition there were many immediate practical advantages to be gained, such as—

1. Stocks of wheat, our major agricultural surplus, would be reduced and our taxpayers would save substantially in storage, acquisition, and other costs.
2. The sale would have a beneficial effect on farm prices.
3. The U.S. balance-of-payments deficit would be greatly reduced.

4. To the extent that the limited supply of Soviet gold, dollars, and foreign currencies were used for food, they cannot be used to purchase military or other heavy equipment.

5. More jobs would be provided by the movement of this grain through U.S. marketing channels.

Mr. MICHEL. What is the total volume in tons and bushels being contemplated for sale to the Soviet Union and her satellites?

Secretary FREEMAN. Initially, it was estimated that the Soviet Union and Eastern European countries would purchase about 4 million tons of U.S. wheat in this crop year ending June 30, 1964. To date only about 2 million tons, or a little more than 75 million bushels, have been sold. The requirement that half such shipments move in U.S.-flag vessels has made it difficult for U.S. exporters to offer wheat at prices competitive with wheat from other countries, and part of the Russian requirement has been obtained elsewhere. It is not anticipated that any further important quantities of U.S. wheat are likely to be sold to bloc countries over the balance of the current marketing year.

Mr. MICHEL. What is the total value of the grain to be sold to the Soviet Union as carried on the books of the CCC?

Secretary FREEMAN. The wheat sale to the Soviet Union has been made under existing programs which apply to all sales made on normal commercial terms. There is no requirement that this particular wheat come from CCC stocks, although inadequacy of privately held supplies would assure that CCC holdings would be reduced by approximately an equivalent quantity either through increased dispositions or less takeover.

For the portion of the sales to the Soviet Union coming from CCC price-support inventories, the amount of cost would be computed on the basis of national average unit cost of the commodity acquired from the oldest crop year for which any quantity remains in the inventory account (determined on the first-in, first-out basis). Currently the oldest wheat in inventory is the 1958 crop. The national average unit acquisition cost of this crop is \$1.96 per bushel.

Mr. MICHEL. What is the total amount in dollars that we will have to appropriate to make up the difference between the value of the grain as carried on the books of the CCC and the price it is actually sold for?

Secretary FREEMAN. As explained in my reply to the preceding question, it is not required that the wheat sold to Russia or Eastern European countries be supplied from CCC stocks. A wheat sale to Russia is registered under the Department's payment-in-kind export program just like any other commercial sale, and the exporter is free to procure his wheat to best advantage. Normally, about two-thirds of wheat exports are supplied from privately owned inventories through our free market mechanism.

The sale of this wheat will result in smaller appropriations; not larger. Any subsidy paid on these sales is paid in kind as in the case of other commercial exports. The export of this wheat and the payment-in-kind export subsidy payments will result in reducing CCC held stocks and in lower acquisitions of wheat (or higher disposals) under the price-support program. Thus appropriations are reduced both by lower acquisitions (or greater disposals) and by

lower carrying charges. The sale of the 2 million tons will result in lower expenditures of over \$100 million in 1964 and 1965.

Mr. MICHEL. As of this date I believe only two private firms are participating in this sale of wheat to the Soviet Union. Didn't former President Kennedy when making the original announcement set out several conditions, and one of them called for no more than 25 percent of the total sales could be handled by any one private firm? How can this condition be met if there are no more than two private firms engaged in this transaction?

Secretary FREEMAN. It is true that so far only two firms have sold wheat to the Soviet Union. It is also true that President Kennedy, in his press conference on October 9, 1963, stated that arrangements would be made by the Department of Commerce to prevent any single American dealer from receiving an excessive share of sales of American wheat or flour to Communist bloc countries. Interpreting this commitment, the Department of Commerce specified in its published regulations: "No American exporter will be permitted to participate in wheat and flour transactions to subgroup A countries to an extent greater than 25 percent of the total quantity expected to be purchased in the United States." Initially, it was estimated that Soviet bloc countries would purchase a minimum of 4 million tons of U.S. wheat and flour during this crop year. On the basis of this estimate, no single American exporter has been licensed to sell more than 25 percent of this quantity, or 1 million tons, to bloc countries. In retrospect, the estimate was high because of shipping difficulties which have delayed sales and limited the business.

It may, however, be observed that the 25-percent limitation applied to the Soviet bloc and not just to Soviet Russia. Actually, five different U.S. exporters have made sales of wheat to bloc countries.

Mr. MICHEL. I should like to have provided for the record a chronology by date of the individual transactions consummated to date. (The material requested follows:)

There follows a chronological listing of sales contracts made:

*U.S. wheat: Sales to Communist bloc countries through February 1964*

Date	Class and grade	Tons	Destination
Nov. 12, 1963	No. 2 Red Winter Soft White	100,000 long	Hungary.
Nov. 13, 1963	do	100,000 long	Do.
Dec. 16, 1963	No. 2 Red Winter	9,500 long	East Germany.
Dec. 18, 1963	do	2,500 long	Do.
Jan. 6, 1964	No. 2 Hard Amber Durum	175,000 metric	U.S.S.R.
Do	do	175,000 metric	Do.
Do	No. 2 Hard Winter	500,000 metric	Do.
Do	No. 2 Soft White/Hard Winter	150,000 metric	Do.
Jan. 15, 1964	No. 2 Hard Winter	16,000 long	Czechoslovakia.
Do	No. 2 Red Winter	16,000 long	Do.
Jan. 20, 1964	do	1,500 long	East Germany.
Jan. 21, 1964	No. 2 Soft White/Red Winter	12,000 metric	Do.
Do	No. 2 Red Winter	1,500 long	Do.
Jan. 22, 1964	do	2,000 long	Do.
Jan. 23, 1964	do	1,900 long	Do.
Do	No. 2 Red Winter/Soft White	12,000 metric	Do.
Jan. 24, 1964	do	20,000 metric	Do.
Jan. 30, 1964	No. 2 Red Winter	4,000 long	Do.
Feb. 3, 1964	No. 2 Hard Winter	500,000 long	U.S.S.R.
Feb. 4, 1964	No. 2 Red Winter/Soft White	22,000 metric	East Germany.
Feb. 10, 1964	No. 2 Hard Amber Durum	200,000 long	U.S.S.R.
Feb. 20, 1964	No. 2 Red Winter	6,800 metric	East Germany.
Feb. 28, 1964	do	6,800 metric	Do.
Total		2,034,500	

Mr. MICHEL. I should like to know at what price the grain was sold by CCC to these private firms and in what amounts. What would you estimate the companies' profits might be on these transactions to date?

Secretary FREEMAN. With respect to commercial sales for export, CCC offers its wheat at the going, domestic market price in redemption of payment-in-kind export certificates. It may also sell wheat for unrestricted use at 105 percent of the applicable support price plus reasonable carrying charges; if the domestic price is at or above this formula price, exporters may choose to pay cash for Government wheat for export. In the case of market price sales for redemption of payment-in-kind certificates, proof of export is required to be furnished within a specified time. Of course, no proof of export is required for unrestricted sales. And, in neither case is the exporter required to stipulate a country of destination at the time of purchase. CCC, therefore, has no means to determine how much of its wheat has been purchased by exporters for shipment to bloc countries.

In the case of Durum wheat, market conditions were such that both exporters who sold this class of wheat to Russia chose to purchase their requirements from CCC, at its announced market price, in redemption of payment-in-kind certificates. These prices are to be dealt with in some detail in reply to a later question.

It is impossible for the Department to estimate an exporter's profits on sales to the satellite countries, beyond the general observation that the grain trade is a high-volume, low-margin industry. In fact, marketing efficiencies, hedging facilities, and keen competition in the United States permit the industry to thrive on margins often described as "razor thin."

The exporters involved have indicated to the Department that they stood to incur substantial losses on these sales in the event that U.S.-flag freight turned out to be available for a full 50 percent of the tonnage.

Mr. MICHEL. It is my understanding that the highest subsidy previously paid on Durum wheat under the bidding procedure was 58 or 59 cents, but these transactions under discussion have had subsidies of 72, 73, 83, and 84 cents. What is the justification for this subsidy? And what will the total amount of subsidy be in dollars for all of these transactions combined?

Secretary FREEMAN. The bid system for Durum wheat was adopted last July because the old system was not working effectively to move U.S. Durum into world trade. The Durum export market is sporadic, and the bid system provides the flexibility the United States needs in order to compete with other exporting countries which have repeatedly moved Durum in large quantities at prices negotiated to accomplish individual sales. It enables the Department to consider all the elements in a transaction, including its size.

Size was the predominant consideration in the decision to accept the bids tendered for the export of 12.9 and 7.5 million bushels of Durum. The Department has rejected smaller bids, both before and after these bids, because the amounts were small and would tend to depress the world market while offering none of the advantages of the big transaction.

These sales totaling 20.4 million bushels will not result in any reduction in world Durum prices, and will not reduce demand in our regular markets.

These Durum sales are, we believe, the largest Durum transactions in history. The first sale alone is within 3 million bushels of the previous record U.S. Durum exports for an entire year, and is equal to about a half year's domestic requirements in this country. The two sales exceed one-third of the 2-year supply of Durum that the Department had expected to carry over at the end of this crop year. It is virtually impossible that any export market for Durum wheat would have developed anywhere else in the world within the next several years that would have used up the Durum sold to Russia. The added carrying charges of keeping this much Durum in storage until sufficient sales opportunities would arise to provide another outlet would far exceed the increase in the export subsidy that was granted on these transactions. The CCC thus found it in its best interest to accept those bids in order to facilitate the transactions.

The CCC has broad authority under its charter act to promote the export of farm commodities through any type of operation it considers can be effectively employed. The Corporation is specifically authorized to "remove and dispose of or aid in the removal or disposition of surplus agricultural commodities" and to "export or cause to be exported, or aid in the development of foreign markets for, agricultural commodities."

The total amount of export payments in kind required to effect sales made so far to bloc countries, about 2 million tons of wheat, will be in the neighborhood of 590,000 tons of wheat.

Mr. MICHEL. Mr. Secretary, it is my understanding in one of the transactions the Durum wheat sold to the U.S.S.R. by Continental Grain Co. was purchased from CCC as No. 2 Amber Durum at \$2.50½ per bushel f.o.b. vessel, Atlantic coast ports. All of this wheat had to be shipped to the Atlantic ports from the Minneapolis-Duluth area. The freight rate from Minneapolis to Atlantic coast ports, applicable to CCC wheat (under special concessions made to CCC under sec. 22 of the ICC Act) gives a rate of 45 cents per hundred-weight or 27 cents per bushel. This freight rate plus cost of unloading from boxcars, elevating, weighing, inspection, loading to vessel, etc., of approximately 3 cents per bushel means that the Minneapolis equivalent of the f.o.b. sale was \$2.20½ (\$2.50½ minus 30 cents). Allowing for another handling charge in Minneapolis of 2½ cents which would be necessary in order to load out even running No. 2 Amber Durum, the equivalent value of the CCC Durum basis delivered to Minneapolis would be \$2.18. In checking back, I find the market price for No. 2 Amber Durum on track in Minneapolis on January 2 was \$2.35 to \$2.38 or about 17 to 20 cents above the equivalent price at which CCC sold No. 2 Amber Durum to Continental Grain Co. What have you got to say about this?

Secretary FREEMAN. Continental Grain Co. purchased the Durum wheat which it sold to Russia from the Commodity Credit Corporation at its announced price of \$2.50½ per bushel, f.o.b. vessel, Atlantic coast ports. A portion of this Durum had previously been shipped to the east coast during the open navigation season on the Great Lakes. The balance of the 350,000 tons is being shipped by rail from

Minneapolis at the published, multiple-car rate of 45 cents per hundredweight, which is 27 cents per bushel; this a regular, published tariff available to any shipper, not a section 22 concession to CCC. The fobbing cost, as stated, is about 3 cents per bushel. The Minneapolis market price that day was quoted at \$2.37 to \$2.40, track.

Commodity Credit Corporation actually realized \$2.50½ less a 72½-cent subsidy, or \$1.78 per bushel, f.o.b. east coast ports, for its Durum, that being the price at which it was necessary to sell in order to move this tremendous quantity into a market otherwise not available to U.S. wheat producers. Had CCC priced its wheat at full rail freight over Minneapolis, or \$2.66½ per bushel, the necessary export price would still have been \$1.78, and CCC would have needed to pay a subsidy of 88 cents in order to facilitate its sale.

Each year, CCC faces the problem of the higher export subsidy rates required to keep Durum and Northern Spring wheat competitively priced in foreign markets while the lakes are closed. It is impossible to effect this change prior to closing of the lakes without inviting windfall profits for exporters who move grain to seaboard by water in anticipation of the higher wintertime rates. It has been our policy, therefore, to maintain the lower subsidy rates, based on open lakes navigation costs, until later in the winter season; and, to facilitate sales during this period by pricing seaboard stocks of CCC Spring and Durum wheat basis open navigation costs. It was during this interval that Continental made its sale to Russia and purchased the Durum wheat from CCC.

Later, on January 16, CCC's prices were adjusted upward to reflect the cost of an all-rail movement beyond Minneapolis to east coast ports, and subsidies were increased in a like amount. That is the reason for the higher Durum subsidy applicable to the second Russian sale.

Mr. MICHEL. It is my understanding that on January 2 CCC owned approximately 24 million bushels of Durum wheat. Was there any problem in meeting the grade requirements for No. 2 Amber Durum on these shipments to Continental Grain Co?

Secretary FREEMAN. At this point (January 2) CCC had sold about 13 million bushels of Durum against Russian takings, and was obligated to supply certain minor quantities against earlier sales to other destinations. No problem in meeting the grade specified in our sale to Continental was anticipated, although this contract called for No. 2 Hard Amber Drum, not No. 2 Amber.

Later, CCC's sale of 7.5 million bushels of Durum wheat to Cargill served to commit virtually all of the Corporation's inventory. Minor problems were encountered in meeting grades on the shipments to Continental, but no serious difficulty has materialized. However, it is indeed unreasonable to expect that CCC's entire inventory would grade No. 2 Hard Amber or better.

Mr. MICHEL. It is my understanding that CCC is now in the process of calling all loans on Durum wheat—both 1963 crop and resale loan Durum from the 1962 crop. The total involved is reported to be about 24 million bushels according to the Department's press release of February 7. Mr. Secretary, why was it necessary to call producer loans on 24 million bushels of Durum wheat? Didn't the CCC already own 24 million bushels of Durum and your sales to date to

Continental and Cargill total about 20 million bushels? How much Durum do you think you are going to require to fill out the balance of these sales? Are you going to skim off the best of 48 million bushels of Durum wheat in order to cover the Russian sales?

Secretary FREEMAN. At the time the decision had to be made to call outstanding Durum wheat loans, CCC's inventories had been rather fully committed, and inquiries were being received with respect to availability of further substantial quantities for sale to Western Europe, as well as to Soviet Russia.

The decision to call Durum loans was not lightly made. It has been the Department's consistent policy to store wheat on farms where possible; and, in any event, as near the point of production as practicable. This continues to be our policy. At the same time, this administration is determined to find new markets for wheat, and we intend to use every resource at our command to sell wheat. Durum loans were called on the latter consideration.

In short, we believe the interest of the Durum producer will be served best by finding markets which will let him produce more wheat—not by a restrictive policy which affords him a subsistence from storing last year's surplus.

CCC has no facility to equitably prorate loans not yet defaulted; it must call them, or not.

Mr. MICHEL. Did the Russians really want Durum wheat in the first place and does it have to be our best quality Durum?

Secretary FREEMAN. It is our understanding that very little Durum wheat is consumed in Russia in the form of pasta products, such as macaroni and spaghetti, which is the principal use for Durum wheat in the United States. In Russia, Durum is used mostly for porridge. The traders who have made sales to Exportkhleb, the Russian buying agency, advise us that a considerable effort was required to persuade the Russians to take Durum, the only wheat which could be sold in the circumstances. Purchase of Durum wheat represented a concession on the part of the Russians; as has been pointed out elsewhere in these replies, Durum wheat was proportionally in greater surplus in the United States than any other class, with the possible exception of Hard Red Winter.

Mr. MICHEL. Was the whole Durum wheat special bargain price and increased subsidy just a device to cover up the higher cost of American ships?

Secretary FREEMAN. The price at which CCC sold its Durum wheat has been the subject of more detailed comment in an earlier reply. To avoid repetition, suffice it to say that CCC's price was a duly announced price as required under its payment-in-kind export program (GR-345)—a price available to anyone who wished to redeem payment-in-kind certificates, and for shipment to any eligible destination. It was in no sense a "special bargain price."

The considerations which led the Department to accept subsidy bids tendered for export of Durum wheat to Russia likewise have been recounted in detail in an earlier reply.

Mr. MICHEL. And finally, Mr. Secretary, since waivers have now been granted on the 50 percent in U.S. bottoms requirement, will the Government recover from the private companies what they have given them in increased subsidies to meet the higher cost of shipping in U.S. bottoms?

Secretary FREEMAN. If Continental Grain Co. received a subsidy on its sale of 12,862,500 bushels of Durum to Russia which was 14 cents higher than subsidies accepted on sales to other destinations, as Mr. Michel has suggested in his earlier questions, then that sum of money is \$1,800,750. Further assuming that Continental obtained the full world market value of this wheat from Exportkhleb, then this sum of money was available to Continental to offset whatever unusual costs may have been attached to delivering this enormous quantity of wheat to Black Sea ports.

One of these costs was the premium for American-flag freight, which was \$6 to \$7 per long ton depending on whether shipment occurred from Atlantic or gulf coast ports. At an average premium of \$6.50 per long ton, 277,000 long tons would amount to \$1,800,500. Since Continental is known to have chartered not 277,000, but 373,700 long tons of American-flag freight, there are 96,700 tons which cannot be accounted for by Durum subsidy payments. This sum which exceeds \$600,000 could only come out of Continental's pocket.

#### LOSSES OF WHEAT IN EXPORT

Mr. WHITTEN. Mr. Secretary, turning now to some things we haven't asked you about, our committee had its attention called some time ago to this diversion of grain shipments to Austria. Later our investigators made an interim report and we will go over this and take out the names, and this will be inserted in the record. My purpose in taking these names out is the fact that the Department of Justice has advised the committee that in some instances it might affect the ability of the Department of Justice to bring criminal action and might play some part in the results.

Subsequent to that we have had a continuing investigation and the findings are even more serious than in the earlier interim report. Insofar as this latter report is concerned, we first distributed it to the members of the committee and then we had it called back. It is available for any member of the subcommittee to look at, but they went so far in that report as to state that some information could not be made available. So while we have that information here from the final report, we are not at liberty to put it into the hearings ourselves.

I do ask for the record, on what we have here, to relate to us what in your opinion, what neglect, if by any person or agency, might have contributed to this, as well as any corrective actions that may have been taken by the Department to prevent it from occurring again.

You may submit that for the record, if you will.

(The information referred to follows:)

*December 11, 1963.*

Memorandum for the chairman.

Re Diversions of feed grain shipped to Austria under barter program, Public Law 480, U.S. Department of Agriculture.

Reference is made to the staff's memorandum dated December 6, 1963, setting forth a brief summary of principal findings in connection with the items in captioned directive. Supplemental thereto is the following background information relative to the barter program and discovery of the diversions. This information, as well as that in the earlier memorandum, will be amplified in considerably greater detail in the staff's report to be delivered in about 30 days.

### 1. *The barter program*

The barter program, although established under Public Law 480 (section 303, title III), is not in any sense a relief measure. It has the dual purpose of (1) disposing of surplus agricultural commodities which are perishable and are stored at great cost to the U.S. Government, and (2) obtaining in return strategic materials for stockpiling which are not perishable and can be stored much more inexpensively. When the Commodity Credit Corporation (CCC) determines that certain agricultural commodities are available for export under the barter program, it advertises for offers from U.S. companies which are in the business of importing the strategic materials that are desired under the program. These companies are normally metal or mineral importers and have no experience in the export of agricultural commodities such as feed grains. They will make an offer to supply certain quantities and qualities of materials at specified prices and agree to accept in exchange a quantity of the agricultural commodities equal in value to the strategic materials obtained for the Government. Following the Government's acceptance of this offer, the importer, known hereinafter as the barter contractor, notifies CCC of its appointment of a particular U.S. grain merchant to act as its agent in disposing of the agricultural commodities. The commodity agent and the barter contractor normally enter into an agreement to pool their costs and their expenses and to share the profits of the joint venture. As a result, the grain merchants can make bartered agricultural commodities available on the world market at prices lower than what would be possible on a straight commercial transaction because the profit from the sale of strategic materials provides a sufficient margin of profit to offset the discounted barter price of the agricultural commodities. Thus, U.S. commodity agents were able to sell feed grains to Austria under the barter program although they previously had been unable to meet the competition from suppliers in Eastern countries whose transportation costs were so much less than those of the U.S. suppliers.

The commodity agents may take delivery of the feed grains in any quantity and at such times as they see fit, within the period of the barter contract which is usually 1 or 2 years. They will thus take delivery at such times as the world market price (on which the CCC price is based) is lowest or when they have available markets abroad for the feed grains. Under open-end barter contracts, neither the barter contractor nor the Government attempts to dictate to the commodity agent the identities of the countries to which they may sell the feed grains, except to the extent that the Government requires the importing country to be a friendly Nation and to be eligible under the U.S. Department of Agriculture (USDA) designations of eligibility described in the next section of the memorandum.

Because the commodity agent normally accepts delivery of the feed grains before the barter contractor turns over the strategic materials to the General Services Administration, the barter contractor is charged interest on the value of the feed grains after the passage of 30 days. He is also required to establish an irrevocable letter of credit in a U.S. bank, payable to the CCC, against which he receives credits as he delivers the strategic materials, with interest charges being applied only to the balance outstanding.

Although the price for the sale of the agricultural commodity by CCC to the barter contractor is based on the world market price at the time of release of the commodities from CCC warehouses and the amount credited to the barter contractor for the strategic material is based on the world market price at the time of delivery, the commodity agent of the barter contractor can usually make the feed grains available at a price below the existing world market price because of the greater margin of profit involved in the purchase of strategic materials on the world market.

### 2. *Austria as a barter country*

The earliest barter transactions involving Austria as the importer of agricultural commodities began in fiscal year 1955, when Austria imported 12,400 metric tons of wheat and flour and 14,100 metric tons of feed grains. (One metric ton is equivalent to 2,204.6 pounds.) In 1957, USDA established regulations placing requirements of eligibility on the countries receiving barter commodities because it became obvious that surplus agricultural commodities were going to countries which were capable of purchasing these commodities as a straight commercial transaction for cash in U.S. dollars. Between November 14, 1958, and May 15, 1959, USDA established four different designations of eligibility as follows:

*"A" Designation.*—Countries so designated were eligible to receive bartered agricultural commodities either under bilateral contracts (where the strategic material received in exchange for the exported commodities had to be supplied by the country receiving the agricultural commodities) or multilateral contracts (where the strategic materials could be supplied by a third country under a direct causal relationship with the country receiving the agricultural commodities), provided USDA had made a special study and found that the specific shipments of the agricultural commodities proposed would be in addition to normal imports for dollars.

*"B" Designation.*—Countries so designated were treated exactly in the same manner as A countries without the requirement that the special study be made relative to "additionality."

*"C" Designation.*—Countries so designated were eligible to receive barter commodities under open-end contracts whereby there is no requirement that the strategic material received in barter must come from the country receiving the commodity or from a third country casually related to it. Any number of intermediate transactions and friendly countries may be involved.

*"X" Designation.*—Countries so designated were ineligible to receive bartered agricultural commodities under any circumstances.

Under these regulations, a country could be designated a C country either because (a) it had a relatively weak economic condition and was not able to acquire the agricultural commodities for dollars, or (b) it had not been historically a major market for the particular commodity as an export from the United States and therefore it could be presumed that shipment of the commodity to such country under the barter program would not disrupt regular dollar sales.

The designations were placed on countries with respect to each of the surplus agricultural commodities made available under the barter program. Until May 15, 1959, Austria was designated as a B country for feed grains. On that date it was redesignated a C country, not because it was economically weak, but for the reason that there was no history of substantial imports of U.S. feed grains into Austria for dollars. Under conditions of normal and free trade, Austria historically has fulfilled its requirements for feed grains from the Eastern countries, now all located within the Soviet bloc. Other Western European countries on the other hand are mostly designated as A or X countries because they are economically strong and have been traditional markets for U.S. feed grains. It is USDA's position that by the redesignation of Austria as a C country, the United States might create a new market for future commercial sales of feed grains to Austria. The barter program in Austria with respect to feed grains greatly expanded after May 15, 1959, when there was no longer a requirement that such transactions be limited to situations wherein Austria supplied the strategic material or was related to the supply thereof by some exchange with the supplying country.

### *3. Discovery of the diversion of feed grain shipped to Austria*

The U.S. agricultural attaché at Vienna, Austria, had been furnishing reports for a number of years setting forth the quantities of feed grains imported into Austria from the United States, which statistics were the official Austrian import statistics made available by the Central Statistical Bureau of the Austrian Government. USDA statistics as to the quantities of feed grains shipped under the barter program were not available to the U.S. officials in Vienna and were never furnished them by USDA. However, USDA maintained such statistics and was aware that all shipments of feed grains to Austria after May 15, 1959, were barter transactions. Therefore, a comparison of the U.S. export figures with Austrian import figures could have been made at any time during this period by the Foreign Agricultural Service (FAS) of USDA.

In the fall of 1960, a proposed program was formulated in FAS for the sale of feed grains to Austria under long-term credit arrangements under title IV of Public Law 480. The program used as its basis the requirement that Austria import feed grains in the same proportion that it had imported them during the previous 4 or 5 years. A schedule showing such imports was drawn up and sent the agricultural attaché in Vienna for presentation to the Austrian Government. Thereafter, the Austrian Government, in reviewing this schedule, pointed out that it had not imported nearly the quantity of feed grains as indicated in the U.S. export figures. Upon submission of this information to Washington, FAS compared official Austrian import figures with U.S. export

figures for fiscal year 1960 and discovered considerable discrepancies. No particular attention was paid to these discrepancies nor was action taken to resolve them because it was believed that the difference was probably attributable to end-of-the-year lag in the posting of U.S. exports which would not show up as Austrian imports until the following year.

About 1 year later it was decided to reconsider the program for export of feed grains to Austria under title IV. Inasmuch as USDA export statistics for fiscal year 1961 became available in about September 1961, it was then possible to compare the U.S. export figures with Austrian import figures for 2 consecutive years, and wide discrepancies were apparent. Officials of FAS reportedly discussed these apparent discrepancies among themselves for several months in an attempt to reconcile them. It was believed that, because the export figures had progressively increased each year from 1959 to 1961, that the year-end lag might have been a considerable factor. Also, FAS was not then sure of the accuracy of Austrian import figures because past experience indicated that many countries had inaccurate statistics either intentionally for political reasons or accidentally through poor statistical procedures.

In March of 1962, FAS decided to institute a formal statistical study which was completed in April and thereafter discussed with the U.S. agricultural attaché in Vienna on his return to Washington in May 1962. FAS asked him to look into the situation with a view to discovering the cause of the discrepancies. In August 1962, after exploring the situation with the Austrian Ministry of Agriculture, the attaché wrote FAS for further information as to the dates of shipment, specific type of feed grains shipped, the names of ships on which they were shipped, and other information that could be compared with import licenses, bills of lading, customs declarations, and other documents available to the Austrian Ministry of Agriculture. This information had to be obtained from various CCC offices in the United States, and the compilation thereof was not completed until November 1962, at which time it was sent to the agricultural attaché. Based on a comparison of this information with official Austrian import schedules, the agricultural attaché in December 1962 advised the Secretary of Agriculture that there appeared to be a serious diversion of feed grain shipments intended for Austria and he recommended an immediate investigation by the USDA Office of the Inspector General (USDA-IG).

In January 1963, a conference was held between USDA-IG and representatives of the Inspector General, Foreign Assistance, State Department (State-IG), and it was decided that, although the barter program was not an aid program and therefore the substantive jurisdiction rested with USDA-IG, a joint investigation would be conducted because of the natural interest of the State Department regarding relations between the United States and Austria. The investigation was begun toward the end of January 1963 when investigators made a preliminary inquiry of two commodity agents in New York City and representatives were sent to Vienna to begin the investigation there.

During most of 1963, the investigation in Europe for the most part has been pursued by two investigators, one each from USDA-IG and State-IG. All investigation in Europe ceased during most of the summer, presumably to allow a search to be made of customs export declarations in the United States. In September 1963 the investigation centered in West Germany where it was found that the major portion of the feed grain had been diverted. Only two full-time investigators were used during this investigation until the latter part of October when four additional investigators were assigned by USDA-IG to the European phase of the investigation. It is noted that this additional assignment of personnel was coincidental to the arrival of staff members in Vienna on October 21, 1963. State-IG has maintained its one full-time investigator assigned to the matter since inception of the joint investigation and takes the position that assignment of additional State-IG personnel is not necessary inasmuch as the diversions are essentially a USDA matter and one representative is sufficient to afford liaison with Embassy officials in Europe and to preserve the interests of the Department of State.

The diversions, which had begun in June 1959 after Austria was designated as a "C" country, ended in July 1962 following the first inquiries by the agricultural attaché in Vienna of Austrian authorities regarding discrepancies between reported U.S. commodity exports and corresponding Austrian import statistics. On May 3, 1963, USDA suspended the barter program as it relates to Austria when the investigation established that large quantities of feed grain destined for Austria under the barter program had been diverted. During the investigation, it was determined that most of the feed grains which entered the northern Euro-

pean ports of Bremen and Hamburg, Germany, were diverted, while none of the feed grain shipments arriving at Trieste, Italy or Rijeka, Yugoslavia, were diverted. Reportedly, these northern ports were convenient to the diversion of the feed grain into West Germany and there is no market for the import of feed grains in Italy or Yugoslavia. However, the investigation determined that various quantities of the U.S. grain imported through these southern ports were relabeled, and new documents forged to show the origin of the grain as Canada, Argentina, or some other country, as well as showing a higher grade than actually shipped. It is noted that Austria has placed a quality discount on U.S. feed grains of \$1.60 per metric ton below the established national import price on the premise that grains stored over a period of years in the United States become broken and otherwise damaged from storage, loading, and reloading. Therefore, by relabeling the grain as coming from a source other than the United States, the importers are able to gain an additional premium of \$1.60 per metric ton.

When the facts concerning the relabeling, which occurred outside of Austria, were brought to the attention of the Austrian Economic Police, it resulted in the arrest of various importers in that country. The relabeling, for the most part, was perpetrated by Italian or Yugoslavian grain merchants or forwarding agents in conspiracy with the Austrian importers. According to USDA officials, there is no way that U.S. consular employees could have detected the relabeling even if they had sufficient personnel to inspect all shipments into Australia. Further, there are no U.S. regulations governing such action which would be applicable to the foreign parties responsible and there appears to be no way of labeling bulk products, such as grain, so that they could not be relabeled by altering the papers. However, as pointed out, the relabeling is a violation of Australian law and has resulted in the arrest of two principal Austrian grain importers. It is noted that the diversion of grain intended for Austria does not constitute a violation of Australian law because it was never imported into Austria. If the diverted grain had, in fact, been imported into Austria it would have exceeded the quotas granted to the various importers under import licenses issued by the Austrian Government for control of quantities brought into the country.

Investigation conducted to date has established that a company in Hamburg, Germany, purchased more than one-half of the grain diverted from shipments intended for Austria under the barter program. This is a German firm, operating as a limited partnership. The company is engaged in the import, export, and wholesaling of feed grains, and is regarded as the largest grain importer in West Germany, with offices in other major cities throughout the world. No derogatory information has been developed to date concerning the operations of this firm other than that pertaining to its involvement in the purchase of the grain diverted from Austria.

#### *4. Strategic materials received for bartered grain*

Agricultural commodities valued at approximately \$220 million were exported to various countries under the terms of the 106 barter contracts which were involved in the shipment of feed grains intended for Austria during the period fiscal years 1960-62. Of this \$220 million total, grain valued at some \$53 million was intended for shipment to Austria; however, investigation has disclosed that approximately \$29 to \$30 million worth of this grain was diverted (applicable to the 568,428 metric tons described in referenced memorandum). Under the terms of the foregoing 106 barter contracts, strategic materials having an equivalent total value of \$220 million were received by the General Services Administration (GSA) for inclusion in the Government's strategic material stockpile. The fact that a portion of the grain intended for shipment to Austria under these barter contracts was diverted has no effect on the total amount of strategic materials received in connection with the contracts.

It is to be noted that no one particular barter contract related solely to the shipment of grain intended for Austria, but rather each contract also involved the legitimate shipment of various agriculture commodities to other countries as well. Therefore, specific strategic materials received in payment for a particular barter contract cannot be directly related to that portion of the contract which involves the shipments of grain intended for Austria. GSA inspection procedures at the time the strategic materials are furnished the Government under the terms of a particular barter contract assure that the materials received have a value approximating that of the grain furnished the barter contractor by CCC, and that the materials meet Government specifications.

Following GSA's inspection, the strategic materials are, for the most part, comingled with similar materials already in the stockpile and they thereafter lose their identification as having been received in connection with a particular barter contract.

Respectfully submitted.

L. M. WALTERS,  
*Director, Surveys and Investigations, House Appropriations Committee.*

DECEMBER 6, 1963.

Re Diversions of feed grain shipped to Austria under barter program, Public Law 480, U.S. Department of Agriculture.

MEMORANDUM FOR THE CHAIRMAN:

There is set forth hereinafter a brief summary of the staff's findings in connection with the investigation of captioned directive. It is anticipated that a full report will be submitted in approximately 30 days.

*Pertinent provisions of the barter contract and procedures for enforcement*

The most pertinent provision in the barter contracts from the standpoint of this investigation is found in article XIII of the uniform barter contractual provisions (from CCC-111) incorporated by reference into all such contracts. This article covers export requirements and holds the barter contractor and his commodity agent to the warranty that no portion of the commodity obtained from CCC for export only, under the contract, will be transshipped out of the country to which it is destined under the contract. He, in turn, must include this provision in his contract with the foreign purchaser. In proof of export he is required to furnish that amount of proof as required by the U.S. Department of Agriculture (USDA) Commodity Office furnishing the commodity. The article further provides that shipment must be to an "eligible" country and to a "friendly foreign country."

Under the terms of these uniform contracts, Austria is the only country in West Europe fully eligible to receive barter shipments of feed grain under open-end contracts, i.e., where there is no requirement that the strategic material received in barter must come in direct exchange either from the country receiving the feed grain or from a third country. Moreover, USDA has never prescribed for its commodity offices a uniform requirement relative to proof that the commodity has been exported and, in the main, these offices have been content with a copy of the ocean bill of lading. This bill of lading shows that the commodity has been exported but does not offer any proof that it has reached the qualified country of destination and USDA never adopted, during the period of the diversion of feed grains shipped to Austria, any procedure for providing such assurance other than the warranty of the shipper (American commodity agent). Further, the American commodity agent himself has no proof other than the required contractual provision, and in some few instances a copy of a forwarding certificate showing that the shipment has been unloaded at a European port and reloaded for transshipment to Austria. Even this certificate is no guarantee that the shipment will arrive in the qualified country. Thus, even though the contracts do provide for liquidated damages in the event of breach of contract, the discovery of such breach would be by the most chance coincidence. Particularly is this true inasmuch as USDA had not set up any procedure to statistically establish that the total of all such shipments exported from the United States to any country had, in fact, been imported into such country.

2. *Extent of the diversion*

Although indications of possible diversions of grain shipped to Austria came to USDA's attention in the fall of 1961, the joint USDA-State Department investigation was not initiated until January 1963. This investigation has disclosed that for the fiscal years 1959-62 a total of 1,010,380 metric tons of feed grain (corn, barley, and sorghums) were exported by the United States under the barter program with destination as Austria. As of November 1963, it had been determined that, of this total, 568,428 metric tons did not arrive in Austria and were diverted to other countries. An additional 13,500 tons have not yet been accounted for and recent investigation indicates that some part of this tonnage likewise was diverted.

The great bulk of the diverted tonnage was unloaded at the ports of Hamburg and Bremen, Germany. Of the total diverted tonnage, 448,656 metric tons thus far have been accounted for by investigation conducted in West Germany, where investigation is still in progress. Final destinations of this tonnage accounted for were as follows:

	<i>Metric tons</i>
Quantity remaining in Federal Republic of Germany-----	266, 163
Quantity received by other countries:	
Denmark-----	65, 007
Netherlands-----	50, 502
Sweden-----	30, 915
Austria (relabeled as Argentine grain and reshipped to Austria) --	10, 500
East Germany-----	10, 015
England-----	6, 710
Liechtenstein-----	2, 815
Switzerland-----	2, 671
Belgium-----	2, 258
Norway-----	1, 100
 Total-----	 448, 656

The initial investigation at Hamburg, Germany, was at the \_\_\_\_\_ Co. and was predicated upon the receipt of information by the Austrian Economic Police from \_\_\_\_\_, Vienna, Austria, to the effect that his firm acted only as a dummy for \_\_\_\_\_ who was the true purchaser. According to \_\_\_\_\_ deposition to the Austrian Economic Police, \_\_\_\_\_ made payment to the American supplier in the name of \_\_\_\_\_ through Swiss banks as a result of which the name \_\_\_\_\_ did not appear in the transactions. The Austrian Economic Police had also received information from \_\_\_\_\_ that this firm had sold its barter grain to \_\_\_\_\_. Hamburg authorities, at the time of the staff's visit, had identified 327,889 metric tons as having been purchased by \_\_\_\_\_ Co. Of this quantity, 148,307 tons was transhipped to other Western European countries and 179,582 remained in West Germany.

The investigation so far conducted reveals that of the total of 568,428 metric tons of grain which did not reach Austria, 448,656 metric tons, or 79 percent, have been accounted for by investigation in Germany, leaving remaining diversions of 119,772 metric tons still to be accounted for. Through arrangements made while in Europe, the staff is receiving current information with respect to the results of the continuing investigation at Hamburg, Bremen, and Rotterdam. Additional dispositions of the diverted grain may be available before completion of the staff's report. This investigation in progress at the three aforementioned ports, when completed, should account for most of the remaining 119,772 metric tons.

In connection with the diversion of grain to Germany, it will be noted that the investigation conducted to date discloses that a shipment of 10,015 metric tons of barter grain (barley and corn) exported from the United States in 1960 moved into East Germany where it was consigned to \_\_\_\_\_. Of this shipment, 8,186 metric tons upon departure from the United States was destined for \_\_\_\_\_, Vienna, Austria, as buyer, and the balance of 1,829 tons was consigned to Austrian importer, \_\_\_\_\_, as buyer. Transshipment of this grain occurred at Hamburg, Germany, through the free port under controlled customs supervision. This is the only shipment to date which was found to have entered East Germany, or any other Soviet bloc country.

### 3. Strategic materials received for bartered grain

Over \$200 million worth of strategic materials have been received in connection with the barter contracts involved in the shipment of grain intended for Austria (which include the portions diverted). It is not possible to physically identify the specific materials received in return for the grain intended for Austria. The strategic materials received were, for the most part, comingled with similar material in the Government's stockpile and thus have lost their identity with the specific barter contract under which they were received. General Services Administration inspection procedures at the time such materials are received by the Government from the barter contractor serve to assure that this material meets Government specifications and that full value is received in return for the bartered grain. With respect to the barter con-

tracts in which the diversions are involved, full value has been received. The nature of the commodities received in exchange for the barter grain included industrial diamonds, antimony, manganese, ferrochrome, and other metals.

#### 4. *Responsibility for the diversion*

Investigation to date has established that the diversion was knowingly accomplished by at least four Austrian grain importers who have been charged with violations of Austrian law. Two additional Austrian importers, also charged with violations of Austrian law which were developed during the Austrian investigation, may ultimately be found to have contributed to the diversion. Investigation clearly shows that West German grain importers conspired to obtain the diverted grain and at least one of these importers is conclusively identified. Because West Germany was not eligible to receive feed grains under the barter program, these German importers were motivated to obtain the grains at the lower prices available under the barter program. Investigation has raised the suspicion that certain officials of the Austrian Government may have closed their eyes to the apparent diversion, but there is no clear evidence to establish this. There is no suspicion attached to officials of the West German Government.

As pointed out, the diversion was made possible by the lack of established controls by USDA to discover any infractions of the barter contracts and to enforce the provisions thereof. No evidence has been developed to indicate that the American barter contractors were in any way involved in the conspiracy to divert the feed grains. However, there are strong suspicions to indicate that their commodity agents (U.S. grain exporters) may at least have had knowledge of the diversion, if not an actual party to the conspiracy. Insufficient investigation has been conducted to establish conclusive evidence thereof; there is circumstantial evidence indicating involvement of ——— Co. of New Orleans.

The joint investigation of the executive branch begun in January 1963 is continuing and should establish the destination of all diverted grains and possibly will shed more light on the culpability of those responsible for the diversion, particularly with respect to the American commodity agents. The results of the joint investigation to date have been brought to the attention of the Department of Justice and are under consideration there as to possible civil and/or criminal action against American commodity agents. In the meanwhile, it is reasonable to expect that the oversea investigation by the executive branch will extend well into 1964 and cannot possibly be completed in January 1964, as originally hoped. For the majority of the 10-month period of investigation thus far pursued by the executive branch, two investigators were assigned. The adequacy and pace of this investigation will be the subject of comment in the staff's report.

Respectfully submitted,

L. M. WALTERS,

*Director, Surveys and Investigations, House Appropriations Committee.*

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#### DEPARTMENT'S STATEMENT

The diversion of bartered grain intended for delivery to Austria resulted from the opportunities inherent in movement of commodities through third countries in order to reach a landlocked destination. Verification procedures to meet this kind of circumstance were not adequate to detect promptly the diversion of grain. It should be pointed out that the controls exercised over barter transactions by the Department were and are such that the Government has received full value for all agricultural commodities that have been exported under barter contracts, including those specific barter contracts involved in the Austrian situation.

As soon as it became apparent that irregularities had occurred in deliveries of bartered grain to Austria, the Department moved promptly. The Office of the Inspector General, in cooperation with the Department of State, carried out an investigation to determine the extent of diversion and the responsible parties. A report is now with the Department of Justice. Immediate steps were taken to drastically revise and strengthen the existing system of export verifications and controls. At the present time, the receipt of bartered shipments of agricultural commodities in a designated country of destination must be confirmed by customs receipts attesting to the importation. In addition, the

agricultural attaché in the destination country is provided with advance information about the shipments and is required to verify on a test check basis the arrival of the commodities and the validity of the customs receipts.

These specific controls are supplemented by periodic reports from agricultural attachés showing imports and exports of agricultural commodities by the countries in which they are stationed. The attaché reports are reviewed in Washington by the Foreign Agricultural Service and compared and collated with program data and available market intelligence to insure further against commodity export irregularities.

The formalized system now appears in the "Foreign Agricultural Services Regulations"; title 10, "Economic and Program Compliance Reporting"; chapter 4, "Procedure for Checking on Exports and Entry of Imports of Agricultural Commodities Under Barter Contracts," as follows:

#### TITLE 10—ECONOMIC AND PROGRAM COMPLIANCE REPORTING

##### CHAPTER 4—PROCEDURE FOR CHECKING ON EXPORTS AND ENTRY OF IMPORTS OF AGRICULTURE COMMODITIES UNDER BARTER CONTRACTS

###### 400 PURPOSE

To prescribe instructions and assign responsibilities for ascertaining that agricultural commodities acquired by an exporter or his agent under contracts between the Commodity Credit Corporation and a barter contractor are exported to arrive in eligible countries of ultimate destination.

###### 401 AUTHORITY

The principal statutes authorizing the barter or exchange of agricultural commodities for strategic and other materials and for materials, goods, equipment, and services being procured abroad by the various departments and agencies of the U.S. Government are the CCC Charter Act, Sections 4(h), 5(d) and (f), as amended; and Public Law 480, Sections 302 and 303, as amended. Eligible destinations for bartered commodities are established periodically by the Secretary of Agriculture.

###### 402 RESPONSIBILITIES

402.1 *The Barter and Stockpiling Manager of the Foreign Agricultural Service, Washington* is responsible for determining that exports of bartered commodities are imported into eligible countries.

402.2 *Agricultural Attaché or Designated Officer from the Embassy or Consulate.* In countries where an Agricultural Attaché is resident he shall carry out the functions set forth in parts (1) — (5) of this sub-paragraph. In countries where no agricultural attaché is resident or in countries where an Agricultural Attaché is resident but temporarily absent from his post, the designated officer shall perform these functions. In countries where a P.L. 480, Title I or Title IV program is in effect, the designated officer shall be the officer designated under arrangements between the Department of State and Department of Agriculture to carry out the reporting functions on Title I and Title IV set forth in Chapter III, Title 10 of the Foreign Agricultural Service Regulations. In countries where there is no Title I Or Title IV program in effect, the designated officer shall be the officer designated by the principal officer of the post for barter and Commodity Credit Corporation credit sales as such programs become effective.

The Agricultural Attaché or designated officer shall:

(1) When requested by the Office of Barter and Stockpiling, Foreign Agricultural Service, Washington:

- a. Determine the adequacy and validity of Customs import certificates.
- b. Investigate any discrepancies between the commodities shipped and those received and report through channels to the Office of Barter and Stockpiling.
- c. Observe the unloading of commodities exported under the barter program and report through channels to the Office of Barter and Stockpiling, Foreign Agricultural Service, Washington.
- d. Visit importers of bartered commodities to inquire into the distribution the importer made of the commodities and report through channels to the Office of Barter and Stockpiling.

(2) When bartered commodities are being imported into the country, report through channels to the Office of Barter and Stockpiling for each calendar quarter within 30 days after the end of the quarter or as soon thereafter as the data are available the quantity and value of all exports and imports by destination and origin of the same or like commodities imported under barter with an explanation of the reason for the exports. Subsequent statements should be in a form permitting these data to be cumulated. Coordinate this reporting with that under Foreign Agricultural Service Regulation Title 10 Chapter 3, sub-paragraph 304.62 (1)c and Chapter 5, sub-paragraph 502.2 (2).

(3) In addition to regular reporting requirements on import policy, report through channels to the Office of Barter and Stockpiling any change in import quotas which in his judgment might affect imports of United States commodities under barter. Coordinate this reporting with that under Title 10 Chapter 3 paragraph 305 and Chapter 5 sub-paragraph 502.2 (3).

(4) Report through channels to the Office of Barter and Stockpiling as soon as possible any information, including that obtained from other U.S. government officials, local government officials, trade sources and press reports, indicating the diversion of bartered commodities before arrival in the country or the export after arrival in the country.

(5) Establish and maintain a current file of all records on the barter program in such a manner that if necessary an analysis and review of barter imports into their countries can be made.

402.3 *Reports Officer in the Office of the Assistant Administrator for Agricultural Attachés, Foreign Agricultural Service, Washington.* The Reports Officer shall:

(1) Transmit through channels to the Agricultural Attaché or designated officer all requests made by the Office of Barter and Stockpiling for reports from the Attaché or designated officer.

(2) Keep a record of these requests and take the necessary follow-up action to see that the reports are filed.

402.4 *The Office of Barter and Stockpiling Contract Administration Staff* shall:

(1) Receive, collate, reconcile, and post to contract control records information received pursuant to Agricultural Stabilization and Conservation Service (ASCS) Instruction 109 FI, as amended, from the ASCS Commodity Offices covering sales, deliveries, and export of agricultural commodities applied to barter contracts.

(2) Obtain from barter contractors or their agents two copies of an export certification on forms prescribed by the Office of Barter and Stockpiling and two copies of the bill of lading for each shipment. Send promptly by Air Mail one copy of each export certification with a copy of the applicable bill of lading to the Agricultural Attaché or designated officer in the country of ultimate destination to advise him of impending importations of bartered commodities.

(3) Collate and reconcile the information contained in the export certification and supporting bill of lading with commodity sales, delivery, and export information received from the ASCS Commodity Offices, and post to the contract control records.

(4) Obtain from barter contractors or their agents for each barter shipment as evidenced by an export certificate and an ocean bill of lading, a certificate signed or authenticated by a duly authorized Customs official of the importing country attesting to the importation of the commodities shown on the export certificate and ocean bill of lading.

(5) Check and reconcile the information provided by the Customs import certificate with that detailed in the appropriate export certification and bill of lading and post to the contract control record.

(6) If necessary request the Agricultural Attaché or designated officer to investigate discrepancies, take indicated action, and report.

(7) Explain and record in writing all discrepancies reconciled in (1), (3) and (5) of this subparagraph and keep a written record of actions taken with respect to discrepancies which cannot be reconciled.

(8) Send to the Agricultural Attaché or designated officer copies of selected Customs import certificates for determining the adequacy and validity of the certificates.

(9) Request the Agricultural Attaché or designated officer on selected shipments to observe the unloading of the cargo and report.

(10) Request the Agricultural Attaché or designated officer on selected shipments to visit the importer to inquire into the distribution which the importer made of the commodities.

(11) Prepare and send to the Agricultural Attaché or designated officer each calendar quarter a summary for the country to which he is assigned showing the agricultural commodities shipped under barter contracts and the imports of commodities as evidenced by the Customs import certificates received.

402.5 *The Office of Barter and Stockpiling Program Analysis Staff* shall notify the Agricultural Attachés or other designated officers in the countries affected of pending bilateral barter transactions. A bilateral barter transaction is one requiring delivery of agricultural commodities to the country which supplies the material.

#### TRANSPORTATION AND FACILITIES RESEARCH

Mr. WHITTEN. Now there is another matter, Mr. Secretary, in which the chairman of the Committee on Agriculture, Mr. Cooley of North Carolina, has gone into great detail in a letter to the President. He points out the real loss which would occur in his opinion if funds were left out of the budget for Transportation and Facilities Research Division of the Agricultural Marketing Service.

In this letter, from which I shall put excerpts in the record, attention is called to the work that would be eliminated in the event these funds were not restored. I am doing this because Mr. Cooley and I are in such thorough agreement as to the value of carrying on these activities, though we might have a different view as to just how much money might be needed to continue them.

If you would comment on those points, we would appreciate that, too.

(Excerpts from the letter follows:)

Under your recommendation, money would be denied for research done through the Transportation and Facilities Research Division, Agricultural Marketing Service, in the Department of Agriculture.

This recommendation is so obscured in the overall budget presentation that I am sure it did not come to your personal attention prior to your submission of the budget message. I just now have been made aware of its significance, through protests I am receiving from over the country.

I am entirely persuaded that you were uninformed of this budget item by the very fact that it is contrary to your own expressions, in this and other messages, of interest in consumers and in research.

Marketing research is, indeed, important to agriculture, but it is of far greater urgency to consumers. In this connection I call your attention to the fact that the farm value of food purchased by civilian consumers in the United States increased only from \$18.7 billion in 1947 to \$21.3 billion in 1963, while the marketing costs on this same food jumped from \$20.7 billion in 1947 to \$45.7 billion in 1963. And it is reasonable to assume that these marketing costs would have been several billions of dollars greater except for efficiencies encouraged and promoted through the research done by the Transportation and Facilities Research Division of the Agricultural Marketing Service.

The Congress, in the Agricultural Marketing Act of 1946, unanimously approved by both the House and the Senate, declared "that a sound, efficient, and privately operated system for distributing and marketing agricultural products is essential to a prosperous agriculture and is indispensable to the maintenance of full employment and to the welfare, prosperity, and health of the Nation." It further declared it to be the policy of Congress to promote through research, study, experimentation, and through cooperation among Federal and State agencies, farm organizations, and private industry a scientific approach to the problems of marketing, transportation, and distribution of agricultural products

similar to the scientific methods which have been utilized so successfully in the production of agricultural products."

Under this legislation the Secretary of Agriculture was directed "to conduct, assist, and foster research, investigation, and experimentation to determine the best methods of processing, preparation for market, packaging, handling, transporting, storing, distributing, and marketing agricultural products \* \* \* to foster and assist in the development and establishment of more efficient marketing methods, practices, and facilities for the purpose of bringing about more efficient and orderly marketing, and reducing the price spread between the producer and the consumer \* \* \* and to determine the needs and develop or assist in the development of plans for efficient facilities and methods of operating such facilities for the proper assembly, processing, transportation, storage, distribution, and handling of agricultural products."

These functions are being performed by the Transportation and Facilities Research Division in cooperation with marketing firms and associations and State agencies.

Denial of funds for these functions would, in effect, repeal a significant part of the Agricultural Marketing Act of 1946.

When I became aware of the budget recommendation on marketing research, I requested the staff of the Committee on Agriculture to look into the effect, and I am advised the proposed reduction in funds would eliminate the following work which has been highly effective in reducing the cost of getting farm and food products from farms to consumers:

1. Developing plans for and bringing about the construction of new wholesale food marketing facilities in many large cities, including Boston, Springfield, New Bedford, Providence, New Haven, New York, Newark, Philadelphia, Pittsburgh, Detroit, Chicago, San Juan, and Milwaukee. In most of these cities urban renewal programs are dependent upon the completion of plans for relocating the wholesale food industry out of blighted areas. Annual savings in food handling costs resulting from this work are great. For example, if the facilities being planned in New York City, one \$36,500,000 section of which is now under construction, can be satisfactorily completed and properly used, the savings in food handling costs in 2 months will equal all the Federal funds that have been appropriated for this type of research since the program began. The current appropriation for this type of work is about \$250,000.
2. The assistance given through State extension services and State departments of agriculture in developing new, and improving old, marketing facilities in producing areas for such operations as assembling and packing eggs, processing poultry, assembling and slaughtering livestock, fruit and vegetable assembly and packing, and the storage of grain. With an appropriation of \$100,000 per year plans for 200 new facilities in 30 States have been developed during the past 5 years with annual benefits in lowered marketing costs amounting to many times the expenditure for the research.
3. Research to reduce the cost of handling cotton in warehouses which is saving about \$5 million per year with a research expenditure of less than \$25,000.
4. The research programs being conducted at East Grand Forks, Minn., and Presque Isle, Maine, to improve the work methods, equipment, and facilities for handling and storing potatoes.
5. The work being done in Georgia to solve problems of drying, conditioning, handling, storage, and shelling of peanuts.
6. The work being done at Orlando, Fla., Fresno, Calif., and Yakima, Wash., to develop and evaluate shipping containers and consumer packages for many kinds of fresh fruits and vegetables.
7. A portion of the work being done to improve refrigerated transportation equipment for the handling of frozen foods and to find lower cost methods of transporting products from farms to consumers.
8. The program of improving the handling methods, equipment, facilities for grocery wholesaling, which has been instrumental in reducing gross margins 50 percent for these distributors and in making it possible for them to compete successfully with corporate chains.
9. The work to improve the efficiency of handling meat in retail stores which has been an important factor in doubling the quantity of meat sales per man-hour of labor and offers promise of increasing labor efficiency by an additional 25 to 30 percent and bringing significant savings in the amount of equipment and space needed for performing the cutting, packaging, and price-marketing function.

10. The research to improve the handling of fresh fruits and vegetables in retail stores that has helped increase labor efficiency by 25 percent and which promises significant additional savings in the future.

11. The recently inaugurated program to reduce the cost of handling food through institutional wholesalers and public feeding establishments.

I mentioned earlier that this budget recommendation is contrary to your expressions upon research and consumer interests. I respectfully suggest also that it does not harmonize with your concern, expressed in the message on agriculture, about the concentration of control over the marketing of food in the hands of a few large firms. This reduction in funds for marketing research would eliminate the work being done by the Department of Agriculture to improve the efficiency of medium- and small-size operators so that they may compete and remain in business.

(The Department's comments follow:)

#### DEPARTMENT COMMENTS ON PROPOSED REDUCTION IN TRANSPORTATION AND FACILITIES RESEARCH

The reduction proposed in the budget would eliminate research on market facility planning and wholesaling and retailing operations and, by terminating the work at a number of field locations, would reduce research on other physical handling of farm products in marketing channels. In total, the work of the Transportation and Facilities Research Division would not be eliminated but would be reduced by \$862,000 or to approximately one-half of the 1964 level.

These budget reductions are among many being proposed within the Department and throughout the Government in a sincere effort to reduce Federal expenditures and personnel levels. It is not possible to effect reductions of this scope without eliminating or reducing services which some groups or segments of the economy find useful and helpful. The Department is hopeful, however, that where the services involved in these reductions are recognized as being highly valuable, private industry or local government agencies will be stimulated to assume responsibility for them.

As reflected in Congressman Cooley's letter, widespread interest has been evidenced in the work of this Division and much of this work has, over the years, been performed in cooperation with marketing firms and associations and State agencies. Also, there are private research firms which have had experience in some phases of this work. Several have, for example, participated with the Department through contracts in conducting marketing facilities studies in some of our major cities. Thus, as a result of the work that has been done by the Department, not only is a substantial amount of research information available, but also considerable interest and experience has been generated outside the Federal Government. Interest has been particularly widespread in the work proposed for reduction in this Division due to the benefits directly apparent to specific groups. We are hopeful, therefore, that considerable work of the type affected by the budget reduction will continue without direct Federal funds.

#### ACTIONS TO PREVENT IRREGULARITIES UNDER DEPARTMENT PROGRAMS

Mr. WHITTEN. Mr. Secretary, I always believe a good policeman is one that makes himself seen around from time to time, so folks don't get into trouble, even unknowingly.

This committee is more interested in pointing out some of the dangers that might exist, instead of waiting until something really happens. I have reference to the fact that under the soil bank, from two or three investigations by this committee, we found some terrible examples of waste of public money such as paying large rentals for land that really did not produce. We found in some instances, people rented Federal Government land and then in turn rented it back to the Government at greatly increased rates. We found any number of things, many of which I don't recall, but they were just unbelievable.

We found many places where the individuals divided land up between members of their family, so as to defeat limitations. I am sure

the records, I know they are all familiar to Mr. Grant, are readily available to you in our prior hearings.

Now you, in turn, Mr. Secretary, have started one of these land resource programs and I look at it, frankly, with a little trepidation, as far as it being a cure for any of the agricultural problems. It might have some value in its own right, as a recreation activity or in some other way.

From our investigation in this area we find that in many instances there is no documentation of land ownership and eligibility; in other words, you enter into a contract and make payments, but there is no evidence that you are paying it to the right man. It may be you are, but your regulations don't require any evidence of this at all. We also find in many instances where the Department can pay the farmer in five equal payments, or a lump sum, that the lump sum has been paid on the basis of what a farmer promises to do, without any requirement that the work be done at all.

In other words, he gets the money but there isn't anything in the regulations that would require him to do the work. He could take his money and go south, as far as the regulations for this program are concerned.

One of the findings of our investigation is that there is no limitation on the scope of a conservation practice or amount of cost share payments by the U.S. Department of Agriculture. Another weakness we find is that you have no requirement that the practices be carried out on the acres covered in the contract. And I think about 30 percent of the land in some instances wasn't producing to start with.

You have in a number of cases provided funds for recreational projects, where the economic feasibility was not proven for it—nor did you pass on it. In several cases the farmers indicated to our investigators that they were having trouble coming up with their share.

Now, this is then a kind of mixed program. How much of it is agriculture, and how much is recreation for our friends in the cities and how much is to put somebody in a city business out in the country, I don't know. I do know that funds have been advanced under your program where you have entered into cost-sharing to be done on earth-moving related to creation of horseshoe, badminton, basketball, baseball, and tennis courts.

One midwestern State's cost-share on a golf course ran \$24 per acre, as compared to \$3.20 if you put vegetation cover under ACP.

In another case the cost-share payments are in excess of the \$2,500 limitation, which you do under the ACP program, which we have such a problem with each year.

In one instance, total cost was \$17,734 for a hunting, fishing, and camping enterprise, which figures \$285 per acre. Also, it clearly indicates the possibility that per acre costs in some cases might exceed the value of the land. In other words, you spend more on improving the land than it was worth to start with.

And there is nothing in the regulations to require that the recreation facility be made available to the public. You might help someone on this, insofar as your regulations are concerned, to provide a first-class hunting, fishing and camping enterprise for his family, and keep everybody else out.

You had about \$6,150,000 in 1963 for the old soil bank holdover or the conservation reserve, and \$1,850,000 under your new pilot program.

For the next fiscal year, for 1965, you have \$6 million under the old program and \$5 million for the new one making a total of \$11,350,000.

I will make available to you the report of our investigation. But if you start off on a \$5 or \$6 million program, as loose as this situation seems to be, you might end up with more adverse publicity than your predecessor did in this same type of program. If these regulations are not prepared and carried out in the beginning, certainly the past proves that this program can't last, and somebody is going to be embarrassed.

I wish you would read this report and supply for the record what action you take to investigate it, what you expect to do to correct the particular instances, and what change in regulations you make prior to the conclusion of this committee hearing. Changes in regulations are going to be essential if in my opinion the committee is to go along with this program, even on an experimental basis.

Secretary FREEMAN. I appreciate, Mr. Chairman, being advised in connection with this and I can assure you I will give the matter of these regulations and the operation of this pilot program my personal attention. If there is some administrative slackness in connection with it, we will take action to correct it.

(The information is as follows:)

DEPARTMENT OF AGRICULTURE,  
Washington, D.C., March 24, 1964.

HON. JAMIE L. WHITTEN,

*Chairman, House Appropriations Subcommittee on Department of Agriculture and Related Agencies, U.S. House of Representatives, Washington, D.C.*

DEAR MR. WHITTEN: When I appeared before your committee recently, you requested that I examine the report of your investigators, the provisions of the cropland conversion program and the manner in which the 1963 program was carried out in the field and then supply for the record what corrective actions we propose to take for the future. At that time, I assured you that I would give the matter of the operation of this pilot program and the regulations pertaining to it my personal attention. I want to express to the committee my appreciation and the appreciation of ASCS for the opportunity to review the report of the investigators. The investigation was thorough and the investigators were very cooperative and considerate in their work with our offices.

We have followed up on each specific criticism some of which dealt with problems ASCS already had encountered in the pilot program and for which they already had developed corrective proposals for future programs. In the course of this examination, I think we have covered all of the items to which you called my attention when I met with your committee. Comments are enclosed on those matters which we understand were of concern to the committee. If you desire further information on these or any other matters with respect to this program, we shall be glad to submit it.

Sincerely,

ORVILLE L. FREEMAN, *Secretary.*

RESPONSE TO CRITICISM OF CROPLAND CONVERSION PROGRAM STATED IN APPROPRIATION HEARINGS, HOUSE SUBCOMMITTEE

1. *No limit was placed on the amount of cost-sharing assistance in meeting the conservation needs of a particular project or area*

All cost-sharing assistance was limited to not more than 80 percent of the cost of the practice; usually it was only 50 percent. We imposed no top on the total extent of the practices for which cost sharing could be used in meeting the conservation problem. Experience was needed on how extensive an offer was needed in order to induce participation. Also we needed experience on how extensively

we might encounter needs for practices in order to judge whether limits were necessary. As a result of the experience in the pilot program, we expect to establish in future programs, a maximum limit per acre for conservation cost sharing. This limitation will be set low enough to eliminate inordinately expensive conservation problem areas from the program unless the farmer is willing to bear all of the costs above those encountered in usual situations. Our intent will be to achieve the maximum conversion with available funds rather than to solve the most severe conservation problems. This rule will leave to the farmer a choice as to whether he shifts land to grass, trees, or recreation while at the same time protecting the program against excessive costs regardless of which alternative use the farmer makes of the land. Also, it is proposed to adopt arrangements for future programs which will prevent the total obligation under an agreement from being in excess of the average value of comparable cropland in the locality even though we only found two instances under the 1963 cropland conversion program where total payments to the farmer exceed the value of the designated cropland.

## *2. Determination of eligibility of landowner and of land*

In some cases the investigators found no documentation of the determination that the landowner was eligible and that the land was eligible to participate in the program.

In the pilot program, ASC committees were dealing with a relatively few farmers, usually well known to the committee, its employees, and those of the Soil Conservation Service. These people fully discussed the program with the farmer and some of them visited his farm. Therefore, it was not necessary to require the filing of documentary proof of ownership of the land. Each participating farmer certified that he met the eligibility requirements of the program. Each owner expressly represented on the agreement that he was owner of the land. No cases of misrepresentation of ownership were reported by the investigators. Under an expanded program, we would, of course, require documentary proof of ownership if ASCS representatives did not have personal knowledge of the man's eligibility.

To be eligible for the higher adjustment payment, the land must have been in a row crop or small grain during one of the last 3 years or in certain program uses. Records developed from participation by the farm in other ASCS programs often established whether or not the land had been so used. Farmers were required to certify as to the eligibility of the land. A determination as to the past use of the land not only was made but the determination was verified by an inspection of the land either before signing the contract or during the first year of the contract. Often the specific crop uses which made the land eligible were recorded field by field. This will be required for future programs. No cases of improper determination of land eligibility were reported by the investigators.

## *3. Lump-sum payments*

Lump-sum adjustment payments were provided in the 1963 pilot program for the purpose of making maximum assistance available to the producers at the time it was most needed in making the conversion from one use to another. Experience has borne out that this was particularly effective in connection with all types of diversion including the shifting into recreation enterprises as well as the utilization of land shifted into grass. It should be pointed out that a producer has a choice of taking the adjustment payment in five equal annual installments in lieu of lump-sum payment. It is planned to continue this provision for future programs. It is also pointed out that the owner of the designated land is required to sign the agreement in all cases and is responsible for compliance thereunder. Therefore, the owner is responsible and liable for any refunds of payments required.

## *4. Cost-share payments for measures on other than designated cropland acres*

In many instances, especially in connection with the development of recreation projects, it is essential to the success of a project to carry out land treatment measures on other than designated cropland. This was recognized by the Congress as expressed in paragraph (e)(1) of section 101 of the Soil Conservation and Domestic Allotment Act which authorized this program. It is believed the proposed limitations to be placed on cost-share payments plus the limitation placed on the total obligations for a project, as expressed in item 1 above, will provide adequate protection to avoid excessive cost in connection with land treatment measures carried out on noncropland. It is also pointed out that the designated cropland must be maintained in a conservation use for the period of agreement even though we may spend some cost shares on other than designated land.

### 5. Recreation project considerations

During the 1963 trial period all applications for recreation projects were jointly scrutinized by representatives of the Forest Service, SCS, and ASCS for practicability and cost. Likewise, the national RAD Board's recommendations were sought with respect to approval of a project in a given country. A \$200 maximum per acre figure was used as a guide for arriving at the amount to be approved for each project. This maximum figure included all conversion payments, cost shares and technical service costs for each project. In some instances a higher limitation appeared to be justified and was granted. In most cases this result was due to adjustments between the actual measured acreage designated as compared to the estimated acreage used when the project was approved or an increase in cost shares or technical service costs required to complete the project as compared to estimated costs for these items at time of project approval.

SCS is reimbursed for all technical service rendered. In many instances, especially in connection with recreational projects involving the development of water recreation activities, these costs represent a substantial part of the total cost of the project and are difficult to accurately predetermine. Also the technical service charges reported by the investigators include service charges made for projects in the counties which did not result in a cropland conversion program agreement and, therefore, in some cases the average per acre figure reported does not represent a true obligation for the specific project.

The Macon County, N.C., project has been canceled by the producer because of the substantial reduction in the acreage actually designated as compared with his intended diversion at time of project approval. This reduction in acreage reduced the project maximum authorization to \$1,400. Also, the producer was unable to obtain needed financing.

The project authorizations for Chelan and Island Counties, Wash., were approved at the present level because of the following circumstances:

(a) Agreements were erroneously approved, due to misunderstanding, permitting the designation of substantially less acres than the producer intended to divert at time the project was approved.

(b) On the basis of these erroneous agreements, the producers proceeded to establish the practices required to make the diversion and made commitments to complete the work. In view of this the producers and representatives of the SCS and ASCS conferred on the situation and arrived at some adjustments in total costs. However, because of the outstanding nature of the project and the fact that commitments had been made to the producers on signed and approved agreements and some payments made thereunder, authority was granted to honor the agreements at the higher limitations.

The Harrison County, Ind., project reflects a high per acre obligation due to including technical service charges which were made on other projects in Indiana which did not result in cropland conversion program agreements.

Cost-share payments for developing horseshoe, badminton, basketball, and tennis courts in connection with recreation projects were limited to earthmoving for necessary drainage and leveling. These types of recreation facilities are often essential to the success of an income-producing recreational project, especially a project designed to attract all members of a family to the farmer's facility. The elements for which cost sharing was authorized are those associated with conservation of soil and water. The cost was not shared for such facilities as benches, backstops, playing equipment, or hard surfacing.

Cost sharing in connection with the development of golf courses was limited to establishing vegetative cover (land preparation, seed, and necessary minerals) for fairways. No cost sharing was authorized for the establishment of greens, traps, or other necessary elements. The establishment of grass on fairways requires considerably more effort, seed, and materials per acre than an ordinary pasture seeding. For example, at 50 percent of the cost, the cost-share payment per acre for establishing grass cover for a golf course in a midwestern county might be \$24 per acre, whereas the average cost share for establishing grass under the ACP in the Midwest would be about \$12 per acre.

For future programs, county committees will be required to consult with persons and groups most qualified in the area to determine the need for additional recreational facilities of the type being considered. It is believed this was done in connection with most recreation projects being developed under the 1963 program. This, of course, will involve some consideration of the financial success of the project but this is a judgment which in the final analysis must rest with the applicant.

#### 6. *Public use of recreation projects*

It is our belief that public use of recreation conversions is implicit in the regulations and if a participant refuses to make the project available to "other than his own family" USDA is empowered to institute action for recovery of adjustments and cost-share payments. State and county operating officials are being instructed to initiate action of this nature whenever a situation comes to their attention where the use of a recreation facility is being limited to his own family. Steps will be taken to ascertain that this provision is brought to the attention of all future applicants.

Mr. WHITTEN. In regard to failure to account for oversea shipments of U.S. commodities, there are several other countries involved that are not covered by our investigation report. Turkey, Colombia, and Vietnam are the countries in which shortages have occurred, or a failure to report exists.

Now, we realize that in most of these programs we are dealing with surpluses. We realize that through the years the United States, through Public Law 480, has used commodities in an effort to help underdeveloped areas. We realize that under the food for peace program we are selling for foreign currencies, or they are getting it without really paying us for it, and since they are paying for it with their currency, they are probably not near so demanding insofar as quality and things of that nature. That in itself is a temptation to the American seller to unload most any kind of quality that they will take. I think it has led to American business, based on investigations of our committee, buying some good wheat, some sorry wheat and some in-between wheat, mixing it up and shipping it abroad to the point that they can get by with it. This has led to a lowering of the reputation of American commodities abroad.

We saw this in one of the citrus States on a different basis during the war when citrus was hard to come by. They exported anything that grew on a tree, you might say. As a result, as soon as competition came into the picture, it took them years to regain the reputation of citrus from their area.

I mention all of these things to commend you in one instance for recognizing it in the changing the grades of wheat. The same type of thing could well apply to cotton, where they buy it from you at one grade, and then sell it in world trade for what the foreign country or the buyer will pay for it. They insist that has been the practice throughout the years, and doubtless it has.

But the pressure on you is probably not the same when we are sell to foreign countries under Public Law 480 as when dollars are involved. So I hope these things will have your attention and you will provide for the record the facts insofar as you see them, plus the changes in your regulations that we can expect.

Secretary FREEMAN. Very good, sir.

(The information referred to follows:)

The Department of Agriculture makes every effort to assure that commodities which are sold under titles I and IV of Public Law 480 are of good quality and of the type and grade which will meet the requirements of the importing country. When an agreement is signed with a new country our technicians and specialists meet with representatives of the importing country, explain to them U.S. marketing practices, and recommend the grade and quality that we think they should purchase in order to meet their requirements. When purchase authorizations are issued they specify the minimum grades that will be eligible for financing under the program. Very often our technicians will assist representatives of the importing country in developing specifications for tenders. In

the last few years we have tightened our inspection procedures so that now we require that all commodities sold under titles I or IV authorizations be inspected by an authorized inspection service. The actual grade and quality of the commodity to be purchased is specified in the contract between the U.S. private exporter and the foreign importer and the safeguards which we have established will assure that commodities delivered under the program will meet contract requirements for quality.

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#### COTTON

Public Law 480 regulations applicable to title I and title IV sales of cotton, where the Government has the direct financing interest, provides that CCC will not finance sales where the exporter's contract price exceeds the prevailing range of export prices for comparable cotton.

All sales made and registered under the above programs are price analyzed for compliance with regulations by the following basic steps:

A. We require the shipper to supply us with the quality of cotton called for by the contract if sold on basis of universal standard designations or an actual sample (private type) of the cotton he is contracting to supply if sold on basis of private type. Private type sales predominate and all such samples are classed for quality by USDA classers. By established formulas the shipper's contract price is compared to the maximum price the contracted quality will support. If contract price exceeds the maximum acceptable price CCC refuses to accept the sale for financing. If contract price is determined not to exceed the maximum acceptable price the sale is registered for financing.

B. In the case of "description" and "private type" sales CCC requires that cotton to be shipped be classed by AMS classing service on the basis of official samples from at least 10 percent of the bales in the shipment. CCC designates the bales to be sampled from the shipper's tag lists and notifies the warehouseman to draw and forward the samples to AMS for classification. Since the bales to be sampled are designated after the tag list is supplied by the shipper and no standard formula of bale designation is used whereby bales to be sampled can be predetermined the shipper cannot influence the precise bales to be sampled. The results of the AMS classification of the 10 percent bale sample serves as a basis for CCC to make pricing comparisons between contract price, prices based on private classification and the quality of the cotton shipped. From such comparative price analysis CCC makes its determination as to whether or not to submit the sale to foreign arbitration boards for a determination if the cotton actually shipped by the U.S. exporter was up to the quality standard called for by contract terms. If a quality deficiency is thus determined to have occurred the appropriate price adjustment is established by the appropriate arbitration group which is procedurally spot checked by CCC for adequacy.

C. Program procedures provide for sales to be contracted on USDA Form A classification. This means that each bale is officially classed for quality and appropriate price check is made before the sale is registered for financing.

Since the initiation of the price and quality checking procedures described above in late 1962, we have no cases of a shipper engaging in a flagrant violation to provide cotton of the quality called for in the contract called to our attention. Neither have we observed or detected from our reports that qualities delivered, after arbitration and/or appealed, if conducted were noticeably out of line with the contract price.

The Department does not exercise direct supervision over the quality of cotton shipped under contracts conducted on the basis of dollar commercial sales. It is our understanding, however, that most such contracts provide for arbitration before an organized Foreign Exchange Arbitration Board. Either the buyer or seller can place a shipment of cotton before the proper arbitration board for a determination, on a bale basis, as to whether any bales are below the quality called for by contracts. Awards, if any, by such boards are subject to appeals to an appeal board for further rulings as to quality compliance with contract terms.

#### MEAT AND POULTRY INSPECTION ORGANIZATION

Mr. WHITTEN. Mr. Secretary, last year the Department indicated that a study was being made of the possibility of consolidating meat

and poultry inspection which would lead to closer coordination and some monetary savings. What is the status of that study?

Secretary FREEMAN. We have been giving intensive consideration to that question, Mr. Chairman. We have found that the cooperation and coordination between the staff administering the two programs is generally satisfactory under the present arrangement, though a consolidation could be expected to make coordination somewhat easier. The two agencies have already taken advantage of many opportunities that exist for savings through cross-utilization of manpower, although in a consolidated organization we could expect to achieve some additional limited savings at the headquarters level and at the field supervisory level. At the same time, a consolidation would create many new problems through disrupting the close working relationships that exist with other on-going programs within each of the agencies now administering the two programs, such as the animal disease eradication work of the Agricultural Research Service and the meat and poultry grading work of the Agricultural Marketing Service. Furthermore, representatives of the meat industry have voiced their opposition to transferring meat inspection to AMS while representatives of the poultry industry are equally opposed to transferring poultry inspection to ARS.

Mr. WHITTEN. Thank you, Mr. Secretary.

Secretary FREEMAN. Gentlemen, it is always a pleasure. Thank you very much.

Mr. WHITTEN. Thank you, Mr. Secretary. We appreciate the chance to visit with you.

The committee will stand adjourned for the day.

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MONDAY, FEBRUARY 24, 1964.

## THE BUDGET FOR THE DEPARTMENT OF AGRICULTURE

### WITNESSES

JOSEPH M. ROBERTSON, ADMINISTRATIVE ASSISTANT SECRETARY  
CHARLES L. GRANT, DIRECTOR OF FINANCE AND BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

HARRY B. WIRIN, DEPUTY DIRECTOR OF FINANCE, DEPARTMENT OF AGRICULTURE

SAM H. NEEL, CHIEF, DIVISION OF BUDGET POLICIES AND OPERATIONS, OFFICE OF BUDGET AND FINANCE

Mr. WHITTEN. The committee will come to order.

We shall insert in the record pages 4 through 8 of the committee print.

(The pages referred to follow:)

## TITLE I—GENERAL ACTIVITIES

Item	Appropriations, 1964 (adjusted)	Budget estimates, 1965	Budget estimates, 1965 compared with appropriations, 1964
<b>Agricultural Research Service:</b>			
Salaries and expenses:			
Research.....	\$91,391,700	\$98,615,000	+\$7,223,300
Plant and animal disease and pest control.....	64,318,000	65,955,000	+1,637,000
Meat inspection.....	27,896,000	30,837,000	+2,941,000
Total.....	<sup>1</sup> 183,605,700	<sup>1</sup> 195,407,000	+11,801,300
Salaries and expenses (special foreign currency program).....	1,250,000	5,000,000	+3,750,000
Total, Agricultural Research Service.....	184,855,700	200,407,000	+15,551,300
<b>Cooperative State Research Service: Payments and expenses.....</b>			
	41,428,000	42,460,000	+1,032,000
<b>Extension Service:</b>			
Payments to States and Puerto Rico.....	67,295,000	64,705,000	-2,590,000
Retirement costs for extension agents.....	7,272,500	7,410,000	+137,500
Penalty mail.....	3,113,000	3,113,000	-----
Federal Extension Service.....	2,401,000	2,451,000	+50,000
Total, Extension Service.....	80,081,500	77,679,000	-2,402,500
<b>Farmer Cooperative Service.....</b>			
	1,059,200	1,102,200	+43,000
<b>Soil Conservation Service:</b>			
Conservation operations.....	97,926,000	98,750,000	+824,000
Watershed protection.....	63,447,000	65,848,000	+2,401,000
Flood prevention.....	25,423,000	22,656,000	-2,767,000
Great Plains conservation program.....	13,612,000	14,744,000	+1,132,000
Resource conservation and development.....	1,496,000	2,044,000	+548,000
Total, Soil Conservation Service.....	201,904,000	204,042,000	+2,138,000
<b>Economic Research Service: Salaries and expenses.....</b>			
	9,246,800	9,476,000	+229,200
<b>Statistical Reporting Service: Salaries and expenses.....</b>			
	10,590,900	11,431,400	+840,500
<b>Agricultural Marketing Service:</b>			
Marketing Research and Service.....	42,233,975	43,975,000	+1,741,025
Payments to States and possessions.....	1,500,000	1,425,000	-75,000
Special milk program.....	99,834,000	<sup>2</sup> (99,831,000)	-99,834,000
School lunch program.....	<sup>3</sup> 136,616,000	<sup>3</sup> 147,610,000	+10,994,000
Total, Agricultural Marketing Service.....	280,183,975	193,010,000	-87,173,975
<b>Foreign Agricultural Service: Salaries and expenses.....</b>			
	<sup>4</sup> 18,587,500	<sup>4</sup> 20,561,000	+1,973,500
<b>Commodity Exchange Authority.....</b>			
	1,053,000	1,119,000	+66,000
<b>Agricultural Stabilization and Conservation Service:</b>			
Expenses, Agricultural Stabilization and Conservation Service.....			
Sugar Act program.....	<sup>5</sup> 104,370,500	<sup>5</sup> 114,562,000	+10,191,500
Agricultural conservation program.....	78,000,000	87,500,000	+9,500,000
Conservation reserve program.....	215,000,000	225,000,000	+10,000,000
Cropland conversion program.....	294,000,000	198,000,000	-96,000,000
Total, Agricultural Stabilization and Conservation Service.....	702,720,500	635,062,000	-67,658,500
<b>Office of Rural Areas Development.....</b>			
	120,000	124,000	+4,000
<b>Office of Inspector General.....</b>			
	<sup>6</sup> 9,712,400	9,874,000	+161,600
<b>Office of the General Counsel.....</b>			
	3,698,500	3,853,000	+154,500
<b>Office of Information.....</b>			
	1,634,000	1,648,000	+14,000
<b>National Agricultural Library:</b>			
Salaries and expenses.....			
Library facilities.....	1,326,140	1,347,000	+20,860
<b>Office of Management Services.....</b>			
	450,000	7,000,000	+6,550,000
<b>General administration.....</b>			
	<sup>6</sup> 2,541,200	2,527,000	-14,200
	3,223,000	3,372,000	+149,000
Total, title I, general activities.....	1,554,416,315	1,426,094,600	-128,321,715

<sup>1</sup> In addition, reappropriation of \$1,000,000 proposed for special fund.<sup>2</sup> By transfer from sec. 32 funds.<sup>3</sup> In addition, \$45,000,000 transfer from sec. 32 funds authorized.<sup>4</sup> In addition, \$3,117,000 transfer from sec. 32 funds authorized.<sup>5</sup> In addition, transfers from Commodity Credit Corporation provided as follows: Fiscal year 1964, \$94,885,000; fiscal year 1965, \$87,708,000.<sup>6</sup> Amounts transferred from other agencies of the Department.

## TITLE II—CREDIT AGENCIES

Item	Appropriations, 1964 (adjusted)	Budget estimates, 1965	Budget estimates, 1965 compared with appropriations, 1964
Rural Electrification Administration:			
Loan authorizations:			
Electrification.....	<sup>1</sup> \$(425,000,000)	<sup>2</sup> (\$365,000,000)	(-\$60,000,000)
Telephone.....	(70,000,000)	(63,000,000)	(-7,000,000)
Total, loan authorizations.....	(495,000,000)	(428,000,000)	(-67,000,000)
Salaries and expenses.....	11,149,000	11,518,000	+369,000
Total, Rural Electrification Administration.....	11,149,000	11,518,000	+369,000
Farmers Home Administration:			
Rural housing loans.....	25,000,000		-25,000,000
Direct loan account:			
Real estate loans.....	(60,000,000)	(25,000,000)	(-35,000,000)
Operating loans.....	<sup>3</sup> (300,000,000)	(300,000,000)	
Total, direct loan account.....	(360,000,000)	(325,000,000)	(-35,000,000)
Rural renewal.....	1,200,000	2,190,000	+990,000
Rural housing for the elderly revolving fund.....	3,500,000	5,000,000	+1,500,000
Salaries and expenses.....	38,043,900	40,284,000	+2,240,100
Total, Farmers Home Administration.....	67,743,900	47,474,000	-20,269,900
Total, title II, credit agencies:			
Loan authorizations.....	(855,000,000)	(753,000,000)	(-102,000,000)
Direct appropriation.....	78,892,900	58,992,000	-19,900,900

## TITLE III—CORPORATIONS

Federal Crop Insurance Corporation:			
Administrative and operating expenses:			
Appropriation.....	\$6,944,000	\$6,942,000	-\$2,000
Premium income.....	(3,505,000)	(3,649,000)	(+144,000)
Total, Federal Crop Insurance Corporation.....	6,944,000	6,942,000	-2,000
Commodity Credit Corporation:			
Reimbursement for net realized losses.....	2,699,400,000	1,724,000,000	-975,400,000
Limitation on administrative expenses.....	(41,650,000)	(37,650,000)	(-4,000,000)
Total, Commodity Credit Corporation.....	2,699,400,000	1,724,000,000	-975,400,000
Total, title III, corporations.....	2,706,344,000	1,730,942,000	-975,402,000

## TITLE IV—FOREIGN ASSISTANCE PROGRAMS

Public Law 480:			
Sales for local currency.....	\$1,452,000,000	\$1,893,000,000	+\$441,000,000
Emergency famine relief.....	215,451,000	264,000,000	+48,549,000
Long-term supply contracts.....	52,515,000	58,000,000	+5,485,000
Total, Public Law 480.....	1,719,966,000	2,215,000,000	+495,034,000
International Wheat Agreement.....	86,218,000	31,838,000	-54,380,000
Bartered materials for supplemental stockpile.....	82,860,000	120,000,000	+37,140,000
Total, title IV, foreign assistance programs.....	1,889,044,000	2,366,838,000	+477,794,000

<sup>1</sup> Includes \$150,000,000 contingency authorization.<sup>2</sup> Includes \$85,000,000 contingency authorization.<sup>3</sup> Includes \$50,000,000 contingency authorization.

## TITLE V—RELATED AGENCIES

Item	Appropriations, 1964 (adjusted)	Budget estimates, 1965	Budget estimates, 1965 compared with appropriations, 1964
Farm Credit Administration: Limitation on administrative expenses.....	(\$2, 785, 000)	(\$2, 876, 000)	(+\$91, 000)
Total, title V, related agencies.....	(2, 785, 000)	(2, 876, 000)	(+91, 000)
Total appropriations:			
Title I—General activities.....	1, 554, 416, 315	1, 426, 094, 600	-128, 321, 715
Title II—Credit agencies.....	78, 892, 900	58, 992, 000	-19, 900, 900
Title III—Corporations.....	2, 706, 344, 000	1, 730, 942, 000	-975, 402, 000
Title IV—Foreign assistance programs.....	1, 889, 044, 000	2, 366, 838, 000	+477, 794, 000
Grand total.....	6, 228, 697, 215	5, 582, 866, 600	-645, 830, 615

## PERMANENT APPROPRIATIONS

Agricultural Marketing Service:			
Removal of surplus agricultural commodities (sec. 32).....	\$368, 001, 556	\$378, 000, 000	+\$9, 998, 444
Perishable Agricultural Commodities Act fund.....	830, 000	893, 000	+63, 000
Total, Agricultural Marketing Service.....	368, 831, 556	378, 893, 000	+10, 061, 444
Agricultural Stabilization and Conservation Service:			
National Wool Act.....	90, 179, 493	80, 500, 000	-9, 679, 493
Total, permanent appropriations.....	459, 011, 049	459, 393, 000	+381, 951

## PROPOSED FOR LATER SUBMISSION

	Fiscal year 1964 <sup>1</sup>	Fiscal year 1965
Under existing authority:		
Agricultural Research Service, meat inspection.....	\$840, 000	
Agricultural Marketing Service, poultry inspection.....	173, 000	
Agricultural Stabilization and Conservation Service, expenses.....	15, 200, 000	
Agricultural Stabilization and Conservation Service, Sugar Act.....	6, 400, 000	
Agricultural Stabilization and Conservation Service, cropland conversion.....	10, 000, 000	
Under proposed new legislation:		
Agricultural Research Service, meat inspection.....		-\$30, 837, 000
Agricultural Marketing Service, poultry inspection and other regulatory activities.....		-18, 635, 000
Agricultural Stabilization and Conservation Service, cropland conversion.....	33, 000, 000	47, 000, 000
Rural Electrification Administration revolving fund <sup>2</sup> .....		(-347, 000, 000)
Farmers Home Administration, rural housing insurance fund.....		100, 000, 000
Farmers Home Administration, salaries and expenses.....		3, 000, 000
Total.....	65, 613, 000	100, 528, 000

<sup>1</sup> Reflects estimates shown in 1965 budget. Supplemental submissions may differ from these amounts based on more current estimates.

<sup>2</sup> Represents estimated decrease in authority to borrow from Treasury if proposed legislation adopted.

Mr. WHITTEN. Mr. Grant, we will be glad to have your general statement.

## GENERAL STATEMENT

Mr. GRANT. Thank you, Mr. Chairman. I appreciate this opportunity to summarize for the committee the 1965 budget for the Department.

I have two of my associates from the Office of Budget and Finance with me today: Harry Wirin, Deputy Director of the Office, who will be assisting me throughout these hearings, and Sam Neel, who has

previously appeared before the committee. Mr. Wirin was formerly budget officer of the Agricultural Stabilization and Conservation Service.

Mr. WHITTEN. First may I say, Mr. Grant, we did not take cognizance of the fact that Mr. Robertson, Administrative Assistant Secretary, is here. We appreciate his being here. As we said last year, it is much better to have a representative of the Secretary's Office here. On occasion we get into policy matters in other fields and the man actually doing the work cannot always answer our questions. I don't think that would apply to Mr. Grant. During the hearings of the Department there will be times when some of these matters will involve the Secretary level. We are glad to have you with us, Mr. Robertson.

Mr. ROBERTSON. Thank you.

Mr. WHITTEN. You may proceed.

Mr. GRANT. I have furnished each member of the committee a table which summarizes items under the various titles of the bill. The total estimate for 1965, including the Forest Service and permanent appropriations, is \$6,367 million. This is a reduction of \$626 million below 1964. If we exclude the Forest Service, for comparability with the items in this bill, the total for 1965 is \$5,582,866,600, a reduction of \$645,830,615 below 1964.

These totals, as well as those appearing on the other tables before the committee, exclude the transfers from CCC and section 32 funds for research which were authorized in the 1964 appropriation act.

When these transfers were authorized there was not time to work them into the budget tables and documents. However, plans and preparations for this work are going forward, and Dr. Shaw and Dr. Brady will discuss that in more detail tomorrow.

The larger table which you have, identified as table 1 in the book of tables, indicates in more detail the appropriations for 1964, the budget estimates for 1965, and the increases and decreases.

(The tables referred to follow:)

*Summary of appropriations, 1963 and 1964, and budget estimates, 1965*

	1963 actual	1964 estimate	1965 budget estimates	Increase (+) or decrease (-) 1965 compared with 1964
Title I, general activities.....	\$1,503,505,311	\$1,554,416,315	\$1,426,094,600	-\$128,321,715
Title II, credit agencies:				
Appropriations.....	46,346,645	78,892,900	58,992,000	-19,900,900
Loan authorizations.....	(820,000,000)	(855,000,000)	(753,000,000)	(-102,000,000)
Title III, corporations.....	2,377,412,507	2,706,344,000	1,730,942,000	-975,402,000
Title IV, foreign assistance programs.....	2,085,022,000	1,889,044,000	2,366,838,000	+477,794,000
Forest Service appropriations.....	248,246,222	253,824,000	271,538,000	+17,714,000
Permanent appropriations.....	434,290,040	510,819,789	512,911,000	+2,091,211
Total, U.S. Department of Agriculture.....	6,694,822,725	6,993,341,004	6,367,315,600	-626,025,404
Deduct appropriations to Forest Service and permanent appropriations.....	-682,536,262	-764,643,789	-784,449,000	-19,805,211
Total, items in agricultural appropriation bill.....	6,012,286,463	6,228,697,215	5,582,866,600	-645,830,615

TABLE 1.—Budget estimates, 1965 compared with appropriations and REA and FHA loan authorizations, 1964

[NOTE.—Amounts for 1964 are adjusted for comparability with the appropriation structure proposed in the 1965 budget estimates. Amounts in parentheses are not included in totals]

Agency or Item	Appropriations and loan authorizations, 1964	Budget estimates, 1965	Increase (+) or decrease (-)		Total
			Pay costs	Other	
General activities:					
Agricultural Research Service:					
Salaries and expenses:					
Research.....	\$91,331,700	\$98,615,000	+\$1,343,000	+\$5,880,300	+\$7,223,300
Plant and animal disease and pest control.....	64,318,000	65,848,000	+1,530,000	+700,000	+1,637,000
Meat inspection.....	27,896,000	30,857,000	+2,961,000	+2,244,000	+2,941,000
Total, salaries and expenses.....	183,605,700	195,407,000	+2,977,000	+8,824,300	+11,801,300
Salaries and expenses (special foreign currency program).....	1,250,000	3,000,000	-----	+3,750,000	+3,750,000
Total, Agricultural Research Service.....	184,855,700	200,407,000	+2,977,000	+12,574,300	+15,551,300
Cooperative State Research Service (principally payments to States).....	41,628,000	42,490,000	+862,000	+1,000,000	+1,052,000
Extension Service (principally payments to States).....	80,083,500	77,679,000	-2,404,500	-2,452,500	-2,402,500
Farmer Cooperative Service.....	1,059,200	1,102,200	+43,000	+20,000	+43,000
Soil Conservation Service:					
Conservation operations.....	97,926,000	98,750,000	+1,815,000	-991,000	+824,000
Watershed protection.....	63,447,000	65,848,000	+2,401,000	+1,973,000	+2,401,000
Flood prevention.....	23,423,000	22,496,000	-927,000	-2,707,000	-2,707,000
Great Plains conservation program.....	13,612,000	14,744,000	+1,132,000	+1,093,000	+1,152,000
Resource conservation and development.....	1,496,000	2,044,000	+548,000	+527,000	+548,000
Total, Soil Conservation Service.....	201,004,000	204,042,000	+2,482,000	-344,000	+2,138,000
Economic Research Service.....	3,243,800	3,476,000	+232,200	-----	+232,200
Statistical Reporting Service.....	10,590,800	11,431,400	+840,600	+683,500	+840,600
Agricultural Marketing Service:					
Marketing research and service.....	42,933,975	43,975,000	+977,000	+764,025	+1,741,025
Payments to States.....	1,400,000	1,435,000	+35,000	+75,000	+75,000
Special milk program.....	98,884,000	1 (99,831,000)	-----	-99,834,000	-99,834,000
School lunch program.....	136,616,000	147,610,000	+10,994,000	+10,994,000	+10,994,000
Total, Agricultural Marketing Service.....	280,183,975	193,010,000	+977,000	-88,150,975	-87,173,975
Foreign Agricultural Service.....	18,487,500	20,561,000	+2,073,500	+1,770,500	+1,973,500
Commodity Exchange Authority.....	1,053,000	1,119,000	+66,000	+45,000	+66,000
Agricultural Stabilization and Conservation Service:					
Expenses, Agricultural Stabilization and Conservation Service.....	104,370,500	114,562,000	+10,191,500	+8,430,085	+10,191,500
Sugar Act program.....	78,000,000	87,500,000	+9,500,000	+9,500,000	+9,500,000
Agricultural conservation program.....	215,000,000	2 (225,000,000)	-----	+10,000,000	+10,000,000
Conservation reserve program.....	294,000,000	198,000,000	-96,000,000	-96,000,000	-96,000,000

Cropland conversion program.....	11,350,000	10,000,000		-1,350,000	-1,350,000
Total, Agricultural Stabilization and Conservation Service.....	702,720,500	635,062,000	+1,761,415	-69,419,915	-67,658,500
Office of Rural Areas Development.....	120,000	124,000	+3,000	+1,000	+4,000
Office of the Inspector General.....	3,971,240	9,874,000	+161,600	+69,000	+161,600
Office of the General Counsel.....	3,698,500	3,853,000	+85,500	+69,000	+154,500
Office of Information.....	1,634,000	1,645,000	+14,000		+14,000
National Agricultural Library:					
Salaries and expenses.....	1,326,140	1,347,000	+20,860		+20,860
Library facilities.....	450,000	7,000,000		+6,550,000	+6,550,000
Total, National Agricultural Library.....	1,776,140	8,347,000	+20,860	+6,550,000	+6,570,860
Office of Management Services.....	3,254,100	2,527,000	+47,000	-61,200	-14,200
General administration.....	3,223,000	3,372,000	+57,000	+92,000	+149,000
Forest Service.....	253,824,000	271,538,000	+2,868,000	+14,846,000	+17,714,000
Total, annual appropriations for general activities.....	1,808,240,315	1,697,632,000	+12,199,575	-122,807,290	-110,607,715
Deduct amount for Forest Service.....	-253,824,000	-271,538,000	-2,868,000	-14,846,000	-17,714,000
Total, annual appropriations for general activities from general fund of Treasury as shown in subcommittee print.....	1,554,416,315	1,425,094,000	+9,331,575	-137,653,290	-128,321,715
Credit agencies:					
Rural Electrification Administration:					
Rural electrification loans.....	(425,000,000)	(365,000,000)	(-----)	(-60,000,000)	(-60,000,000)
Rural telephone loans.....	(70,000,000)	(63,000,000)	(-----)	(-7,000,000)	(-7,000,000)
Total, Rural Electrification Administration loans (authorizations to borrow from Treasury).....	(495,000,000)	(428,000,000)	(-----)	(-67,000,000)	(-67,000,000)
Salaries and expenses.....	11,149,000	11,518,000	+242,000	+127,000	+369,000
Total, Rural Electrification Administration.....	11,149,000	11,518,000	+242,000	+127,000	+369,000
Farmers Home Administration:					
Real estate and operating loans (limitation on loans made from receipts deposited in loan account).....	(350,000,000)	(325,000,000)	(-----)	(-25,000,000)	(-25,000,000)
Rural housing loans.....	25,000,000	2,190,000		+990,000	+990,000
Rural housing.....	1,200,000	5,000,000		+1,500,000	+1,500,000
Rural housing for the elderly revolving fund.....	3,590,000	40,234,000	+1,000,000	+1,240,100	+2,240,100
Salaries and expenses.....	38,043,900	47,474,000	+1,000,000	-21,239,000	-20,289,900
Total, Farmers Home Administration.....	67,743,900	47,474,000	+1,000,000	-21,239,000	-20,289,900
Total, credit agencies:					
Loan authorizations.....	(855,000,000)	(753,000,000)	(-----)	(-102,000,000)	(-102,000,000)
Appropriations.....	78,892,900	55,992,000	+1,242,000	-21,142,900	-19,900,900

See footnotes at end of table, p. 237.

TABLE 1.—Budget estimates, 1965 compared with appropriations and REA and FHA loan authorizations, 1964—Continued

Agency or item	Appropriations and loan authorizations, 1964	Budget estimates, 1965	Increase (+) or decrease (-)		Total
			Pay costs	Other	
<b>Corporations:</b>					
Federal Crop Insurance Corporation:					
Operating and administrative expenses.....	\$6,944,000	\$6,942,000	-----	-\$2,000	-\$2,000
Federal crop insurance fund (operating expense payable from premium income).....	(3,505,000)	(3,649,000)	-----	(+141,000)	(+144,000)
Total, Federal Crop Insurance Corporation.....	6,944,000	6,942,000	-----	-2,000	-2,000
Commodity Credit Corporation:					
Reimbursement for net realized losses.....	2,699,400,000	1,724,000,000	-----	-975,400,000	-975,400,000
Limitation on administrative expenses.....	(41,650,000)	(37,650,000)	-----	(+4,004,985)	(-4,000,000)
Total, Commodity Credit Corporation.....	2,699,400,000	1,724,000,000	-----	-975,400,000	-975,400,000
Total, Corporations.....	2,706,344,000	1,730,942,000	-----	-975,402,000	-975,402,000
<b>Foreign assistance programs:</b>					
Public Law 480:					
Sale of surplus agricultural commodities for foreign currencies.....	1,452,000,000	1,883,000,000	-----	+441,000,000	+441,000,000
Commodities disposed of for emergency famine relief to friendly peoples.....	215,451,000	264,000,000	-----	+48,549,000	+48,549,000
Long-term supply contracts.....	52,515,000	58,000,000	-----	+5,485,000	+5,485,000
Total, Public Law 480.....	1,719,966,000	2,215,000,000	-----	+495,034,000	+495,034,000
International Wheat Agreement.....	86,218,000	31,838,000	-----	-54,380,000	-54,380,000
Bartered materials for supplemental stockpile.....	82,860,000	120,000,000	-----	+37,140,000	+37,140,000
Total, foreign assistance programs.....	1,889,044,000	2,366,838,000	-----	+477,794,000	+477,794,000
Total (as shown in subcommittee print).....	6,228,697,215	5,582,866,600	+10,573,575	-686,404,190	-646,830,615
<b>Permanent appropriations:</b>					
Removal of surplus agricultural commodities (sec. 32).....	368,001,556	378,000,000	-----	+9,998,444	+9,998,444
National Wool Act.....	90,179,493	80,500,000	-----	-9,679,493	-9,679,493
All other permanent appropriations.....	52,688,740	54,411,000	-----	+1,722,260	+1,722,260
Total, permanent appropriations.....	510,819,789	512,911,000	-----	+2,091,211	+2,091,211
Deduct permanent appropriations for the Forest Service.....	-51,808,740	-53,518,000	-----	-1,709,260	-1,709,260
Total, permanent appropriations in subcommittee print.....	459,011,049	459,393,000	-----	+381,951	+381,951

Proposed for separate transmittal:					
Supplementals proposed for 1964:					
For increased meat inspection workload and reclassification of meat inspectors.	840,000				-840,000
For reclassification of poultry inspectors.	173,000				-173,000
For administrative expenses of the feed grain program.	15,200,000				-15,200,000
Sugar Act program.	6,400,000				-6,400,000
Cropland conversion program.	10,000,000				-10,000,000
Fighting forest fires.	13,000,000				-13,000,000
Total, supplementals proposed for 1964.	45,613,000				-45,613,000
Deduct Forest Service supplemental.	-13,000,000				+13,000,000
Total, 1964 supplementals.	32,613,000				-32,613,000
Effects of proposed new legislation:					
To place meat inspection on a self-financing basis.			-30,837,000		-30,837,000
To place poultry inspection on a self-financing basis.			-16,622,000		-16,622,000
To abolish Standard Container, Naval Stores, Tobacco Seed Export, and Wool Standards Acts.			-113,000		-113,000
To place grain inspection on a voluntary basis and charge fees for supervisory costs.			-1,900,000		-1,900,000
Cropland conversion program.			47,000,000		+14,000,000
Rural housing insurance fund (including administration).		33,000,000	103,000,000		+103,000,000
REA loans—effect of proposed direct loan account.			(-347,000,000)		(-347,000,000)
Total, effects of proposed new legislation.		33,000,000	100,528,000		+67,528,000
Total, proposed for separate transmittal in subcommittee print.	65,613,000		100,528,000		+34,915,000

administration) for the 1965 program.

<sup>1</sup>The 1965 budget estimates propose that this program be financed by transfer from "Removal of surplus agricultural commodities" (sec. 32).

<sup>2</sup>The 1965 budget estimates propose an advance authorization of \$120,000,000 (excluding

<sup>3</sup> Transferred from other agencies of the Department.

TABLE 2.—Subappropriations: Appropriations and REA and FHA loan authorizations, 1963, 1964, and budget estimates, 1965

[NOTE.—Amounts for 1963 and 1964 include all supplemental appropriations to date and are adjusted for comparability with the appropriation structure proposed in the 1965 budget estimates. Amounts in parentheses not included in totals]

Agency or item	Appropriations and loan authorizations, 1963 <sup>1</sup>	Appropriations and loan authorizations, 1964	Budget estimates, 1965	Change, budget estimates, 1965, compared with appropriations and loan authorizations, 1964
<b>GENERAL ACTIVITIES</b>				
<b>Agricultural Research Service:</b>				
Salaries and expenses:				
Research.....	\$88, 110, 222	<sup>2</sup> \$91, 391, 700	\$98, 615, 000	+\$7, 223, 300
Plant and animal disease and pest control <sup>3</sup> .....	<sup>4</sup> 59, 450, 714	64, 318, 000	65, 955, 000	+1, 637, 000
Meat inspection.....	25, 885, 559	27, 896, 000	30, 837, 000	+2, 941, 000
Total, salaries and expenses <sup>5</sup> .....	173, 446, 495	183, 605, 700	195, 407, 000	+11, 801, 300
Salaries and expenses (special foreign currency program).....	5, 265, 000	1, 250, 000	5, 000, 000	+3, 750, 000
Total, Agricultural Research Service.....	178, 711, 495	184, 855, 700	200, 407, 000	+15, 551, 300
<b>Cooperative State Research Service:</b>				
Payments and expenses:				
Payments to agricultural experiment stations.....	37, 613, 000	39, 863, 000	40, 863, 000	+1, 000, 000
Grants for cooperative forestry research.....		1, 000, 000	1, 000, 000	
Penalty mail.....	250, 000	310, 000	310, 000	
Federal administration.....	257, 788	255, 000	287, 000	+32, 000
Total, Cooperative State Research Service.....	38, 120, 788	41, 428, 000	42, 460, 000	+1, 032, 000
<b>Extension Service:</b>				
Cooperative extension work, payments and expenses:				
Payments to States and Puerto Rico.....	63, 278, 750	67, 295, 000	64, 705, 000	-2, 590, 000
Retirement and employee compensation fund costs for extension agents.....	6, 765, 000	7, 272, 500	7, 410, 000	+137, 500
Penalty mail.....	2, 801, 250	3, 113, 000	3, 113, 000	
Federal Extension Service.....	2, 412, 600	2, 401, 000	2, 451, 000	+50, 000
Total, Extension Service.....	75, 257, 600	80, 081, 500	77, 679, 000	-2, 402, 500
Farmer Cooperative Service.....	1, 012, 174	1, 059, 200	1, 102, 200	+43, 000
<b>Soil Conservation Service:</b>				
Conservation operations.....				
Watershed protection <sup>6</sup> .....	93, 850, 760	97, 926, 000	98, 750, 000	+824, 000
Flood prevention <sup>6</sup> .....	61, 300, 744	63, 447, 000	65, 848, 000	+2, 401, 000
Great Plains conservation program <sup>6</sup> .....	25, 316, 405	25, 423, 000	22, 656, 000	-2, 767, 000
Resource conservation and development <sup>6</sup> .....	12, 347, 550	13, 612, 000	14, 744, 000	+1, 132, 000
Total, Soil Conservation Service.....	192, 815, 459	201, 904, 000	204, 042, 000	+2, 138, 000
Economic Research Service.....	8, 900, 913	9, 246, 800	9, 476, 000	+229, 200
Statistical Reporting Service.....	9, 362, 353	10, 590, 900	11, 431, 400	+840, 500
<b>Agricultural Marketing Service:</b>				
Marketing research and service.....				
Payments to States and possessions.....	40, 713, 794	42, 233, 975	43, 975, 000	+1, 741, 025
Special milk program.....	1, 425, 000	1, 500, 000	1, 425, 000	-75, 000
School lunch program <sup>8</sup> .....	99, 853, 700	99, 834, 000	<sup>7</sup> (99, 831, 000)	-99, 834, 000
	124, 677, 900	136, 616, 000	147, 610, 000	+10, 994, 000
Total, Agricultural Marketing Service.....	266, 670, 394	280, 183, 975	193, 010, 000	-87, 173, 975
<b>Foreign Agricultural Service:</b>				
Salaries and expenses <sup>9</sup> .....				
Salaries and expenses (special foreign currency program).....	17, 060, 070	18, 587, 500	20, 561, 000	+1, 973, 500
	4, 000, 000			
Total, Foreign Agricultural Service.....	21, 060, 070	18, 587, 500	20, 561, 000	+1, 973, 500

See footnotes at end of table, p. 242.

TABLE 2.—Subappropriations: Appropriations and REA and FHA loan authorizations, 1963, 1964, and budget estimates, 1965—Continued

Agency or item	Appropriations and loan authorizations, 1963 <sup>1</sup>	Appropriations and loan authorizations, 1964	Budget estimates, 1965	Change, budget estimates, 1965, compared with appropriations and loan authorizations, 1964
GENERAL ACTIVITIES—continued				
Commodity Exchange Authority.....	1,014,003	1,053,000	1,119,000	+66,000
Agricultural Stabilization and Conservation Service:				
Expenses, Agricultural Stabilization and Conservation Service <sup>10</sup> .....	94,176,827	104,370,500	114,562,000	<sup>11</sup> +10,191,500
Sugar Act program.....	77,641,504	78,000,000	87,500,000	+9,500,000
Agricultural conservation program <sup>12</sup> .....	212,006,297	215,000,000	225,000,000	+10,000,000
Conservation reserve program <sup>13</sup> .....	<sup>14</sup> 303,989,345	294,000,000	198,000,000	-96,000,000
Cropland conversion program.....	<sup>15</sup> 2,000,000	11,350,000	10,000,000	-1,350,000
Total, Agricultural Stabilization and Conservation Service.....	689,813,973	702,720,500	635,062,000	-67,658,500
Office of Rural Areas Development.....	84,690	120,000	124,000	+4,000
Office of the Inspector General.....	<sup>16</sup> 8,912,724	<sup>16</sup> 9,712,400	9,874,000	+161,600
Office of the General Counsel.....	3,588,126	3,698,500	3,853,000	+154,500
Office of Information.....	1,614,307	1,634,000	1,648,000	+14,000
National Agricultural Library:				
Salaries and expenses.....	1,096,409	1,326,140	1,347,000	+20,860
Library facilities.....		450,000	7,000,000	+6,550,000
Total, National Agricultural Library.....	1,096,409	1,776,140	8,347,000	+6,570,860
Office of Management Services.....	<sup>17</sup> 2,366,975	<sup>17</sup> 2,541,200	2,527,000	-14,200
General Administration.....	3,102,858	3,223,000	3,372,000	+149,000
Forest Service:				
Forest protection and utilization:				
Forest land management <sup>18</sup> .....	156,633,122	146,834,000	150,419,000	+3,585,000
Forest research.....	25,530,500	25,853,000	29,944,000	+4,091,000
State and private forestry cooperation.....	15,852,600	15,917,000	16,955,000	+1,038,000
Total, forest protection and utilization.....	<sup>19</sup> 198,016,222	188,604,000	197,318,000	+8,714,000
Forest roads and trails.....	<sup>20</sup> 44,500,000	63,200,000	72,300,000	+9,100,000
Access roads.....	2,000,000			
Acquisition of lands for national forests:				
Superior National Forest.....	2,000,000			
Special acts.....	30,000	70,000	70,000	
Wasatch National Forest.....		250,000	150,000	-100,000
Cooperative range improvements.....	700,000	700,000	700,000	
Assistance to States for tree planting.....	1,000,000	1,000,000	1,000,000	
Total, Forest Service.....	248,246,222	253,824,000	271,538,000	+17,714,000
Total, general activities.....	1,751,751,533	1,808,240,315	1,697,632,600	-110,607,715
Deduct amount for Forest Service.....	-248,246,222	-253,824,000	-271,538,000	-17,714,000
Total, general activities from general fund of Treasury as shown in subcommittee print <sup>21</sup> .....	1,503,505,311	1,554,416,315	1,426,094,600	-128,321,715
CREDIT AGENCIES				
Rural Electrification Administration:				
Loan authorizations:				
Rural electrification <sup>22</sup> .....	(400,000,000)	(425,000,000)	(365,000,000)	(-60,000,000)
Rural telephone <sup>23</sup> .....	(80,000,000)	(70,000,000)	(63,000,000)	(-7,000,000)
Total, (authorizations to borrow from Treasury) <sup>24</sup> .....	(480,000,000)	(495,000,000)	(428,000,000)	(-67,000,000)
Salaries and expenses.....	10,355,300	11,149,000	11,518,000	+369,000
Total, Rural Electrification Administration.....	10,355,300	11,149,000	11,518,000	+369,000

See footnotes at end of table, p. 242.

TABLE 2.—Subappropriations: Appropriations and REA and FHA loan authorizations, 1963, 1964, and budget estimates, 1965—Continued

Agency or item	Appropriations and loan authorizations, 1963 <sup>1</sup>	Appropriations and loan authorizations, 1964	Budget estimates, 1965	Change, budget estimates, 1965, compared with appropriations and loan authorizations, 1964
CREDIT AGENCIES—continued				
Farmers Home Administration:				
Real estate and operating loans (limitation on loans made from receipts deposited in direct loan account):				
Real estate loans.....	(\$50,000,000)	(\$60,000,000)	(\$25,000,000)	(-\$35,000,000)
Operating loans.....	(290,000,000)	(300,000,000)	(300,000,000)	-----
Total, loan authorizations.....	<sup>25</sup> (340,000,000)	<sup>25</sup> (360,000,000)	(325,000,000)	(-35,000,000)
Rural renewal.....		1,200,000	2,190,000	+990,000
Rural housing loans.....		25,000,000	-----	-25,000,000
Rural housing for the elderly revolving fund.....	<sup>26</sup> 1,000,000	3,500,000	5,000,000	+1,500,000
Salaries and expenses.....	34,991,345	38,043,900	40,284,000	+2,240,100
Total, Farmers Home Administration.....	35,991,345	67,743,900	47,474,000	-20,269,900
Total, credit agencies as shown in subcommittee print:				
Loan authorizations.....	(820,000,000)	(855,000,000)	(753,000,000)	(-102,000,000)
Appropriations.....	46,346,645	78,892,900	58,992,000	-19,900,900
Total appropriations.....	46,346,645	78,892,900	58,992,000	-19,900,900
CORPORATIONS				
Federal Crop Insurance Corporation:				
Administrative and operating expenses.....	6,714,357	6,944,000	6,942,000	-2,000
Federal Crop Insurance Corporation fund (operating expenses payable from premium income) ..	(3,265,250)	(3,505,000)	(3,649,000)	(+144,000)
Total, Federal Crop Insurance Corporation.....	6,714,357	6,944,000	6,942,000	-2,000
Commodity Credit Corporation:				
Reimbursement for net realized losses.....	2,278,455,000	2,699,400,000	1,724,000,000	-975,400,000
Reimbursement for costs of special milk program (1961 and 1962 costs).....	92,243,150	-----	-----	-----
Limitation on administrative expenses <sup>27</sup> .....	(43,188,500)	(41,650,000)	(37,650,000)	(-4,000,000)
Total, Commodity Credit Corporation.....	2,370,698,150	2,699,400,000	1,724,000,000	-975,400,000
Total, corporations.....	2,377,412,507	2,706,344,000	1,730,942,000	-975,402,000
FOREIGN ASSISTANCE PROGRAMS				
Public Law 480:				
Sale of surplus agricultural commodities for foreign currencies.....	1,588,804,000	1,452,000,000	1,893,000,000	+441,000,000
Commodities disposed of for emergency famine relief to friendly peoples.....	250,000,000	215,451,000	264,000,000	+48,549,000
Long-term supply contracts.....	40,000,000	52,515,000	58,000,000	+5,485,000
Total, Public Law 480.....	1,878,804,000	1,719,966,000	2,215,000,000	+495,034,000
International Wheat Agreement.....	81,218,000	86,218,000	31,838,000	-54,380,000
Bartered materials for supplemental stockpile.....	125,000,000	82,860,000	120,000,000	+37,140,000
Total, foreign assistance programs.....	2,085,022,000	1,889,044,000	2,366,838,000	+477,794,000
Total above items (as shown in subcommittee print).....	6,012,286,463	6,228,697,215	5,582,866,600	-645,830,615

See footnotes at end of table, p. 242.

TABLE 2.—Subappropriations: Appropriations and REA and FHA loan authorizations, 1963, 1964, and budget estimates, 1965—Continued

Agency or item	Appropriations and loan authorizations, 1963 <sup>1</sup>	Appropriations and loan authorizations, 1964	Budget estimates, 1965	Change, budget estimates, 1965, compared with appropriations and loan authorizations, 1964
PERMANENT APPROPRIATIONS				
General fund appropriations:				
Removal of surplus agricultural commodities (sec. 32) <sup>23</sup>	\$316,843,537	\$368,001,556	\$378,000,000	+\$9,998,444
National Wool Act, Agriculture	69,164,861	90,179,493	80,500,000	-9,679,493
Payments to school funds, Arizona and New Mexico, national forests receipts	80,462	100,413	110,000	+9,587
Total	386,088,860	458,281,462	458,610,000	+328,538
Appropriations from special sources:				
Perishable agricultural Commodities Act fund (special receipt fund) <sup>23</sup>	744,459	830,000	893,000	+63,000
Roads and trails for States, national forests receipts	10,900,118	12,000,882	12,400,000	+399,118
Expenses, brush disposal, Forest Service (special receipt fund) <sup>23</sup>	8,757,953	9,000,000	9,200,000	+200,000
Forest fire prevention <sup>23</sup>	27,643	45,000	25,000	-20,000
Restoration of forest lands and improvements	20,929	100,000	100,000	-----
Payment to Minnesota (Cook, Lake, and St. Louis Counties) from national forest receipts	125,432	130,986	133,000	+2,014
Payments to counties, national grasslands	389,506	437,500	450,000	+12,500
Payments to States, national forests fund	27,235,140	29,993,959	31,100,000	+1,106,041
Total	48,201,180	52,538,327	54,301,000	+1,762,673
Total, permanent appropriations	434,290,040	510,819,789	512,911,000	+2,091,211
Deduct, permanent appropriations for the Forest Service	-47,537,183	-51,808,740	-53,518,000	-1,709,260
Total, permanent appropriations in subcommittee print	386,752,857	459,011,049	459,393,000	+381,951
PROPOSED FOR SEPARATE TRANSMITTAL				
Supplementals proposed for 1964: <sup>23</sup>				
Under existing legislation:				
Agricultural Research Service: Salaries and expenses (meat inspection)	-----	840,000	-----	-840,000
Agricultural Marketing Service: Marketing research and service (poultry inspection)	-----	173,000	-----	-173,000
Agricultural Stabilization and Conservation Service:	-----	-----	-----	-----
Expenses, Agricultural Stabilization and Conservation Service	-----	15,200,000	-----	-15,200,000
Sugar Act program	-----	6,400,000	-----	-6,400,000
Cropland conversion program	-----	10,000,000	-----	10,000,000
Total, Agricultural Stabilization and Conservation Service	-----	31,600,000	-----	-31,600,000
Forest Service: Forest protection and utilization	-----	13,000,000	-----	-13,000,000
Total supplementals proposed for 1964 under existing legislation	-----	45,613,000	-----	-45,613,000
Deduct Forest Service supplemental	-----	-13,000,000	-----	+13,000,000
Total supplementals proposed for 1964	-----	32,613,000	-----	-32,613,000

See footnotes at end of table, p. 242.

TABLE 2.—*Subappropriations: Appropriations and REA and FHA loan authorizations, 1963, 1964, and budget estimates, 1965—Continued*

Agency or item	Appropriations and loan authorizations, 1963 <sup>1</sup>	Appropriations and loan authorizations, 1964	Budget estimates, 1965	Change, budget estimates, 1965, compared with appropriations and loan authorizations, 1964
PROPOSED FOR SEPARATE TRANSMITTAL—continued				
Effects of proposed new legislation:				
To place meat inspection on a self-financing basis.....			-\$30,837,000	-\$30,837,000
To place poultry inspection on a self-financing basis.....			-16,622,000	-16,622,000
To abolish Standard Container, Naval Stores, Tobacco Seed Export, and Wool Standards Acts.....			-113,000	-113,000
To place grain inspection on a voluntary basis and charge fees for supervisory costs.....			-1,900,000	-1,900,000
Cropland conversion program.....		\$33,000,000	47,000,000	+14,000,000
Rural housing insurance fund (including administration).....			103,000,000	+103,000,000
REA loans (effect of proposed direct loans account).....			<sup>20</sup> (-347,000,000)	(-347,000,000)
Total, effects of proposed new legislation.....		33,000,000	100,528,000	+67,528,000
Total, proposed for separate transmittal in subcommittee print.....		65,613,000	100,528,000	+34,915,000

<sup>1</sup> Includes supplemental appropriations for pay and postal costs provided in the Supplemental Appropriation Act, 1963.

<sup>2</sup> In addition, the 1964 appropriation act provides for a transfer of not to exceed \$15,000,000 from the Commodity Credit Corporation.

<sup>3</sup> Includes contingency funds of \$1,500,000 for use to the extent necessary to meet emergency outbreaks of insects and plant diseases.

<sup>4</sup> In addition, there was available \$2,750,000 provided in the 2d Supplemental Appropriation Act, 1962, to remain available until June 30, 1963.

<sup>5</sup> In addition, appropriation acts for 1963 and 1964 and budget estimates for 1965 include language authorizing a reappropriation of \$1,000,000 of prior year funds to provide for additional labor to be employed to strengthen research installations in the field.

<sup>6</sup> In addition, prior year balances available.

<sup>7</sup> The 1965 budget estimates propose that this program be financed by transfer from "Removal of surplus agricultural commodities" (sec. 32).

<sup>8</sup> In addition, appropriation acts for 1963 and 1964 authorized and the 1965 budget estimates propose, a transfer of \$45,000,000 from sec. 32 funds for purchase of agricultural commodities for distribution to schools.

<sup>9</sup> In addition a transfer of \$3,117,000 from sec. 32 funds was authorized in 1963 and 1964 and is proposed for 1965.

<sup>10</sup> In addition, transfers from Commodity Credit Corporation were authorized and are proposed as follows: 1963, \$81,379,500; 1964, \$94,885,000; 1965 budget estimates, \$87,708,000. On a basis comparable to the proposed transfer in 1965, 1963 and 1964 transfers would have been \$119,322,345 and \$91,720,000, respectively.

<sup>11</sup> Including transfers from Commodity Credit Corporation, the net increase is \$6,179,500.

<sup>12</sup> The 1965 budget estimates propose an advance authorization of \$120,000,000 (excluding administration) for the 1965 crop year program for which an appropriation will be requested in 1966.

<sup>13</sup> In addition, prior year balances available.

<sup>14</sup> Includes \$4,000,000 appropriated in the Supplemental Appropriation Act, 1963.

<sup>15</sup> Appropriated in the Supplemental Appropriation Act, 1963.

<sup>16</sup> Represents amounts transferred from other agencies of the Department, 1963 amount includes transfer of \$225,000 specifically authorized by 1963 appropriation act.

<sup>17</sup> Represents amounts transferred from other agencies of the Department.

<sup>18</sup> Includes contingency fund for use to the extent necessary as follows: (1) \$5,000,000 for emergency fire-fighting and (2) \$1,910,000 for insect and disease control.

<sup>19</sup> Includes \$15,000,000 provided in the Supplemental Appropriation Act, 1963.

<sup>20</sup> Includes \$7,000,000 provided in the Supplemental Appropriation Act, 1963.

<sup>21</sup> Includes amounts transferred from permanent appropriations and obligations of corporate funds, included above in the Office of the Inspector General and Office of Management Services, as follows: "Removal of surplus agricultural commodities," 1963, \$1,225,000, 1964, \$1,390,000; "Perishable Agricultural Commodities Act fund," 1963, \$2,000, 1964, \$2,000; "Obligations from corporate funds," 1963, \$3,042,373, 1964, \$3,196,000.

<sup>22</sup> Including carryover balances and rescissions of prior year loans, electrification loans totaling \$241,021,500 were approved in fiscal year 1963 and are estimated at \$300,000,000 in 1964 and 1965.

<sup>23</sup> Including carryover balances and rescissions of prior year loans, telephone loans totaling \$86,257,000 were approved in fiscal year 1963 and are estimated at \$90,000,000 in 1964 and \$85,000,000 in 1965.

<sup>24</sup> Amounts include reserve authorizations of \$100,000,000 in 1963, \$150,000,000 in 1964, and \$65,000,000 proposed for 1965.

<sup>25</sup> Includes \$50,000,000 contingency authorization.

- <sup>25</sup> Appropriated in the "Supplemental appropriated" in the Supplemental Appropriation Act, 1963.  
<sup>27</sup> Appropriation acts and budget estimates provide that not less than 7 percent of the limitation shall be placed in reserve for use only as necessary to carry out program operations.  
<sup>28</sup> In addition, prior year balances are available.  
<sup>29</sup> Reflects estimates shown in the 1965 budget. When actually submitted, the supplementals may differ from the items and accounts shown as a result of more current estimates and outlook.  
<sup>30</sup> Represents the estimated decrease in authority to borrow from the Treasury if proposed legislation is enacted.

TABLE 3.—Statement of increases and decreases, budget estimates, 1965, compared with appropriations and loan authorizations, 1964

[Based on 1964 appropriations as adjusted for comparability with the appropriation structure proposed in the budget estimates for 1965]

GENERAL ACTIVITIES	
Agricultural Research Service:	
Research:	
Staffing and operating new and expanded farm research laboratories and watershed research centers.....	+\$1, 500, 000
Research to avoid or minimize hazards associated with the control of agricultural pests.....	+1, 500, 000
Strengthening research on foot-and-mouth disease, Plum Island, N. Y.....	+500, 000
Expansion of food science research.....	+250, 000
Construction of facilities at Fort Collins, Colo., for sugarbeet, pasture, and range research.....	+1, 000, 000
Construction, alteration, and improvement of research facilities at the Agricultural Research Center.....	+1, 394, 300
Pay act costs.....	+1, 343, 000
Decrease due to closing research at small field stations.....	-264, 000
Net increase, research.....	+\$7, 223, 300
Plant and animal disease and pest control:	
Additional plant quarantine inspection at ports-of-entry to provide increased protection against introduction of foreign pests and diseases.....	+\$230, 000
Strengthening animal inspection and quarantine to prevent introduction and dissemination of foreign animal diseases.....	+175, 000
Increased activities under the Virus-Serum-Toxin Act to assure safety and potency of veterinary biologics.....	+195, 000
Additional registration and enforcement activities related to "economic poisons" regulated under the Federal Insecticide, Fungicide, and Rodenticide Act and related laws.....	+800, 000
Pay act costs.....	+937, 000
To eliminate screw-worm inspection activities in the Southeast.....	-650, 000
Reduction in imported fire ant control and eradication.....	-50, 000
Net increase, plant and animal disease and pest control.....	+1, 637, 000
Meat inspection:	
Additional inspectors to meet increasing requests for Federal meat inspection and to provide for periodic pay increases.....	+\$1, 383, 000
Reclassification of nonveterinarian meat inspector positions.....	+861, 000
Pay act costs.....	+697, 000
Increase, meat inspection.....	+2, 941, 000
Salaries and expenses (special foreign currency program).....	+3, 750, 000
Cooperative State Research Service:	
To strengthen research programs at the agricultural experiment stations	+\$1, 500, 000
Elimination of funds for marketing research under the Agricultural Marketing Act.....	-500, 000
Pay act costs.....	+32, 000
Net increase, Cooperative State Research Service.....	+1, 032, 000
Extension Service:	
Payments under the Smith-Lever Act.....	-\$2, 590, 000
Retirement and employees compensation costs for extension agents.....	+137, 500
Pay act costs.....	+50, 000
Net decrease, Extension Service.....	-2, 402, 500
Farmer Cooperative Service:	
Pay act costs.....	+23, 000
For net increased costs of within-grade salary advancements.....	+20, 000
Increase, Farmer Cooperative Service.....	+43, 000
Soil Conservation Service:	
Conservation operations:	
To accelerate soil survey operations.....	+\$300, 000
To modernize facilities at plant materials centers.....	+53, 000
Pay act costs.....	+1, 815, 000
Decrease due to organization adjustments and other management improvements.....	-1, 344, 000
Net increase, conservation operations.....	+824, 000

TABLE 3.—Statement of increases and decreases, budget estimates, 1965, compared with appropriations and loan authorizations, 1964—Continued

GENERAL ACTIVITIES—continued		
Soil Conservation Service—Continued		
Watershed protection:		
Installation of works of improvement in Public Law 566 watersheds.....	+\$281,900	
Loans to additional local sponsoring organizations.....	+2,000,000	
Surveys and investigations in river basin program development and coordination.....	+740,100	
Pay act costs.....	+428,000	
Small watershed project investigations and planning.....	-1,025,000	
Installation of works of improvement in pilot watersheds.....	-24,000	
Net increase, watershed protection (including carryover balances from prior years, the increase in available funds will be \$648,000).....		+\$2,401,000
Flood prevention:		
Pay act costs.....	+154,000	
Installation of works of improvement.....	-2,121,000	
Loans and related expenses.....	-800,000	
Net decrease, flood prevention (including carryover balances from prior years, there will be an increase in available funds of \$841,000).....		-2,767,000
Great Plains conservation program:		
For cost sharing assistance to participating farmers and ranchers.....	+\$932,615	
For technical services and related expenses.....	+135,385	
Pay act costs.....	+64,000	
Increase, Great Plains conservation program (including carryover balances from prior years, the increase in available funds will be \$1,033,000).....		+1,132,000
Resource conservation and development:		
Loans and related expenses.....	+\$300,000	
Resource development and technical services.....	+508,000	
Pay act costs.....	+21,000	
Project investigations and planning.....	-281,000	
Net increase, resource conservation and development (including carryover balances from prior years, the increase in available funds will be \$2,698,000).....		+548,000
Economic Research Service: Pay act costs.....		+229,200
Statistical Reporting Service:		
To extend to additional States the first phase of the long-range crop and livestock estimates program.....	+685,000	
To expand cattle-on-feed reports.....	+62,500	
Pay act costs.....	+187,000	
Reduction in consumer surveys.....	-94,000	
Net increase, Statistical Reporting Service.....		+840,500
Agricultural Marketing Service:		
Marketing research and service:		
Expanding urgently needed marketing research on insect control.....	+\$200,000	
To complete the modernization of the market news leased wire service and for increased teletype rates.....	+135,000	
For expected increase in volume of mandatory poultry inspection.....	+652,000	
Reclassification of nonveterinarian poultry inspector positions.....	+665,000	
Mandatory reimbursement to employees compensation fund.....	+24,025	
Pay act costs.....	+977,000	
Reduction in funds for transportation and facilities research on market facility planning and wholesaling and retailing operations, and reduce research on other physical handling of farm products in marketing channels.....	-862,000	
To withdraw Federal funds from certain market news services to conform with long-range market news financing plan.....	-50,000	
Net increase, marketing research and service.....		+1,741,025
Payments to States and possessions: To reduce funds available for matched fund marketing service work to the 1963 level.....		-75,000
Special milk program: Decrease resulting from change in basis of financing to funding under transfer from "Removal of surplus agricultural commodities" (sec. 32).....		-99,834,000
School lunch program:		
For cash payments to States under the regular formula.....	+\$9,000,000	
For initiating special cash assistance to needy schools.....	+2,000,000	
Pay act costs.....	+14,000	
Reduction in commodity procurement to meet increased pay costs.....	-20,000	
Net increase, school lunch program.....		+10,994,000
Foreign Agricultural Service:		
Salaries and expenses:		
To increase effectiveness in administration of the Public Law 480 sales program and to strengthen planning and coordination of market development cooperator projects and trade fair activities.....	+\$72,500	
To expand market development program.....	+1,698,000	
Pay act costs.....	+203,000	
Increase, Foreign Agricultural Service.....		+1,973,500

TABLE 3.—Statement of increases and decreases, budget estimates, 1965, compared with appropriations and loan authorizations, 1964—Continued

GENERAL ACTIVITIES—continued		
<i>Commodity Exchange Authority:</i>		
For conducting additional trade practices investigations .....	+\$26,000	
Pay act costs .....	+21,000	
For net increased costs of within-grade salary advancements .....	+19,000	
Increase, Commodity Exchange Authority .....		+\$66,000
<i>Agricultural Stabilization and Conservation Service:</i>		
Expenses, Agricultural Stabilization and Conservation Service (net increase due primarily to increase for administration of feed grain program offset by decreases in cost of acreage allotment and marketing quota and conservation reserve programs. Including transfer of funds from Commodity Credit Corporation, the net increase is estimated at \$6,179,500) .....		+10,191,500
Sugar Act program—for payments to producers .....		+9,500,000
Agricultural conservation program: For carrying out the 1964 program and to complete payments on the 1963 program (an advance authorization of \$120,000,000, exclusive of administrative expenses, is proposed for the 1965 program) .....		+10,000,000
Conservation reserve program: Decrease in requirements for program payments to producers .....		-96,000,000
Cropland conversion program: Decrease in requirements for program payments .....		-1,350,000
<i>Office of Rural Areas Development:</i>		
For net increased costs of within-grade salary advancements .....	+\$1,000	
Pay act costs .....	+3,000	
Increase, Office of Rural Areas Development .....		+4,000
Office of the Inspector General: Pay act costs .....		+161,600
<i>Office of the General Counsel:</i>		
Pay act costs .....	+\$85,500	
For net increased costs of within-grade salary advancements .....	+69,000	
Increase, Office of the General Counsel .....		+154,500
Office of Information: Pay act costs .....		+14,000
<i>National Agricultural Library:</i>		
Salaries and expenses: Pay act costs .....		+20,860
<i>Library facilities:</i>		
Decrease due to elimination of funds for plans and specifications .....	-\$450,000	
Increase to construct a new library facility .....	+7,000,000	
Net increase, library facilities .....		+6,550,000
<i>Office of Management Services:</i>		
For additional support services related to expanding programs proposed for the Statistical Reporting Service and the Commodity Exchange Authority .....	+\$45,000	
Pay act costs .....	+47,000	
Reduction to reflect estimated savings due to centralized management support services .....	+106,200	
Net decrease, Office of Management Services .....		-14,200
<i>General administration:</i>		
For additional assistance to the Secretary in coordinating and administering the activities of the Department .....	+\$58,000	
For net increased costs of within-grade salary advancements .....	+34,000	
Pay act costs .....	+57,000	
Increase, general administration .....		+149,000
<i>Forest Service:</i>		
<i>Forest land management:</i>		
For reforestation and stand improvement .....	+\$1,200,000	
For recreation-public use .....	+800,000	
For structural improvements .....	+123,000	
Mandatory reimbursement to employees' compensation fund .....	+95,000	
Acquisition of lands, Weeks Act .....	-462,000	
Pay act costs .....	+1,829,000	
Net increase, forest land management .....		+3,585,000
<i>Forest research:</i>		
Timber management research .....	-\$47,000	
For watershed management research .....	+36,000	
For forest insect research .....	+200,000	
For forest disease research .....	+41,000	
For forest engineering research .....	+75,000	
For forest survey .....	+150,000	
For forest research construction .....	+3,165,000	
Pay act costs .....	+471,000	
Net increase, forest research .....		+4,091,000

TABLE 3.—Statement of increases and decreases, budget estimates, 1965, compared with appropriations and loan authorizations, 1964—Continued

GENERAL ACTIVITIES—continued		
Forest Service—Continued		
State and private forestry cooperation:		
For cooperative forest fire control.....	+\$250,000	
For cooperative forest management and processing.....	+500,000	
For general forestry assistance.....	+250,000	
Pay act costs.....	+38,000	
Increase, State and private forestry cooperation.....		+\$1,038,000
Forest roads and trails: Increase in appropriation to liquidate contract authorization.....		+9,100,000
Acquisition of lands for Wasatch National Forest.....		-100,000
Net decrease for general activities (including Forest Service).....		-110,607,715
Deduct net increase for Forest Service.....		-17,714,000
Net decrease for general activities as shown in subcommittee print.....		<u>-128,321,715</u>
CREDIT AGENCIES		
Rural Electrification Administration:		
Loans (authorization to borrow from Treasury):		
Rural electrification loans.....	(-\$60,000,000)	
Rural telephone loans.....	(-7,000,000)	
Total decrease, loan authorizations.....		(-67,000,000)
Salaries and expenses:		
For engineering activities in the electrification program.....	+\$127,000	
Pay act costs.....	+242,000	
Total increase, salaries and expenses.....	+369,000	
Increase, Rural Electrification Administration.....		+369,000
Farmers Home Administration:		
Real estate and operating loans (limitation on loans made from receipts deposited in the direct loan account): Decrease in real estate loans.....		
Rural housing building loans (direct appropriation provided in 1964 to supplement borrowing authorization).....		(-35,000,000)
Rural housing for the elderly revolving fund (direct loans are estimated at \$4,500,000 in 1964 and \$5,000,000 in 1965).....		-25,000,000
Rural renewal: For loans and related expense.....		+1,500,000
Salaries and expenses:		+990,000
To strengthen servicing of direct and insured loans.....	+\$1,240,100	
Pay act costs.....	+1,000,000	
Total increase, salaries and expenses.....		+2,240,100
Net decrease, credit agencies:		(-102,000,000)
Loan authorizations.....		-19,900,900
Appropriations.....		<u>-19,900,900</u>
CORPORATIONS		
Federal Crop Insurance Corporation:		
Administrative and operating expenses:		
Decrease resulting from transfer of audit activities to the Office of the Inspector General.....		-2,000
Federal Crop Insurance Corporation fund (administrative and operating expenses payable from premium income):		
For expansion of program.....	(+ \$41,000)	
Pay act costs.....	(-103,000)	
Increase, Federal Crop Insurance Corporation fund.....		(+144,000)
Commodity Credit Corporation:		
Reimbursement for net realized losses:		
1964 appropriation to restore realized losses in 1962.....	\$2,699,400,000	
1965 estimate to partially restore 1963 realized losses.....	1,724,000,000	
Change.....		-975,400,000
Administrative expense limitation.....		(-4,000,000)
Decrease, corporations.....		<u>-975,402,000</u>

TABLE 3.—Statement of increases and decreases, budget estimates, 1965, compared with appropriations and loan authorizations, 1964—Continued

FOREIGN ASSISTANCE PROGRAMS	
Public Law 480:	
Sales of surplus agricultural commodities for foreign currencies (of the total appropriation of \$1,893,000,000, \$612,000,000 represents estimated 1964 unrecovered costs and \$1,281,000,000 represents the estimated cost of the program in 1965).....	+\$441,000,000
Grants of commodities for famine relief (of the total appropriation of \$264,000,000, \$20,453,000 represents estimated 1964 unrecovered costs and \$243,547,000 represents the estimated cost of the program in 1965).....	+48,549,000
Losses on long-term sales contracts (in addition to the 1965 estimate of \$58,000,000, an unobligated balance of \$10,015,000, making a total of \$68,015,000 would be available for the estimated 1965 program).....	+5,485,000
Increase, Public Law 480.....	+\$495,034,000
International Wheat Agreement (the total appropriation of \$31,838,000 consists of \$31,659,000 representing estimated 1964 unrecovered costs and \$179,000 representing the cost of administration of exports in 1965).....	-54,380,000
Bartered materials for supplemental stockpile (of the total appropriation of \$120,000,000, \$39,000,000 represents estimated 1964 unrecovered costs and \$81,000,000 represents the estimated cost of the program in 1965).....	+37,140,000
Net increase, foreign assistance programs.....	+477,794,000
Net decrease, above appropriations.....	-645,830,615
PERMANENT APPROPRIATIONS	
Agriculture Marketing Service:	
Removal of surplus agricultural commodities (sec. 32): Increase in the annual permanent appropriation based on 30 percent of the 1963 calendar year customs receipts.....	+9,998,444
Perishable Agricultural Commodities Act fund: Estimated increase in receipts from license fees under this permanent appropriation.....	+63,000
Agricultural Stabilization and Conservation Service:	
National Wool Act: Decrease in reimbursements to Commodity Credit Corporation for costs incurred under the National Wool Act.....	-9,679,493
Forest Service:	
Expenses, brush disposal.....	+200,000
Roads and trails for States: Increase due to estimated increases in national forest receipts in fiscal year 1963.....	+399,118
Forest fire prevention.....	-20,000
Payments to Minnesota for national forest receipts.....	+2,014
Payments to counties, national grasslands.....	+12,500
Payments to school funds, Arizona and New Mexico: Increase due to increase in national forest receipts in fiscal year 1963.....	+9,587
Payments to States, national forest fund: Increase due to increase in national forest receipts in fiscal year 1963.....	+1,106,041
Net increase, permanent appropriations.....	+2,091,211
Deduct increase in Forest Service permanent appropriations.....	-1,709,260
Net increase, permanent appropriations (exclusive of Forest Service).....	+381,951

TABLE 4.—Appropriations and REA and FHA loan authorizations, fiscal years 1956 through 1964, and budget estimates, 1965

[NOTE.—Amounts for 1956 through 1964 are adjusted for comparability with the appropriation structure proposed in the 1965 budget estimates. Amounts in parentheses are not included in totals]

	[Millions of dollars]									
	1956	1957	1958	1959	1960	1961	1962	1963	1964	Budget estimates, 1965
GENERAL ACTIVITIES										
Agricultural Research Service:										
Salaries and expenses:										
Research.....	40.1	50.1	56.4	59.6	64.4	70.8	76.9	88.1	191.4	98.6
Plant and animal disease and pest control.....	20.6	29.7	30.0	52.9	49.8	53.9	59.3	59.5	64.3	66.0
Meat inspection.....	15.4	15.6	17.8	20.8	21.3	23.1	24.2	25.9	27.9	30.8
Total, salaries and expenses.....	76.1	95.4	104.2	133.3	135.5	147.8	159.1	173.4	183.6	195.4
Salaries and expenses (special foreign currency program).....			3.4	37.6	311.0	15.1	5.3	5.3	1.3	5.0
Construction of facilities.....						7.8				
Animal disease laboratory facilities (Ames, Iowa).....										
Cooperative State research service:										
Payments and expenses:										
Payments to agricultural experiment stations.....	24.2	28.9	29.7	30.8	30.8	31.8	34.7	36.7	38.9	39.9
Other (grants for cooperative forestry research, penalty mail, and Federal administration).....	.6	1.0	1.1	1.2	1.2	1.2	1.3	1.4	2.5	2.6
Extension Service:										
Cooperative extension work, payments and expenses:										
Payments to States and Puerto Rico.....	44.5	49.1	50.7	53.5	53.7	56.6	59.6	63.3	67.3	64.7
Other (retirement and employee compensation fund costs for extension agents, penalty mail, and Federal Extension Service).....	3.6	4.1	9.5	10.2	10.3	10.8	11.1	12.1	12.8	13.0
Farmer Cooperation Service.....	.7	.8	.9	.9	.9	1.0	1.0	1.0	1.1	1.1
Soil Conservation Service.....										
Conservation operations.....	62.9	67.1	75.0	80.8	82.2	88.5	89.5	93.9	97.9	98.8
Watershed protection.....	12.0	17.5	25.5	25.5	22.7	36.7	53.7	61.3	63.4	65.8
Flood prevention.....	10.0	12.0	13.2	18.0	18.0	19.6	25.0	25.3	25.4	22.7
Great Plains conservation program.....			10.0	10.0	10.0	10.2	10.2	12.3	13.6	14.7
Resource conservation and development.....									1.5	2.0
Water conservation and utilization projects.....		.2	.4	.3	1	(5)	(5)	(5)	(5)	(5)
Economic Research Service.....	(1)	5.6	6.9	7.3	7.6	8.1	8.5	8.9	9.2	9.5
Statistical Reporting Service.....	4.8	5.2	5.8	6.2	6.3	7.6	8.2	9.4	10.6	11.4
Agricultural Marketing Service:										
Marketing research and service.....	15.2	16.4	20.7	27.7	31.4	33.7	38.9	40.7	42.2	44.0
Payments to States and possessions.....	1.0	1.2	(7)	1.2	1.2	1.2	1.3	1.4	1.5	1.4
Special milk program.....	(7)	(7)	(7)	(7)	(7)	(7)	(7)	99.9	99.8	s (99.8)
School lunch program.....	82.9	99.7	99.7	9 109.7	9 109.8	9 109.7	9 124.7	9 124.7	9 136.6	9 147.6

	10 13.8	10 6.7	10 9.6	10 7.7	10 11 6.6	10 11 15.2	10 11 13.0	11 17.1	11 18.6	11 20.6
Foreign Agricultural Service:										
Salaries and expenses:										
Special foreign currency program	3.5	3.4	3.1	3.1	3.2	2.2	2.8	4.0	1.1	
Commodity Exchange Authority	.7	.8	.8	.9	.9	1.0	1.0	1.0		1.1
Agricultural Stabilization and Conservation Service: <sup>12</sup>										
Expenses, Agricultural Stabilization and Conservation Service	63.8	66.2	117.3	103.6	87.3	86.6	104.2	94.2	104.4	114.6
Sugar Act program	58.0	65.8	65.5	73.8	69.2	72.0	75.8	77.6	78.0	87.5
Agricultural conservation program	190.6	202.3	186.4	208.7	213.7	211.9	208.0	212.0	215.0	13 225.0
Emergency conservation measures		4.0	20.0	(5)	(5)	(5)	55.0	(5)	(5)	(5)
Conservation reserve program			137.5	155.2	316.6	317.6	300.7	304.0	294.0	198.0
Average reserve program			565.6	590.6						
Cropland conversion program								2.0	11.4	10.0
Office of Rural Areas Development										
Office of the Inspector General <sup>14</sup>	3.3	4.8	6.0	6.5	6.7	7.6	8.0	8.9	9.7	9.9
Office of the General Counsel	2.5	2.6	2.9	3.0	3.0	3.4	3.4	3.6	3.7	3.9
Office of Information	1.3	1.3	1.4	1.4	1.4	1.5	1.5	1.6	1.6	1.6
Centennial observance of agriculture										
National Agricultural Library:										
Salaries and expenses	.6	.6	.7	.7	.8	.9	1.0	1.1	1.3	1.3
Library facilities										
Office of Management Services <sup>15</sup>	1.3	1.5	1.6	1.7	1.8	2.1	2.1	2.4	2.5	2.5
General administration	2.2	2.2	2.5	2.6	2.6	2.8	2.8	3.1	3.2	3.4
Forst Service:										
Forest protection and utilization	74.5	83.4	99.7	116.9	128.9	159.4	204.0	198.0	188.6	197.3
Forest roads and trails	24.0	24.0	24.3	26.0	28.0	30.0	35.0	44.5	63.2	72.3
Access roads										
Acquisition of lands for national forests	(5)	.6	.6	.7	.7	.8	.7	.7	.7	.7
Cooperative range improvements										
Assistance to States for tree planting										
Acquisition of lands, Klamath Indians										
Total, general activities <sup>16</sup>	782.2	889.4	1,699.7	1,825.9	1,403.8	1,572.5	1,605.4	1,751.8	1,808.2	1,697.6
CREDIT AGENCIES										
Rural Electrification Administration:										
Loan authorizations:										
Rural electrification <sup>17</sup>	(160.0)	(414.0)	(179.0)	(317.0)	(136.0)	(170.0)	(245.0)	(400.0)	(425.0)	(365.0)
Rural telephone <sup>17</sup>	(75.0)	(100.0)	(60.0)	(92.5)	(104.0)	(140.0)	(162.5)	(80.0)	(70.0)	(63.0)
Total (authorizations to borrow from Treasury)	(235.0)	(514.0)	(239.0)	(409.5)	(240.0)	(310.0)	(407.5)	(480.0)	(495.0)	(428.0)
Salaries and expenses	8.1	8.4	9.0	9.5	9.6	10.0	10.0	10.4	11.1	11.5
Total, Rural Electrification Administration	8.1	8.4	9.0	9.5	9.6	10.0	10.0	10.4	11.1	11.5

See footnotes at end of table, p. 253.

TABLE 4.—*Appropriations and REA and FHA loan authorizations, fiscal years 1956 through 1964, and budget estimates, 1965—Continued*  
 [NOTE.—Amounts for 1956 through 1964 are adjusted for comparability with the appropriation structure proposed in the 1965 budget estimates. Amounts in parentheses are not included in totals]

	[Millions of dollars]										Budget estimates, 1965
	1956	1957	1958	1959	1960	1961	1962	1963	1964		
CREDIT AGENCIES—continued											
Farmers Home Administration:											
Rural housing:											
Grants and loans	(5.0)	(450.0)				(200.0)	10.0		25.0		
Building loans (authorities to borrow from Treasury)	(168.0)	(235.5)	(209.5)	(221.5)	(225.0)	(267.0)	(336.0)	(340.0)	(360.0)		(325.0)
Real estate and operating loans (loan authorizations) is	(173.0)	(685.5)	(209.5)	(221.5)	(226.0)	(467.0)	(336.0)	(340.0)	(360.0)		(325.0)
Total, loan authorizations											
Rural Renewal											
Rural housing for the elderly revolving fund											
Salaries and expenses	25.8	27.1	29.6	30.5	30.1	32.3	33.7	35.0	38.0		40.3
Total, Farmers Home Administration	25.8	27.1	29.6	30.5	30.1	32.3	43.7	36.0	67.7		47.5
Total, credit agencies:											
Loan authorizations	(408.0)	(1,194.5)	(448.5)	(631.0)	(466.0)	(777.0)	(743.5)	(820.0)	(855.0)		(753.0)
Appropriations	33.9	35.4	38.6	40.1	39.7	42.3	53.6	46.3	78.9		59.0
CORPORATIONS											
Federal Crop Insurance Corporation:											
Operating and administrative expenses	6.1	6.1	6.3	6.3	6.3	6.5	6.5	6.7	6.9		6.9
Federal Crop Insurance Corporation fund (operating expenses payable from premium income)	(1.5)	(2.0)	(2.0)	(2.3)	(2.3)	(2.6)	(2.8)	(3.3)	(3.5)		(3.6)
Subscription to capital stock		13.0									
Total, Federal Crop Insurance Corporation	6.1	19.1	6.3	6.3	6.3	6.5	6.5	6.7	6.9		6.9
Commodity Credit Corporation:											
Reimbursement for net realized losses:											
Price-support, supply and related activities	1.6	906.9	1,194.2	1,703.4	2,043.7	1,151.8	936.4	2,278.5	2,699.4		1,724.0
Special milk program		22.4	45.6	57.0	66.7	74.7	81.2				
Total, reimbursement for net realized losses	1.6	929.3	1,239.8	1,760.4	2,110.4	1,226.5	1,017.6	2,278.5	2,699.4		1,724.0





\$42,021,230; 1960, \$40,864,071; 1961, \$70,837,460; 1962, \$74,277,900; 1963, \$78,359,127; 1964, \$91,720,000; 1965, \$37,708,000.

<sup>13</sup> The budget estimate includes an advance authorization of \$120,000,000 (excluding administration) for the 1965 crop year program for which an appropriation will be requested in 1966.

<sup>14</sup> Represents, in fiscal years 1956 through 1964, amounts transferred from other agencies of the Department. 1963 amount includes transfer of \$225,000 specifically authorized by 1963 appropriation act.

<sup>15</sup> Represents, in fiscal years 1956 through 1964, amounts transferred from other agencies of the Department.

<sup>16</sup> Includes transfers from corporate funds to Office of the Inspector General and Office of Management Services, which represent a part of the funds shown for these agencies.

<sup>17</sup> The amounts shown reflect not only the regular authorization to borrow from the Secretary of the Treasury as set forth in the annual appropriation acts, but also includes that portion of the contingency or reserve authorization utilized during each fiscal year. The figures shown do not necessarily represent the amount of loans actually approved in each fiscal year, since loan funds carried over from prior years together with rescissions from previously approved loans were also available.

<sup>18</sup> The amounts shown reflect not only the regular authorization to borrow from the Secretary of the Treasury as set forth in the annual appropriation acts, but also includes that portion of the contingency or reserve authorization utilized during each fiscal year.

<sup>19</sup> Includes \$675,000,000 provided by the Second Supplemental Appropriation Act, 1960, \$100,000,000 to complete restoration of 1958 realized losses and \$575,000,000 for partial restoration of 1959 realized losses. The remaining \$1,435,424,413, included in the regular 1960 appropriation act, was for partial restoration of 1958 realized losses and \$594,499,006 for partial restoration of 1960 realized losses.

<sup>20</sup> Consists of \$632,000,994 to complete restoration of 1959 realized losses and \$594,499,006 for partial restoration of 1960 realized losses.

<sup>21</sup> To complete restoration of 1960 realized losses.

<sup>22</sup> Includes \$78,000,000 authorized transfer from the 1958 appropriation for "A creage reserve program."

<sup>23</sup> Appropriation acts and budget estimate provide that not less than 7 percent of the limitation shall be placed in reserve for use only as necessary to carry out program operations.

NOTE.—Detail may not add to totals shown due to rounding.

<sup>1</sup> In addition, the 1964 appropriation act provides for a transfer of not to exceed \$15,000,000 from the Commodity Credit Corporation.

<sup>2</sup> In addition, the 1960, 1961, 1962, 1963, and 1964 appropriation acts and budget estimate for 1965 include a reappropriation of \$1,000,000 of prior year funds to provide for additional labor to be employed to strengthen research installations in the field.

<sup>3</sup> Represents that portion of the allocations by the Budget Bureau of foreign currencies accruing from sales of agricultural commodities under title I of the Agricultural Trade Development and Assistance Act of 1954, as amended (Public Law 480), which are generated in countries where the currencies becoming available are either in excess to the normal requirements of the United States or limited by the terms of the sales agreement to specific uses.

<sup>4</sup> In addition, 1961 appropriation act authorized reappropriation of \$600,000 of prior year funds to employ conservation aids and other nonprofessional personnel on a part-time or contract basis.

<sup>5</sup> Prior year balances available.

<sup>6</sup> In addition, \$285,000 transferred from sec. 32 funds.

<sup>7</sup> This activity was financed by advances from the Commodity Credit Corporation in fiscal years 1956 through 1962.

<sup>8</sup> The 1965 budget estimates propose that this program be financed by transfer from "Removal of surplus agricultural commodities" (sec. 32).

<sup>9</sup> In addition, appropriation acts authorize and budget estimate proposes that the following amounts be transferred from sec. 32 funds for purchase of agricultural commodities for distribution to schools: 1959, \$35,000,000; 1960, \$43,657,248; 1961-65, \$45,000,000 each year.

<sup>10</sup> Includes, in addition to annual appropriations, that portion of the allocations by the Budget Bureau of foreign currencies accruing from sales of agricultural commodities under title I of the Agricultural Trade Development and Assistance Act of 1954, as amended (Public Law 480), which are generated in countries where the currencies becoming available are not in excess to the normal requirements of the United States.

<sup>11</sup> In addition, appropriation acts authorize and budget estimate proposes that the following amounts be transferred from sec. 32 funds and merged with the appropriation: 1960, \$2,745,709; 1961-65, \$3,117,000 each year.

<sup>12</sup> In addition, transfers from the Commodity Credit Corporation fund were authorized and proposed, as follows: 1956, \$33,230,490; 1957, \$41,419,975; 1958, \$44,657,334; 1959,

TABLE 5.—Budget expenditures from appropriations, REA and FHA loan authorizations, and corporation and other revolving funds, fiscal years 1956 through 1963, and estimated 1964 and 1965

[NOTE.—Amounts reported are based on expenditures for the Department of Agriculture as shown in the budget. Figures are adjusted for comparability with the appropriation structure in the 1965 budget]

	1956	1957	1958	1959	1960	1961	1962	1963	Esti- mated, 1964	Esti- mated, 1965
[Millions of dollars]										
GENERAL ACTIVITIES										
Agricultural Research Service:										
Salaries and expenses	96.8	106.1	116.4	136.2	129.1	143.9	153.4	166.6	177.7	189.1
Special foreign currency program) 1	4.9	1.1	1.0	3.7	8.2	1.6	3.1	4.2	5.0	9.8
Construction of facilities	24.6	29.4	30.9	32.0	31.9	33.0	36.0	38.0	41.4	42.5
Cooperative State Research Service (principally payments to States)	47.5	51.8	58.7	63.1	63.6	67.2	70.2	74.6	80.0	77.8
Extension Service (principally payments to States)	.6	.7	.9	.9	.9	1.0	1.0	1.0	1.0	1.1
Farmer Cooperative Service										
Soil Conservation Service:										
Conservation operations	63.2	65.8	71.6	84.3	79.2	86.8	88.9	92.9	97.4	98.3
Watershed protection	9.6	11.3	13.8	19.6	27.0	32.6	39.6	53.0	57.9	62.1
Flood prevention	9.8	10.6	12.1	15.6	16.8	17.5	19.4	26.5	24.8	23.5
Great Plains conservation and development			1.6	5.4	7.9	8.6	9.0	9.7	10.9	11.7
Resource conservation and development										
Economic Research Service:	5.5	6.8	7.3	7.6	7.6	7.9	8.3	8.8	9.1	9.5
Statistical Reporting Service	4.8	5.2	5.8	6.3	6.3	7.5	8.7	9.4	10.4	11.4
Agricultural Marketing Service:										
Marketing research and service	15.4	16.2	18.5	27.8	27.6	33.9	35.6	40.3	41.2	43.7
Payments to States and possessions	1.0	1.2	1.2	1.2	1.2	1.2	1.3	1.4	1.5	1.4
Special milk program										
School lunch program	82.4	98.9	99.7	143.5	152.6	154.1	168.8	169.3	181.1	183.0
Foreign Agricultural Service:										
Salaries and expenses	4.8	4.8	5.4	6.0	5.6	6.5	8.2	11.8	15.4	18.1
Special foreign currency program) 1	.8	.8	.8	.9	.9	1.0	1.0	1.0	1.1	1.1
Commodity Exchange Authority										
Agricultural Stabilization and Conservation Service:										
Expenses, Agricultural Stabilization and Conservation Service	69.4	132.2	120.3	101.1	86.7	83.3	95.6	98.4	113.5	113.6
Sugar Act program	63.8	65.2	67.5	65.1	71.7	69.7	78.0	76.9	83.3	87.7
Agricultural conservation program	191.4	236.9	188.2	213.0	209.3	220.2	227.0	212.6	223.8	225.0
Conservation reserve program				97.0	305.4	350.8	332.7	305.4	283.1	200.0
Acresage reserve program				653.8	.2					
Cropland conversion program		309.9	585.3					4.0	11.4	10.0
Office of Rural Areas Development	3.3	4.8	6.0	6.5	6.7	7.6	8.0	8.9	9.7	9.9
Office of the Inspector General	2.1	2.6	2.7	3.1	3.1	3.2	3.3	3.6	3.6	3.9
Office of the General Counsel	1.1	1.6	1.4	1.5	1.3	1.5	1.5	1.6	1.6	1.7
Office of Information										
National-Agricultural Library	.7	.7	.6	.7	.7	.8	.9	1.1	1.7	1.6

Office of Management Services.....	1.3	1.5	1.6	1.7	1.8	2.1	2.1	2.4	2.5	2.5
General administration.....	2.1	2.1	2.3	2.6	2.5	2.7	2.7	3.0	3.3	3.4
Forest Service:										
Forest protection and utilization.....	74.2	83.3	95.6	116.5	129.9	156.1	186.8	197.8	210.0	193.1
Forest roads and trails.....	24.1	26.5	20.9	35.5	27.8	31.1	32.3	39.4	72.3	72.3
Access roads.....		.2	.3	.6	.1	1.8	.2	.8	2.5	.6
Acquisition of lands for national forests.....						68.7	.3	.8	1.5	1.0
Acquisition of lands, Klamath Indians.....										
Assistance to States for tree planting.....			.1	.4						
Other (principally interfund transactions).....	-8	-2.6	-5.0	-2.8	-3.4	-3.3	-2.9	-2.7	-3.5	-1.0
Total, general activities.....	804.4	1,275.6	1,630.5	1,912.3	1,410.0	1,610.6	1,633.3	1,767.7	1,905.4	1,826.9
CREDIT AGENCIES										
Rural Electrification Administration:										
Electrification and telephone loans.....	208.7	258.9	288.2	305.0	321.0	291.5	293.0	331.7	377.0	383.0
Salaries and expenses.....	8.1	8.1	8.6	9.8	9.3	9.8	9.8	10.3	11.0	11.4
Farmers Home Administration:										
Rural housing grants and loans.....	.9	20.9	30.2	60.5	43.3	57.7	104.2	184.2	140.3	23.2
Real estate and operating loans <sup>2</sup> .....	157.5	211.0	223.1	218.5	229.1	267.2	71.6	55.0	77.0	3.4
Emergency credit revolving fund.....	2.8	9.7	4.7	-31.1	-17.8	1.5	35.4	7.4	13.4	5.9
Agricultural credit insurance fund.....	1.4	6.9	-5.1	26.2	6.8	-6.1	-7.2	13.5	5.1	5.7
Rural renewal.....									1.2	2.2
Rural housing for the elderly revolving fund.....									4.5	4.5
Salaries and expenses.....	25.9	26.9	28.1	31.6	30.0	31.9	33.4	34.9	38.0	40.8
Total, credit agencies.....	405.3	542.4	568.4	620.5	621.7	653.5	542.2	637.0	667.4	480.2
CORPORATIONS (NET)										
Federal Crop Insurance Corporation:										
Operating and administrative expenses.....	6.6	6.1	6.3	6.3	6.3	6.5	6.0	6.7	7.7	6.8
Federal Crop Insurance Corporation fund.....	3.2	7.4	-4.9	-14.5	-2.4	-6.8	1.1	7.7	-1.7	-4.1
Commodity Credit Corporation:										
Price-support, supply, and related programs <sup>1</sup> .....	2,893.8	1,086.8	986.8	2,774.9	1,480.2	1,330.6	2,051.5	3,117.4	1,813.2	1,888.7
Special milk program.....	45.6	57.0	66.7	74.7	81.2	87.0	91.7	-1.6		
Special activities financed from CCC funds:										
Loans to Secretary of Agriculture for conservation purposes.....	6.5	-13.0	21.5	7.0	-3	1.0	11.9	7.9		
Military housing (Public Law 161, 84th Cong, barter and exchange).....			11.1	31.5	6.0	-2.0	-1.9	-1.6	-2.4	-2.0
National Wool Act.....	2.0	61.3	57.2	20.0	92.7	60.9	65.3	63.2	79.3	54.5
Other.....			-4	4	.2	-2.5	2.3	.2	.4	
Total, Corporations (net).....	2,957.7	1,206.1	1,144.2	2,900.3	1,663.9	1,474.7	2,227.9	3,199.8	1,896.4	1,894.0

See footnotes at end of table, p. 257.





TABLE 6.—Receipts to U.S. Treasury arising from Department of Agriculture activities, fiscal year 1963 and estimated years 1964 and 1965  
 [Thousands of dollars]

Classification and source	Fiscal year 1963, actual			Fiscal year 1964, estimated			Fiscal year 1965, estimated		
	General <sup>1</sup>	Special <sup>2</sup>	Total	General <sup>1</sup>	Special <sup>2</sup>	Total	General <sup>1</sup>	Special <sup>2</sup>	Total
<b>Loan programs:</b>									
Farmers Home Administration:									
Rural housing loans:									
Collections of principal.....	\$23,984		\$23,984	\$35,260		\$35,260	\$43,955		\$43,955
Collections of interest.....	14,974		14,974	20,105		20,105	25,554		25,554
Interest payments to Treasury:									
On borrowings for farm ownership, soil and water conservation, and farm operating loans <sup>2</sup> .....	10,708		10,708	12,500		12,500	15,500		15,500
On borrowings for loans under Agricultural Credit Insurance Fund <sup>3</sup> .....	998		998	1,250		1,250	3,200		3,200
Total, Farmers Home Administration.....	50,664		50,664	69,115		69,115	88,209		88,209
Rural Electrification Administration:									
Collections of principal:									
Electrification loans.....	147,303		147,303						
Telephone loans.....	15,169		15,169						
Total, collections of principal.....	162,472		162,472						
Collections of interest:									
Electrification loans.....	61,680		61,680						
Telephone loans.....	14,137		14,137						
Total, collections of interest.....	75,826		75,826						
Interest payments to Treasury on Rural Electrification Administration notes.....	238,298		238,298	74,165		74,165	78,785		78,785
Total, Rural Electrification Administration.....	288,962		288,962	474,165		474,165	478,785		478,785
Total, loan programs.....	288,962		288,962	143,280		143,280	166,994		166,994
<b>Receipts from operations, and miscellaneous reimbursements and collections:</b>									
Business on the national forests, primarily timber sales and grazing fees.....	76,739		76,739	79,512	\$ 844,403	123,915	81,212	\$ 845,303	126,515
Deposits by timber purchasers for brush disposal.....		\$ 42,896	119,635		9,000	9,000			9,200
Receipts from Tongass National Forest held pending determination of land ownership <sup>6</sup> .....		8,758	8,758						
Receipts from Oregon and California controverted lands, held pending determination of land ownership.....		534	534		585	585		585	585
Total.....		4,342	4,342		4,000	4,000		4,000	4,000

Use of lands held under title III of the Bankhead-Jones Farm Tenant Act.....	1, 285 <sup>1</sup>	7 428	1, 713	1, 312	7 438	1, 750	1, 350	7 450	1, 800
Fees for licenses under the Perishable Agricultural Commodities, Produce Agency, and Export Apple and Pear Acts.....	746	746	746	---	882	832	---	883	893
Obsolescence, testing, inspection, and grading services, principally collected under the Cotton Standards, Cotton Futures, and Grain Standards Acts.....	950	---	950	1, 724	---	1, 724	1, 723	---	1, 723
Sales of products not required in connection with the work of this Department, primarily loose cotton samples, long-staple cotton, national stockpile, livestock and livestock products.....	3, 787	---	3, 787	9, 569	---	9, 569	10, 298	---	10, 298
Fines, penalties, and forfeitures, chiefly marketing quota on lands.....	1, 624	---	1, 624	1, 301	---	1, 301	1, 304	---	1, 304
Import fees on sugar.....	34, 085	---	34, 085	( <sup>9</sup> )	---	---	( <sup>9</sup> )	---	( <sup>9</sup> )
Miscellaneous, chiefly recoveries and refunds.....	1, 997	49	2, 046	1, 779	120	1, 899	2, 006	120	2, 126
Total.....	120, 417	57, 753	178, 170	95, 197	59, 378	154, 575	97, 893	60, 551	158, 444
Trust fund receipts, <sup>10</sup>	---	---	---	---	---	---	---	---	---
Contributions from private cooperators for various activities on national and private forest lands.....	---	---	25, 635	---	---	27, 175	---	---	26, 910
Fees received for inspection and grading of farm products.....	---	---	22, 937	---	---	24, 298	---	---	25, 004
State fund rehabilitation funds.....	---	---	3, 787	---	---	2, 709	---	---	3, 221
Receipts for miscellaneous special services.....	---	---	2, 463	---	---	3, 305	---	---	2, 903
Total.....	---	---	54, 822	---	---	57, 487	---	---	58, 038
Other receipts:	---	---	---	---	---	---	---	---	---
Interest paid to Treasury on CCC borrowings.....	375, 123	---	375, 123	264, 932	---	264, 932	254, 082	---	254, 082
Interest paid to Treasury on CCC capital stock.....	3, 250	---	3, 250	3, 375	---	3, 375	3, 375	---	3, 375
Total.....	378, 373	---	378, 373	268, 307	---	268, 307	257, 457	---	257, 457
Grand total.....	787, 752	57, 753	11 900, 327	506, 784	59, 378	11 623, 649	522, 344	60, 551	11 640, 833

<sup>1</sup> Revenue and nonrevenue receipts available to the Treasury for general expenditures of the Government.  
<sup>2</sup> Revenue and nonrevenue receipts deposited in the Treasury for specific purposes, pursuant to various legislative authorizations.  
<sup>3</sup> Collections of principal and interest on these loans are treated as credits against loan and other expenditures, which include interest payments to Treasury as shown.  
<sup>4</sup> Beginning in fiscal year 1964, under proposed legislation, collections of principal and interest on electric and telephone loans would be deposited into a loan account as credits against expenditures for new loans and for interest payments on borrowings from Treasury. These payments represent receipts to Treasury as shown.  
<sup>5</sup> Represents the portion of the total receipts from national forests available for (1) 25 percent fund for payments to States for benefit of roads and schools; (2) 10 percent fund for construction and maintenance of roads and trails in States from which proceeds are derived; and (3) appropriations from forest receipts for acquisition of lands, cooperative

range improvements, and special payments to Minnesota counties in which Superior National Forest lands are located.  
<sup>6</sup> Amounts shown represent 66 percent of the receipts from the Tongass National Forest. The remaining 35 percent of these receipts are distributed to Alaska (25 percent) and to the fund for construction and maintenance of roads and trails (10 percent) in accordance with Public Law 758, 84th Cong.  
<sup>7</sup> For payment to counties in which such lands are located.  
<sup>8</sup> Estimated amounts reflect anticipated increases in sales of long-staple cotton from national stockpile.  
<sup>9</sup> It is not practicable to estimate these receipts in fiscal years 1964 and 1965.  
<sup>10</sup> Receipts deposited in trust in the Treasury for expenditure by the Department, as trustee, for specified purposes.  
<sup>11</sup> Includes trust fund receipts as well as general and special fund receipts.

TABLE 7.—Appropriations for research and education, fiscal years 1956 through 1964, and budget estimates, 1965<sup>1</sup>  
 (Thousands of dollars)

Agency or activity	1956	1957	1958	1959	1960	1961	1962	1963	1964	Budget estimates, 1965	Increase (+) or decrease (-), 1965 compared with 1964		
											Pay costs on base for 1965	Other	Total
RESEARCH													
Agricultural Research Service.....	2 40,093	50,103	56,364	59,692	64,401	70,787	76,857	88,110	91,392	98,615	+1,343	+5,890	+7,223
Special foreign currency program.....			400	7,596	11,025	16,131	5,265	5,265	1,260	5,000		+3,750	+3,750
Construction of research facilities (separate appropriations specifically for construction).....	4 200	4 13,000				7,750	800						
Cooperative State Research Service: Payments to agricultural experiment stations for research under the Hatch Act as amended by the act of Aug. 11, 1955, and under sec. 204(b) of the Agricultural Marketing Act of 1946.....	24,250	28,857	29,682	30,846	30,846	31,815	34,725	36,723	38,906	39,861		+955	+955
Grants for cooperative forestry research.....									1,000	1,000			
Federal administration of payments to State agricultural experiment stations.....	553	746	812	925	918	1,000	1,094	1,148	1,212	1,289	+32	+45	+77
Penalty mail.....		250	240	250	250	250	250	250	310	310			
Farmer Cooperative Service.....	547	645	700	750	753	790	783	764	797	831	+19	+15	+34
Economic Research Service.....	5,560	6,861	7,325	7,645	7,556	8,097	8,532	8,901	9,247	9,476	+229	+229	+229
Statistical Reporting Service.....	2,059	481	552	506	374	449	449	447	550	472	+16	-94	-78
Agricultural Marketing Service.....	2,022	3,120	3,628	3,746	3,894	4,214	4,630	4,876	5,041	4,460	-81	-662	-582
National Agricultural Library.....	479	503	548	569	619	708	765	877	1,060	1,077	+17	+17	+17
Library facilities (separate appropriation specifically for construction).....									<sup>a</sup> 360	<sup>a</sup> 5,600		+5,240	+5,240
Forest Service.....	8,411	10,174	12,273	16,520	14,518	18,747	26,335	25,518	25,853	29,944	+471	+3,620	+4,091
Total, research.....	83,223	114,740	112,553	128,985	135,154	159,738	160,464	172,878	176,978	197,935	+2,207	+18,749	+20,947



TABLE 8.—*Man-years in appropriations and other funds, fiscal years 1963, 1964, and 1965*

[Based on 1965 budget estimates and adjusted for comparability with the 1965 appropriation structure. This table reflects the man-years under the appropriations and funds indicated, including those applicable to transfers, allocations, or allotments to organizations other than the agency receiving the appropriation.]

	1963	1964 estimated	1965 estimated	Increase (+) or decrease (-), 1965 compared with 1964
<b>Agricultural Research Service:</b>				
Salaries and expenses:				
Research.....	7,654	8,167	8,436	+269
Plant and animal disease and pest control.....	5,687	5,899	5,883	-16
Meat inspection.....	3,321	3,356	3,489	+133
Special fund.....	94	94		-94
Total, salaries and expenses.....	16,756	17,516	17,808	+292
Salaries and expenses (special foreign currency program).....	16	18	18	
<b>Other funds:</b>				
Working capital fund.....	414	423	444	+21
Advances and reimbursements.....	606	570	447	-123
Trust funds.....	62	81	61	-20
Allocations from other departments and agencies.....	69	133	215	+82
Total, other funds.....	1,151	1,207	1,167	-40
Total, Agricultural Research Service.....	17,923	18,741	18,993	+252
<b>Cooperative State Research Service:</b>				
Federal Extension Service.....	88	95	98	+3
<b>Extension Service:</b>				
Federal Extension Service.....				
Federal Extension Service.....	209	221	222	+1
<b>Other funds:</b>				
Advances and reimbursements.....	16	26	22	-4
Allocations from other departments and agencies.....	19	17	17	
Total, other funds.....	35	43	39	-4
Total, Extension Service.....	244	264	261	-3
<b>Farmer Cooperative Service:</b>				
Salaries and expenses.....				
Salaries and expenses.....	87	93	93	
<b>Other funds:</b>				
Advances and reimbursements.....	2	2	2	
Allocations from other departments and agencies.....	1	2	2	
Total, other funds.....	3	4	4	
Total, Farmer Cooperative Service.....	90	97	97	
<b>Soil Conservation Service:</b>				
Conservation operations.....				
Watershed protection.....	10,984	11,020	10,880	-140
Flood prevention.....	2,714	2,954	2,886	-68
Great Plains conservation program.....	1,359	1,385	1,327	-58
Resource conservation and development.....	345	388	393	+5
Resource conservation and development.....		33	108	+75
<b>Other funds:</b>				
Advances and reimbursements.....	1,466	1,505	952	-553
Trust funds.....	46	60	64	+4
Allocations from other departments and agencies.....	11	24	25	+1
Total, other funds.....	1,523	1,589	1,041	-548
Total, Soil Conservation Service.....	16,925	17,369	16,635	-734
<b>Economic Research Service:</b>				
Salaries and expenses.....				
Salaries and expenses.....	861	893	893	
<b>Other funds:</b>				
Advances and reimbursements.....	74	66	65	-1
Trust funds.....	2	5	5	
Allocations from other departments and agencies.....	20	37	41	+4
Total, other funds.....	96	108	111	+3
Total, Economic Research Service.....	957	1,001	1,004	+3

TABLE 8.—*Man-years in appropriations and other funds, fiscal years 1963, 1964, and 1965—Continued*

[Based on 1965 budget estimates and adjusted for comparability with the 1965 appropriation structure. This table reflects the man-years under the appropriations and funds indicated, including those applicable to transfers, allocations, or allotments to organizations other than the agency receiving the appropriation]

	1963	1964 estimated	1965 estimated	Increase (+) or decrease (-), 1965 compared with 1964
<b>Statistical Reporting Service:</b>				
Salaries and expenses.....	1,061	1,145	1,240	+95
Other funds:				
Advances and reimbursements.....	134	170	170	-----
Trust funds.....	1	1	-----	-1
Allocations from other departments and agencies.....	14	10	10	-----
Total, other funds.....	149	181	180	-1
Total, Statistical Reporting Service.....	1,210	1,326	1,420	+94
<b>Agricultural Marketing Service:</b>				
Marketing research and service.....	4,368	4,487	4,472	-15
School lunch program.....	129	142	142	-----
Special milk program.....	57	68	68	-----
Perishable agricultural commodities act fund (permanent appropriation).....	96	106	106	-----
Removal of surplus agricultural commodities, sec. 32 (permanent appropriation).....	569	666	631	-35
Other funds:				
Advances and reimbursements.....	234	266	274	+8
Trust funds (principally expenses and refunds, inspection and grading of farm products).....	2,590	2,739	2,771	+32
Allocations from other departments and agencies.....	8	3	2	-1
Total, other funds.....	2,832	3,008	3,047	+39
Total, Agricultural Marketing Service.....	8,051	8,477	8,466	-11
<b>Foreign Agricultural Service:</b>				
Salaries and expenses (including allotment from Commodity Credit Corporation).....	747	851	893	+42
Salaries and expenses (special foreign currency program).....	59	31	21	-10
Other funds:				
Advances and reimbursements.....	3	3	3	-----
Allocations from other departments and agencies.....	12	17	17	-----
Total, other funds.....	15	20	20	-----
Total, Foreign Agricultural Service.....	821	902	934	+32
<b>International Agricultural Development Service: Allocations from other departments and agencies.....</b>	62	76	77	+1
<b>Commodity Exchange Authority: Salaries and expenses.....</b>	120	119	123	+4
<b>Agricultural Stabilization and Conservation Service:</b>				
Expenses, Agricultural Stabilization and Conservation Service.....	6,407	6,496	6,168	-328
Other funds:				
Advances and reimbursements.....	380	464	448	-16
Advance from Commodity Credit Corporation to General Services Administration.....	80	83	83	-----
Total, other funds.....	460	547	531	-16
Total, Agricultural Stabilization and Conservation Service.....	6,867	7,043	6,699	-344
<b>Federal Crop Insurance Corporation:</b>				
Administrative and operating expenses.....	713	674	676	+2
Other funds:				
Federal Crop Insurance Corporation Fund.....	270	343	366	+23
Advances and reimbursements.....	1	-----	-----	-----
Total, other funds.....	271	343	366	+23
Total, Federal Crop Insurance Corporation.....	984	1,017	1,042	+25

TABLE 8.—*Man-years in appropriations and other funds, fiscal years 1963, 1964, and 1965—Continued*

[Based on 1965 budget estimates and adjusted for comparability with the 1965 appropriation structure. This table reflects the man-years under the appropriations and funds indicated, including those applicable to transfers, allocations, or allotments to organizations other than the agency receiving the appropriation.]

	1963	1964 estimated	1965 estimated	Increase (+) or decrease (-), 1965 compared with 1964
<b>Rural Electrification Administration:</b>				
Salaries and expenses.....	943	953	968	+15
Other funds:				
Advances and reimbursements.....	29	28	28	
Allocations from other departments and agencies.....	2	2	2	
Total, other funds.....	31	30	30	
Total, Rural Electrification Administration.....	974	983	998	+15
<b>Farmers Home Administration:</b>				
Salaries and expenses.....	4,726	4,952	5,078	+126
Rural renewal.....		12	25	+13
Other funds:				
Emergency credit revolving fund.....	603	596	605	+9
Advances and reimbursements.....	43	55	54	-1
Trust fund (State rural rehabilitation funds).....	17	17	16	-1
Allocations from other departments and agencies.....	11	12	12	
Total, other funds.....	674	680	687	+7
Total, Farmers Home Administration.....	5,400	5,644	5,790	+146
<b>Office of Rural Areas Development:</b>				
Salaries and expenses.....	3	8	8	
Other funds: Advances and reimbursements.....	21	26	26	
Total, Office of Rural Areas Development.....	24	34	34	
<b>Office of the Inspector General:</b>				
Salaries and expenses.....	804	825	825	
Advances and reimbursements.....	25	28	28	
Total, Office of the Inspector General.....	829	853	853	
<b>Office of the General Counsel: Salaries and expenses.....</b>	350	349	349	
<b>Office of Information:</b>				
Salaries and expenses.....	113	119	119	
Other funds:				
Advances and reimbursements.....	3	2	2	
Allocations from other departments and agencies.....	3	3	3	
Total, other funds.....	6	5	5	
Total, Office of Information.....	119	124	124	
<b>Centennial Observance of Agriculture.....</b>	1			
<b>National Agricultural Library:</b>				
Salaries and expenses.....	137	153	153	
Other funds:				
Advances and reimbursements.....	10	12	12	
Trust funds.....	2			
Allocations from other departments and agencies.....	2	1	1	
Total, other funds.....	14	13	13	
Total, National Agricultural Library.....	151	166	166	
<b>Office of Management Services:</b>				
Salaries and expenses.....	304	298	294	-4
Advances and reimbursements.....	26	28	26	-2
Total, Office of Management Services.....	330	326	320	-6
<b>General administration:</b>				
Salaries and expenses.....	267	273	275	+2

TABLE 8.—Man-years in appropriations and other funds, fiscal years 1963, 1964, and 1965—Continued

[Based on 1965 budget estimates and adjusted for comparability with the 1965 appropriation structure. This table reflects the man-years under the appropriations and funds indicated, including those applicable to transfers, allocations, or allotments to organizations other than the agency receiving the appropriation]

	1963	1964 estimated	1965 estimated	Increase (+) or decrease (-), 1965 compared with 1964
<b>Office of Management Services—Continued</b>				
Other funds:				
Advances and reimbursements.....	3	10	10	-----
Allocations from other departments and agencies.....	5	-----	-----	-----
Total, other funds.....	8	10	10	-----
Total, general administration.....	275	283	285	+2
Working capital fund.....	374	513	543	+30
Total, above items, U.S. Department of Agriculture.....	63,169	65,802	65,311	-491
<b>Forest Service:</b>				
Forest protection and utilization:				
Forest land management.....	15,802	15,749	15,853	+104
Forest research.....	2,322	2,477	2,489	+12
State and private forestry cooperation.....	153	157	187	+30
Total, forest protection and utilization.....	18,277	18,383	18,529	+146
Forest roads and trails.....	4,552	5,166	5,416	+250
Access roads.....	1	-----	-----	-----
Acquisition of lands for national forests.....	6	4	-----	-4
Assistance to States for tree planting.....	15	15	15	-----
Other funds:				
Expenses, brush disposal (permanent appropriation).....	1,053	1,186	1,199	+13
Other Forest Service permanent appropriations.....	1	12	12	-----
Advances and reimbursements.....	369	518	518	-----
Working capital fund.....	1,244	1,361	1,408	+47
Trust fund (cooperative work).....	2,659	2,892	2,632	-260
Allocations from other departments and agencies.....	20	24	21	-3
Total, other funds.....	5,346	5,993	5,790	-203
Total, Forest Service.....	28,197	29,561	29,750	+189
Accelerated public works program (Department of Agriculture agencies).....	3,343	2,512	-----	-2,512
Total, average annual positions under all funds available to U.S. Department of Agriculture.....	94,709	97,875	95,061	-2,814
Deduct average annual positions included above representing employment in other departments under allocations from U.S. Department of Agriculture funds.....	182	201	195	-6
Total, average annual positions for U.S. Department of Agriculture personnel.....	94,527	97,674	94,866	-2,808
RECAPITULATION				
Included in budget under U.S. Department of Agriculture (exclusive of Forest Service):				
Annual appropriations.....	54,728	56,571	56,623	+52
Permanent appropriations.....	665	772	737	-35
Other funds.....	7,537	8,122	7,527	-595
Included in budget under other Departments: Other funds, exclusive of Forest Service.....	239	337	424	+87
Total, above items, Department of Agriculture.....	63,169	65,802	65,311	-491
Forest Service, annual, permanent, and other funds.....	28,197	29,561	29,750	+189
Accelerated public works program, Department of Agriculture Agencies.....	3,343	2,512	-----	-2,512
Total, average annual positions under all funds available to U.S. Department of Agriculture.....	94,709	97,875	95,061	-2,814
Deduct average annual positions included above representing employment in other Departments under allocations from U.S. Department of Agriculture funds:				
Annual appropriations, exclusive of Forest Service.....	83	85	85	-----
Annual appropriations, Forest Service.....	99	116	110	-6
Total, average annual positions for U.S. Department of Agriculture personnel.....	94,527	97,674	94,866	-2,808

TABLE 9.—Increases and decreases in man-years in appropriations and other funds, budget estimates 1965 compared with 1964

[Based on 1965 budget estimates and adjusted for comparability with the 1965 appropriation structure. This table reflects the man-years under the appropriations and funds indicated, including those applicable to transfers, allocations or allotments to organizations other than the agency receiving the appropriation.]

	Increase (+) or de- crease (-)
<b>Agricultural Research Service:</b>	
<b>Research:</b>	
Staffing and operating new and expended farm research laboratories and watershed research centers.....	+74
Research to avoid or minimize hazards associated with control of agricultural pests.....	+57
Strengthening research on foot-and-mouth disease at Plum Island, N.Y.....	+18
Expansion of food science research.....	+10
Increases provided in 1964 which were used in that year for equipment, supplies, and similar needs but which will be required for personal services in 1965.....	+139
Decreases due to closing small field stations.....	-29
<b>Total, research.....</b>	<b>+269</b>
<b>Plant and animal disease and pest control:</b>	
Plant and animal inspection and quarantine activities.....	+41
Pesticides regulation activities.....	+53
Decrease due principally to screw-worm inspection activities in the Southeast.....	-110
<b>Total, plant and animal disease and pest control.....</b>	<b>-16</b>
Meat inspection: For increased workload.....	+133
Special fund.....	-94
Reimbursable services performed for other agencies and work under trust funds.....	-40
<b>Total, Agricultural Research Service.....</b>	<b>+252</b>
Cooperative State research service: To strengthen research program at the agricultural experiment stations.....	+3
Extension Service: Primarily services performed for other agencies.....	-3
<b>Soil Conservation Service:</b>	
<b>Conservation operations:</b>	
To accelerate soil survey operations.....	+34
Net reduction to reflect estimated savings from organization adjustments and other management improvements.....	-174
<b>Total, conservation operations.....</b>	<b>-140</b>
<b>Watershed protection:</b>	
Installation of works of improvement in Public Law 566 watersheds.....	+56
Loans to local sponsoring organizations.....	+12
Accelerating river basin surveys and investigations.....	+53
Decrease in small watershed project investigations and planning.....	-111
Decrease in installation of works of improvement in pilot watersheds.....	-30
Decrease to reflect savings due to organizational adjustments and management improvements.....	-48
<b>Total, watershed protection.....</b>	<b>-68</b>
Flood prevention: Decrease in installation of works of improvement.....	-58
<b>Great Plains conservation program:</b>	
Net increase in technical services.....	+6
Decrease to reflect savings due to organizational adjustments.....	-1
<b>Total, Great Plains conservation program.....</b>	<b>+5</b>
<b>Resource conservation and development:</b>	
For resource development and technical services.....	+50
For loans and related expenses.....	+25
<b>Total, resource conservation and development.....</b>	<b>+75</b>
Reimbursable services performed for other agencies and work under trust funds.....	-548
<b>Total, Soil Conservation Service.....</b>	<b>-734</b>
Economic Research Service: Reimbursable services performed for other agencies.....	+3
<b>Statistical Reporting Service:</b>	
To extend to additional States the first phase of the long-range crop and livestock estimates program.....	+89
To expand cattle-on-feed reports.....	+7
Reduction in consumer surveys.....	-1
Reimbursable services performed for other agencies.....	-1
<b>Total, Statistical Reporting Service.....</b>	<b>+94</b>

TABLE 9.—Increases and decreases in man-years in appropriations and other funds, budget estimates 1965 compared with 1964—Continued

[Based on 1965 budget estimates and adjusted for comparability with the 1965 appropriation structure. This table reflects the man-years under the appropriations and funds indicated, including those applicable to transfers, allocations or allotments to organizations other than the agency receiving the appropriation]

	Increase (+) or de- crease (-)
<b>Agricultural Marketing Service:</b>	
Marketing research and service:	
Reduction in research on market facilities and other physical handling of farm products...	-79
Withdrawal of Federal funds from 5 market news offices.....	-7
For increased workload in poultry inspection.....	+71
Total, marketing research and service.....	-15
Removal of surplus agricultural commodities (sec. 32):	
Reduction in plentiful foods.....	-21
Net reduction in marketing agreements and orders.....	-8
Transfer of financing of sec. 416 foreign donations to Foreign Agricultural Service.....	-6
Total, removal of surplus agricultural commodities.....	-35
Reimbursable services performed for other agencies and work under trust funds.....	+39
Total, Agricultural Marketing Service.....	-11
<b>Foreign Agricultural Service:</b>	
Salaries and expenses:	
For strengthening administration of Public Law 480 sales program and the market develop- ment program.....	+18
For foreign donations and ocean transportation functions transferred from other agencies.....	+24
Salaries and expenses, special foreign currency program.....	-10
Total, Foreign Agricultural Service.....	+32
International Agricultural Development Service: Reimbursable services performed for other agencies.....	+1
Commodity Exchange Authority: For conducting additional trade practices investigations.....	+4
<b>Agricultural Stabilization and Conservation Service: Net decreases due primarily to—</b>	
Lower volume of CCC commodities to be handled.....	-205
Increased employee productivity.....	-72
Less reimbursable work for other agencies.....	-67
Total, Agricultural Stabilization and Conservation Service.....	-344
<b>Federal Crop Insurance Corporation:</b>	
Operating and administrative expenses: For increased workload.....	+2
Federal Crop Insurance Corporation fund (including operating and administrative expenses from premium income and loss adjustment work).....	+23
Total, Federal Crop Insurance Corporation.....	+25
Rural Electrification Administration: Salaries and expenses: For increased engineering activities in the electrification program.....	+15
<b>Farmers Home Administration:</b>	
Salaries and expenses: Extension and increase in loan program operations.....	+126
Rural renewal.....	+13
Emergency credit revolving fund.....	+9
Reimbursable services performed for other agencies and work under trust funds.....	-2
Total, Farmers Home Administration.....	+146
<b>Office of Management Services:</b>	
For additional support services related to expanding programs proposed for the Statistical Re- porting Service and the Commodity Exchange Authority.....	+6
Reduction to reflect estimated savings due to centralized management support services.....	-10
Reimbursable services performed for other agencies.....	-2
Total, Office of Management Services.....	-6
General Administration—Salaries and expenses: For additional assistance to the Secretary in co- ordinating and administering the activities of the Department.....	+2
Working capital fund.....	+30
Total net decrease, above items, Department of Agriculture.....	-491

TABLE 9.—Increases and decreases in man-years in appropriations and other funds, budget estimates 1965 compared with 1964—Continued

[Based on 1965 budget estimates and adjusted for comparability with the 1965 appropriation structure. This table reflects the man-years under the appropriations and funds indicated, including those applicable to transfers, allocations or allotments to organizations other than the agency receiving the appropriation]

Forest Service:	Increase (+) or de- crease (-)
For the development program for the national forests:	
Forest protection and utilization:	
Forest land management:	
For national forest protection and management.....	+221
For insect and disease control.....	-116
Acquisition of lands, Weeks Act.....	-1
Total, forest land management.....	+104
Forest research.....	+12
State and private forestry cooperation.....	+30
Total, forest protection and utilization.....	+146
Forest roads and trails: For an accelerated program.....	+250
Acquisition of lands for national forests.....	-4
Expenses, brush disposal: Increase in estimated deposits from timber sale operators.....	+13
Working capital fund.....	+47
Reimbursable services performed for other agencies and work under trust funds.....	-263
Total, Forest Service.....	+189
Accelerated public works program (Department of Agriculture agencies): Program operations are currently applicable only to fiscal year 1964.....	-2,512
Total net decrease under all funds available to the U.S. Department of Agriculture.....	-2,814
Deduct decrease in man-years included above representing employment in other departments under allocations from U.S. Department of Agriculture funds.....	-6
Total net decrease, U.S. Department of Agriculture personnel.....	-2,808
RECAPITULATION	
Annual appropriations, exclusive of Forest Service.....	+52
Permanent appropriations, exclusive of Forest Service.....	-35
Total, net decrease, annual and permanent appropriations.....	+17
Other funds.....	-508
Total, net decrease, above items, Department of Agriculture.....	-491
Forest Service, annual and permanent appropriations, and other funds.....	+189
Accelerated public works program, Department of Agriculture agencies.....	-2,512
Total, net decrease under all funds available to the U.S. Department of Agriculture.....	-2,814
Deduct decrease in man-years included above representing employment in other departments under allocations from U.S. Department of Agriculture funds: Annual appropriations, Forest Service.....	-6
Total, net decrease for U.S. Department of Agriculture personnel.....	-2,808

#### ACTIONS TAKEN TO REDUCE FUNDS AND EMPLOYMENT

Mr. WHITTEN. Mr. Grant, we on this committee have had quite a bit of experience with the Department. We in turn have somewhat the same problem as the President and the Bureau of the Budget. We have also the problem that you, the Secretary, and folks in the Department have. We all have the obligation of trying to hold down expenditures.

At the same time we have an obligation to see that the operations of the Department of Agriculture, for the good of all the country, are carried on, exclusive of the Forestry Department which is under another subcommittee.

We recognize that, with regard to the Commodity Credit Corporation, it has a responsibility under the law to support prices and if they don't they are in trouble. Yet, if they do support prices and haven't the money, they are in trouble.

We recognize that what it takes in the way of financing is always a matter of opinion, particularly so since any moneys received from the sale of commodities become available to the Corporation to carry out its functions—price supports, plus a lot of other things which Congress has given it to do, some of which is not agriculture particularly.

As I look over the President's overall budget I see the many, many activities, including meat inspection, research, and the various and sundry things that are essential toward keeping our food plentiful, keeping it cheap, and keeping it wholesome, and then keeping the wholesaler and retailer in business making enough money to stay in business.

Yet it looks to me as if agriculture is taking a lot of kicking around when compared with other segments of the Federal budget. The budget speaks for itself, and a special analysis by the committee staff shows the Department of Agriculture to be the only one to receive a reduction of any size for the coming year.

For example, the budget cuts the ACP program rather substantially. I have been told that you were told to stay within certain manpower ceilings contrary to what I read in the President's message. I understand that you got directives to actually cut out positions.

The Forest Service is not here before us. I have been hearing complaints all over the country about the reduction in employment in the Forest Service because Congress cut the funds. Yet Congress did not cut the funds. And next year's funds won't be available until the 1st of July.

I also have been told that there were substantial cuts by the Bureau of the Budget which, on appeal by the Department, were restored.

What are the facts?

In other words, what total request went to the Bureau of the Budget from the Department? Could we have a copy of that, item by item?

We would also like a companion table—what the budget approved for each item.

Mr. GRANT. Yes, sir.

Mr. WHITTEN. What are the facts about any directive that you had about cutting existing manpower? What order was issued, and who issued it?

Mr. GRANT. We received requests from the President and from the Director of the Bureau of the Budget—

Mr. WHITTEN. Could we have copies of that for the record?

Mr. GRANT. Yes, sir.

Mr. WHITTEN. Did that leave the allocation of the cut up to the Department or did it attempt to place the cut itself?

Mr. GRANT. The request left it up to the Department to make a review and submit proposals to them which were in turn modified.

Mr. WHITTEN. Did that have to do with existing programs or did that have to do with the increases for the next fiscal year?

Mr. GRANT. It had to do with both. It was a request to reduce employment in the fiscal years 1964 and 1965, as well as to reduce appropriations and expenditures.

Mr. WHITTEN. The net effect then was to cancel the congressional action last year of increasing funds for research, is that correct?

Mr. GRANT. I don't believe, Mr. Chairman, that it had the effect of canceling any congressional determinations or directives, because what we have proposed, primarily, is to reduce employment through increased employee productivity, improved procedures, and organization, curtailment, or elimination of lower priority work, and doing more work under contract where it might be done better, or just as well, in that way.

Mr. WHITTEN. I want the full story from you, Mr. Grant, or from the Secretary's Office, as to what you requested, item by item, what the Bureau of the Budget allowed, what employment targets you were given and how you applied them.

Mr. GRANT. All right, sir.

(The information requested follows:)

The Department submitted its 1965 estimates in October 1963 in the customary manner. These were considered by the Budget Bureau and preliminary allowances were informally received in late November.

Subsequently, in response to the President's request to his Cabinet on December 11, 1963, the Department made a review and proposed adjustments which might be made in the preliminary allowances. The President's statement to the Cabinet follows:

OFFICE OF THE WHITE HOUSE PRESS SECRETARY,  
December 11, 1963.

STATEMENT OF THE PRESIDENT TO THE CABINET

In my memorandum of November 30, I asked each of you—

"To press ahead vigorously with your program for manpower control and utilization which you developed in response to President Kennedy's directive of October 11, 1962.

"To hold agency employment at or below the personnel targets established in response to President Kennedy's statement to the Cabinet of September 23, 1963."

You and I know we can hold the line on employment without causing real damage.

I am depending on you personally to deal with this problem.

Nine out of ten Government employees do a full day's work for a day's pay—but I want that 10th man to measure up also.

We need to—

Cut out excessive paperwork because it breeds overstaffing.

Measure workloads carefully.

Strip down overly elaborate organizations.

In short, I want you to give as much attention to management as you do to your programs.

For fiscal year 1965, the Budget Director must have your full support in carrying out my directive to hold down Government employment. The 1965 budget total for year end civilian employment must be held below the levels in the 1964 and 1963 budgets. This can be done.

Your budgets should reflect economies from better management and higher productivity resulting from improved methods, procedures, organization, and employee incentive. A good manager can do all of this.

I intend to disapprove any budget request for more personnel except where the facts leave me no choice.

This means that I will grant increases only when they are absolutely necessary to meet final commitments, to properly carry out new legislation, and to do work of the highest national priority.

Federal employment has, by your efforts, been held well below the growth rate of our population and our economy.

Regular civilian employment grew only by 686 persons from October 31, 1962, to the same date in 1963.

If it had followed the trend of State and local government it would have risen by 106,000.

But these facts do not justify a continued upcreep in Federal employment.

They do not justify us in having 10,000, or 1,000, or even 100 more employees than we need.

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Based on specific instructions from the Bureau of the Budget, the Department made an interim reply on December 13. This reply was expanded and modified on December 18, 1963. The following reductions in appropriation and expenditure estimates, and in June 30, 1965, employment were made as a result of the submission of December 18 and of discussion between the Department and the Budget Bureau:

## Reductions in 1965 estimates of appropriations and expenditures

[Thousands of dollars]

Agency	Appropriations	Expenditures
<b>Agricultural Research Service:</b>		
Research.....	-\$4,216	-\$4,080
Plant and animal disease and pest control.....	-3,090	-3,080
Cooperative State Research Service (Federal administration).....	-60	-60
Extension Service (primarily payments to States).....	-2,852	-2,852
<b>Soil Conservation Service:</b>		
Conservation operations.....	-1,400	-1,390
Watershed protection.....	-440	-440
Great Plains conservation program.....	-110	-110
<b>Agricultural Marketing Service:</b>		
Marketing research and service.....	-962	-956
Special milk program.....	1 -99,831	
Sec. 32.....		-1,220
<b>Agricultural Stabilization and Conservation Service:</b>		
Expenses, Agricultural Stabilization and Conservation Service.....	-12,000	-12,000
Conservation reserve program.....	-2,000	-2,000
Office of the General Counsel.....	-160	-150
National Agricultural Library.....	-154	-150
General administration.....	-56	-56
<b>Forest Service:</b>		
Forest land management.....	-4,000	-3,900
Forest research.....	-745	-745
Forest roads and trails.....	-2,500	-2,500
Farmers Home Administration: Salaries and expenses.....	-250	-250
Commodity Credit Corporation: Reimbursement for realized losses.....	2 -930,853	
Total, above items.....	-1,065,679	-35,939
<b>Proposed legislation:</b>		
Agricultural Research Service: To place meat inspection on a self-financing basis.....	-30,837	-28,750
Agricultural Marketing Service: To place poultry inspection on a self-financing basis; to place grain inspection on a voluntary basis and charge fees for supervisory costs; and to abolish Standard Containers, Naval Stores, Tobacco Seed Export, and Wool Standards Acts.....	-18,635	-16,393
Farmers Home Administration: Salaries and expenses related to proposed legislation for insured rural housing loan program.....	-600	-600
Rural Electrification Administration: To establish a direct loan account for receipt of loan collections.....	3 (-169,000)	-169,000
Total, proposed legislation.....	-50,072	-214,743
Total, Department of Agriculture.....	-1,115,751	-250,682

1 To be transferred from sec. 32.

2 Based principally on revised estimate of need.

3 Represents decrease in authorization to borrow from Treasury.

## Reductions in estimates of June 30, 1965, employment

Agency	Reduction
Agricultural Research Service.....	-934
Cooperative State Research Service.....	-5
Federal Extension Service.....	-6
Farmer Cooperative Service.....	-2
Soil Conservation Service.....	-609
Economic Research Service.....	-16
Statistical Reporting Service.....	-15
Agricultural Marketing Service.....	-313
Office of Milk Market Administrators.....	-15
Agricultural Stabilization and Conservation Service.....	-146
Federal Crop Insurance Corporation.....	-48
Rural Electrification Administration.....	-16
Farmers Home Administration.....	-1,084
Office of the General Counsel.....	-16
National Agricultural Library.....	-19
Office of Management Appraisal and Systems Development.....	-3
Office of Personnel.....	-3
Office of Management Services.....	-2
Forest Service.....	-1,458
Total.....	-4,710

These possible reductions were reviewed and the resulting determinations, based on discussions with the Budget Bureau, resulted in the following 1965 budget allowances:

*Department estimates and budget allowances, 1965*

[NOTE.—Amounts in parentheses are not included in totals]

Agency or item	Department estimates, 1965 <sup>1</sup>	Budget allowances, 1965	Budget allowances compared with Department estimates <sup>2</sup>
GENERAL ACTIVITIES			
<b>Agricultural Research Service:</b>			
Salaries and expenses:			
Research.....	\$132,197,000	\$98,615,000	-\$33,582,000
Plant and animal disease and pest control.....	71,100,000	65,955,000	-5,145,000
Meat inspection.....	33,200,000	30,837,000	-2,363,000
Total, salaries and expenses.....	236,497,000	195,407,000	-41,090,000
Salaries and expenses (special foreign currency program).....	5,000,000	5,000,000	-----
Total, Agricultural Research Service.....	241,497,000	200,407,000	-41,090,000
<b>Cooperative State Research Service:</b>			
Payments to agricultural experiment stations.....	50,613,000	40,863,000	-9,750,000
Grants for cooperative forestry research.....	3,000,000	1,000,000	-2,000,000
Grants for basic research.....	1,000,000	-----	-1,000,000
Grants for facilities.....	12,000,000	-----	-12,000,000
Penalty mail.....	310,000	310,000	-----
Federal administration.....	495,000	287,000	-208,000
Total, Cooperative State Research Service.....	67,418,000	42,460,000	-24,958,000
<b>Extension Service:</b>			
Cooperative extension work, payments and expenses:			
Payments to States and Puerto Rico.....	69,005,800	64,705,000	-4,300,800
Retirement and employee compensation fund costs for extension agents.....	7,657,200	7,410,000	-247,200
Penalty mail.....	3,113,000	3,113,000	-----
Federal Extension Service.....	2,552,000	2,451,000	-101,000
Total, Extension Service.....	82,328,000	77,679,000	-4,649,000
Farmer Cooperative Service.....	1,420,000	1,102,200	-317,800
<b>Soil Conservation Service:</b>			
Conservation operations.....	103,000,000	98,750,000	-4,250,000
Watershed protection.....	92,000,000	65,848,000	-26,152,000
Flood prevention.....	26,800,000	22,656,000	-4,144,000
Great Plains conservation program.....	17,000,000	14,744,000	-2,256,000
Resource conservation and development.....	11,400,000	2,044,000	-9,356,000
Total, Soil Conservation Service.....	250,200,000	204,042,000	-46,158,000
Economic Research Service.....	11,337,000	9,476,000	-1,861,000
Statistical Reporting Service.....	13,600,000	11,431,400	-2,168,600
<b>Agricultural Marketing Service:</b>			
Marketing research and service.....	51,021,000	43,975,000	-7,046,000
Payments to States and possessions.....	2,000,000	1,425,000	-575,000
Special milk program.....	106,850,000	(99,831,000)	-106,850,000
School lunch program.....	148,000,000	147,610,000	-390,000
Total, Agricultural Marketing Service.....	307,871,000	193,010,000	-114,861,000
Foreign Agricultural Service.....	21,983,000	20,561,000	-1,422,000
Commodity Exchange Authority.....	1,178,000	1,119,000	-59,000
<b>Agricultural Stabilization and Conservation Service:</b>			
Expenses, Agricultural Stabilization and Conservation Service.....			
Sugar Act program.....	129,750,000	114,562,000	-15,188,000
Agricultural conservation program.....	90,000,000	87,500,000	-2,500,000
Agricultural conservation program.....	225,000,000	225,000,000	-----
Conservation reserve program.....	200,000,000	198,000,000	-2,000,000
Cropland conversion program.....	10,000,000	10,000,000	-----
Total, Agricultural Stabilization and Conservation Service.....	654,750,000	635,062,000	-19,688,000
Office of Rural Areas Development.....	201,000	124,000	-77,000
Office of the Inspector General.....	(9,874,000)	9,874,000	<sup>3</sup> +9,874,000
Office of the General Counsel.....	4,553,000	3,853,000	-700,000
Office of Information.....	1,800,000	1,648,000	-152,000

See footnotes at end of table, p. 274.

## Department estimates and budget allowances, 1965—Continued

[NOTE.—Amounts in parentheses are not included in totals]

Agency or item	Department estimates, 1965 <sup>1</sup>	Budget allowances, 1965	Budget allowances compared with Department estimates <sup>2</sup>
GENERAL ACTIVITIES—continued			
National Agricultural Library:			
Salaries and expenses.....	\$1,854,000	\$1,347,000	-\$507,000
Library facilities.....	7,000,000	7,000,000	-----
Total, National Agricultural Library.....	8,854,000	8,347,000	-507,000
Office of Management Services.....	(2,527,000)	2,527,000	\$ +2,527,000
General Administration.....	4,048,000	3,372,000	-676,000
Forest Service:			
Forest protection and utilization:			
Forest land management.....	189,310,000	150,419,000	-38,891,000
Forest research.....	34,775,000	29,944,000	-4,831,000
State and private forestry cooperation.....	22,300,000	16,955,000	-5,345,000
Total, Forest protection and utilization.....	246,385,000	197,318,000	-49,067,000
Forest roads and trails.....	83,200,000	72,300,000	-10,900,000
Acquisition of lands for national forests:			
Special acts.....	70,000	70,000	-----
Wasatch National Forest.....	150,000	150,000	-----
Cooperative range improvements.....	700,000	700,000	-----
Assistance to States for tree planting.....	3,000,000	1,000,000	-2,000,000
Total, Forest Service.....	333,505,000	271,538,000	-61,967,000
Total, General Activities.....	2,006,543,000	1,697,632,600	-308,910,400
CREDIT AGENCIES			
Rural Electrification Administration:			
Loan authorizations:			
Rural electrification.....	(500,000,000)	(365,000,000)	(-135,000,000)
Rural telephone.....	(73,000,000)	(63,000,000)	(-10,000,000)
Total (authorizations to borrow from Treasury).....	(573,000,000)	(428,000,000)	(-145,000,000)
Salaries and expenses.....	12,250,000	11,518,000	-732,000
Total, Rural Electrification Administration.....	12,250,000	11,518,000	-732,000
Farmers Home Administration:			
Real estate and operating loans (limitation on loans made from receipts deposited in loan account):			
Real estate loans.....	(60,000,000)	(25,000,000)	(-35,000,000)
Operating loans.....	(300,000,000)	(300,000,000)	(-----)
Total, real estate and operating loans.....	(360,000,000)	(325,000,000)	(-35,000,000)
Rural renewal.....	10,000,000	2,190,000	-7,810,000
Rural housing for the elderly revolving fund.....	25,000,000	5,000,000	-20,000,000
Salaries and expenses.....	49,600,000	40,284,000	-9,316,000
Total, Farmers Home Administration.....	84,600,000	47,474,000	-37,126,000
Total, credit agencies:			
Loan authorizations.....	(933,000,000)	(753,000,000)	(-180,000,000)
Appropriations.....	96,850,000	58,992,000	-37,858,000
CORPORATIONS			
Federal Crop Insurance Corporation:			
Administrative and operating expenses.....	7,350,000	6,942,000	-408,000
Federal Crop Insurance Corporation fund (operating expenses payable from premium income).....	(4,343,000)	(3,649,000)	(-694,000)
Subscription to capital stock.....	-----	-----	-----
Total, Federal Crop Insurance Corporation.....	7,350,000	6,942,000	-408,000
Commodity Credit Corporation:			
Reimbursement for net realized losses.....	2,654,853,000	1,724,000,000	-930,853,000
Limitation on administrative expenses.....	(37,650,000)	(37,650,000)	(-----)
Total, Commodity Credit Corporation.....	2,654,853,000	1,724,000,000	-930,853,000
Total, Corporations.....	2,662,203,000	1,730,942,000	-931,261,000

See footnotes at end of table, p. 274.

## Department estimates and budget allowances, 1965—Continued

[NOTE.—Amounts in parentheses are not included in totals]

Agency or item	Department estimates, 1965 <sup>1</sup>	Budget allowances, 1965	Budget allowances compared with Department estimates <sup>2</sup>
FOREIGN ASSISTANCE PROGRAMS			
Public Law 480:			
Sale of surplus agricultural commodities for foreign currencies.....	\$1,893,000,000	\$1,893,000,000	-----
Commodities disposed of for emergency famine relief to friendly peoples.....	264,000,000	264,000,000	-----
Long-term supply contracts.....	58,000,000	58,000,000	-----
Total, Public Law 480.....	2,215,000,000	2,215,000,000	-----
International Wheat Agreement.....	31,838,000	31,838,000	-----
Bartered materials for supplemental stockpile.....	120,000,000	120,000,000	-----
Total, foreign assistance programs.....	2,366,838,000	2,366,838,000	-----
Total, above items.....	7,132,434,000	5,854,404,600	-\$1,278,029,400

<sup>1</sup> Includes estimates of amounts to be transferred to the Office of the Inspector General and the Office of Management Services.

<sup>2</sup> Decreases include transfers to OIG and OMS.

<sup>3</sup> Apparent increase only due to no estimates for OIG and OMS at Department stage.

## End-of-year employment as of June 30, 1965—Department estimates and budget allowances

	Department estimates, fiscal year 1965	Budget allowance, fiscal year 1965	Change
Agricultural Research Service.....	22,780	19,816	-2,964
Cooperative State Research Service.....	133	107	-26
Federal Extension Service.....	274	260	-14
Farmer Cooperative Service.....	113	97	-16
Soil Conservation Service.....	21,133	18,091	-3,042
Economic Research Service.....	1,165	1,158	-7
Statistical Reporting Service.....	3,296	3,100	-196
Agricultural Marketing Service.....	8,627	8,013	-614
Office of Milk Market Administrators.....	1,181	1,135	-46
Foreign Agricultural Service.....	1,037	925	-112
International Agricultural Development Service.....	74	72	-2
Commodity Exchange Authority.....	125	123	-2
Agricultural Stabilization and Conservation Service.....	6,902	6,248	-654
Federal Crop Insurance Corporation.....	1,466	1,150	-316
Rural Electrification Administration.....	1,081	995	-86
Farmers Home Administration.....	13,889	10,216	-3,673
Office of Rural Areas Development.....	38	35	-3
Office of the Inspector General.....	900	860	-40
Office of the General Counsel.....	403	340	-63
Office of Information.....	252	245	-7
National Agricultural Library.....	230	187	-43
Office of Management Services.....	407	358	-49
Office of the Secretary.....	52	-----	-----
Office of Budget and Finance.....	69	67	-2
Office of Plant and Operations.....	230	229	-1
Office of Management Appraisal and Systems Development.....	374	298	-76
Office of Personnel.....	92	83	-9
Office of Hearing Examiners.....	7	7	-----
Judicial officer.....	9	9	-----
Forest Service.....	46,311	41,100	-5,211
Total employment.....	132,650	115,376	-17,274

Subsequently, the following requests were received by the Department:

EXECUTIVE OFFICE OF THE PRESIDENT,  
BUREAU OF THE BUDGET,  
Washington, D.C., December 26, 1963.

*Memorandum for heads of Departments and Agencies:*

The President has asked me to transmit to you the attached directive concerning control of Federal employment. You will note that the President asks for prompt and personal action on your part, and that he plans to review each response personally.

The initial action required is an identification of new end-of-year employment targets for fiscal years 1964 and 1965 below those allowed your agency by the President's decisions on the 1965 budget. If you have not yet been notified of that allowance, you will be advised immediately.

As guides to the preparation of your report to the President, I would suggest the following:

1. That the new targets for large agencies be broken down into subtargets for each of the major constituent parts of the agency.
2. That the targets differentiate between permanent and other employees.
3. That the new targets be achieved by methods which produce meaningful Government economies, rather than by devices of a merely statistical nature.
4. That this report be submitted to the President no later than January 10, 1964.

The form and content of the quarterly progress reports also required by the President will be the subject of a future memorandum.

KERMIT GORDON, *Director.*

THE WHITE HOUSE,  
Washington, December 24, 1963.

*Memorandum for the heads of departments and agencies.*

Subject: Control of Federal employment.

The budget which I will send to the Congress next month will not only halt the growth in Federal employment, but will actually make a small reduction from this year's level.

Even though nothing like this has happened in the last decade, I am still unconvinced that we are getting the maximum possible output per employee. I believe we can do better.

The Budget Director will shortly notify you of the yearend maximum employment levels which result from my final budget decisions for both fiscal years 1964 and 1965.

Let me make it clear that these end-of-year figures are ceilings, not goals.

As soon as these figures reach you, I want you personally to reexamine your employment situations and to establish new end-of-year targets below these maximums. I want you to report these targets to me promptly. I will review them personally.

When I approve new targets for your agency, you will put them into effect and make strenuous efforts to achieve them through tighter management, redeployment of personnel, simplification of procedures, and stripping work to essentials.

I will expect you to make quarterly reports to me, beginning April 1, 1964, on what you have accomplished under this effort.

Finally, once I have given my approval to your new targets, they are not to be exceeded without my explicit approval.

LYNDON B. JOHNSON.

Following this review the Department submitted the following to the President on January 10, 1964:

JANUARY 10, 1964.

THE PRESIDENT,  
The White House,  
Washington, D.C.

DEAR MR. PRESIDENT: As requested in your memorandum of December 24, I have personally reviewed again the employment situation in this Department to establish new end-of-year targets for 1964 and 1965 below the figures resulting from final decisions on the 1965 budget.

I had already made substantial reductions in our employment targets in the process of arriving at final budget decisions. These included not only reductions based on curtailing or eliminating lower priority work but also sizable decreases in estimated employment resulting from increased employee productivity, improved procedures and organization, and other administrative actions which will be accomplished in the months ahead. These reductions, and those now proposed, may be summarized, as follows:

	End-of-year employment	
	June 30, 1964	June 30, 1965
Total, based on 1965 estimates submitted by agencies of the Department to the Secretary.....	126,109	144,567
Total, based on the Department's 1965 estimates as submitted to the Budget Bureau.....	124,414	132,650
Total, based on initial budget determinations.....	122,212	120,086
Reductions previously made.....	-5,412	-4,710
Total, based on final budget decisions.....	116,800	115,376
Further reductions now proposed.....	-742	-416
Revised targets.....	116,058	114,960

In all, the employment targets for the Department have been reduced, from those based on the estimates submitted initially by the agencies of the Department, by 8 percent in 1964 and 20.5 percent in 1965. We will continue to look for every possible opportunity to reduce employment and achieve economies. I feel, however, that further reductions below those indicated cannot be projected at this time.

I should emphasize that the above targets are based on the present outlook for the Department's programs and the current projections of funds which will be available in 1964 and 1965. Within the totals for the Department, it may be necessary to make some shifts in order to make the most effective use of our manpower. If additional responsibilities are assigned to the Department or programs are increased above the current projections, it may be necessary to request your approval for a revision in the employment targets.

The enclosed table shows the revised targets, identifying permanent and other employees, and indicating separately the figures for the larger components of the Department.

Respectfully yours,

ORVILLE L. FREEMAN, *Secretary.*

*Revised targets for end-of-year employment*

	June 30, 1964			June 30, 1965		
	Perma- nent positions	Other	Total	Perma- nent positions	Other	Total
Forest Service.....	19,625	21,475	41,100	19,934	20,866	40,800
Agricultural Research Service.....	17,500	2,300	19,800	17,617	2,199	19,816
Soil Conservation Service.....	15,461	3,039	18,500	15,240	2,800	18,040
Farmers Home Administration.....	5,170	5,318	10,488	5,531	4,685	10,216
Agricultural Marketing Service.....	8,813	537	9,350	8,642	506	9,148
Agricultural Stabilization and Conserva- tion Service.....	6,039	600	6,639	5,690	558	6,248
All others.....	8,145	2,036	10,181	8,230	2,462	10,692
Total, USDA.....	80,753	35,305	116,058	80,884	34,076	114,960

In considering the apportionment of the 1964 appropriations, based on the 1964 Agricultural Appropriation Act, approved December 30, 1963, the Budget Bureau tentatively established reserves totaling \$3,547,000 pending further review in light of the requirements of section 603 of the 1964 Foreign Aid and Related Agencies Appropriation Act. Shortly thereafter the Department was informally requested by the Bureau of the Budget to propose reserves in 1964 and

budget amendments in 1965 which would achieve the total employment reductions indicated in the above letter of January 10, 1964.

The Department's response to this request was submitted on February 18, 1964. Based on further review and discussions with the Budget Bureau, final determinations on these items resulted in the following:

*Budget reserves, 1964, to achieve reductions in June 30, 1964, employment of approximately 743 below the total shown in the 1965 budget*

Agency	Reserves established by Budget Bureau	Decrease in yearend employment
Agricultural Research Service.....	<sup>1</sup> \$675, 000	-277
Cooperative State Research Service.....	1, 130	-2
Extension Service.....	350, 000	-1
Farmer Cooperative Service.....	1, 130	-1
Soil Conservation Service.....	198, 300	-98
Economic Research Service.....	12, 530	-2
Statistical Reporting Service.....		-17
Agricultural Marketing Service.....	100, 000	-30
Foreign Agricultural Service.....	85, 000	-15
Commodity Exchange Authority.....	1, 390	-1
Agricultural Stabilization and Conservation Service	81, 975	-25
Office of Rural Areas Development.....		
Office of the Inspector General.....	10, 100	-3
Office of the General Counsel.....	4, 265	-1
Office of Information.....	1, 390	-1
National Agricultural Library.....	2, 000	-2
Office of Management Services.....	4, 090	-20
General Administration.....	3, 220	-1
Forest Service.....	366, 100	-217
Rural Electrification Administration.....	90, 000	-9
Farmers Home Administration.....	66, 900	-18
Federal Crop Insurance Corporation.....	12, 000	-2
Total.....	2, 066, 520	-743

<sup>1</sup> In addition, the pending supplemental estimate of \$590,000 for meat inspection will be revised to provide for transfer of this amount from plant and animal disease and pest control funds initially placed in reserve by the Budget Bureau in lieu of an additional appropriation.

*Budget amendments, 1965, to achieve reductions in June 30, 1965, employment below the total shown in the 1965 budget*

Agency	Appropriations and authorizations	Yearend employment
Agricultural Research Service:		
Khapra beetle.....	-\$200, 000	
Witch weed.....	-100, 000	
Total.....	-300, 000	-40
Cooperative State Research Service.....	-20, 000	-6
Soil Conservation Service.....		
Foreign Agricultural Service.....	-136, 000	-25
Agricultural Stabilization and Conservation Service	-200, 000	-8
Statistical Reporting Service.....		-17
Office of Management Services.....	-45, 000	-6
General Administration.....	-15, 000	-1
Forest Service.....	-800, 000	-161
Rural Electrification Administration.....	-90, 000	-9
Farmers Home Administration.....	-100, 000	-10
Total.....	-1, 706, 000	-283

#### EFFECT OF PROPOSED LEGISLATION ON 1965 ESTIMATES

Mr. WHITTEN. How much of this reduction in the budget request is contingent upon passage of new legislation? Can we have those itemized? And how much saving do you contemplate by getting the Congress to pass laws?

Mr. GRANT. There are proposals to put meat and poultry inspection on a self-financing basis. This would not reduce employment. It would reduce budgetary expenditures.

Mr. WHITTEN. Mr. Robertson is a relative new-comer. You have been here a long time, Mr. Grant. How did we come out when we did that before?

Mr. GRANT. It lasted 1 year, sir.

Mr. WHITTEN. Just about as long as John's stay in the Army?

Mr. GRANT. Yes, sir.

Mr. WHITTEN. I doubt this was done on your belief that we could get it through the Congress and make it whole. Did you express any optimism about the chance of getting this through and holding it, personally?

Mr. GRANT. I expressed some doubt that Congress would adopt the proposal.

Mr. WHITTEN. Your word is not controlling? Mine is not either, Mr. Grant.

What is the next item where you have a decrease proposed?

Mr. GRANT. A proposal involving the Agricultural Marketing Service to eliminate four regulatory acts which that agency now administers. This represents a reduction of \$113,000.

Mr. WHITTEN. What acts are those?

Mr. GRANT. Standard Containers Act, Naval Stores Act, Tobacco Seed Export Act, and the Wool Standards Act.

Mr. WHITTEN. Have those proven themselves total failures and failed to benefit anybody or anything?

Mr. GRANT. I would not say that they have proven to be total failures. I think the Agricultural Marketing Service felt in these particular instances that they are not now serving the purposes which they did originally. That conditions have changed, and these might well be abolished.

Mr. WHITTEN. Could we have a statement showing when the acts were passed, what duties are performed under those acts, how many people have been engaged in them, and what developments lead you to the statement that it was felt, other things being like they are, you would cut out such enforcement? Could we have that for the record?

Mr. GRANT. Yes, sir.

(The information requested follows:)

#### AGRICULTURAL MARKETING SERVICE

##### *Laws proposed to be repealed in 1965 budget*

1. *Standard Container Acts of 1916 and 1928 (two laws).*—Enacted to prevent deception in the manufacture of certain types of baskets and hampers used in shipping fresh fruits and vegetables. These laws are carried out through development of standard specifications in cooperation with manufacturers and systematic inspection and testing of containers at the factory or in the Washington, D.C. laboratory. Violations are brought to the attention of the manufacturers and usually corrected. In cases of flagrant violations prosecution and/or seizure are authorized. Need for these laws no longer exists since (1) most fresh fruits and vegetables are now sold by weight or count rather than by volume measure and (2) over 90 percent of fresh fruits and vegetables are shipped in new types of containers not covered under these laws.

2. *Tobacco Seed and Plant Exportation Act of 1940*.—Enacted to prevent development and expansion of flue-cured tobacco areas outside the United States. Under this act, the Secretary issues permits for exportation of tobacco seed and plants where evidence indicates that consignee is a representative of a government institution or an agency engaged in conducting agricultural experiments in the course of scientific research. No longer needed because tobacco growing areas outside the United States have now been highly developed.

3. *Naval Stores Act of 1923*.—Enacted to prevent adulteration and misgrading of turpentine and misgrading of rosin. The work performed includes: (1) Preparation of objective standards for rosin and color standards for turpentine involving laboratory work on testing of properties and methods of analysis for many different kinds of naval stores products in cooperation with industry and with the committee on naval stores of the American Society for Testing Materials; (2) inspection and grading of crude pine gum, rosin, and turpentine and supervising the work of licensed inspectors; and (3) regulation of marketing practices including labeling, methods of advertising, inducing the sale of the article, or other illegal activities by collection and inspection of samples at important marketing centers. Establishment of standards under the law has corrected the misgrading problem to a large extent and narrowing of price differential between turpentine and its most common adulterant has reduced adulterative practices. The standardization work would not be discontinued. It would continue under authority of the Agricultural Marketing Act of 1946. The total estimated cost of administering this law in 1965 is \$54,000 with 5.4 man-years. Of this amount \$19,000 and 2 man-years would be retained for standards work.

4. *Wool Standards Act of 1928*.—Provides for (1) development of standards for wool; (2) grading wool; and (3) educational and demonstrational programs on wool standards. The work consists of: (1) The development and promulgation of U.S. standards for grades of wool, wool top, mohair, and mohair top, and quantitative specifications for fineness, length, crimp, color, soundness, and handle for the grades; (2) the approval of suppliers of the practical forms illustrating the standards for wool, wool top, mohair, and mohair top; (3) the standardization of tools, methods, techniques, and procedures for sampling, measuring, and testing lots of grease wool, scoured wool, wool top, mohair, and mohair top for determination of qualities affecting value and utility; and (4) the determination of the feasibility of applying quantitative grade requirements to types and classes of imported wool. The standards are distributed to wool growers, educational institutions, the trade, manufacturers, the wool top exchange, customs officials, and others.

The wool and mohair standards are demonstrated to producer groups, marketing agencies, processors, and others interested in the production and marketing of these products in order to acquaint these groups with the technical aspects of grading and the many direct and indirect benefits that accrue to the industry through the use of these standards in the marketing of wool and mohair.

No wool grading is performed by AMS under this act. Customs officials use the standards as a basis for collection of custom duties when inspecting imported wool. Law no longer needed because present standards are adequate for domestic marketing needs. Agricultural Marketing Act of 1946 has authority needed to change standards as necessary. Of the 6 man-years and \$75,000 budgeted for this work in 1965, it is proposed to retain 1 man-year and \$15,000 for export standards work. The remaining \$60,000 and 5 man-years would be savings.

The following table summarizes the estimated reduction through the proposed repeal of these laws:

Law	Reduction	
	Man-years	Fund
Wool Standards Act.....	5.0	\$60,000
Standard Container Acts.....	2.2	15,000
Naval Stores Act.....	3.4	35,000
Tobacco Seed and Plant Exportation Act.....	.3	3,200
Total.....	10.9	113,200

## GRAIN GRADING ACTIVITIES

Mr. WHITTEN. What other cuts have you proposed?

Mr. GRANT. One is the proposal which has been under consideration for a couple of years in one form or another; and that is to change the Grain Standards Act from the type of program that it was in the past to put it on a voluntary basis in accordance with the Agricultural Marketing Act of 1946 and to charge fees for supervisory costs.

Again, this would not reduce employment but would reduce expenditures from the Treasury by \$1.9 million.

Mr. WHITTEN. What does that act call for?

Mr. GRANT. At the present time the inspections are performed by State and commercial employees, who are licensed and supervised by the Department of Agriculture.

If a person who has had grain graded appeals that grade, he pays the Department for the requested regrading. These payments run about \$600,000.

If the original grade is upheld, the payment made for regrading goes into the Treasury. If the grade is changed, the payment is refunded.

Mr. WHITTEN. What is the volume of activities presently carried on?

Mr. GRANT. I would have to put that in the record.

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

(The material requested follows:)

*Volume of grain inspection (by licensed inspectors federally supervised) and appeal activities (by Federal inspectors under the U.S. Grain Standards Act) <sup>1</sup>*

Activity	Fiscal year			
	1941	1963	1964 (estimate)	1965 (estimate)
<b>Inspection services:</b>				
Quantity of grain produced crop year (1,000 bushels).....	5,456,682	6,404,497	6,700,000	6,700,000
Quantity of grain inspected (1,000 bushels).....	1,944,430	6,276,407	7,000,000	7,000,000
Number of inspection points.....	178	393	410	420
Number of licensed inspectors.....	414	710	725	750
Total number of inspections.....	1,268,121	3,469,017	3,600,000	3,600,000
Inspections supervised by Federal supervisors (excludes appeals).....	134,621	136,335	145,000	150,000
Percent of inspections supervised (includes appeals).....	15.1	4.8	5.0	5.1
<b>Appeal services:</b>				
Number of district offices.....	37	48	49	49
Number of suboffices.....	6			
Number of appeals referred.....	( <sup>2</sup> )	31,676	32,000	32,000
Number of appeals denied or canceled.....	None	250	250	250
Number of appeals decided.....	45,894	31,426	31,750	31,750
Original grade sustained (percent).....	67.5	80	80	80
Original grade changed (percent).....	32.5	20	20	20
Number of appeals carried to appeal boards.....	638	351	450	450
Supervisor's grade sustained (percent).....	79	80	82	82
Supervisor's grade changed (percent).....	21	20	18	18
Total number of certificates issued.....	1,325,667	3,500,794	3,550,000	3,550,000
Overtime and related costs.....	None	\$56,700	\$60,000	\$60,000

<sup>1</sup> Users of this service pay a fee to the licensed inspector. No Federal fee is charged except in the case of appeal inspections when licensees' grades are not changed.

<sup>2</sup> Not available.

Mr. WHITTEN. As I understand it, the Government licenses these inspectors, which means you pass on the ability and qualifications. You can cancel their approval, is that correct?

Mr. GRANT. Yes, sir.

Mr. WHITTEN. When you say voluntary, as opposed to mandatory inspections now made, do you mean you would inspect only when the warehouseman or other person requested it?

Mr. GRANT. That is right. It would be voluntary, but for all practical purposes it would be necessary for them to obtain a grade if they were involved in a business transaction requiring a U.S. grade. It would be handled in the same manner as all other commodities under the Agricultural Marketing Act of 1946. Exporters would still require grading, if the contract called for a particular grade. The same would be true on domestic sales of course.

Mr. WHITTEN. What do you mean? If they sell it, do they have to have it inspected?

Mr. GRANT. If the contract of sale requires that a specific grade be delivered, it would of course have to be graded to be sure that it met that particular specification.

Mr. WHITTEN. You say we are going to save a million-some-odd dollars because we are going to make it voluntary, where we have had it compulsory. Then you say it remains compulsory if they sell it by grade or class. How much grain have you ever heard of being sold without reference to quality or grade?

Mr. GRANT. I am not familiar with the details of it. I don't think there is very much.

Mr. WHITTEN. Let's go a step further. We have had a little scandal here lately about selling wheat to Austria that was diverted. I recall reading in the press lately a lot of scandal involving the operations of a manipulator in the oil field, I believe, in fats and oils.

Mr. GRANT. Yes, sir.

Mr. WHITTEN. If I understand you, you in the Department are proposing a system where the issuance of warehouse receipts will not be protected by any type of inspection by the Department. So it will just run free and wild, and lend itself, to more scandals.

Let us suppose that I have a big elevator and you quit requiring compulsory inspection. I don't sell it, I sit there and hold grain. Folks store their grain with me. I issue warehouse receipts. But the grain itself doesn't leave there. Nobody comes around to inspect it because it hasn't been sold. I recall when Mr. Brannan was Secretary of Agriculture, they got in that kind of situation. As I recall it, on investigation by this subcommittee we found a world of people who had a lot of warehouse receipts out who didn't have any grain. In fact some of them went to the penitentiary.

Are you inviting that kind of a thing again by not requiring inspection but just leaving it up to voluntary inspection?

Mr. GRANT. As I understand the proposal, Mr. Chairman, where a warehouse receipt or a particular transaction requires it, the specific grades would have to be determined and met.

Mr. WHITTEN. But you said that it would be checked only when it was sold or moved; didn't you? You wouldn't go around periodically to see that the fellow has the kind of grain in his warehouse for which he has issued warehouse receipts for.

Mr. GRANT. The inspection of warehouses is a regulatory activity carried out under the U.S. Warehouse Act, which is different authority. This proposed change deals only with the inspection and grading of the grain per se rather than whether or not it is in the warehouse. We are not proposing a change in the Warehouse Act.

Mr. WHITTEN. If it is in the warehouse, don't receipts specify types and kind? I am not an expert in this field, but I have heard enough testimony here and seen enough trouble in the Department in years past that I am afraid of any change which does away with any degree of inspection. In fact I have become convinced in recent years, if anything, we had too little inspection.

Mr. GRANT. What I said is based on my general understanding of the proposal.

Mr. WHITTEN. Mr. Grant, we realize that you as budget officer sit in on this and have a general knowledge. It is well, since we want to cover all of this, to ask you. I want you to feel free to correct the record to reflect the true facts. We know the best witnesses will be those who deal with it. Feel free to check with the people who deal with it so your answers will be accurate.

Mr. GRANT. I will place a complete statement in the record. I am not yet up to date on the details of some of these proposals.

(The material requested follows:)

#### REPEAL OF THE GRAIN STANDARDS ACT

The Department is proposing legislation to repeal the Grain Standards Act of 1916. This will bring all grain inspection under the Agricultural Marketing Act of 1946 where it would continue to be provided, but on a voluntary and fee basis.

When enacted, the Grain Standards Act was needed to eliminate the confusion which resulted from dealers using different sets of standards. Federal standards for grain are now accepted universally in the industry.

Since 1916, however, grain marketing has become increasingly complex and there are today numerous transactions in which the official grade confers no particular benefit upon either the buyer or seller; for example, a sale to a subsidiary company. The grain industry should not be forced to obtain, and pay for, inspection and certification under the official standards unless inspection and certification serve a useful purpose.

#### CURRENT OPERATIONS

Initial inspection under the act is performed for a fee by a federally licensed inspector. The work of the licensee is under Federal supervision which is financed from appropriated funds. Appeals from licensees' grades are handled by Federal inspectors. A fee is charged for such inspections when the licensee's grade is sustained.

#### VOLUNTARY INSPECTION PROPOSED

If inspection is provided under the Agricultural Marketing Act, use of U.S. standards would be voluntary and official inspection would be required only when U.S. grades were used in the transaction. That portion of the Federal supervision of licensees which is considered to be of special benefit to the users would thus be financed from fees rather than from appropriations as is now the case. This will put the financing of grain inspection on a basis similar to that for rice, beans, eggs, dairy products, fruits, vegetables, and most other agricultural commodities.

Mr. WHITTEN. These cuts came under duress; didn't they?

Mr. GRANT. There was considerable effort to find ways and means of reducing the budget.

#### SELF-INSURANCE OF CCC COMMODITIES IN STORAGE

Mr. WHITTEN. I think members of this committee have as good a record as anybody I know in trying to hold down expenditures.

My friend and colleague, Walt Horan, called my attention to an article in Nation's Business the other day. It said we were guilty in this committee of fancy bookkeeping, sometimes. May I say that there has never been any action taken by this committee that we

didn't spell out what was involved. We have never claimed a saving beyond what the facts were; and I will stand by that.

We are also in favor of savings when we don't run the risk of greater losses, perhaps in going downhill in protecting our country or in other ways.

One of the things that has been called to my attention is that you are now trying to save money by carrying your own insurance on CCC commodities. How much saving is that supposed to bring about; or would you know?

Mr. GRANT. I do not recall offhand. I will put it in the record. (The information requested follows:)

ESTIMATE OF NET SAVINGS REALIZED BY CCC ON OWNED (NONINSURED) COTTON  
JULY 1, 1958, THROUGH JUNE 30, 1963

Insurance deductions credits (premiums saved)-----	\$5, 504, 518
CCC cost of cotton losses:	
Estimated cost of uninsured cotton-----	2, 185, 277
Add: Adjusters and warehouse expenses-----	23, 728
Total-----	2, 209, 005
Deduct: Net salvage proceeds-----	620, 032
Balance-----	1, 588, 973
Gross savings-----	3, 915, 545
Deduct: Administrative and other expenses-----	345, 970
Estimated net savings on owned (noninsured) cotton-----	3, 569, 575
Estimated annual net savings-----	714, 000

ESTIMATE OF NET SAVINGS TO CCC BY ELIMINATION OF INSURANCE  
ON LOAN COTTON<sup>1</sup>

Estimated net savings on owned (noninsured) cotton, July 1, 1958, through June 30, 1963-----	\$3, 569, 575
Average number of CCC-owned bales of cotton during period-----	3, 614, 000
Estimated net savings per bale during the 5-year period-----	\$0. 0987708
Estimated net savings per bale during 1-year period-----	\$197, 542
Estimated net savings per bale during a 9-month loan period-----	\$0. 148156
Number of bales of loan cotton acquired by CCC from 1961 and 1962 crops-----	7, 965, 513
Average number of bales of loan cotton acquired per year-----	3, 982, 756
Estimated annual net savings to CCC by elimination of insurance on loan cotton (3,982,756 × \$0.148156)-----	\$590, 000

<sup>1</sup> Fire hazards and insurance premiums in warehouses where producers normally store their cotton are greater, or other overhead cost which would be paid by CCC as a result of assuming its own risk of loss, nor does it take into consideration the amount CCC may realize from salvage of damaged grain.

ESTIMATE OF GROSS SAVINGS TO CCC ASSUMING GRAINS STORED UNDER THE  
UNIFORM GRAIN STORAGE AGREEMENT WERE NOT INSURED FISCAL YEARS  
1962 AND 1963

Estimated insurance premiums paid by warehousemen on CCC- owned grain-----	\$12, 353, 000
Collections on insured losses of stored grains-----	3, 290, 000
Estimated gross savings 1962 and 1963-----	9, 063, 000
Estimated average annual gross savings <sup>1</sup> -----	4, 531, 000

<sup>1</sup> The computation of estimated gross savings did not take into consideration the administrative, investigative, or other overhead cost which would be paid by CCC as a result of assuming its own risk of loss, nor does it take into consideration the amount CCC may realize from salvage of damaged grain.

Mr. WHITTEN. The question is, if the Government, as big as it is, should carry its own insurance on its own commodities? That, of course, would be for the Government to decide. Those writing insurance would naturally write insurance on it. I can understand that the Government, like most railroad companies, doesn't carry liability insurance. They are big enough to spread the risk.

Tell me where the authority is for you to carry insurance on my cotton where I borrow money from you and the cotton doesn't belong to you. Where is the authority for you to carry insurance on the other fellow's cotton?

Mr. GRANT. It is my understanding that this decision is based on the Commodity Credit Corporation Charter Act. I will have to get the specific section.

(The information referred to follows:)

Under its new policy, Commodity Credit Corporation no longer requires insurance to be carried on commodities owned by Commodity Credit Corporation or on commodities which are security for price support loans. In both situations, Commodity Credit Corporation will assume the risk of loss to the extent of its interest in the commodities, in the event of fire or other casualty losses on which insurance is normally obtained. In the case of any such loss to a commodity which is security for a price-support loan, this means that Commodity Credit Corporation will relieve the producer of the obligation of repaying the price-support proceeds received on the commodity. Commodity Credit Corporation will not, however, pay the producer for any amount by which the market value may exceed the price-support value of the commodity. If the producer wishes to protect his equity in the commodity, he may make separate arrangements to obtain insurance on such value.

Legal authority for the proposed policy is contained in the Commodity Credit Corporation Charter Act, as amended, particularly in the following provisions:

(a) Section 4(d) which states that "\* \* \* (The Corporation) may adopt, amend and repeal bylaws, rules, and regulations governing the manner in which its business may be conducted and the powers vested in it may be exercised."

(b) Section 4(g) which states that "\* \* \* (The Corporation) may enter into and carry out such contracts or agreements as are necessary in the conduct of its business \* \* \*"

(c) Section 4(j) which states that "\* \* \* (The Corporation) shall determine the character of and the necessity for its obligations and expenditures and the manner in which they shall be incurred, allowed and paid."

In addition, authority for the policy on commodities under loan to Commodity Credit Corporation is contained in section 401(b) of the Agricultural Act of 1949, as amended, which authorizes the Secretary (except as otherwise provided in the act) to determine or approve the terms and conditions of price-support operations.

Mr. WHITTEN. The question has been raised with me that, prior to the actual taking over of title, there is real doubt as to whether the authority exists. In other words, if I borrow money from you and something happens to my commodity, the price goes up and I want to redeem it but it is gone. Where is the authority to pay me for my profits—the difference between what I borrowed on it and what I could have gotten on it?

You may have a little difficulty in finding such a law. You are not aware of any?

Mr. GRANT. I am not, offhand. I will check with the General Counsel's Office on it.

Mr. WHITTEN. You might proceed to the next item.

Can you give us the number of man-years you have cut out, as you go along on the items that you mentioned.

Mr. GRANT. Yes, sir. Only the one involving the Standard Container, Naval Stores, Tobacco Seed Export, and Wool Standards Acts affects numbers of people.

Mr. WHITTEN. How many people would be involved?

Mr. GRANT. About 11 people in those 4 items. They are very small activities.

The other changes we talked about will reduce expenditures from the general fund of the Treasury but will not affect employment.

#### REA DIRECT LOAN ACCOUNT PROPOSED

The next item involving a reduction is the proposal to establish a direct loan account for the Rural Electrification Administration similar to the one that we have now for the Farmers Home Administration whereby the receipts are deposited in the fund.

Mr. WHITTEN. Has that bill passed the House and Senate?

Mr. GRANT. No, sir.

Mr. WHITTEN. How far has it gotten? Has anybody introduced it yet?

Mr. GRANT. The bill has been introduced in the Senate.

Mr. WHITTEN. Mr. Grant, you folks are the most optimistic people about the speed with which Congress will act on controversial legislation of any group I ever saw.

Are you going to introduce the bill on both sides in an effort to speed it up?

Mr. GRANT. I am sure the legislation has been submitted to both the House and the Senate, but it has been introduced in the Senate only.

Mr. WHITTEN. How long have you been working on getting it introduced?

Mr. GRANT. Two or three years.

Mr. WHITTEN. Would you like for yours and Mr. Robertson's salary and the appropriations for your Department, to wait on the passage of that act?

Mr. GRANT. Personally, I would not.

Mr. WHITTEN. All right. Proceed.

Mr. GRANT. As I indicated, table 1 shows appropriations for 1964, and budget estimates for 1965, and the increases and decreases in 1965 as compared with 1964.

#### PAY ACT COSTS

Of the total increase there is an amount of \$10,573,575 for additional pay act costs. I will not mention this element in connection with each individual item. It represents the cost of placing on a full year basis the last step of the pay act which went into effect in January of 1964.

Mr. WHITTEN. Do you think we ought to pay that in view of the relief we are going to get by reducing taxes?

Mr. GRANT. I feel, Mr. Chairman, we have no alternative but to pay it under the law as it is now on the books.

Mr. WHITTEN. I agree with you. I just wanted to get your idea. Proceed.

## AGRICULTURAL RESEARCH SERVICE

## RESEARCH

Mr. GRANT. Proceeding then with the first item, Agricultural Research Service, the increase of—I will be following the “Other” column which excludes increases for pay act costs. It is the next to the last column.

Mr. WHITTEN. That is good. I want it clear.

Mr. GRANT. An increase of \$5,880,330 for research. That figure consists of \$1.5 million to staff new laboratories that were recently authorized; \$1.5 million for additional research in connection with pesticide residues; \$500,000 for strengthening research on foot-and-mouth disease at Plum Island, N.Y.; \$250,000 for food science research; and two construction items: \$1 million for a sugarbeet pasture and range research facility at Fort Collins, Colo., where we are now in some quonset huts on the campus which the college is taking over for dormitory space. However, they are giving us other land on the campus on which to construct this building; \$1,394,300 for construction, alterations, and improvement of facilities at the Beltsville Research Center.

There is also here a decrease of \$264,000 to reduce or to eliminate work at some small field stations where the work is of lower priority than other activities.

## PLANT AND ANIMAL DISEASE AND PEST CONTROL

In the plant and animal disease pest control item, there is a net increase of \$700,000. This includes \$405,000 for plant quarantine inspection and animal inspection at ports of entry, \$195,000 to assure safety and potency of veterinary biologics, \$800,000 for additional work in connection with the registration and regulation of insecticides and pesticides, and a decrease of \$650,000 to eliminate the screw-worm inspection activities in the Southeast. This involves the elimination of the quarantine on the Mississippi border—Mississippi River—where the quarantine is now maintained. With the continuing success of the screw-worm program in the Southwest, it is felt that this quarantine can now be removed.

There is also a reduction of \$50,000 in the program for fire ant control and eradication.

## MEAT INSPECTION

Meat inspection, an increase of \$2,244,000, consisting of \$1,383,000 to meet the continuing requirements for additional inspectors and an increase of \$861,000 for reclassification of nonveterinarian meat inspector positions. I don't know whether you want to consider this now or not, but there is a 1964 supplemental estimate pending of \$500,000 for increased meat inspection workload and \$90,000 for the reclassification of inspectors. This supplemental estimate—

Mr. WHITTEN. In case the Congress should not get around to acting on that supplemental, what would be the effect? Wouldn't the effect be to pass these increased costs on to the packers?

Mr. GRANT. No, sir.

Mr. WHITTEN. Don't they have the amount of inspection that you provide them, and if they want more than that, they pay it?

Mr. GRANT. If it involves additional shifts at the plant; yes. In other words, if it means a man working overtime; that is right.

Mr. WHITTEN. If you have inspectors and they work overtime in order to do the job, then the packers pay you; don't they?

Mr. GRANT. That is right.

Mr. WHITTEN. So if you believe it is sound next year for the packers to pay it all, why is it wrong for the packers to pay a little of it this year?

Mr. GRANT. It is not wrong for them to pay overtime—

Mr. WHITTEN. Why have a supplemental, asking us to pick up additional cost this year.

Mr. GRANT. Many of these meatpacking plants, Mr. Chairman, are relatively small, with one, two, three, or four inspectors, and it is not a question of overtime. These additional costs come about primarily because of the need to meet requests for inspection service at an increasing number of new locations, and enlargements of existing plants. We are only authorized to bill the packer at the present time where our man actually works beyond the 8 hours a day or 40 hours a week.

Mr. WHITTEN. You may proceed.

#### FOREIGN CURRENCY PROGRAM

Mr. GRANT. Next is the foreign currency appropriation. There is an increase of \$3,750,000 in the appropriation for payments in foreign currencies for research abroad under Public Law 480.

Mr. WHITTEN. That money is taken out of one pocket and put into another.

Mr. GRANT. Yes, sir. As these currencies are purchased, the dollars flow back to the Commodity Credit Corporation and thereby reduce the appropriation subsequently required for Public Law 480.

#### COOPERATIVE STATE RESEARCH SERVICE

For the Cooperative State Research Service, there is an increase in payments to States of \$1 million. This is actually a net increase. Under the Hatch Act formula, there is an increase of \$1,500,000, and a reduction of \$500,000 in payments under title II of the Agricultural Marketing Act of 1946.

Mr. WHITTEN. What work is eliminated?

Mr. GRANT. There would be some shifting of marketing research projects at the State experiment stations from the Marketing Act funds to the Hatch Act funds. It would not necessarily eliminate any work, but would be a matter of shifting from one source of funds to another.

Mr. WHITTEN. Mr. Grant, if you cut out \$500,000, you say that it just shifts from one place to another, but no work is eliminated.

Mr. GRANT. Because marketing research projects will continue to be financed under the Hatch Act funds.

Mr. WHITTEN. So the Hatch Act funds have been raised enough to offset the \$500,000?

Mr. GRANT. It would be partially offset.

I don't want to leave the impression that there would not be some adjustments within particular States. There probably would be, because this money would be distributed under the Hatch Act formula,

and there may be some adjustment of funds between States. In total for the country—

Mr. WHITTEN. What is the system behind this proposal you are talking about?

Mr. GRANT. At the present time, under the \$500,000 allotment from the Agricultural Marketing Act funds, the States submit specific research proposals which are reviewed in the Department by Dr. Byerly and his staff and after approval the money is paid out to a particular State. It is a little more costly to administer the financing of research projects under two funds. It is my understanding that the Cooperative State Research Service feels that this would be a more efficient way of handling the money.

Mr. WHITTEN. In other words just turn them loose and let them have the money.

Mr. GRANT. The Hatch Act requires that 20 percent of the payments to States be set aside for marketing research. This has been in addition to the money that is paid out under the Agricultural Marketing Act fund. Under both acts, the States must submit projects to the Cooperative State Research Service for review and approval before funds can be used for the work.

Mr. WHITTEN. Did this originate with the Department, or did the land-grant college experiment stations ask for this? Or did Dr. Byerly get tired of looking at it?

Mr. GRANT. I do not know whether or not the experiment station people have proposed this.

Mr. WHITTEN. If we put that one back like it was, it wouldn't cost us any money. Is that what you are saying?

Mr. GRANT. That is right.

Mr. WHITTEN. I have the highest regard for the land-grant college system, the State experiment stations, and all of that, but I never have felt that we had too much checking on projects to prevent duplication. Rather, I wondered sometimes if we didn't have too little. We would be interested in where the recommendation originated, if you could provide it.

Mr. GRANT. Yes, sir.

(The information requested follows:)

The Department requested a 1965 increase of \$500,000 for CSRS grants under section 204(b) of the Agricultural Marketing Act. The Budget Bureau allowance eliminated all funds for these grants.

#### EXTENSION SERVICE

Mr. GRANT. The next item is "Extension Service," a net reduction of \$2,452,500. This involves a reduction of \$2,590,000 in payments to States under the Smith-Lever Act.

Mr. WHITTEN. Do land-grant colleges recommend that?

Mr. GRANT. No, sir; they did not. There is also an increase of \$137,500 for retirement and employees' compensation costs for extension agents.

Mr. WHITTEN. What is the basis for this cut in the Extension Service; if you know? That was done by the Bureau of the Budget; was it not?

Mr. GRANT. Yes, sir; based on a list of possible reductions submitted by the Department.

Mr. WHITTEN. What is the basis for that reduction?

Mr. GRANT. As part of this overall effort to reduce expenditures, the Secretary indicated last week as a matter of judgment that a reduction might be made in the interest of holding down Federal expenditures, and the level here is roughly the same as that recommended in the 1964 budget.

Mr. WHITTEN. What does Extension get? It would cut \$2.4 million out of approximately \$80 million?

Mr. GRANT. That is right; in total.

Mr. WHITTEN. That would figure then about 3 percent; wouldn't it? What would you and Mr. Robertson think if we applied that same formula across the board to Washington, from the Secretary's office on down; could you absorb it all right?

Mr. GRANT. There would have to be some adjustments.

Mr. WHITTEN. You would agree that it would be fair to treat you all alike; wouldn't you?

Mr. GRANT. I think you need to look at individual items.

Mr. WHITTEN. This is not looking at items; is it? After all, last year the Congress said, on the recommendations of the President, "we will raise salaries of all Federal employees." Some of the money carried in this bill is to pay it. So the Congress last year said, "Having raised all the other Federal employees, here are workers in the Extension field and we are going to raise this only enough to put the Federal share of their salaries on an equal basis with other Federal workers." In effect, are you vetoing the congressional act of last year?

Mr. GRANT. The effect would be to eliminate the increase granted by Congress last year.

Mr. WHITTEN. What did we say in the report that the increase was for?

Mr. GRANT. Primarily for salary increases.

Mr. WHITTEN. To make them comparable with what?

Mr. GRANT. Comparable with the increases provided Federal employees.

Mr. WHITTEN. That is right. So, if it is not good there, wouldn't it follow that we ought to do something on the other?

Mr. GRANT. This would be a matter for determination by the Congress.

Mr. WHITTEN. You might proceed, Mr. Grant.

#### FARMER COOPERATIVE SERVICE

Mr. GRANT. For the Farmer Cooperative Service there is an increase of \$20,000.

#### SOIL CONSERVATION SERVICE

##### CONSERVATION OPERATIONS

For the Soil Conservation Service, there is a net reduction for conservation operations of \$991,000. This consists of an increase of \$300,000 for soil surveys, \$53,000 for modernization of facilities at plant materials centers, and a decrease of \$1,344,000 due to consolidation of some organizational units and other management improvements within the Soil Conservation Service.

## WATERSHED PROTECTION AND FLOOD PROTECTION

There is an increase of \$1,973,000 for watershed protection. This consists of \$281,900 for installation of works of improvement, \$2 million for additional loans, \$740,100 for additional surveys and investigations in river basins, and a decrease of \$1,025,000 in planning.

Mr. WHITTEN. Mr. Grant, I think this is one of the finest things that this country has ever done, giving attention to watershed protection and flood protection. We have gone into where it started many times. But the father of all of it is flood prevention for the 11 watersheds. Every year you come in here increasing the funds available for watershed protection.

Why is it you cut the old man out every year and give all the increase to the boy? Every year the record shows how far behind you are lagging in the watershed and flood prevention areas. I happen to come from one, and happen to be able to prove that as a result of that knowledge, we promoted the watershed protection phase of it.

Every year you come in here and cut down these programs in areas where they are lagging way, way behind, and then you increase the funds in the other half of it. Is that because you figure this committee will restore it? How does that happen? You are not getting even with us for something we did last year, are you?

Mr. GRANT. Mr. Chairman, there is, of course, a great deal of interest in both of these items. I think that there has been some lag in the flood prevention program because of the time that is involved in getting the rights-of-way, the easements, and the cost-sharing arranged for. Some of these plans are quite old and they have to be reworked, as I understand it.

Mr. WHITTEN. Do you operate them completely separate?

Mr. GRANT. Yes, sir, completely separate.

Mr. WHITTEN. Is that due to the fact that they are in different sections of the country?

Mr. GRANT. No. As a matter of fact, Congress passed a law here several years ago which requires that they be kept separate. But the planning, the overall planning for approval of the projects under Public Law 566 is financed under watershed protection. The detailed construction and operating plans are prepared for flood prevention under the item called "works of improvement," under watershed protection they are also prepared under the item "works of improvement" for that appropriation. The initial planning to determine whether or not the 566 projects should be carried out, and, if they are feasible, are financed under the activity referred to as "small watershed project planning."

Mr. WHITTEN. You might proceed.

Mr. GRANT. Under flood prevention there is a decrease in the appropriation of \$2,921,000.

## GREAT PLAINS CONSERVATION PROGRAM

For the Great Plains conservation program, there is an increase of \$1,068,000, for additional cost sharing assistance and technical services.

Mr. WHITTEN. What is the basis for this increase?

Mr. GRANT. This is to provide for additional cost sharing assistance to farmers and ranchers throughout the 10 States of the Great Plains area, who are ready to proceed on adjustment of their land from crops to soil conserving practices to reduce erosion.

Mr. WHITTEN. In this area, we pay about 80 percent of the cost, I believe.

Mr. GRANT. For certain types of practices, yes.

Mr. WHITTEN. A far greater percentage than is normally paid.

Mr. GRANT. It is greater on the average than for practices under ACP.

Mr. WHITTEN. You might proceed.

## RESOURCE CONSERVATION AND DEVELOPMENT

Mr. GRANT. In the next item the increase is \$527,000 for resource conservation and development. This is the new program that we are just getting initiated in the fiscal year 1964. This is a net amount, consisting of a decrease of \$281,000 for project investigations, and increases of \$508,000 for project assistance, and \$300,000 for loans.

For the Economic Research Service, there is no change, except for pay act costs.

Mr. WHITTEN. We will be interested in the resource conservation development item when the folks handling the program are before us. You say this project is for inspection or consideration of projects under this program?

Mr. GRANT. Yes.

Mr. WHITTEN. Are you familiar with the committee's investigation on the cropland conservation program and its findings?

Mr. GRANT. Yes.

Mr. WHITTEN. After reading that, you are convinced you had better check on these other projects; are you not?

Mr. GRANT. Yes, sir; these will be gone into. We are preparing a statement for the committee on that report.

Mr. WHITTEN. You might proceed.

## STATISTICAL REPORTING SERVICE

Mr. GRANT. For the Statistical Reporting Service, there is an increase of \$653,500. This involves an increase of \$685,000 for the long-range crop and livestock estimates program, \$62,500 for cattle-on-feed reports and a reduction of \$94,000 in consumer surveys.

## AGRICULTURAL MARKETING SERVICE

Agricultural Marketing Service, an increase of \$764,025, for marketing research and service consisting of \$200,000 for marketing research related to pesticides or insect control in stored products, \$135,000 for market news leased wire services, \$652,000 for an increased volume of poultry inspection, and \$665,000 for reclassification of nonveterinarian poultry inspectors, and a reduction of \$862,000 in marketing transportation and facilities research.

Mr. WHITTEN. Who laid the finger on that fine work, Mr. Grant? We spend all this money on utilization research, and here we come in and cut out the one service which looks like it has shown some results, to me, back through the years.

Mr. GRANT. It is a part of this overall effort to reduce expenditures. We thought this particular research might be the kind that could be financed by industry (wholesalers and retailers), rather than by the Federal Government.

Mr. WHITTEN. Have you worked this agreement out yet?

Mr. GRANT. No, sir.

Mr. WHITTEN. Do you think you could get that worked out by the time we mark the bill up?

Mr. GRANT. I doubt it, sir.

Mr. WHITTEN. You might proceed.

Mr. GRANT. In "Payments to States" for marketing service projects, there is an estimate of \$1,425,000, a reduction of \$75,000. This will provide the same amount available for this work in 1963.

For the special milk program, the budget estimate is \$99,831,000, to be provided by a transfer of funds from section 32, rather than by direct appropriation.

## USE OF SECTION 32 FUNDS

Mr. WHITTEN. Mr. Grant, you are thoroughly familiar with the fact that section 32 of the Agricultural Adjustment Act provides that 30 percent of the import duties are available for certain specified uses, the primary one being to buy surpluses or to support perishable products. One of the chief means of supporting them is to buy up surpluses in order to strengthen the market. Many of those surpluses, in turn, go to school lunches.

Through the years it has been proven many times that if you had sufficient funds in section 32 to say you are going to support the price and mean it, it is effective. Frequently you have to buy a few eggs, a few chickens, a little of this and a little of that, but you always had the capacity to strengthen the market and you saved money.

When you pull out this additional \$99 million—I agree that the Congress has regularly been financing a part of the school lunch through this means—where does that leave you insofar as your total ability to meet the normal demands of section 32 for price supports?

Mr. GRANT. It does reduce, of course, the total funds available for that purpose.

Mr. WHITTEN. Am I correct in my recollection, however, that you can carry forward only \$300 million, so in any given year you have \$300 million plus whatever the fund accumulates during that year?

Mr. GRANT. That is right.

Mr. WHITTEN. My attention has been called to one factor that I failed to mention, and that is that under the section 32 there is a limit of not over 25 percent for any one commodity. We are familiar, too, that the law requires that more than 50 percent be for perishable commodities.

Will the reduction cut into the carryover of \$300 million for the following year, based on present estimates, as to what the fund will accumulate?

Mr. GRANT. Based on the projections that have been made here, it would not cut into the \$300 million carryover. That would continue. However, the amount of funds that could be utilized for purchase of commodities would be reduced, assuming it became necessary to use the full amount of funds available, excluding the \$300 million.

The amount that is used for the purchase of perishables and other commodities under section 32 does fluctuate from year to year as conditions change.

Mr. WHITTEN. I think it would be well at this point in the record to have you show the section 32 story for say, the last 10 years, or such other period as is most convenient to you.

How much of it has been used for the various commodities, by year, and again I am just trying to get it for a long enough period to make a valid comparison. What you are telling me is that if section 32 funds are not used beyond the normal, amount, and if the accumulation to the fund for the coming year is up to normal, that this should not affect the \$300 million carryover and that, plus the ensuing amount, would leave it in about the same shape it has been. Is that about correct?

Mr. GRANT. Yes, sir.

(The information requested follows:)

*Agricultural Marketing Service, removal of surplus agricultural commodities, fiscal years 1956-65*

	1956	1957	1958	1959	1960	1961	1962	1963	1964 (estimate)	1965 (estimate)
<b>Funds available:</b>										
Carryover	\$300,000,000	\$245,471,191	\$299,967,742	\$300,000,000	\$300,000,000	\$300,000,000	\$300,000,000	\$300,000,000	\$300,000,000	\$300,000,000
Recovery of prior year obligations	1,416,416			526,504	667,444	802,631	1,457,302	789,737		
30 percent of customs receipts	166,807,174	199,976,003	220,878,158	235,936,663	251,446,364	319,960,724	325,826,751	318,068,537	369,391,556	378,000,000
Total available	468,223,590	445,447,194	520,845,900	536,463,167	552,113,808	620,763,655	627,284,053	618,858,274	669,391,556	678,000,000
Less transfers to Interior (15 U.S.C. 713-c as amended)	4,321,403	4,359,115	4,651,151	4,786,415	4,993,642	5,321,081	4,757,143	5,071,342	5,373,096	5,200,000
Total available to USDA	463,902,187	441,088,079	516,194,749	531,676,752	547,120,166	615,442,574	622,526,910	613,786,932	664,018,460	672,800,000
<b>Obligations:</b>										
Commodity program payments:										
Cotton	8,083,263						24,000	46,477		
Dairy	78,321,899	54,884,048	121,654,531	101,129,690	51,234,850	116,303,221	804,226	804,226		
Eggs and poultry		26,253,909	102,714	6,361,847	24,081,356	37,598,136	31,200,399	24,352,610		
Fruits	4,315,432	1,476,601	1,128,684	115,837	7,804,428	1,070,098	1,529,105	3,735,070		
Grain	12,179,739	12,419,180			10,862,421	3,057,735	1,633,684	151,745		
Livestock products	101,248,723	33,378,480			8,017,077	78,158,323	82,027,366	58,871,491		
Peanuts and products			868,402	1,082,286	2,258,374	12,573,957	7,935,736	3,044,778		
Tobacco							1,592,408	2,995,579		
Tree nuts				330,104	188,467	3,157,631	16,722,954	2,740,298		
Vegetables	9,445,045	7,327,075	2,422,138	7,582,313	272,751	840,083	-30,908	255,935		
Miscellaneous		-6,910	-101,220	36,383						
Subtotal	213,594,131	135,732,383	126,075,249	116,638,550	104,719,724	252,759,484	143,439,030	96,194,583	245,894,460	167,383,000
Food stamp program						906,213	14,114,450	20,385,081	44,625,000	51,125,000
Surplus removal operating expenses	1,774,059	2,066,191	2,108,642	2,109,970	2,168,719	2,324,474	2,836,845	2,847,100	3,635,000	3,420,000
Marketing agreements and orders	1,095,482	1,129,699	1,340,186	1,418,232	1,451,417	1,630,681	2,267,853	1,909,414	4,357,000	2,924,000
Foreign market promotion	1,345,627	1,590,869	1,879,353	2,105,269	(1)					
Import control	292,273	183,364	226,823	240,584	(1)					
Total obligations	218,011,572	140,702,506	131,630,253	122,632,605	108,339,860	257,620,852	162,658,183	121,330,178	298,511,460	224,852,000



Mr. WHITTEN. If we keep financing folks in the cattle business in South and Central America, and if we keep letting all these meats come in here and thereby create surpluses to the point that section 32 has to step in, and if we buy up surplus meats in order to strengthen the market—if this increase in imports continues, can't you visualize we might run out of money entirely?

Mr. GRANT. That is conceivable, if the domestic prices should get so low that it was necessary to—

Mr. WHITTEN. You recall, back there when Mr. Benson bought up live cattle, and had them canned. At that time I differed with him. I find I differ with lots of people or they differ with me, one way or another.

It was my thought then, instead of giving a market at the marketplace because of drought, it would have been much more sound to have bought feed to have enabled the farmer to hold his cattle off the market instead of forcing cattle on an already flooded market. I lost that argument, as I have some others.

It is within the Secretary's discretion as to how to use section 32 to carry out the purposes of the act, and that is to support prices. In that case I differed with his decision. But the obligation is there to use the funds, if it takes it to support it.

Mr. GRANT. Yes; it is.

Mr. WHITTEN. It would depend on what the surplus situation might be and what the volume might be?

Mr. GRANT. That is right.

Mr. WHITTEN. I think it speaks for itself. I won't ask you to agree with it. If you set out to strengthen the market, and you say you will back it to the limit, and you find you have only a quarter, you can't back it very far. So if you set out to support prices with too little money to do it, you are out your money and you don't strengthen the prices either.

You might proceed to the next item.

#### SCHOOL LUNCH PROGRAM

Mr. GRANT. The next item is the "School lunch program" with an increase of \$10,994,000.

Mr. WHITTEN. This committee last year attempted to reach an understanding with the other body and with the Department in trying to figure this on a cents-per-lunch basis. Is this figure based on some approximation of that?

Mr. GRANT. Yes, sir. This was to continue at approximately 5 cents per meal.

Mr. WHITTEN. It is best for the school lunch and all concerned, to have a standard to go by.

I am glad to see the Department approve that approach.

Mr. GRANT. This also includes \$2 million to initiate the special cash assistance program to needy schools.

Mr. WHITTEN. How many years has that come up?

Mr. GRANT. Two or three. This may be the third one.

Mr. WHITTEN. The fourth year, I believe.

You folks don't give up, do you?

Mr. GRANT. Well, Mr. Chairman, I don't think you really would want us to give up.

Mr. WHITTEN. No, I really wouldn't. I would like for you to keep plugging. I don't know how well you are going to be able to do with some of these items we have been discussing. You might proceed.

#### FOREIGN AGRICULTURAL SERVICE

Mr. GRANT. "Foreign Agricultural Service," an increase of \$1,770,500. Of this, \$1,698,000 is to expand the market development program and \$72,500 to strengthen the administration of the export sales program.

#### AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

I will move on down to the "Agricultural Stabilization and Conservation Service." I will mention, very briefly, an increase of \$8.4 million for expenses, but with the pending supplemental of \$13.6 million in 1964 to administer the feed grain program, there is, actually a decrease of \$3.4 million for 1965.

For the "Sugar Act program," there is an increase of \$9.5 million. Here, again, there is pending a supplemental for 1964 of \$6.4 million to cover mandatory payments to farmers for the greatly increased production of sugar.

For the "Agricultural conservation program," there is an appropriation increase of \$10 million for carrying out the 1964 program and to complete the payments on the 1963 program.

For the "Advance authorization for the 1965 program," the proposal is \$120 million. This excludes administrative expenses which are now included under the account for expenses, ASCS.

This proposal to exclude administrative expenses is to simplify operations because it is difficult to determine precisely what the administrative expenses are under the consolidated appropriation for ASCS.

For the "Conservation reserve program," there is a decrease of \$96 million. This reflects the number of acres coming out of the soil bank at the end of 1964.

For the "Cropland conversion program," there is a decrease of \$1,350,000.

Mr. WHITTEN. I think we will insert the balance of the items in the record. We can then jump down to corporations.

(The items referred to follow:)

#### NATIONAL AGRICULTURAL LIBRARY

This budget includes \$7 million for constructing the new library facility. An appropriation of \$450,000 was provided in 1964 for plans and specifications.

#### OFFICE OF MANAGEMENT SERVICES

The net decrease of \$61,200 reflects the estimated savings resulting from the centralization in this Office of management support services for 16 small offices and agencies, each of which previously provided its own management services.

## GENERAL ADMINISTRATION

The increase of \$92,000 includes \$58,000 for additional assistance to the Secretary in coordinating and administering the activities of the Department and \$34,000 for the net increased cost of within-grade salary advancements. In five of the items which finance small agencies and offices, provision is made to meet the costs of within-grade salary advancements to the extent that such costs exceed the amounts becoming available by reason of turnover. In addition to the increase of \$34,000 for the offices financed from the item "General administration," there are increases for this purpose as follows: Farmer Cooperative Service, \$20,000; Commodity Exchange Authority, \$19,000; Office of Rural Areas Development, \$1,000; and Office of the General Counsel, \$69,000.

## FOREST SERVICE

The increase of \$14,846,000 for Forest Service includes \$1,756,000 for forest land management; \$3,620,000 for forest research; and \$1 million for State and private forestry cooperation. It also includes an increase of \$8,750,000 in the appropriation for forest roads and trails.

## RURAL ELECTRIFICATION ADMINISTRATION

A decrease of \$60 million is proposed in the authorization for rural electrification loans and a decrease of \$7 million in the authorization for rural telephone loans. It is estimated that electrification loans made will amount to \$300 million in 1964 and in 1965, and the telephone loans will be \$90 million in 1964 and \$85 million in 1965.

There is also an increase of \$127,000 in salaries and expenses reflecting the need for strengthening engineering activities in the electrification program.

## FARMERS HOME ADMINISTRATION

There is a decrease of \$35 million proposed in the authorization for farmownership loans. These loans are estimated at \$10 million in 1965, and it is believed that this decrease is feasible because of the expected availability of private funds for the making of insured loans.

The decrease of \$25 million for rural housing loans reflects the elimination of the direct appropriation for this purpose provided in the 1964 Appropriation Act. For the rural renewal program an increase of \$990,000 is proposed for loans, technical assistance and administrative expenses under this program to permit continuation of the rural renewal program in 1965 on the full-year basis.

An increase of \$1,500,000 is proposed in the revolving fund for rural housing loans for the elderly. Because of the increase of over \$1 million from 1963, however, this estimate would provide for an increase of only \$500,000 for obligation. Under this program, loans are made to private, nonprofit organizations and agencies to provide rental housing to elderly persons in rural areas.

For salaries and expenses there is an increase of \$1,240,100 to provide needed strengthening of the servicing of direct and insured loans.

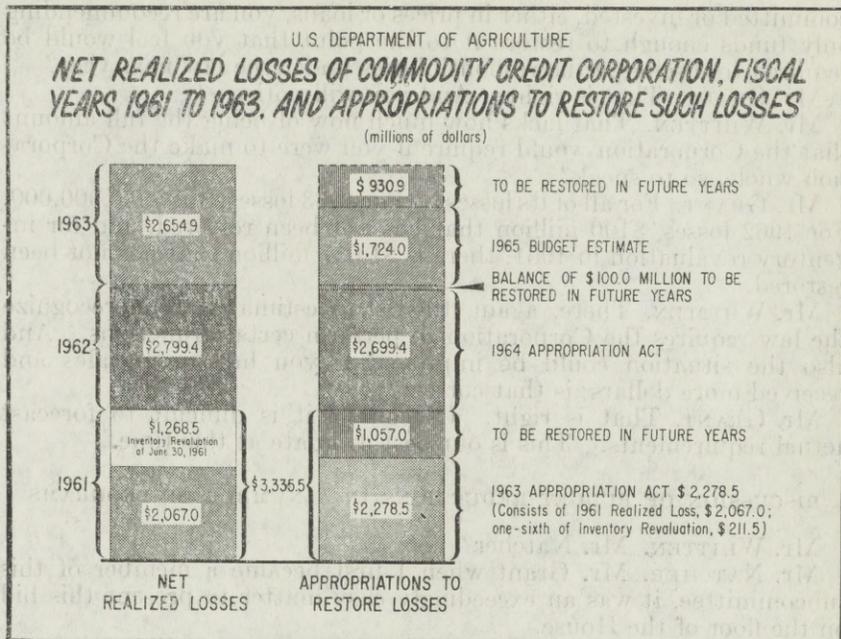
## FEDERAL CROP INSURANCE CORPORATION

A net increase of \$39,000 in the administrative and operating expenses of this Corporation is proposed. This consists of a decrease of \$2,000 in the direct appropriation and an increase of \$41,000 in the authorization to use premium income for these expenses. This increase is needed to provide for an additional workload under the program.

## COMMODITY CREDIT CORPORATION

Mr. GRANT. In the case of the Commodity Credit Corporation, I have a chart, Mr. Chairman, which might be helpful to you in getting a quick view of what is involved.

(The chart referred to follows:)



Mr. GRANT. The first column indicates the net realized losses by fiscal years. The column to the right reflects the appropriations to restore the losses of the Corporation. Under the procedure of past years, the 1965 estimate would be the same as the 1963 realized losses of \$2,654.9 million. However, the appropriation requested for 1965 is \$1,724 million, leaving \$930.9 million to be restored at a future date.

The decision to defer the \$930.9 million to a future year is based on the estimate that the \$1,724 million is all that will be needed to provide sufficient operating capital for the Corporation to carry out its activities, as we now see them, through the fiscal year 1965.

Mr. WHITTEN. For the record, the Commodity Credit Corporation has \$14 billion—

Mr. GRANT. \$14.5 billion borrowing authority.

Mr. WHITTEN. And the Corporation is authorized to borrow funds up to that amount with which to carry on a myriad of activities, including price support. The Corporation can carry on its operations as long as it is not already invested or committed. It can use any funds it may collect to carry on its operations.

Mr. GRANT. Yes, sir.

Mr. WHITTEN. Plus any funds that Congress might see fit to appropriate.

Mr. GRANT. That is right.

Mr. WHITTEN. There are two ways to approach it. One would be to keep the Corporation fully up to its \$14.5 billion level. The other approach would be to restore each year only such portion of the deficit as might be required to discharge its responsibilities under the law.

You are telling us that in this budget, instead of trying to restore the Corporation to its full \$14.5 billion, including what is already

committed or invested, either in prices or loans, you are recommending only funds enough to restore it to the point that you feel would be required to discharge the responsibilities under the law next year?

Mr. GRANT. That is right. And you will notice—

Mr. WHITTEN. That lacks how much now of being the full amount that the Corporation would require if you were to make the Corporation whole, so to speak?

Mr. GRANT. For all of its losses? For 1963 losses, it is \$930,900,000. For 1962 losses, \$100 million that has not been restored, and for inventory revaluation in 1961, there is \$1,057 million that has not been restored.

Mr. WHITTEN. There, again, this is an estimate. You recognize the law requires the Corporation to perform certain functions. And also the situation could be improved if you had more sales and received more dollars; is that correct?

Mr. GRANT. That is right. Of course, it is difficult to forecast actual requirements. This is our best estimate at this time.

#### DISCUSSION OF BUDGET REDUCTIONS IN A NUMBER OF PROGRAMS

Mr. WHITTEN. Mr. Natcher?

Mr. NATCHER. Mr. Grant when I first became a member of this subcommittee, it was an exceedingly easy matter to present this bill on the floor of the House.

I recall, Mr. Chairman, at that time it was more like a parade. They all lined up and we had no difficulty. As you know, that situation has changed somewhat, Mr. Grant.

Mr. GRANT. Yes, sir.

Mr. NATCHER. This bill has become a rather difficult bill to present to the Members of the House of Representatives. I say this to you frankly. We have an able chairman on this committee, and if that were not the situation, we would be in difficulty every year that we present this bill.

Mr. GRANT. I agree with you.

Mr. NATCHER. I am very much concerned about some of the reductions and, at the same time, Mr. Grant, the farmers and those interested in agriculture, in the section of the United States that I come from, are in favor of all reductions wherever possible.

I am a little concerned about some of the reductions that you pointed out to the committee, such as payment to the States in the Extension Service where we have a reduction of \$2,402,500, and the reduction here that is set forth under Soil Conservation Service, wherein flood prevention receives \$2,767,000 reduction.

We have a reduction in ACP and to me, this is one of the programs that benefits the family farmer. Of course, as you know, not only this administration but the prior administration recommended a reduction as far as the future authorization is concerned for ACP on a number of occasions, and this committee has had to restore this money.

There are one or two other matters I would like to point out to you, Mr. Grant, that concerned me. One is the reduction in the Rural Electrification Administration, which is \$60 million, and the \$7 million in the rural telephone loans.

That is the reduction in the budget estimates for 1965 over the amounts authorized for fiscal year 1964.

You have heard me say, Mr. Grant, on more than one occasion that REA is one of the great achievements of our present day government. This program is a long way from final completion. I believe that every dollar necessary for this program should be appropriated.

As I said in the beginning, Mr. Grant, a number of the reductions here, I think can be justified insofar as this bill is concerned. In going through the bill with the witnesses and the heads of the departments, of course we will carefully consider all reductions and increases as you well know.

Mr. Grant, it is always a pleasure to have you appear before the committee, and you always explain your part of the budget in an excellent manner.

Mr. GRANT. Thank you.

Mr. WHITTEN. Mr. Addabbo?

#### COMPARISON OF 1965 BUDGET WITH 1964

Mr. ADDABBO. Mr. Grant, what is the total requested for the Agriculture Department?

Mr. GRANT. The total budget, in terms of appropriations for 1965, is \$6,367,315,600.

Mr. ADDABBO. What was it in 1964?

Mr. GRANT. In 1964, \$6,993,341,004.

Mr. ADDABBO. These large reductions, we have in the special milk program \$99,834,000. Was this included in the 1964 budget?

Mr. GRANT. In the case of the special milk item this was an appropriation in the 1964 act. The 1965 budget provides that this will be transferred from section 32 funds, therefore, it is a reduction in the appropriation of \$99,834,000.

Mr. ADDABBO. It is now going to come out of a different pocket?

Mr. GRANT. Yes.

Mr. ADDABBO. So, if we were matching budget to budget items and forget section 32, this \$99 million would be added to the \$6.3 billion; is that correct? In other words, \$6.4 billion is 1965?

Mr. GRANT. Yes; it would have to be added.

Mr. ADDABBO. Would that also apply in reference to the conservation reserve program, where you had \$96 million?

Mr. GRANT. No. In this particular case the funds aren't required because the contracts expire, and the land will be coming out of the reserve.

Mr. ADDABBO. They will start producing and pick up these charges elsewhere?

Mr. GRANT. To the extent the land coming out of the reserve goes back into production, it will have an impact on CCC price support operations.

Mr. ADDABBO. The figure for the reimbursement to Commodity Credit Corporation, \$930,900,000—this figure would have also been normally included in the old bookkeeping in the 1964 budget?

Mr. GRANT. \$930,900,000; yes. Under the former system of appropriating, this would have been included in the appropriation estimate for 1965.

Mr. ADDABBO. If we actually went according to last year's bookkeeping, we would have to add approximately \$1,125 million to this budget, taking the \$99 million for the special milk program and

\$96 million for the reserve program, and \$930 million, we would have to add almost a billion dollars to the 1965 budget.

Mr. GRANT. The \$96 million for conservation reserve, would have come out regardless of what system you followed, because this is an actual reduction in the appropriation needed due to the fact that certain contracts on lands in the conservation reserve program expire at the end of this year and further payments will not be required.

Mr. ADDABBO. Could we expect a good portion of the \$96 million would be picked up along the line in the other surplus program, or as the Secretary said last week, in programs where we are bringing in grasslands and trees and other programs?

Mr. GRANT. If the proposed cropland conversion program is extended, some of it would be picked up there. But provision has been made for that in the budget totals.

Mr. ADDABBO. It is made?

Mr. GRANT. It is made in the budget; yes. So that it would not be an increase, insofar as 1965 budget estimates are concerned.

Mr. ADDABBO. Under the Foreign Agricultural Service, there was an increase of a million-odd, even though there were certain adverse facts brought out in the last year before the Congress of certain moneys spent on certain programs by Foreign Agricultural Service, and still the Secretary felt that this had higher priority over and above the priority for facilities in transportation and marketing research.

Mr. GRANT. Yes, sir. Primarily, as I understand it, because of the need to increase exports of agricultural commodities in the interest of helping American agriculture as well as our balance of payments. Other segments of the economy are also affected by increased exports.

#### FOREIGN ASSISTANCE PROGRAM

Mr. ADDABBO. Under the foreign assistance program you show an increase of \$441 million. Let me ask, Is this actually American dollars that are going to be paid to someone?

Mr. GRANT. You are referring to title I, Public Law 480?

Mr. ADDABBO. Yes.

Mr. GRANT. This is where we sell commodities for foreign currency. It would mean dollars for reimbursing the exporter if he buys in the open market, or it may mean, if the commodities are shipped from CCC inventory, payments to CCC, thereby reducing the amount of appropriations required for the Commodity Credit Corporation, or it may involve expenditures for ocean transportation if it was shipped in U.S. bottoms.

#### WHEAT SALE TO RUSSIA

Mr. ADDABBO. In other words, part of this money is going to pay for the current wheat deal with Russia?

Mr. GRANT. No, sir; because that is not sold under Public Law 480. Those are sales for dollars, commercial sales.

Mr. WHITTEN. Will the gentleman yield?

Mr. ADDABBO. Surely.

Mr. WHITTEN. Several folks have asked how much extra cost this will be to the Government by reason of using American ships. Understand, I am not opposing that measure. But if the Government is paying anything extra by reason of using American ships I think the figures should be in the record.

Mr. GRANT. I will get something in the record on that.  
(The information requested follows:)

The extra costs to the Department of Agriculture of using U.S. vessels under the several Public Law 480 programs are:

[In millions of dollars]

Fiscal year	Title				Total
	I	II	III <sup>1</sup>	IV	
1955	9.6		0.1		9.7
1956	20.2		.2		20.4
1957	50.6		.1		50.7
1958	53.8		.1		53.9
1959	73.8		.2		74.0
1960	79.6		.1		79.7
1961	107.7	6.9	1.3		115.9
1962	98.4	11.9	.3	0.6	111.2
1963	147.0	11.2	.6	1.4	160.2
Total	<sup>2</sup> 640.7	<sup>3</sup> 3.00	<sup>3</sup> 3.0	<sup>2</sup> 2.0	675.7

<sup>1</sup> Shipments of nonagricultural materials on U.S. vessels under barter contracts.

<sup>2</sup> The U.S. Government received from the recipient country foreign currencies equivalent to \$343,900,000 over this same period of years, representing the estimated foreign-flag vessel rate. Some of these currencies have been available for payment of U.S. expenses abroad.

<sup>3</sup> Reflects costs for ocean transportation on U.S.-flag vessels in excess of foreign-flag vessel rates.

Mr. ADDABBO. This \$441 million, is this in addition to the money that the Government is paying out for subsidies to the farmers? Is this additional money to be paid out?

Mr. GRANT. These do not include payments to farmers. These are the costs involved in providing the commodities for shipment abroad under title I. The exporter may purchase the commodity in the open market, in which case we reimburse him. If it involves shipping from CCC inventory, then this includes a payment to the Corporation, which will be picked up as a receipt by the Corporation and reduces expenditures there. To that extent it has no effect.

Mr. ADDABBO. Could there be a commodity that the Government has paid double subsidy on—in other words, that one subsidy the Government has paid to the farmer for keeping it out of production or due to overproduction, and another subsidy paid to the exporter out of this \$441 million?

Mr. GRANT. No, sir; there would not be anything of that nature.

Actually, this could be a commodity on which the Corporation made a loan to a farmer, let's say in wheat, and therefore there were some costs incurred by the Corporation. If that same wheat were shipped under Title I: Public Law 480, there would not be any duplicate payments of any kind.

Mr. ADDABBO. In other words, the dollars are going to the farmer under one program or to the exporter under this title.

Mr. GRANT. To the exporter or shipping company.

Mr. ADDABBO. Thank you very much.

No further questions, Mr. Chairman.

Mr. WHITEN. Mr. Horan?

## CARRYOVER OF FUNDS FROM PREVIOUS APPROPRIATIONS

Mr. HORAN. You have quite a number of funds down there that remain available beyond 1 year, don't you, Mr. Grant?

Mr. GRANT. Yes; a number of the funds are carried over from one year to the next; yes, sir.

Mr. HORAN. Watershed protection, flood prevention?

Mr. GRANT. Yes.

Mr. HORAN. Great Plains, resource conservation and development, sugar act, conservation reserve, cropland conversion, rural electrification loan fund, and rural telephone loan fund which I believe you are revising in this present budget.

Mr. GRANT. Yes, sir.

Mr. HORAN. Farmers Home Administration, direct loans, rural renewal, rural housing for the elderly, and Public Law 480, International Wheat Agreement, and bartered materials. For the record, how much did you obligate through June 30, 1963?

Mr. GRANT. You want the obligations for each individual item?

Mr. HORAN. No, no; the total.

Mr. GRANT. I would have to compute that. For the Commodity Credit Corporation, for example, it would be necessary to determine the obligated portion of the unexpended balance.

Mr. HORAN. Supply that for the record; can you do that?

Mr. GRANT. Yes, sir.

Mr. HORAN. Whichever way you wish, in lump sum or—

Mr. GRANT. I would have to do it by individual items, because we have so many different kinds of funds.

Mr. HORAN. That will be all right.

What was your final unobligated balance?

Mr. GRANT. At the end of 1963, the unobligated balance was \$1,232 million.

Mr. HORAN. How much of that carried over into fiscal 1964?

Mr. GRANT. \$990 million.

(The following table was submitted later.)

## Status of appropriation as of June 30, 1963

[In thousands]

Agency and appropriation	Fiscal year 1963 obligations <sup>1</sup>	Unobligated balance carried forward	Unobligated balance lapsing
General activities:			
Agricultural Research Service:			
Salaries and expenses.....	\$171,906	\$2,587	\$2,703
Special foreign currency program.....	7,816	21,001	
Construction of facilities.....	3,086	1,565	
Animal disease laboratory facilities.....	212	44	
Establishment of an entomology research laboratory.....	400		
Total, Agricultural Research Service.....	183,420	25,197	2,703
Cooperative State Research Service: Payments and expenses.....	38,097		23
Extension Service: Cooperative extension work, payments and expenses.....	74,831		427
Farmer Cooperative Service: Salaries and expenses.....	1,003		9
Soil Conservation Service:			
Conservation operations.....	93,260		591
Watershed protection.....	58,792	7,419	
Flood prevention.....	22,409	7,178	
Great Plains conservation program.....	12,296	129	
Resource conservation and development.....			
Water conservation and utilization projects.....		127	
Total, Soil Conservation Service.....	186,757	14,853	591
Economic Research Service: Salaries and expenses.....	8,842		59
Statistical Reporting Service: Salaries and expenses.....	9,283		79
Agricultural Marketing Service:			
Marketing research and service.....	40,200		515
Payments to States and possessions.....	1,425		
Special milk program.....	94,440		5,414
School lunch program.....	169,167		511
Total, Agricultural Marketing Service.....	305,232		6,440
Foreign Agricultural Service:			
Salaries and expenses.....	20,044		267
Special foreign currency program.....	2,326	6,915	
Total, Foreign Agricultural Service.....	22,370	6,915	267
Commodity Exchange Authority: Salaries and expenses.....	1,009		5
Agricultural Stabilization and Conservation Service:			
Expenses, ASCS.....	83,429		24
Sugar Act program.....	77,642		
Agricultural conservation program.....	212,006		
Conservation reserve program.....	304,918	124	
Cropland conversion program.....	3,996	11,350	11,650
Emergency conservation measures.....	6,754	3,861	
Total, Agricultural Stabilization and Conservation Service.....	688,745	15,335	11,674
Office of Rural Areas Development: Salaries and expenses.....	85		
Office of the Inspector General: Salaries and expenses.....	5,900		
Office of the General Counsel: Salaries and expenses.....	3,515		73
Office of Information: Salaries and expenses.....	1,613		1
Centennial observance of Agriculture.....	31		
National Agricultural Library: Salaries and expenses.....	1,096		
Office of Management Services: Salaries and expenses.....	2,286		
General administration: Salaries and expenses.....	2,987		117
Total, general activities as shown in subcommittee print.....	1,537,102	62,300	22,468

See footnotes at end of table, p. 306.

## Status of appropriation as of June 30, 1963—Continued

Agency and appropriation	Fiscal year 1963 obligations <sup>1</sup>	Unobligated balance carried forward	Unobligated balance lapsing
Credit agencies:			
Rural Electrification Administration:			
Loan authorizations .....	427,279	49,509	75,000
Salaries and expenses .....	10,312		43
Total, Rural Electrification Administration .....	437,591	49,509	75,043
Farmers Home Administration:			
Rural housing loans and grants .....	187,402	205,764	
Salaries and expenses .....	34,961		30
Rural renewal .....			
Direct loan account .....	71,162	205,591	
Emergency credit revolving fund .....	7,310	39,448	
Agricultural credit insurance fund .....	15,071		
Rural housing for the elderly revolving fund .....		1,000	
Total, Farmers Home Administration .....	315,906	451,803	30
Total, credit agencies .....	753,497	501,312	75,073
Corporations:			
Federal Crop Insurance Corporation:			
Administrative and operating expenses .....	6,714		
Federal Crop Insurance Corporation fund .....	6,153	41,438	
Total, Federal Crop Insurance Corporation .....	12,867	41,438	
Commodity Credit Corporation: Commodity Credit Corporation fund .....	3,179,201		1,143
Total, corporations .....	3,192,068	41,438	1,143
Foreign assistance programs:			
Public Law 480 .....	1,884,804		
International wheat agreement .....	81,218		
Bartered materials for supplemental stockpile .....	125,000		
Total, foreign assistance programs .....	2,091,022		
Permanent appropriations:			
Perishable Agricultural Commodities Act fund .....	779	145	
Removal of surplus agricultural commodities (sec. 32) .....	121,268	300,000	143,093
Total, permanent appropriations .....	122,047	300,145	143,093
Total appropriations as reflected in subcommittee print .....	7,695,736	905,195	241,777
Add:			
Forest Service .....	296,996	82,175	565
Working capital funds, net .....	<sup>2</sup> -1,600	2,675	
Total, U.S. Department of Agriculture .....	7,991,132	990,045	242,342

<sup>1</sup> Net obligations excluding obligations under trust funds and allotments from other agencies.

<sup>2</sup> Reflects net of obligations of \$33,283,000 and receipts of \$34,883,000 for all working capital fund accounts of the Department.

Mr. HORAN. What unobligated balances did you expect to carry forward in fiscal year 1965?

Mr. GRANT. At the start of 1965, the unobligated balance is estimated at about \$771 million.

Mr. HORAN. Of the so-called foreign assistance appropriations, how much of the funds that you are asking for in the budget before us for 1965 are going to pay for previous year's activities?

Mr. GRANT. The amount being requested in the 1965 estimates for unreimbursed 1964 program costs is \$703 million. There was however, a carryover of \$10 million under title IV<sub>1</sub> of Public Law 480.

The 1965 budget is on the basis of picking up the unreimbursed costs plus meeting the 1965 estimated costs.

Mr. HORAN. Then of the total for foreign assistance of \$2,366,838,000, some of that will not be reimbursed?

Mr. GRANT. That will not be reimbursed?

Mr. HORAN. Through the request in the 1964 budget before us.

Mr. GRANT. The estimate of \$2.366 billion represents the estimated program costs in 1965 of \$1.673 billion, plus \$703 million of the unreimbursed costs of 1964, offset in part by the \$10 million carryover under title IV.

So the appropriation estimate would provide the total amount as we now see it for Public Law 480, and other foreign assistance items.

#### USDA EXPENDITURES

Mr. HORAN. How much did you expend through June 30, 1963?

Mr. GRANT. For the foreign assistance programs?

Mr. HORAN. No. For the Department.

Mr. GRANT. Total expenditures in 1963 were \$7.735 billion.

Mr. HORAN. What was your final unexpended balance?

Mr. GRANT. The unexpended balance at the end of 1963 is \$4.621 billion. That includes the unused portion of the Commodity Credit Corporation's borrowing authority.

Mr. HORAN. And for 1964?

Mr. GRANT. That is \$4.753 billion.

Mr. HORAN. What are your expenditure estimates for fiscal year 1964 and 1965?

Mr. GRANT. For 1964 our expenditure estimate is \$6.977 billion; for 1965, \$5.815 billion.

#### DEPARTMENTAL EMPLOYMENT

Mr. HORAN. What was your actual employment as of June 30, 1963, permanent and other?

Mr. GRANT. Under all funds, 1963 employment in permanent positions, 78,853; other types of employment, 33,635; total, 112,488. This did not include, however, employment under the accelerated public works funds of 3,291, which made a total of all employees of 115,779.

Mr. HORAN. What do you estimate for June 30, 1964?

Mr. GRANT. That is 116,800.

Mr. HORAN. And June 30, 1965?

Mr. GRANT. That is 115,376.

Mr. HORAN. How do these tie in with the end-of-year employment targets under the President's directive?

Mr. GRANT. They are the target figures.

I would say this, that the President has requested a further review and as a result there may be further reductions.

Mr. HORAN. You are not ready at this time to tell us the steps you have taken to reduce the number of personnel?

Mr. GRANT. Beyond these, no, sir. Not at this time.

Mr. HORAN. You will be at the end of the week, or before these hearings are over?

Mr. GRANT. Yes, sir; before the hearings are over.

Mr. HORAN. You can answer it when you get around to it. You will be here when we mop up.

Mr. MICHEL. Did your figures in response to Mr. Horan's questions for the years 1964 and 1965 include permanent, other, and accelerated public works people, too?

Mr. GRANT. Yes, sir.

Mr. HORAN. How many man-years of employment did you have in fiscal year 1963?

Mr. GRANT. In 1963, 94,527.

Mr. HORAN. What is your estimate for fiscal year 1964?

Mr. GRANT. It is 97,674

Mr. HORAN. And 1965?

Mr. GRANT. It is 94,866.

Mr. HORAN. Where will these increases be used?

Mr. GRANT. In 1965—

Mr. HORAN. 1964 is an increase.

Mr. GRANT. That is right. In this book of tables which I have given you and have been put in the record, Mr. Chairman, table 8 itemizes each of the changes.

Mr. HORAN. Fiscal year 1965 still shows as an increase over 1963?

Mr. GRANT. Yes, sir. There is an increase of about 339 in 1965 above 1963.

Mr. HORAN. Where were these increases put to work?

Mr. GRANT. This includes all funds, including the Forest Service. In the case of the Forest Service, there is an increase of 1,553. In the Agricultural Research Service there is an increase of 1,170, which relates primarily to the staffing of laboratories and the additional research functions which have been given to the Agricultural Research Service.

There is a small decrease in the Soil Conservation Service of 290; an increase of 210 in the Statistical Reporting Service; an increase of 415 in the Agricultural Marketing Service; a decrease in the Agricultural Stabilization and Conservation Service of 168; an increase of 390 in the Farmers Home Administration; and several other minor increases or decreases.

The largest decrease amounting to 3,343 is in connection with the accelerated public works funds which we had in 1963 but do not have in 1965.

#### REVIEW OF PROGRAM PRIORITY

Mr. HORAN. As a matter of policy, and maybe Joe ought to answer this one—I don't know—what steps do you take to terminate an activity in the Department where the job has been done and should be removed from the program?

Mr. GRANT. You will recall the discussions that we have had here from time to time on research, and how the line projects are reviewed periodically, at least once every 5 years.

As work is completed the resources and funds and personnel are shifted to new work. Each agency administrator is responsible for identifying activities and funds which are of low priority and eliminating those.

This comes up for consideration during each stage of the development of the budget. As items are identified which are of marginal value or which should be eliminated, a determination is made as to whether or not the funds ought to be shifted into new and higher priority work or treated as a reduction in the budget.

Mr. HORAN. I recall many years ago when our chairman, Mr. Whitten, spent considerable time on the matter of soil conservation districts, and some of those that were progressive and were getting

their jobs done, that the time would seem to arrive at some given place where the basic job had been achieved and it was merely a matter of maintenance.

Mr. GRANT. I am sure you will want to go into this with Mr. Williams when he is here. As I understand it, we are some distance away from reaching the maintenance stage in many districts. However, work is nearing completion in some of the districts and people are being shifted from one district to another.

As costs increase and as new districts are organized, this is the only way they have of finding funds to staff these new districts.

Mr. HORAN. This subcommittee, I think justifiably, has taken some long looks at the rural electrification program, keeping in mind the situation that obtained when the program was first initiated and a very small percentage of our rural areas were electrified, keeping in mind of course progress by way of new machinery and other items of that nature could call for heavying up certain distribution transmission lines.

With 98 percent of the rural area now being served, and higher than that in some States, shouldn't you arrive at the place where we can expect a reduction in the overall amount of these appropriations, or a reduction in the overall picture of the fiscal foundation necessary to keep these programs on an even keel?

Mr. GRANT. That day will come. I don't think it is here yet because there are increasing demands, the workload gets heavier all the time. This is not a matter of generalization but is a matter of record, a matter of fact.

As our country continues to grow and to expand, the needs for these activities do increase.

Certainly in the instance you mentioned of the Soil Conservation Service, the day will come when some reduction in assistance to districts can be made. But I don't know when that will be. It is not in the foreseeable future.

We still have a long way to go in this country in soil conservation.

Mr. HORAN. I was talking about REA.

Mr. GRANT. The same is true of REA. With the increased amount of electricity that people in rural areas are using, it is necessary to "heavy up" the lines. We are reducing the distribution loans from \$155 million in 1963, to \$138 million in 1964, and in 1965.

Mr. HORAN. What is it this year?

Mr. GRANT. Our estimate for distribution loans is \$138 million in 1964 and 1965.

Mr. MICHEL. How much are you reducing generation and transmission?

Mr. GRANT. Generation and transmission is being reduced from \$183 million in 1963, to \$160 million in 1964 and 1965.

Mr. HORAN. I am a little confused. I have both REA and public utility districts in my district, and I don't recall that my public utility districts are having to raise rates or having great difficulty in meeting all of the service that the consumers need. They are doing it with Wall Street money.

Those are the things of course that disturb me. I suspect that they disturb my good friend Joe Robertson, where it comes under his shop, and yours. You are at the Secretary level.

How many times does the word "pesticide" show up in various and sundry budget requests? How many times is "pesticides" used in order to firm up a request for additional moneys in this budget before us?

PESTICIDES WORK

Mr. GRANT. There are four items of increase in the Department of Agriculture budget for pesticide research or regulation. One is in research under the Agricultural Research Service, one is in enforcement work under the Federal Insecticide and Rodenticide Act by ARS, one is in research on stored products, under the Agricultural Marketing Service, and there is one on forest pest research in the Forest Service.

Mr. HORAN. That is the complete list?

Mr. GRANT. Insofar as the Department of Agriculture is concerned. There are requests being submitted, I understand, by the Department of Health, Education, and Welfare, the Department of the Interior, and perhaps others.

Mr. HORAN. You don't happen to have a figure as to what the Department has been historically spending through the years with regard to the regulation of pesticides, tolerances, and so forth?

Mr. GRANT. This is in the regulation phase, versus—

Mr. HORAN. Research necessary to make that possible.

I am very much for the proper regulation of pesticides. I want that definitely understood. This is a handy horse to ride at times.

Mr. GRANT. The total for research related to reducing pesticides hazards is \$32,685,000 in 1964 and \$35,612,000 in 1965. This includes funds available to the Agricultural Research Service, the Agricultural Marketing Service, and the Forest Service, as well as payments to the State experiment stations. Funds available to ARS for pesticides regulation and evaluation of the effects of plant pest control programs amount to \$1,604,600 in 1964 and \$2,438,600 estimated for 1965.

Mr. HORAN. I am very much for it but it is of course not a new subject in the Department of Agriculture.

Mr. GRANT. No.

Mr. HORAN. It has been there for years and years and years.

Mr. GRANT. That is correct.

Mr. HORAN. Of course, the injection of a book like "Silent Spring" into the picture does have its reverberations around, we are all aware of that.

I think that is all that I have at this time, Mr. Chairman.

Mr. WHITTEN. Mr. Michel.

CCC CONTRACT AUTHORIZATION

Mr. MICHEL. Mr. Grant, as budget director for the Department, you are a great man with figures. The committee, I am sure, recognizes and appreciates the gift and capacity you have for giving responses to our many and varied questions.

There would be many that I would like to ask this afternoon, but since you will be with us during the course of the hearings, I will from time to time, have the opportunity to call upon you.

In a very general sort of way, however, I would like to ask a few brief questions at this time. It is my conviction that in the entire

budget that was presented to the Congress this year, we see a game of mirrors being played. I have called it "budget buffoonery." I think that applies, too, to the Department of Agriculture, and that this in fact is not one presented to us in good faith.

I would like to turn first, if I might, to the big version of the budget on page 128, where, under "Commodity Credit Corporation," the new figure inserted in lieu of last year's figure of \$2,699,400,000, we find the figure of \$1,724 million, which is to quote:

Partially reimburse the Commodity Credit Corporation for net realized losses sustained during the fiscal year ending June 30, 1963.

I look in the small version of the budget on page 180 and I see the 1965 estimate reimbursed for net realized losses at a figure of \$1,124,068,000, a substantial difference.

Can you first give me an accounting of why that should be roughly \$600 million difference?

Mr. GRANT. You are using the figure of \$1,124,068,000?

Mr. MICHEL. This is in the small budget, page 180, under "Net realized losses," reimbursement for net realized losses. When I get into the big version, here, I see a figure that is \$600 million more.

Mr. GRANT. One represents appropriations and the other, new obligational authority. The one you referred to first, in the language on page 128 of the budget, and in our tables and on this chart, is in terms of the appropriation being requested.

The other figure that you referred to is new obligational authority. New obligational authority is a term that is used in the budget to describe new grants of authority and is not always synonymous with appropriations.

Mr. MICHEL. Granted.

Mr. GRANT. One of the differences results from contract authorizations.

Mr. MICHEL. Is this not the first time you have used, for example, on page 180 of the small budget, the term "Contract authorization"?

Mr. GRANT. Yes; it is for the Commodity Credit Corporation.

Mr. MICHEL. Why?

Mr. GRANT. This comes about because the Commodity Credit Corporation has an open-end authority to make commitments and incur obligations in carrying out its responsibilities. This is set forth in the law.

It is authorized to borrow and have outstanding not more than \$14.5 billion at any one time. This authority to incur obligations and make commitments over and above the \$14.5 billion borrowing authorization is recognized, it is required by law, it has been done for many years. Although it has not been recorded as a contract authorization in the past we feel that it should have been. It is, in fact, a commitment of the Government for certain types of expenditures at some future date.

Mr. MICHEL. Then this mechanism has never been used before?

Mr. GRANT. Not in the case of Commodity Credit Corporation.

Mr. MICHEL. How much contract authority remains to be listed?

Mr. GRANT. As of the end of 1965—it would be \$487 million.

Mr. MICHEL. What would it be at the end of fiscal 1964?

Mr. GRANT. \$1,087 million.

Mr. MICHEL. The power authority to use this mechanism, the \$14.5 billion limitation that we currently have, is a kind of fictitious figure, is it not?

Mr. GRANT. It is not fictitious, Mr. Michel. The \$14.5 billion represents the amount that the Corporation may borrow, and have outstanding at any one time. That is the maximum amount of notes that they may have outstanding at any one time. The Corporation is required by law to enter into certain commitments and incur certain obligations. Many of these involve a payment of money at some future date.

We only borrow money from the Treasury as it is actually needed to meet payments due. This is done in order to save interest costs. These obligations may represent commitments to purchase certificates of interest that are outstanding and other types of obligations.

Mr. MICHEL. Why doesn't the Budget request an appropriation sufficient to reimburse CCC for the entire amount of its net realized losses for 1963?

Mr. GRANT. Because it is not needed to meet the present foreseeable requirements of the Corporation in fiscal year 1965.

Mr. MICHEL. If the Congress authorizes an appropriation to reimburse CCC only to the level requested, that being \$1,724 million, will the remaining \$931 million of 1963 losses be added to the appropriation request for next year, or for the next succeeding fiscal year?

Mr. GRANT. It will be requested in some future year. I don't know whether it will be next year or not. There is still remaining \$100 million of the 1962 loss which has not been restored, as well as the \$1,057 million for the inventory revaluation adjustment made in 1961.

Mr. MICHEL. Didn't we hear talk a year or two ago that this should be on a current basis?

Mr. GRANT. This was our goal; yes. One of the main objectives there—I assume you are thinking about the foreign assistance programs, where we are still striving to do that. There was a similar effort to keep the Corporation's losses on the same basis. That was primarily to save interest costs.

#### PAYMENT OF INTEREST ON UNREIMBURSED CCC REALIZED LOSSES

Associated with this is a proposed language change, whereby we would not pay interest on the unreimbursed realized losses of the Corporation. This we discussed last week.

Mr. MICHEL. Yes. On that new language that is requested here, wouldn't this budget proposal require an enactment of new substantive legislation, rather than a mere change in the appropriation language? Could not a point of order be raised against it?

Mr. GRANT. I would think that this would be—

Mr. MICHEL. Is it subject to a point of order?

Mr. GRANT. It may be.

Mr. MICHEL. You will recall there was an inventory reevaluation as of June 30, 1961. These figures that you show on your chart, do they reflect that reevaluation?

Mr. GRANT. Yes. That was \$1,268,500,000, of which \$211,500,000 has been restored, leaving a balance of \$1,057 million.

Mr. MICHEL. Going back to this change of language, if the CCC was permitted to borrow from the Treasury without paying interest

as proposed, what would the estimated savings and interest changes to the Commodity Credit Corporation be in 1966 and 1967?

Mr. GRANT. I have not projected that beyond 1965, where we estimate the savings would amount to \$172 million. I would say that it would be somewhere in the neighborhood of \$200 million, roughly in 1966.

Mr. MICHEL. Would the effect of this proposal, the interest-free borrowing, be to lower the new obligational authority—the obligational authority for CCC for the first couple of years, during which time it can request additional funds to make up for the deficits and the reimbursements requested for 1965?

Mr. GRANT. It would have the effect of reducing the appropriations requested for the Corporation, not only for the first couple of years, but for each year.

Mr. MICHEL. In future years?

Mr. GRANT. Yes as long as it were continued.

#### FEED GRAIN LEGISLATION

Mr. MICHEL. Is it assumed that if there were no significant changes in legislation for major farm commodities this year, that the cost to the Commodity Credit Corporation would be higher by several hundred million dollars?

Mr. GRANT. I am sorry. I want to be sure I understand your question. If we assumed—

Mr. MICHEL. That there were no significant changes in legislation for major farm commodities this year, the cost to the Commodity Credit Corporation would be more. Is that correct?

Mr. GRANT. Yes; there would be increased expenditures by the Corporation. The President's budget proposes legislation with respect to the cotton and dairy programs which, if enacted, would reduce expenditures by some \$230 million, and these are reflected in the \$5.8 billion expenditure projection for 1965.

If the legislation is not enacted, the expenditures would go up accordingly.

Mr. MICHEL. If you don't have it in capsule form, could you supply it for the record, Mr. Grant, the estimated cost of the feed-grain program for the 1964 crop year in terms of price support loans, price support payments, diversion payments, and administration?

Mr. GRANT. Yes.

(The material requested follows:)

	<i>Millions</i>
Price support loans.....	\$414
Price support payments.....	374
Diversion payments.....	755
Administrative expenses.....	32

<sup>1</sup> It is estimated that loan repayments will total \$168,000,000.

#### CROPLAND CONVERSION PROGRAM

Mr. MICHEL. In the cropland conversion program, does this program include authority to contract commitments of expenditure in advance of the appropriation of funds?

Mr. GRANT. The law so provides; yes, sir.

Mr. MICHEL. What is the limitation?

Mr. GRANT. The limitation in the present law is \$10 million in each calendar year.

Mr. MICHEL. You would feel in the Department of Agriculture that you have no authority whatsoever to exceed that figure?

Mr. GRANT. Not under existing law; no, sir. Legislation has been proposed to increase that limit from \$10 to \$50 million for calendar years 1964 and 1965.

Mr. MICHEL. Is that reflected in the budget?

Mr. GRANT. Yes.

#### ANALYSIS OF BUDGET

Mr. MICHEL. Mr. Grant, the 1964 budget estimate, including new obligational authority, is at a figure, I believe, of \$7,264,900,000.

Mr. GRANT. That is right.

Mr. MICHEL. And for 1965, that figure, according to your prognostication, should be \$5,995,952,000?

Mr. GRANT. I have a figure of \$5,956 million. It is pretty close.

Mr. MICHEL. Let's use your figure.

Mr. GRANT. I can reconcile them.

Mr. MICHEL. Or a change then of \$1 billion—a reduction of whatever that net figure would be.

Mr. GRANT. Approximately \$1.3 billion.

Mr. MICHEL. It would seem to me that adjustments as follows would be appropriate: That in Commodity Credit Corporation, reimbursements to include contract authority should show an increased amount of \$599,932,000; that CCC's reimbursement in new obligational authority should reflect an increased figure of \$930,900,000; that in the area of REA loan authorization it ought to reflect an increase of \$347 million; and that in FHA rural housing insurance fund, here I would subtract, possibly, \$103 million; and that in the cropland conversion program, where in 1964 it shows an increased figure of \$14,350,000, that that ought to read \$17 million; and that in meat inspection an increase of \$30,837,000; in poultry and other inspection an increase of \$18,635,000; and that a removal of surplus agricultural commodities under the special milk program, an increase of \$99,831,000, or, in other words, a total increase figure of \$1,941,135,000.

When I look at these figures, I get a total figure over and above what we have in 1964. I would like to have you comment on those figures in a moment.

The figures, Mr. Grant, which I have given you contain the major adjustments that in my opinion should be made to the budget estimates to more accurately reflect the change in new spending authority requested for 1965. These adjustments (1) delete budget assumptions in respect to proposed changes in substantive legislation; (2) correct for postponement of obligations properly due in 1965; and (3) correct for misleading accounting procedures which serve only to lower the 1965 new obligation authority figure.

As a result, the new spending authority for 1965 exceeds 1964 by more than \$600 million instead of a reduction of \$1,200 million, as the Department so says.

Mr. GRANT. All right, sir.

(The following was submitted for the record:)

Following are comments on each of the items mentioned:

(1) *Commodity Credit Corporation*.—The amount of \$599,932,000 shown on page 180 of the 1965 budget as "Appropriation to liquidate contract authorization" is involved in the distinction between the concepts of "new obligational authority" and "appropriation." CCC has obligational authority under the laws which govern its operations, but its borrowing authority is limited to \$14.5 billion which can be outstanding at any one time. However, the Corporation may, from time to time, incur necessary obligations in excess of its borrowing which do not require immediate cash outlays. These obligations or commitments include such items as purchase agreements, letters of commitment to banks, feed grain and wheat certificates, etc. In order that the Corporation will have sufficient operating funds, appropriations are requested each year to reimburse CCC for realized losses. The 1965 budget requests an appropriation of \$1,724 million for this purpose. Of the appropriation of \$1,724 million, it is estimated that \$599.9 million will be used to liquidate prior-years commitments. This \$599.9 million is not new obligational authority in 1965, since it will be used to pay obligations incurred in prior years. The remaining \$1,124.1 million is new obligational authority.

The \$930.9 million represents the portion of the fiscal year 1963 realized losses which would not be restored by the appropriation requested for 1965. The 1965 estimate of \$1,724,000 is on the basis of requesting restoration of CCC realized losses only to the extent needed to provide operating funds for the Corporation in 1965. Since the intent is to provide only the funds needed to commitment by the Corporation in 1965, the estimate does reflect the additional spending authority required as best it can be estimated at this time. There are also other un-restored losses of prior years; namely, \$100 million of 1962 losses and \$1,057 million of the inventory revaluation adjustment made in 1961.

(2) *Rural Electrification Administration loan authorization*.—The 1965 budget reflects an estimated decrease of \$347 million which could be made in the loan authorization requested for REA if proposed legislation to establish a direct loan account were approved by the Congress. Collections on loans beginning in the fiscal year 1964, would be deposited into this account and used to make additional loans to the extent approved by the Congress in annual appropriations acts.

In order to provide as completely as possible the outlook with respect to the Government's fiscal situation, the budget submitted by the President customarily includes information showing the financial impact of legislation proposed by the administration. These proposals are included in the budget, and separately identified, as items proposed for later transmittal. Actual estimates are not submitted for action of the Congress until such time as the basic legislation is finally approved. Failure to include in the budget any information on the cost effect of the legislative program would mean that the budget would not fully show the financial impact of the legislative proposals of the President.

(3) *Insured rural housing loans*.—The budget indicates that an additional \$103 million would be requested if proposed legislation to provide for an insured rural housing loan program is approved. This is another instance where the actual estimate will not be submitted until the legislation is passed.

(4) *Cropland conversion program*.—Under existing legislation this program is limited to \$10 million a year. Proposed legislation would provide for a \$50 million program annually. The budget indicates that the adoption of this legislation would increase new obligational authority by \$40 million in 1964 and 1965. Estimates for the additional appropriations required will not be submitted, however, until the legislation is approved.

(5) *Meat and poultry inspection*.—The budget indicates that legislation will be proposed to place meat and poultry inspection on a self-financing basis by charging fees for the services performed. If this legislation is approved, the appropriations for these services could be eliminated. The pending estimates include funds for Federal financing of these inspection services on the existing basis.

(6) *Special milk program*.—The budget provides for the transfer of \$99.8 million from section 32 funds for this program. From 1956 through 1962 the special milk program was financed by Commodity Credit Corporation funds. In 1963 and 1964 a direct appropriation was made. It has been determined that section 32 funds can be used for this program in 1965. This results in a reduction in total appropriations and new obligational authority for the Department. This change will not affect operations under the special milk program.

FUNDS AND PERSONNEL FOR AREA REDEVELOPMENT WORK AND CIVIL  
DEFENSE FUNCTIONS, 1963-65

Mr. WHITTEN. Mr. Grant, at this point in the record will you insert tables showing funds and personnel for fiscal years 1963, 1964, and 1965, for Rural Area Development work (including transfers from ARA), and civil defense functions throughout the Department. (The material requested follows:)

*Appropriations specifically for Rural Areas Development*

[In addition to the amounts reflected in this table, appropriations for the ongoing programs of the various Department agencies will support rural development and land use adjustment activities]

Agency and activity	1963		1964		1965	
	Man-years	Amount	Man-years	Amount	Man-years	Amount
Office of Rural Areas Development... For authorities under Food and Agriculture Act of 1962:	3	\$84,690	8	\$120,000	8	\$124,000
Agricultural Stabilization and Conservation Service (sec. 101):						
Cropland conversion pro- gram.....		1,850,000		15,350,000		10,000,000
Conservation reserve con- tract extensions (where contracts expire Dec. 31, 1962).....		150,000		6,000,000		
Subtotal, ASCS.....		2,000,000		21,350,000		10,000,000
Soil Conservation Service: Re- source conservation and de- velopment (sec. 102).....			33	1,500,000	108	2,044,000
Farmers Home Administration: Rural renewal (sec. 102).....			9	1,200,000	22	2,190,000
Real estate loans (farm ownership and soil and water loans for recreation developments and shifts in land use) (sec. 401).....				10,000,000		6,000,000
Subtotal, FHA.....				11,200,000		8,190,000
Extension Service: To strength- en the RAD program and in- crease educational activities.....		1,000,000		2,000,000		2,000,000
Economic Research Service: To develop estimates of national and regional land require- ments and study alternative uses of land.....			11	132,200	11	128,800
Additional authorities for Farmers Home Administration: Senior Citizens Housing Act of 1962:						
Rural housing for the el- derly revolving fund (sec. 515(a)).....				4,500,000		5,000,000
Insured loans for rental housing for the elderly (sec. 515(b)).....		(117,000)		(5,000,000)		<sup>3</sup> (5,000,000)
Building loans to elderly individuals.....		(3,302,090)		(10,000,000)		(15,000,000)
Housing Act of 1961: Domestic farm labor housing (sec. 514(a)).....		(221,000)		(3,000,000)		(6,000,000)
Total appropriations.....	( <sup>4</sup> )	3,084,690	( <sup>4</sup> )	40,802,200	( <sup>4</sup> )	27,486,800
Total loans (FHA).....		(3,640,090)		(18,000,000)		(26,000,000)

<sup>1</sup> Includes proposed supplemental in the amount of \$10,000,000.

<sup>2</sup> Includes \$1,000,000 brought forward from 1963.

<sup>3</sup> Authority to make insured loans for rental housing for the elderly will expire June 30, 1964, but extension of this program is being proposed.

<sup>4</sup> Man-years shown where applicable. Loan and other program funds do not cover personnel employment.

NOTE.—In addition to the above, rural housing building loans to farm and nonfarm rural residents were \$183,000,000 in fiscal year 1963 and are estimated to be \$122,000,000 in 1964, and \$355,000,000 in 1965 (assuming enactment of an insured rural housing loan program).

Funds transferred from Area Redevelopment Administration, Commerce, fiscal years 1963, 1964, and 1965

Agency	Man-years <sup>1</sup>			Amount		
	Actual, 1963	Estimated		Actual, 1963	Estimated	
		1964	1965		1964	1965
Office of Rural Areas Development.....	16.5	26.0	26.0	\$303,911	\$377,000	\$381,000
Farmers Home Administration.....	30.6	34.0	34.0	338,728	350,000	360,200
Rural Electrification Administration.....	28.6	28.0	28.0	338,261	350,000	356,000
Economic Research Service.....	6.5	5.2	5.2	62,367	60,000	62,000
Statistical Reporting Service.....	1.0	2.0	2.0	11,047	17,000	17,800
Agricultural Stabilization and Conservation Service.....	8.3	4.0	3.5	78,035	75,000	76,000
Federal Extension Service.....	5.8	6.5	6.5	87,786	80,000	82,000
Farmer Cooperative Service.....	1.2	1.5	1.5	20,194	20,000	20,500
Soil Conservation Service.....	8.0	6.0	6.0	73,274	80,000	80,000
Forest Service.....	3.0	6.0	6.0	45,215	65,000	66,000
Office of Information.....	2.0	2.0	2.0	30,776	30,000	30,000
General Administration.....	.9	.9	.9	15,094	9,000	9,000
Total.....	112.4	122.1	121.6	1,404,688	1,513,000	1,540,500
Technical assistance and research on special ARA projects (transfer from Department of Commerce).....				268,257	<sup>2</sup> 164,875	( <sup>3</sup> )

<sup>1</sup> Distribution is about 50-50 between Washington and the field service.

<sup>2</sup> Amount available through Feb. 18, 1964.

<sup>3</sup> Not determined.

Man-years and obligations incurred for civil defense activities under funds received from the Office of Emergency Planning, fiscal year 1963, amounts available in 1964, and budget estimates, 1965

Agency and item	1963		1964		1965	
	Man-years	Actual obligations	Man-years	Funds Available	Man-years	Budget Estimate
Agricultural Research Service: Radiological defense training.....		\$18,022		\$1,000		
Agricultural Stabilization and Conservation Service:						
Field coordinators.....	5	93,000	6	95,000	6	\$101,000
Assistance to State defense boards.....	22	142,655		90,000	45	591,000
Total, ASCS.....	27	235,655	6	185,000	51	692,000
Agricultural Marketing Service: Food management activities, etc.....	7	82,476	7	85,000	19	182,000
Federal Extension Service: Rural defense information and education.....	6	56,975	3	40,000		
Forest Service:						
Rural fire defense.....					5	200,000
Emergency production, forest products.....					1	20,000
Total.....					6	220,000
Office of Personnel: Executive reserve program.....		4,957			3	45,000
Office of the Secretary: Leadership and coordination of defense activities.....	4	49,620	4	55,000	4	60,000
Grand total.....	44	447,705	20	366,000	83	1,199,000

## CIVIL DEFENSE AND DEFENSE MOBILIZATION ACTIVITIES

Funds advanced by Department of Defense to USDA agencies, fiscal years 1963 and 1964

Agency and project	1963		1964 <sup>1</sup>	
	Man-years	Funds	Man-years	Amount
Agricultural Research Service (total)-----		(\$203,767)		(\$53,800)
Investigations on processed foods for shelters-----	10.4	184,767	2.2	53,800
Effects of radiation on farm animals (film)-----		15,000		
Bulletin: "Veterinary Services in National Emergencies" (40,000 copies)-----		4,000		
Agricultural Marketing Service: Bulletin: "Guide to Civil De- fense Management in the Food Industries" (250,000 copies)-----		9,000		
Economic Research Service: Food inventory service research, including semicommercial feeding and charitable institutions feeding-----	6.0	74,500	8.0	84,500
Federal Extension Service: Rural shelter and defense information and education-----		(802,000)		(1,375,000)
(a) Federal Extension Service-----	5.3	90,400	12.5	155,000
(b) Cooperative State Extension Service-----		711,600		1,220,000
Forest Service: Rural fire research-----	40.0	681,250		
Rural fire control information and education (work to be done under contract and by States)-----				81,000
Statistical Reporting Service: Surveys of household and county food stocks-----	4.0	42,200		
Total advances from Department of Defense-----	65.7	1,812,717	22.7	1,594,300

<sup>1</sup> Funds advanced through Feb. 20, 1964.

Estimated cost of civil defense and defense mobilization activities charged to regular funds or absorbed in directly related regular program costs, fiscal years 1963 and 1964

Agency	Fiscal year 1963			Fiscal year 1964		
	Depart- mental	Field	Total	Depart- mental	Field	Total
Agricultural Marketing Ser- vice-----	\$99,000	\$1,328	\$100,328	\$94,000	\$1,000	\$95,000
Agricultural Research Service-----	26,184	138,018	164,202	29,200	100,800	130,000
Agricultural Stabilization and Conservation Service-----	364,299	406,574	770,873	302,287	415,220	717,507
Economic Research Service-----	44,800		44,800	51,000		51,000
Statistical Reporting Service-----	4,600	18,500	23,100	4,000	19,500	23,500
Farmer Cooperative Service-----	700		700	600		600
Farmers Home Administra- tion-----	14,955	340,638	355,593	12,250	335,000	347,250
Federal Extension Service-----	65,500	720,000	785,500	66,000	760,000	826,000
Forest Service-----	124,000	376,000	500,000	124,000	376,000	500,000
Soil Conservation Service-----	20,071	403,180	423,251	22,976	407,088	430,064
Office of the General Counsel-----	4,969		4,969	2,500		2,500
Office of Information-----	10,000		10,000	11,000		11,000
Office of Plant and Operations-----	845		845	700		700
Total-----	779,833	2,404,238	3,184,071	720,513	2,414,608	3,135,121

Mr. WHITTEN. Would you also insert a table showing end-of-year employment targets for 1964 and 1965?  
(The table follows:)

## Department of Agriculture: End-of-year employment

[As reflected in the 1965 budget under all funds, including appropriations, transfers, trust funds, and fees collected for services performed, and including employment under proposed supplemental appropriations and proposed legislation]

	Estimated June 30, 1964			Estimated June 30, 1965		
	Perma- nent posi- tions	Other	Total	Perma- nent posi- tions	Other	Total
Agricultural Research Service.....	17,700	2,300	20,000	17,617	2,199	19,816
Cooperative State Research Service.....	98	2	100	105	2	107
Federal Extension Service.....	260	5	265	256	4	260
Farmer Cooperative Service.....	97		97	97		97
Soil Conservation Service.....	15,500	3,100	18,600	15,259	2,832	18,091
Economic Research Service.....	1,072	88	1,160	1,068	90	1,158
Statistical Reporting Service.....	1,265	1,352	2,617	1,315	1,785	3,100
Agricultural Marketing Service.....	7,700	500	8,200	7,544	469	8,013
Office of Milk Market Administrators.....	1,113	37	1,150	1,098	37	1,135
Foreign Agricultural Service.....	890	35	925	890	35	925
International Agricultural Development Service.....	63	9	72	63	9	72
Commodity Exchange Authority.....	119		119	123		123
Agricultural Stabilization and Conserva- tion Service.....	6,039	600	6,639	5,690	558	6,248
Federal Crop Insurance Corporation.....	626	524	1,150	631	519	1,150
Rural Electrification Administration.....	988	7	995	988	7	995
Farmers Home Administration.....	5,170	5,318	10,488	5,531	4,685	10,216
Office of Rural Areas Development.....	35		35	35		35
Office of the Inspector General.....	860		860	860		860
Office of the General Counsel.....	337	3	340	337	3	340
Office of Information.....	237	8	245	237	8	245
National Agricultural Library.....	183	4	187	183	4	187
Office of Management Services.....	352		352	358		358
Office of the Secretary.....	49		49	52		52
Office of Budget and Finance.....	67		67	67		67
Office of Plant and Operations.....	229		229	229		229
Office of Management Appraisal and Sys- tems Development.....	260		260	298		298
Office of Personnel.....	83		83	83		83
Office of Hearing Examiners.....	7		7	7		7
Judicial Officer.....	9		9	9		9
Subtotal.....	61,408	13,892	75,300	61,030	13,246	74,276
Forest Service.....	19,700	21,800	41,500	20,034	21,066	41,100
Total.....	81,108	35,692	116,800	81,064	34,312	115,376

<sup>1</sup> Represents limitations on total employment for the Department as a whole, as of June 30, 1964, and 1965. The figures shown for individual agencies, and those shown for "Permanent positions" and "Other," represent current estimates and are subject to shifts to meet changing conditions as the year progresses.

Mr. WHITTEN. Mr. Grant, we appreciate your appearance here. I thought you were especially good when you described that grain inspection as being voluntary, but for all practical purposes, being compulsory. I thought you reached your peak in that answer.

May I say I also agree with you.

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

If we can be of any help to the committee in your deliberations, feel free to call on us.

Mr. WHITTEN. Thank you, sir.

Mr. GRANT. Thank you very much.

MONDAY, FEBRUARY 24, 1964.

## GENERAL AGRICULTURAL OUTLOOK

## WITNESSES

DR. WILLARD W. COCHRANE, DIRECTOR, AGRICULTURAL ECONOMICS

C. KYLE RANDALL, CHIEF, FARM INCOME BRANCH, ECONOMIC AND STATISTICAL ANALYSIS DIVISION, ECONOMIC RESEARCH SERVICE

NATHAN M. KOFFSKY, ADMINISTRATOR, ECONOMIC RESEARCH SERVICE

CHARLES L. GRANT, DIRECTOR OF FINANCE AND BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

Mr. WHITTEN. Gentlemen, we are glad to have with us Dr. Cochrane, Director of Agricultural Economics, U.S. Department of Agriculture.

Dr. Cochrane, we always look forward to having you here, and we also look forward to having your presentation of the facts and figures concerning the operations of the Department of Agriculture and the situation in agriculture.

As a result of the Supreme Court decision a few days ago, we are going to have fewer farm members in the Congress, that is, folks who have an understanding of agriculture. So our problems will probably get worse in the Congress instead of better.

I hope you will proceed in your own way, Dr. Cochrane.

## CURRENT TRENDS IN AMERICAN AGRICULTURE

Dr. COCHRANE. With your permission, I would like to read a brief statement which summarizes the price-income situation for 1963 and a little of the outlook for 1964.

Mr. Chairman and members of the committee, I would like to present a number of charts which show some of the trends affecting the economic situation in American agriculture and highlight a number of the problem areas. Each chart has a legend which explains the economic significance of the statistical data in the charts themselves. With your permission, I would like to place the charts and accompanying legends in the record of these hearings.

As background for the charts, I think the committee will be interested in a summary of the farm price and income situation during 1963 and our current appraisal of the outlook during the present year.

In 1963, prices received by farmers averaged a shade below 1962 as higher prices received for crops were more than offset by a drop of about 4 percent in prices of livestock and products. Total farm output was up about 4 percent, with a somewhat greater rise in crops than in the livestock sector.

The marketings from this larger production more than compensated for the small decline in average prices, so that both cash receipts from farm marketings and realized gross farm income increased by about \$300 million during 1963.

However, the cost of production items purchased by farmers increased by about \$600 million, and total realized net income dropped from \$12.6 billion in 1962 to an estimated \$12.3 billion last year.

The situation was somewhat alleviated by the continued decline in the number of farms. Realized net income per farm in 1963 was about \$3,430, fractionally above the record high of \$3,414 reached in 1962. This is a national figure, and there are wide differences by regions and States.

For example, net income continues to be relatively higher than the national average in the Pacific States of Washington, Oregon, and California; and relatively lower on farms in the East South Central States of Kentucky, Tennessee, Alabama, and Mississippi.

But there has been an upward trend in per farm income in each region during recent years, with some narrowing of variations relative to the U.S. average.

Of course, many farmers have some nonfarm income, and when we look at the per capita personal income of the farm population from all sources, the picture is a little bit better. In 1962 this reached a record high of \$1,436, and a further increase of 3 percent to about \$1,480 is now estimated for 1963.

But despite this absolute gain, personal income per capita of farm people from all sources relative to that of nonfarm people remained at the 1962 level of 59 percent.

Exports of U.S. farm products have continued high. They totaled \$5.1 billion in fiscal year 1963, equal to the record high level achieved in the previous fiscal year, despite a 10-percent contraction in sales to the Common Market countries. The stock situation has improved for wheat, feed grains, and dairy products, but the cotton carryover rose sharply.

During the current year, appreciable increases are expected both in the domestic demand for farm products and in exports. With prospects for continued expansion in the general level of economic activity, consumer incomes after taxes are expected to rise 5 percent or more above last year, while total population can be expected to increase by at least 1½ percent.

Exports may well reach a new record of around \$6 billion in this fiscal year. This will be largely accounted for by larger sales of wheat, cotton, soybeans, and dairy products. Most of the overall gain is likely to be in dollar sales, which will make a real contribution to the balance-of-payments problem.

Unfortunately, this expansion of domestic demands and foreign outlets will not be accompanied by a rise in farm income under existing legislation. Realized net farm income in 1964 is expected to be as much as 5 percent below 1963, largely as a result of sharply reduced income from wheat and a continued rise in farm production expenditures which have increased an average of nearly three-fourths of a billion dollars annually during the past decade.

Again, the decline in the number of farms will be an offsetting factor, but will probably be insufficient to prevent a small drop in average net income per farm. Farms in the wheat areas will bear the brunt of the decline.

Total farm population will continue to shrink and per capita income from nonfarm sources will rise, so that per capita personal income of people living on farms from all sources may be about as high as the 1963 record.

This appraisal is necessarily based on the assumption of farm programs as they existed at the turn of the year. Legislation affecting

the various farm commodities, especially wheat, cotton, and dairy products, could alter the farm income situation appreciably.

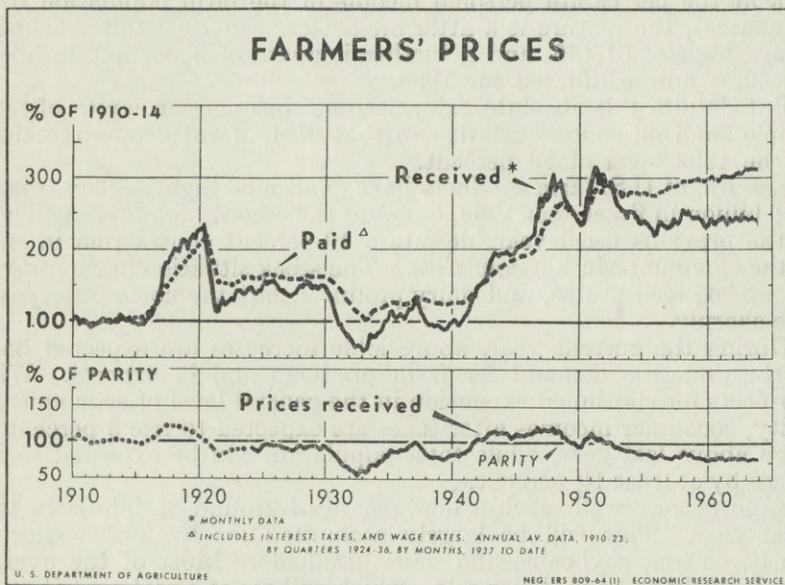
Mr. WHITTEN. Thank you, Doctor. You might proceed with the charts, if you will, and take the liberty that we always accord you of putting the record in such form as may make it most understandable.

Dr. COCHRANE. I will be talking extemporaneously and it will help me if I can correct the record.

#### FARMER'S PRICES

The first chart dealing with farmer's prices is a familiar one that the committee has seen many times.

(The chart referred to follows:)



#### FARMERS' PRICES

Prices received by farmers in 1963 averaged 241 (1910-14 equals 100) nearly 1 percent below 1962 but otherwise the highest since 1958. Prices received for crops at 238 were up over 3 percent from 1962. Prices for livestock and products at 244 were down 4 percent.

On the crop side, prices received were higher for feed grains, oil-bearing crops, fruit, and the potato, sweetpotato, dry bean group. Prices for food grains, tobacco, and commercial vegetables were lower.

Lower prices for meat animals accounted for nearly all the decline in prices received for livestock and products. Prices for the dairy products and poultry and egg groups were about unchanged from a year earlier.

The parity index—prices paid by farmers, interest, taxes, and wages—averaged 311, up nearly 2 percent. All major components contributed to the rise. Interest, at 14 and taxes at 5 percent, were the largest percentage increases.

The parity ratio averaged 78, slightly lower than the average for the last 3 years. Adjusting the ratio to take account of Government payments would raise it to 81, the same as in 1960.

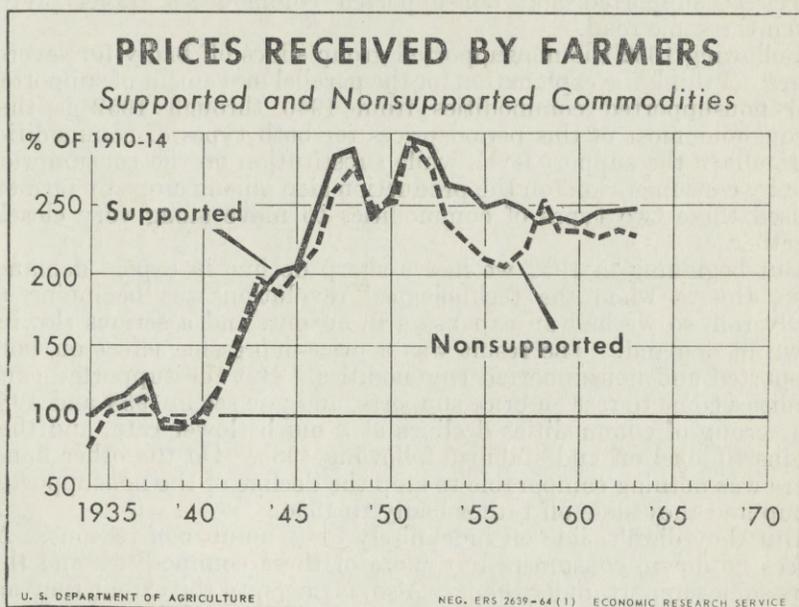
Since the midfifties, prices received by farmers have varied within a rather narrow range. For the last 10 years the average of the index is 240. The parity index on the other hand increased steadily during the last decade, and it was 12 percent higher in 1963 than in 1954. This, then, is a concrete illustration of cost-price squeeze.

In 1964, prices received are likely to be little changed from 1963. The parity index is likely to show another modest increase.

Dr. COCHRANE. I would like to describe the prices received and prices paid situation as it has developed generally since 1955. You will observe that from 1960 through 1963 prices received by farmers have remained almost steady. There is a little variation there, but very little. Actually, if you draw a trend line back through 1955 you will find that it is almost level from 1955 through 1963. In fact, if you go back and look over the whole chart, you would find very few periods where there has been a span of almost 10 years in which the level of prices received, has been so steady. On the other hand, as you observe the prices paid line, from 1955 on moves gradually, persistently upward almost each year, with the result that the parity ratio has dropped steadily from 1955. The parity ratio stood at 84 in 1955. It is now down to 78.

#### PRICES OF SUPPORTED AND NONSUPPORTED COMMODITIES

This next chart, Mr. Chairman, is one which Congressman Horan asked for last year, and we are happy to present it at this time. (The chart referred to follows:)



#### PRICES OF SUPPORTED AND NONSUPPORTED COMMODITIES

The price-support programs place a floor under the commodities involved, so that price fluctuations of these commodities tend to be markedly less than for the nonsupported ones.

This characteristic was not evident during World War II or during the postwar period up to the end of the fighting in Korea. These were periods of exceptional demand for food of all kinds and prices of supported products were generally above support levels. Thus, prices of both the supported and nonsupported commodities moved closely together.

Since Korea, however, the nonsupported commodities have fluctuated much less than the supported ones. From 1951 to 1956, the nonsupported commodities

dropped an average of 30 percent, or about twice as much as the prices of the supported commodities. Since 1956, the supported commodities have moved within a fairly narrow range. On the other hand, average prices of the non-supported commodities rose 9 percent above the supported ones in 1958, but have since declined to a level about 7 percent below during 1962 and 1963.

The group of non-supported commodities includes meat animals, poultry and eggs, fruit, vegetables, potatoes, and sweet potatoes. Meat animals are more important than the others combined, and are the dominant factor in price changes for the non-supported group as a whole.

In the post-Korean period, 1951-56, all the non-supported commodities contributed to the downswing. Meat animal prices were the primary cause of the sharp rise from 1956 to 1958, though fruit prices contributed significantly due to short supplies of citrus. The decline since 1958 was due mostly to a downward drift in the prices of meat animals.

Average prices on the non-supported group declined less than 2 percent in 1963, as a sharp drop in meat animal prices, particularly for beef cattle, were partially offset by a sharp rise in prices of citrus fruit which accompanied short supplies following the freezes in Florida.

Although the drop in meat animal prices in 1963 was appreciable, marketings of meat animals probably would have been greater and prices received even lower had it not been for the stabilizing effects of the production adjustment and price-support program for feed grains.

Dr. COCHRANE. It describes prices received by farmers for two categories of farm commodities: the supported category and the non-supported category. You will observe that from 1940 to 1952 the prices of supported and non-supported commodities travel pretty much the same road.

Following 1952 the non-supported group slides off badly for several years. I think the explanation for the parallel movement of supported and non-supported commodities from 1940 through 1952 is that throughout most of this period prices for both types of commodities were above the support level, while substitution on the consumption side by consumers and on the production side among crops by farmers caused these two types of commodities to move along very closely together.

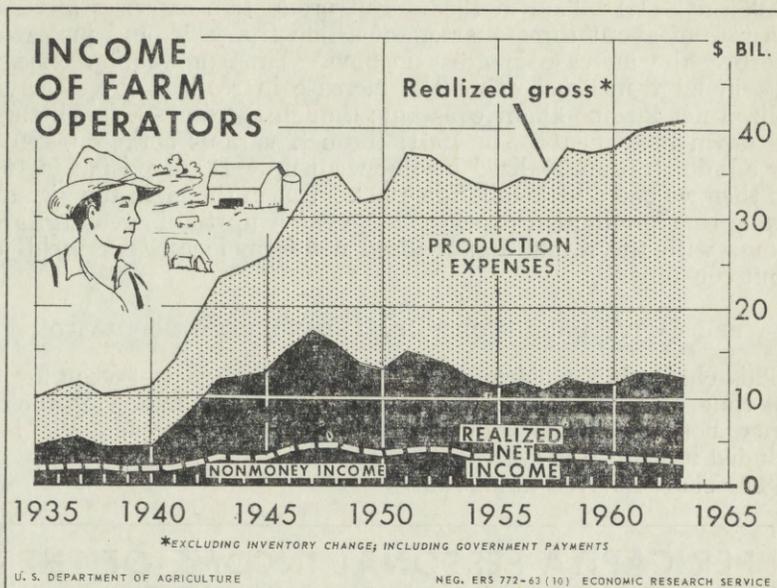
But beginning in 1952 we had a sharp decline in export demand. Also, this is when the technological revolution was beginning to really roll, so we had an expansion in output, and a serious slowing down of demand. The result was a price-depressing effect on both supported and non-supported commodities. But the supported commodities come to rest on price supports, and you see in 1953 and 1954 that group of commodities declines at a much slower rate, and then begins to level off and stabilize following 1955. On the other hand, there was nothing comparable to stop the decline of the non-supported group and they slide off rather badly to 1956.

But they didn't slide off indefinitely for a number of reasons. As prices go down, consumers buy more of these commodities and this puts some support under them. Also, farmers, to the extent they are able, switch out of non-supported commodities and into supported ones. These two interactions ultimately put a bottom under these non-supported commodities. Prices stop falling and gradually move up.

From about 1959 on you see that both groups of these commodities have moved roughly sideways, with no big variation in either grouping.

## FARM INCOME

Dr. COCHRANE. This chart, Mr. Chairman, is again a familiar one, and I will just direct your attention to the last 8 years, since 1955. (The chart referred to follows:)



## INCOME OF FARM OPERATORS

Realized net farm income was around \$12.3 billion in 1963 according to preliminary estimates. This compares with \$12.6 billion for 1962. Cash receipts from farm marketings were responsible for a small increase in realized gross income. However an increase of \$600 million in production expenses more than offset the increase in gross income and as a result net income declined.

If present legislation remains in effect, realized net farm income in 1964 probably will be lower than in 1963, largely as a result of sharply reduced income from wheat and a continued rise in farm production expenses. Under current legislation a substantial drop in cash income including Government payments from wheat is anticipated. This will probably more than offset the gain expected in cash income from other commodities. The persistent rise in prices paid by farmers for goods and services used in production is expected to push production expenses to a new record high in 1964. Thus aggregate realized net farm income will likely be lower in 1964, possibly by 5 percent or more from 1963 or roughly to the level of 1960.

The increase in farm production expenses has averaged nearly three-quarters of a billion dollars a year for the past decade. The increase in prices paid by farmers shown in the first chart is an important factor in this increase. Thus a substantial increase in gross farm income is required annually if farmers are just to stand still income wise.

This forecast assumes that the program provided by present legislation will be in effect for wheat. If some other program providing higher levels of price support and/or payments is in effect the outlook will be improved.

Realized net income per farm in 1963 was \$3,430, fractionally higher than in 1962. Aggregate realized net income and the number of farms both declined by about the same percentage from 1962 to 1963. From 1960 to 1963 net income per farm increased 16 percent with about 5 percent more income divided among nearly 10 percent fewer farms.

While average income per farm is a useful measure it should not be taken to mean that all farms did about as well in 1963 as in 1962. Some farms, particularly livestock farms had lower incomes in 1963.



lation was the highest percentage of nonfarm since 1951. Despite this increase in per capita farm income relative to nonfarm, the per capita income of nonfarm people which averaged \$2,515 in 1963 was higher than for farm people. Personal income of the farm population averaged \$970 from farm sources and \$510 from nonfarm sources.

In 1964, the per capita personal income of people living on farms from all sources is likely to be about as high as in 1963. Per capita personal income of nonfarm people is expected to rise substantially.

Dr. COCHRANE. As you see, over the whole long period 1935 to 1963, the per capita personal income of the farm population has been far below that of the nonfarm population. I would direct your attention primarily to what has happened from 1955 through 1963. In 1955 there was just about a thousand dollars difference between the per capita personal income of farm people and nonfarm. Nonfarm people had a per capita income of \$2,000, farm people of \$1,000. The rates of gain for both the farm and the nonfarm people have been almost equal over the period since 1955.

The slopes of those two lines are just about the same. You will see when we get to 1963 the disparity between farm and nonfarm income is still a thousand dollars, just about the same as in 1955.

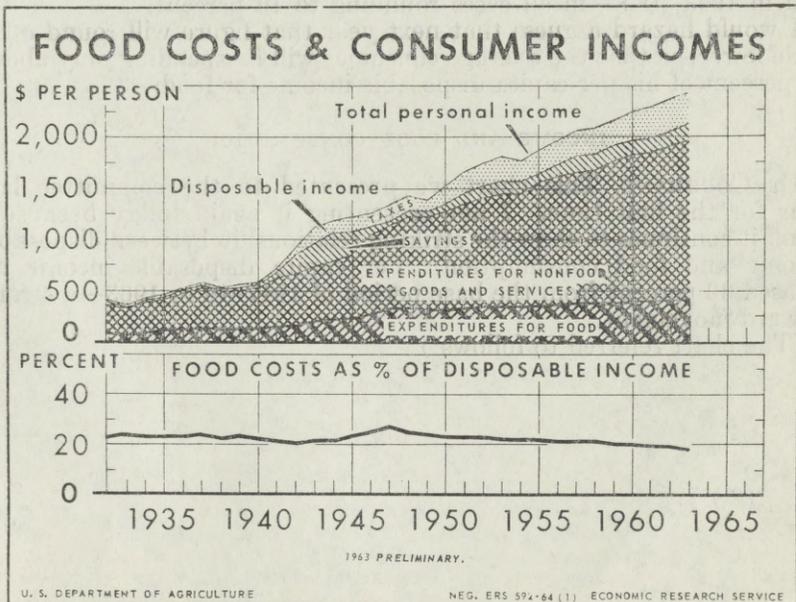
Now, nonfarm people have per capita income of \$2,500 per person, and the farm people a per capita income of \$1,500 per person.

The spread on an absolute basis has held almost constant.

#### FOOD COSTS AND CONSUMER INCOMES

This chart, Mr. Chairman, is another that your committee has seen many times. It seems to me the big story in this chart is the very great gain in per capita disposable income that we have experienced in this country over the years from 1940 on.

(The chart referred to follows:)



## FOOD COSTS AND CONSUMER INCOMES

Income after taxes averaged \$2,127 per person in 1963, an increase of about 3 percent from 1962, continuing the upward trend that has been underway almost without interruption since the 1930's.

Food expenditures averaged \$400 per person in 1963. For the third year in a row, food expenditures were 19 percent of disposable income. Food expenditures accounted for 26 percent of disposable income in the 1947-49 period, 23 percent in 1951, and 20 percent in 1960.

Of the 19 percent of their income that U.S. consumers spent for food, U.S. farm foods accounted for 17 percent. Imported foods and fish accounted for the remaining 2 percent. The 17 percent spent for farm foods was divided between farm producers who got 5 percent and the marketing bill which took 12 percent.

If people bought exactly the same quantities and kinds of food along with the same services now as in the 1930's, food expenditures would account for only about 14 percent of income rather than 19 percent actually spent. This difference is one measure of the upgrading of our diet by shifting away from cereals and potatoes to higher-cost meats, as well as expanded and improved food services.

Dr. COCHRANE. From 1940 to 1947, with a very rapid rate of increase in per capita disposable income, expenditures for food also rose rather significantly as indicated by the crosshatched section at the bottom of the chart. From 1947 on, per capita disposable incomes continue to rise but expenditures for food rise very slowly. I think this is one of the big stories of our modern economic society. With rising real incomes, consumers don't put very large amounts of those increases into increased expenditures for food.

This relationship is shown on the bottom line, where we see that food costs, as a percentage of disposable income, peak out in 1947 when the average consumer was spending 27 percent of his income for food. In 1963 the average consumer is spending only 19 percent.

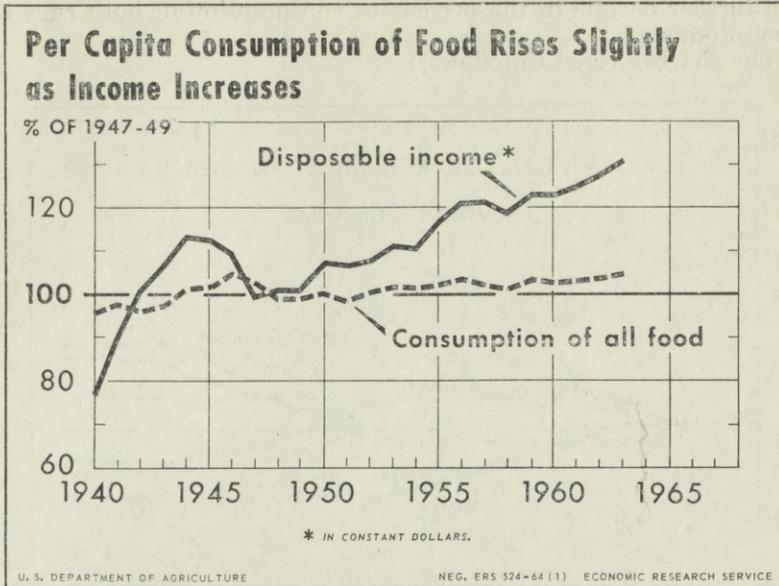
I might point out that for the last 3 years we have told you that the average consumer has been spending 19 percent for his food, and yet that line is going down a little bit. In 1961 the average consumer was spending almost 19.5 percent of his income for food, in 1962, 19.1, and in 1963, 18.8—in all cases rounding to 19 percent.

I would hazard a guess that next year that figure will round off a little lower, so that the average consumer will be spending only about 18 percent of his per capita disposable income for food.

## INCOME AND FOOD CONSUMPTION

Dr. COCHRANE. This chart we presented to the committee last year for the first time. I am presenting it again today because I think it continues to show the striking relationship between disposable income and food consumption. Per capita disposable income increased 32 percent from the base period of 1947-49 to 1963—a strong upward movement.

(The chart referred to follows:)



#### PER CAPITA CONSUMPTION OF FOOD RISES SLIGHTLY AS INCOME INCREASES

The index of per capita food consumption increased about half of 1 percent in 1963, a fairly sizable increase for this relatively stable measure of food consumption. A substantial increase in beef consumption plus small increases in poultry and several other foods more than offset declines in consumption of eggs, fish, and citrus fruit. Compared to 1947-49 per capita food consumption is up 4 percent. Over the same period per capita disposable income increased 32 percent. These percentages illustrate the fact that increases in income make only a limited contribution to the increased consumption of farm products. Increases in population are the chief source of increased domestic use of farm products in the United States in this day and age.

Dr. COCHRANE. While the average consumer's income was increasing 32 percent, the average consumer's consumption of all foods was increasing only 4 percent. This is really one of the significant relationships with which we have to reckon, and it is one of the real problems confronting American agriculture in the very opulent society in which we live.

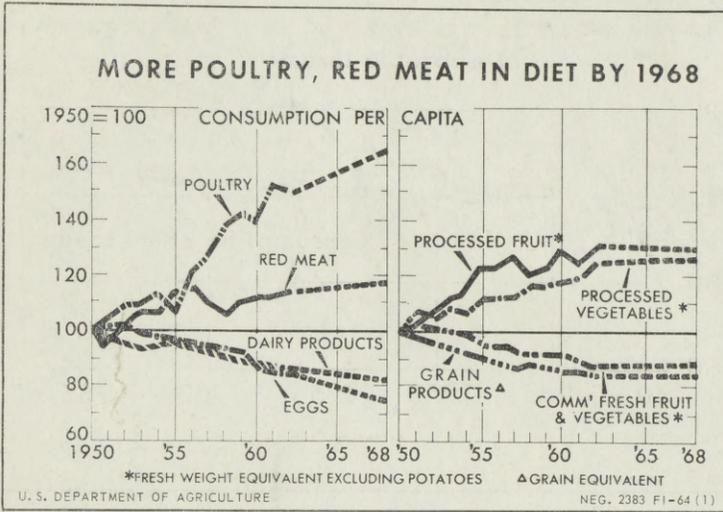
#### CHANGES IN PER CAPITA CONSUMPTION

While total per capita food consumption has been holding constant or rising very slowly, there have been significant changes in the composition of the average consumer's diet. The average consumer has increased his consumption of poultry very greatly from 1950 to 1963, and our experts predict that this upward trend will be continued through 1968. The consumption of red meat has also increased importantly over this same period, and our experts think this trend will continue on through 1968. The increase will not be as rapid as in poultry, but nonetheless some continued increase is expected.

On the other hand, the average consumer has decreased his consumption of dairy products and he has decreased his consumption of eggs. We think that these trends will continue and that there will

be a further decline in the per capita consumption of both eggs and dairy products.

(The chart referred to follows:)



#### FOOD CONSUMPTION: TRENDS AND PROJECTIONS, 1963-68

Looking ahead about 5 years, population can be expected to rise about 9 percent; and with an expanding economy, disposable income per capita could rise by about 12 percent from 1963 levels. The population growth will bring a proportionate increase in the domestic market for food, but the effect of rising incomes on the per capita consumption of food will be negligible.

The advance in purchasing power provided by the increased income will result in a further expansion in the per capita demand for beef and poultry, but the demand for pork, milk products, and eggs is expected to decline. Also, a further downtrend in per capita food use of wheat is in prospect. The recent pronounced shifts from use of fresh fruits and vegetables to increased use of frozen, canned, and other convenience foods will continue, with these two movements largely offsetting each other.

On balance, any increase that may take place in the per capita consumption of food is unlikely to exceed 1 percent, and this will be due to a shift from the lower priced foods to the higher priced ones. The actual number of pounds consumed per person will probably continue to decline slightly as it has over the past decade.

**Dr. COCHRANE.** On the right hand side of this chart we see what has been going on in the case of fruits and vegetables and grain products. You will observe that the consumption of processed fruit and processed vegetables has increased significantly over the period 1950 through 1963. At the same time the consumption of fresh fruits and fresh vegetables has gone down.

And you will notice that we project the trend through the rest of the 1960's, or through 1968, as leveling out. You might wonder why. The consumption of total fruit and the consumption of all vegetables on a fresh equivalent basis has held almost constant over this period. But consumers have moved away from fresh fruit and fresh vegetable consumption and have consumed more in the way of processed fruits and processed vegetables.

We believe that this trend is about over, and our experts think that the consumption of both processed and fresh will remain about the same through the rest of this decade.

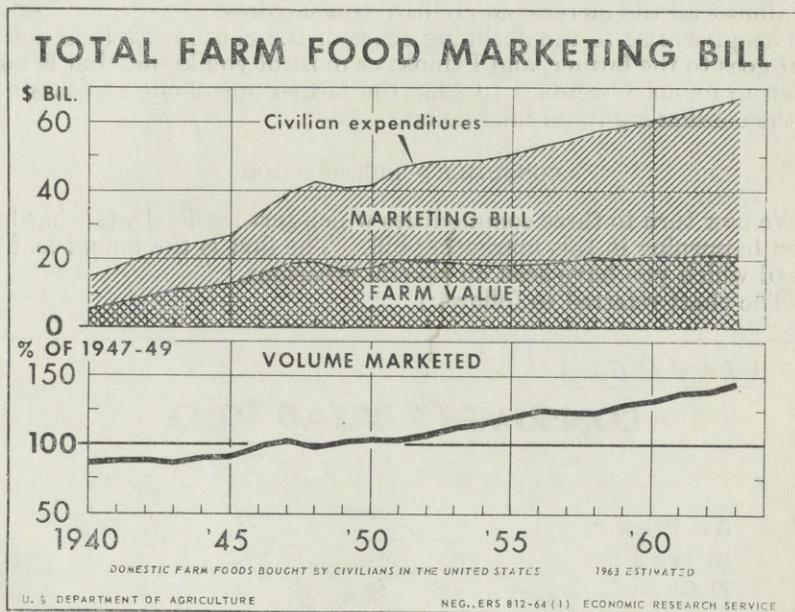
Consumption of grain products has declined, too. We believe that it is probably getting down to about the point where people eat bread because they like to eat bread, rather than because they have to, and we do not anticipate much further decline in cereal products.

Although the total consumption of farm products on a per capita basis holds about constant, whether on a pound basis or in a price-weighted index basis, the composition of diet has changed very greatly and will continue to change.

#### FARM FOOD MARKETING BILL

Dr. COCHRANE. The next chart, Mr. Chairman, shows us what has happened to total marketing costs since 1940. You will observe from the bottom line that the total volume of marketings has increased steadily over this whole period.

(The chart referred to follows:)



#### TOTAL FOOD MARKETING BILL

From 1940 to about 1950, rising civilian expenditures for food were reflected in appreciable increases in the farm value of food commodities. Since then, the picture has changed radically.

From 1950 to 1963, consumer expenditures for food rose \$25.5 billion or 61 percent; while the volume of products marketed increased 38 percent. Marketing costs rose \$21.8 billion or 92 percent, but the farm value of these products rose only \$3.7 billion or 21 percent. In other words, about 85 percent of the rise in consumer expenditures went to pay for increased marketing costs and services, with only 15 percent finding its way back to the farmers.

Despite the fact that consumer expenditures totaled \$67 billion in 1963—up \$2.7 billion from a year earlier—the farm value of these foods, at \$21.3 billion,

was \$100 million less than in 1962. This was due to the fact that the food marketing bill totaled \$45.7 billion, an increase of \$2.8 billion from 1962. A rise in unit marketing costs accounted for about two-thirds of this increase. The rest was due to a 2 percent rise in the volume of products marketed.

Although the food marketing bill is likely to increase again in 1964, the rise will probably not be as much as in 1963, when there were large increases in the farm to retail spread for beef, pork, and citrus products.

Consumer expenditures for U.S. farm food include those for food and accompanying services away from home, as well as food purchased for consumption at home. Nonfarm foods, such as fish and imported foods, are not included.

Dr. COCHRANE. This is what we would expect; our population has increased; our production has increased; and the volume marketed has increased.

Actually, the volume of farm food marketings increased 38 percent from 1950 to 1963. Civilian expenditures for farm foods increased by around 60 percent.

You will note that most of the increase in civilian expenditures has gone into paying the marketing bill, and very little has gone into a greater return to the farm producer.

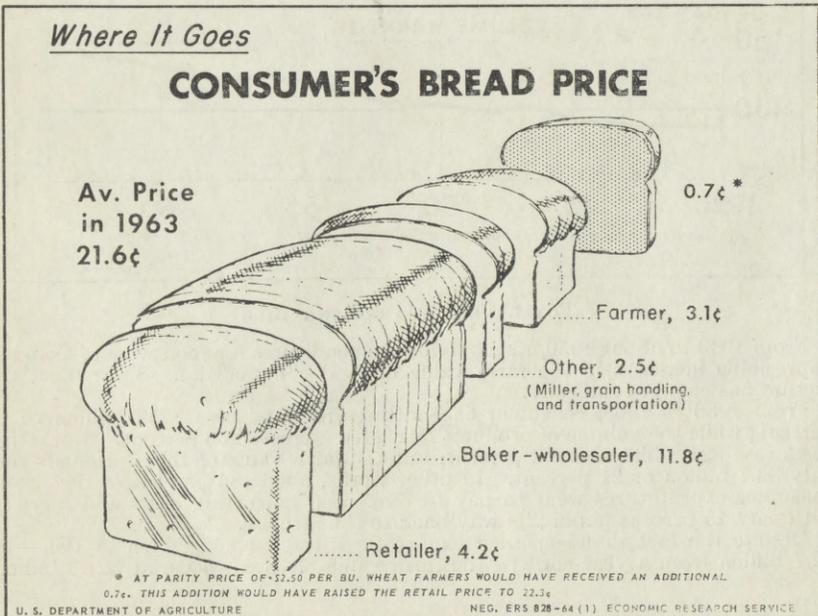
From 1950 on, the farm value of farm foods marketed has increased only very modestly. On the other hand, the marketing bill has taken up almost all the increase in civilian expenditures.

This gives rise to the declining share of the consumer's food dollar that goes to the farmer, and I think, as most of you know, that is now down to about 37 cents. In 1963 the farmer got about 37 cents out of the consumer's retail food dollar.

#### CONSUMER'S BREAD PRICE

We now turn to three commodities which further illustrate what has been happening in this marketing bill. The first is the pound loaf of bread which you have seen on several occasions.

(The chart referred to follows:)



## CONSUMER BREAD PRICES

Urban consumers paid an average of 21.6 cents for a 1 pound loaf of white bread in 1963, 0.4 cents more than in 1962. For the wheat and other farm ingredients used, farmers received 3.1 cents, the same as a year earlier. This is about 14½ percent of the retail price. The retail price of bread increased from 14.3 in 1950 to 21.6 cents in 1963—an increase of more than 50 percent. The 3.1 cents the farmer now receives is only slightly more than the 3 cents he received in 1950.

Dr. COCHRANE. The average price of this pound loaf of bread in 1963 was 21.6 cents. This compares with an average price in 1962 of 21.2 cents. So there was four-tenths of a cent increase in the price of a pound loaf of bread.

What the farmer gets out of this loaf of bread is a return of 3.1 cents in 1963 and that is exactly what he got in 1962. So in absolute terms, the farmer is getting the same amount in 1963 as he got in 1962.

On a percentage basis, his share has gone down very slightly. You will see where the lion's share of the retail price goes. It goes to the baker-wholesaler and the retailer; 16 cents out of the 21.6 cents goes to the retailer and the baker-wholesaler.

## FARMER'S SHARE OF COTTON SHIRT

The next chart is the familiar cotton shirt. The average price of this cotton business shirt in 1963 was \$4.27. That is up 3 cents since 1962.

The farmer's share in absolute terms, however, remains constant. The farmer received 28 cents in 1962 out of \$4.24. He received 28 cents in 1963 out of \$4.27. Most of the price goes into the handling and processing of cotton.

(The chart referred to follows:)



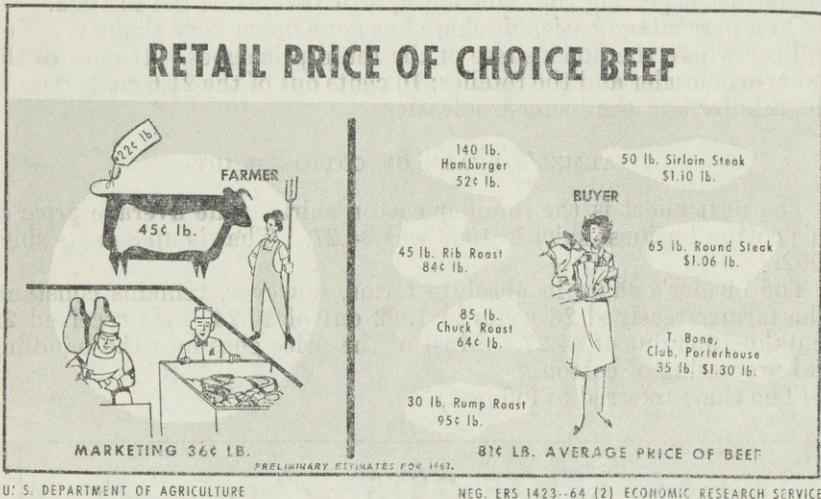
## WHAT THE FARMER GETS FOR A COTTON BUSINESS SHIRT

A typical cotton business shirt sold for around \$4.27 at retail, in 1963, 3 cents higher than 1962. The farm value of the cotton required to make this shirt was 28 cents, about 6½ percent of the retail prices. The value of the cotton in the shirt is the same as a year earlier.

## RETAIL PRICE OF CHOICE BEEF

Dr. COCHRANE. The next chart is also one we presented last year for the first time and brings out a whole series of relationships which I think will be of interest to the committee. This is the retail price of choice beef for 1963.

(The chart referred to follows:)



## FARMER'S SHARE OF RETAIL PRICE OF BEEF

In 1963 the farmer or rancher received an average of 22 cents a pound for a beef steer on the hoof. In terms of an average of 450 pounds of dressed weight from a 1,000-pound steer, his return was 45 cents a pound. This was about 6 cents less than he got in 1962.

On the other hand, the retail price of all cuts of beef averaged 81 cents, only slightly more than 1 cent below 1962. The prices making up the 81-cent average ranged from \$1.30 for the 35 pounds of T-bone, club, and porterhouse in the 450 pounds of total dressed weight to the 52 cents for hamburger that accounted for 140 pounds.

Between the 45 cents received at the farm and the 81 cents received in the retail store, was a marketing spread of 36 cents. This was 5 cents greater than the spread in 1962. It reflects a lag between farm and retail prices of beef; and was the reverse of the 1962 situation when the price at the farm rose 5 cents a pound, the retail price rose 3 cents, and the marketing spread declined 2 cents a pound.

Mr. WHITTEN. Is that beef from Argentina, Australia, or the United States?

Dr. COCHRANE. This is the U.S. price. The price the farmer received for this grade of choice beef on the hoof is 22 cents a pound in 1963. This compares with 25 cents a pound in 1962.

This is a hypothetical 1,000-pound steer that we are talking about here, and that steer cuts out to yield 450 pounds of meat.

On the basis of the 22 cents per pound received for the live weight, and certain return for byproducts, the farmer receives 45 cents a pound for the meat produced. It costs 36 cents to move that pound of meat through the slaughtering establishments and through all the wholesale and retail distribution channels, so that the average consumer paid 81 cents—45 plus 36—for meat out of this choice steer in 1963.

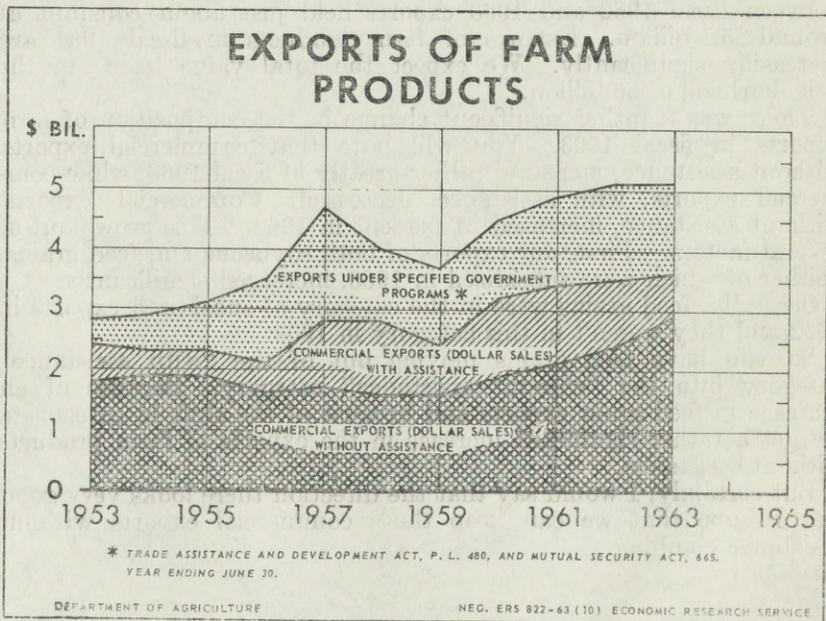
The consumer, however, probably didn't pay 81 cents for any single pound of meat because she bought specific cuts of beef. This steer yields 140 pounds of hamburger which sold, on the average, for 52 cents a pound. It yields 45 pounds of rib roast which sold, on the average, for 84 cents a pound. It yields 85 pounds of chuck roast which sold, on the average, for 64 cents a pound. And at the opposite extreme, it yields 35 pounds of T-bone, club and porterhouse steak, which sold at \$1.30 a pound. When you weight these pounds and prices together, that gives an average price of 81 cents that the consumer spent for a pound of beef from a choice steer in 1963.

This is down a little from 1962. The comparable figure for 1962 is 82.4 cents.

#### EXPORTS OF FARM PRODUCTS

Dr. COCHRANE. The next series of charts deals with our farm export situation. The first gives us a picture of what has happened to farm exports through time by principal categories of sale. Our categories are the familiar ones: exports under specified Government programs, commercial exports with assistance and commercial exports without assistance.

(The chart referred to follows:)



## EXPORTS OF FARM PRODUCTS

The value of U.S. farm exports in fiscal 1963 was \$5.1 billion, almost the same as the record high level of fiscal 1962.

Total commercial sales for dollars at \$3.6 were 2 percent higher than in fiscal 1962. To compete in world markets for some major products, such as wheat and cotton, the Commodity Credit Corporation has made export payments in cash or in kind or sold stocks at domestic market prices. Commercial exports with assistance were \$0.7 billion, 35 percent below a year earlier. On the other hand, commercial exports without assistance increased by 21 percent and totaled \$2.9.

Reduced exports of cotton and the fact that U.S. feed grains and rye were competitive in world markets during the year and required no export payment assistance are the principal reasons for the reduction in assisted commercial exports. The increase in unassisted commercial exports primarily involves increased exports of oilseeds and products plus the termination of export payments and larger exports of feed grains.

Exports under specified Government programs (foreign currency sales, donations, barter and long-term supply and dollar credit sales under Public Law 480 and the Act for International Development) were \$1.5 billion, 7 percent lower than a year earlier. About two-thirds of the exports under specified Government programs benefited from price assistance.

The value of exports may reach \$6 billion for the fiscal year 1964, now that a large quantity of wheat is moving to the Soviet bloc. The export outlook is particularly favorable for wheat, cotton, soybeans, dairy products, and vegetable oils.

Most of the export gain in fiscal 1964 will be in dollar sales which may be as much as \$4.2 billion and account for over 70 percent of total U.S. agricultural exports. Exports under Government financial programs are also expected to exceed the \$1.5 billion in 1962-63.

U.S. agricultural exports are estimated at \$2,379 million during the 5 months July to November 1963. This gain involves substantial increases in the exports of wheat and flour, cotton, corn, soybeans, tobacco, vegetables, animal fats, and dairy products. Export values for hides and skins, oats, barley, and cottonseed oil were down.

Dr. COCHRANE. The first thing I would call to your attention is that between fiscal 1962 and 1963 exports held just about constant at around \$5.1 billion. Exports of farm products in fiscal 1964 are increasing significantly. We expect the total value to be in the neighborhood of \$6 billion.

There was a rather significant change in the composition of farm exports in fiscal 1963. You will note that commercial exports, without assistance, increased rather greatly in fiscal 1963, while commercial exports, with assistance, decreased. Commercial exports, without assistance, increased 21 percent in 1963. This grows out of several factors. First, our exports of both soybeans and feed grains, neither of which were subsidized in 1963, increased significantly.

Secondly, feed grains were in the category of subsidized exports in 1962 and they weren't in this category in 1963.

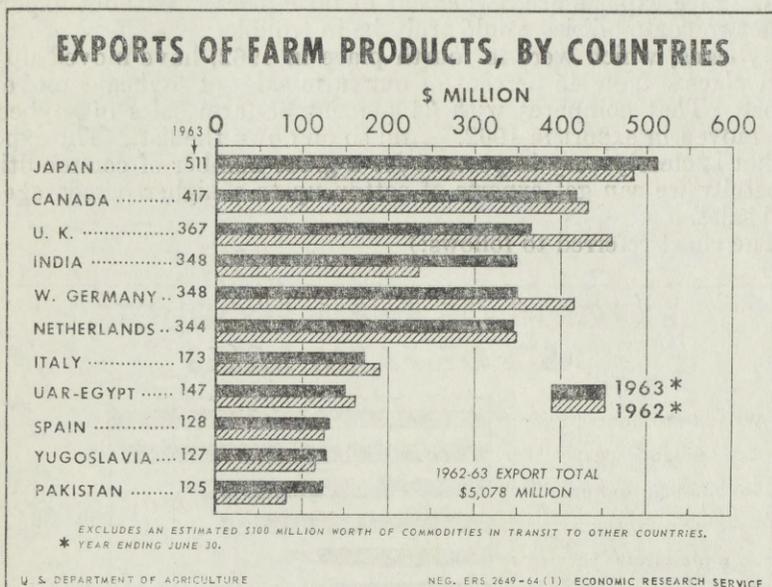
So you have feed grains moving out of the "with assistance" category into the "without assistance" category. Because of an increase in feed grain exports and because of the shift in categories, we get a rather significant increase in the exports of farm products without assistance.

But certainly, I would say that the direction there looks very good and I hope that we can keep those commercial exports without assistance climbing.



## EXPORT BY COUNTRY

Dr. COCHRANE. This chart provides a breakdown of farm exports by country of destination. You can see that Japan is in first place, as it has been for the last 3 years.



## EXPORTS OF FARM PRODUCTS BY COUNTRIES

Japan, which moved into first place as a market for U.S. exports of farm products in 1961 maintained that position for the third successive year. Exports to Japan totaled \$511 million. Canada moved up from third to second with a value of \$417 million. In addition to regular exports to Canada an estimated \$100 million of U.S. commodities in transit to other countries moved to Canada. Exports to the United Kingdom which has long been a leading market for U.S. farm products were down from last year by about 20 percent. United Kingdom dropped to third in rank with export takings of \$367 million.

Value of exports to India increased 48 percent to \$348 million and the country moved into a tie with West Germany for which exports declined 17 percent.

These value figures include both shipments for dollars and shipments under Government programs. Shipments under Government programs accounted for more than 90 percent of total exports to Pakistan, India, and Yugoslavia and to more than 80 percent of the total to United Arab Republic-Egypt in fiscal 1963. Commercial exports account for nearly all of the exports to all the other leading countries.

Dr. COCHRANE. Exports to Japan, almost all of which are dollar exports, amounted to \$511 million in 1963. Canada, which was in third place the previous year, has changed places with the U.K. Canada has moved into second place, and U.K. has slipped back to third place.

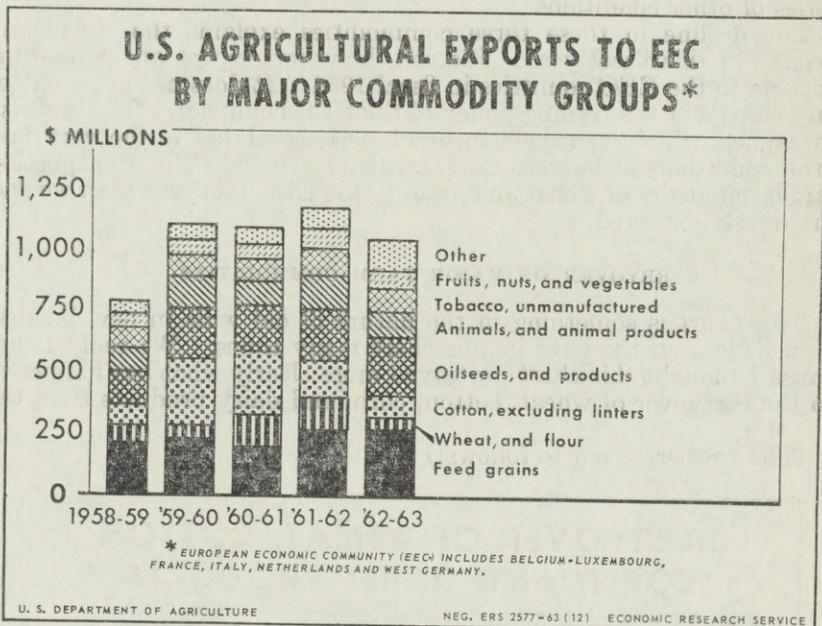
Then we have three countries neck and neck. India, West Germany, and the Netherlands, each one importing about \$348 million worth of U.S. farm products.

There is, however, a very great difference in the nature of those exports. Most of the exports to India are Public Law 480 exports. Practically all exports to West Germany and the Netherlands are dollar sales.

## FARM EXPORTS TO EEC COUNTRIES

This chart describes what has been taking place in the Common Market countries. As you recall, we have been saying for several years that when the variable fee system comes into play, our exports to the Common Market are likely to drop off. This year we see the effects.

(The chart referred to follows:)



## U.S. AGRICULTURAL EXPORTS TO EEC BY MAJOR COMMODITY GROUPS

U.S. agricultural exports of \$1,070 million to the European Economic Community in fiscal year 1963 were down 10 percent from the previous year. Principal declines occurred in wheat and wheat flour and poultry meat, commodities subject to the common agricultural policy system of variable levies for most of fiscal year 1963. Exports of U.S. commodities subject to the variable levies were down 25 percent.

The value of commodities not subject to the variable levy system was practically unchanged from a year earlier. Sharp increases in the value of exports of fruits and vegetables, soybeans, protein meal, and rye offset declines in cotton, tallow, rice, and edible vegetable oils.

The value of product exports to each of the member countries of EEC was lower in fiscal year 1963 than a year earlier. Exports to West Germany, the largest taker of U.S. farm products in the EEC, declined \$67 million or 17 percent. Value of exports to the Netherlands, EEC's second ranking market for U.S. products, declined only \$4 million or 1 percent. The sharp drop in exports to West Germany resulted from large declines in exports of all principal agricultural commodities except oilseeds, protein meal, vegetables, fruits, and dairy products. Shipments of these items showed modest increases.

Despite the drop in value of exports, the EEC countries still provided a market for 21 percent of all the farm products exported by the United States in fiscal 1963.

U.S. agricultural exports to EEC in July to October 1963 totaled \$389 million, an increase of 13 percent from the same months of 1962. Exports of commodities subject to the Common Market's variable levies were about the same as a year earlier. Larger wheat purchases by EEC countries will probably result in a

temporary increase in exports of commodities subject to variable import levies this year.

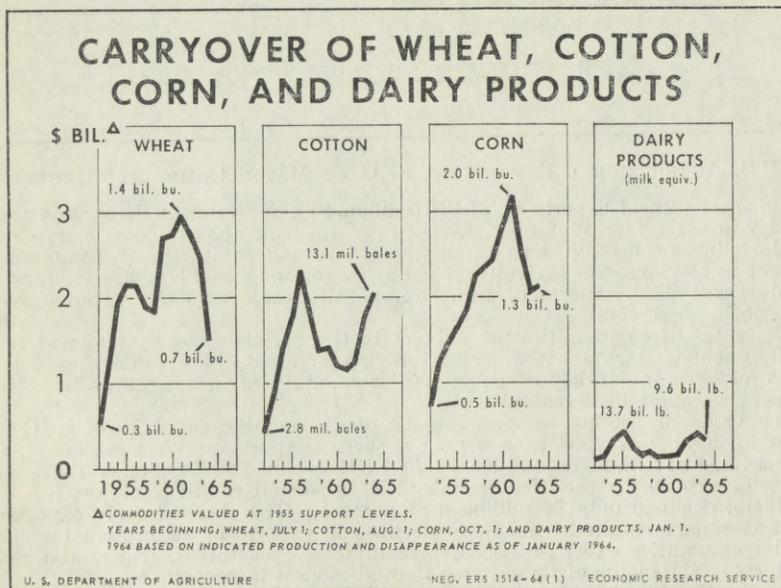
Dr. COCHRANE. Exports to the Common Market declined 10 percent in fiscal 1963. The decline is in three commodities primarily: Wheat and flour, broilers, and cotton. The imposition of the variable fee system explains the decline in the exports of broilers, which reduces the animal and animal products class, and also explains the decline in wheat and wheat flour. The decline in cotton grows out of a whole series of other conditions.

The decline in these three commodities explains the significant decline in this fiscal year. We can, however, expect an increase in exports to the EEC countries in fiscal 1964. It does not grow out of any change in the trading policy of the EEC countries. The increase in exports which we expect in fiscal 1964, is related to the very bad crop conditions at harvest time in calendar 1963. We are exporting larger quantities of wheat and grain to the EEC this year than we had previously expected.

#### CARRYOVER OF MAJOR FARM COMMODITIES

This chart is something in the nature of old wine in new bottles. You have seen the data in this chart many times. We redid it because I thought this chart portrayed more clearly what has happened to the carryover of wheat, cotton, corn, and dairy products than the old one.

(The chart referred to follows:)



## CARRYOVER OF MAJOR FARM COMMODITIES

During the 1963-64 marketing years stocks of wheat will decline, those of cotton and corn will increase.

Stocks of manufactured dairy products at the beginning of 1964 were about 3 billion pounds, milk equivalent, below a year earlier.

If exports of wheat reach a billion bushels, wheat stocks on July 1, 1964, will be around 740 million bushels. This would be only about half the record level of 1.4 billion bushels on July 1, 1961.

Carryover of all kinds of cotton on August 1, 1964, is expected to total 13.1 million bales, an increase of 1.9 million bales from a year earlier and the largest carryover since the record high of 14.5 million bales in 1956. This increase in carryover is expected despite an increase of around 2 million bales in estimated disappearance.

Spurred by a record high yield of 524 pounds per harvested acre, the 1963 cotton crop is estimated at 15.5 million bales, the largest since 1953 when acreage allotments were not in effect.

After declining 700 million bushels in the 2 years from October 1, 1961, to October 1, 1963, a small increase is expected in the corn carryover during the current marketing year. The 1964 crop of corn was a record 4,081 million bushels. For the eighth year in a row the yield of corn per acre established a new record. Total disappearance of corn will increase somewhat and carryover October 1, 1964, may increase by around 60 million bushels from the 1.3 billion bushels of October 1, 1963.

Considering the four feed grains together, disappearance during the current marketing year is expected to be about equal to production and the carryover at the end of the current marketing year may be up slightly from the 63.1 million tons of October 1, 1963. As a result of the feed grain program, feed grain carryover at the end of the current marketing year will be around 20 million tons below the carryover at the beginning of the 1961 marketing year.

After increasing sharply in 1961 and 1962, total stocks of dairy products on a milk equivalent basis declined by about 3 billion pounds in 1963. A small decline in farm marketings, increased total use of fluid milk products, continued high levels of utilization of CCC stocks in school lunch and welfare programs, and increased foreign disposition of CCC butter were all factors in the stock reduction.

Dr. COCHRANE. As you will observe, the carryover of wheat has been declining rather rapidly. On July 1, 1964, we expect the carryover of wheat to be in the neighborhood of 700 million bushels.

The story in cotton is unfortunately just the reverse. We now expect the carryover of cotton on August 1, 1964, to be in the neighborhood of 13 million bales.

In the case of corn, the carryover was declining nicely in the crop years 1961 and 1962, but in the 1963 crop year that will end on October 1, 1964, will have a modest increase in the carryover of corn.

This grows out of two things: Last year was a wonderful growing year for corn. Yields were very high, and production was high. On the other hand, prices of broilers and prices of beef, as we all know, have been down, and the utilization of feed grains by livestock has dropped. So out of a combination of extraordinarily fine growing conditions and some decline in utilization, we have a modest increase in carryover of corn.

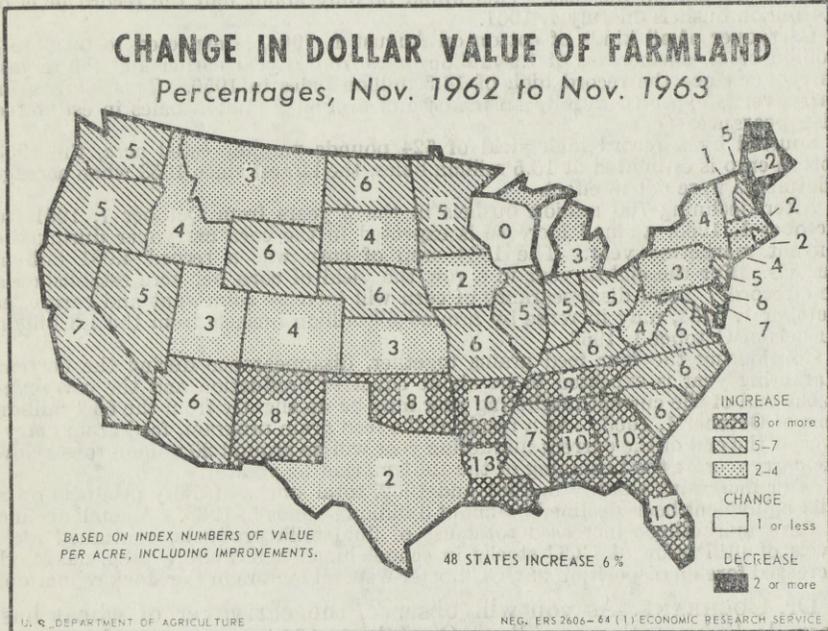
The carryover figure for dairy products is history. That figure of 9.6 billion pounds is for January 1, 1964. We have had, you see, a modest decline in the carryover of dairy products.

The decline that has taken place over the last year is probably due to two things: Extreme drought in pasture and hay areas in the dairy country, and the gradual slowing up of production due to dairy product prices that are not particularly attractive.

## CHANGE IN VALUE OF FARMLAND

This chart describes for us the change in dollar value of farmland from November 1962 to November 1963.

(The chart referred to follows:)



## CHANGES IN DOLLAR VALUE OF FARMLAND, NOVEMBER 1962 TO NOVEMBER 1963

The pattern of changes in market values of farm real estate during the 12 months ending November 1, 1963, is similar to that shown for other recent comparable periods. Most of the 8 States which had gains of 8 percent or more were in the southeastern and south central portion of the country. The increase in Texas was substantially less than in other recent periods because of the effect of the 1963 drought on market values of pasture and grazing lands. Irrigated and nonirrigated farmlands continued to increase at about the usual rate.

Market values in Ohio, Indiana, and Illinois increased a little more than in previous years. Values showed moderate declines in most Corn Belt States between 1959 and 1961, but the upward trend was resumed in 1962 and was continued through November 1963.

Dr. COCHRANE. I would call to your attention that the average value of farmland for the country as a whole increased 6 percent over this 1-year period. That is a more rapid rate of increase than occurred in the previous years. In the previous year, the rate of increase was 4 percent.

The pattern of increase is a little more evenly distributed in the year 1962-63 than it was last year. The increase in the Corn Belt, although not as great as the Southeast, is not as small as last year.

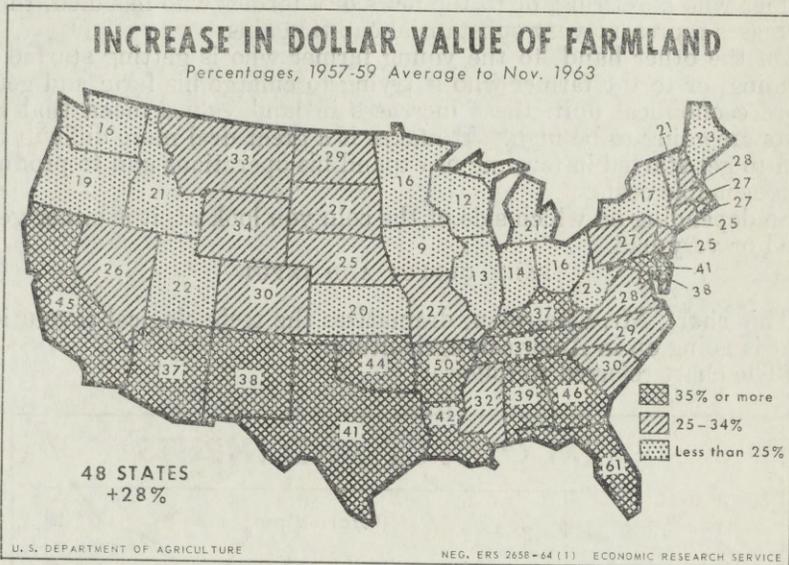
To illustrate, in the previous year there was no increase in land values in Minnesota. This year land values in that State increased 5 percent.

The big increases, however, are still in the Southeast, where you see land values increasing 13 percent for Louisiana, 10 percent for Florida, Georgia, Alabama, and Arkansas.

## INCREASE IN DOLLAR VALUE OF FARMLAND

I am presenting a second chart in land values to show what has happened over a longer period. This is the 5-year period from the base of 1957-59 to November 1963.

(The chart referred to follows:)



## INCREASE IN DOLLAR VALUE OF FARMLAND, 1957-59 TO NOVEMBER 1963

Increases in market values of farm real estate since 1957-59 show substantial differences among the various States. A total of 14 States show increases of 35 percent or more, whereas 16 States had increases of less than 25 percent. Most of the States with less-than-average increases are in the central Corn Belt.

Reasons for the substantially larger-than-average increases in the southern third of the country extending from Kentucky and Tennessee westward to California are not readily apparent. One contributing factor may be the substantial gains that have been made in the nonfarm economy of this region which has strengthened effective demand for rural lands for plant sites, rural residences and part-time farming. Another factor may be that new agricultural technology which had previously been reflected in Corn Belt land prices has more recently spread to the Southeast and South Central States. Rapid population growth and the resulting increased demands for land for various nonfarm uses represent special factors in the Florida and California land markets.

The total dollar value of farmland is estimated at \$152 billion as of January 1, 1964. This is an increase of \$35 billion or 30 percent compared to the average for 1957-59. Over this same period, the value of total farm assets increased nearly \$41 billion to \$226.2 billion.

Increased land values raise a possibility of substantial capital gains for many farm operators who own their land and who for one reason or another are ready to leave farming. On the other hand, high land values raise serious problems for young men who wish to enter farming with the idea of becoming owner-operators. High land values may also be an impediment to many farmers who need more land to efficiently utilize their other resources.

Dr. COCHRANE. You will observe that over this 5-year period land values in the 48 contiguous States in the continental United States increased 28 percent. Again, the pattern is very uneven. The largest increases have been in the Southeast, though they have been large all through the South.

The value of farmland increased 61 percent in Florida in this 5-year period, 46 percent in Georgia, 50 percent in Arkansas, 45 percent in California. The increases in the upper Middle West have been significant, but less spectacular.

I would like to point out that these rather sizable increases in the value of farmland are something of a two-edged sword. To the farmer who is retiring, or to the heirs of a farmer who has died, these increases represent very substantial capital gains.

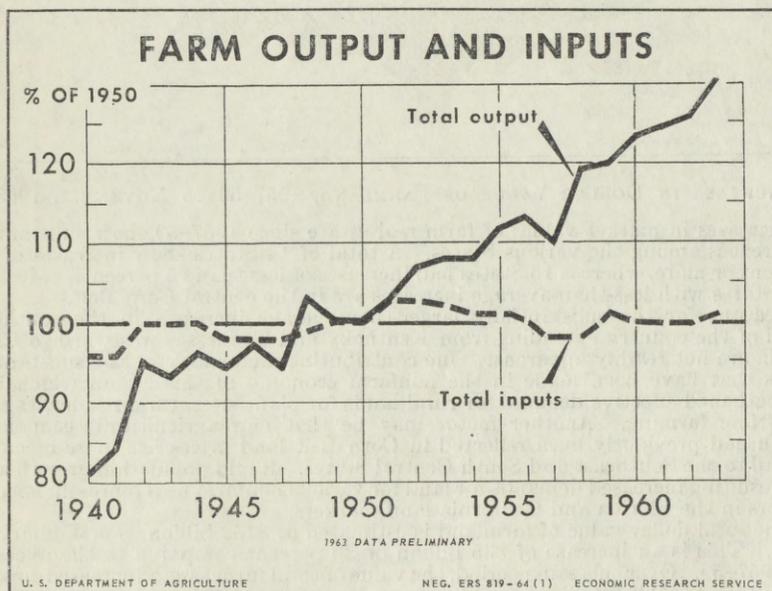
On the other hand, to the young farmer who is getting started in farming, or to the farmer who is trying to enlarge his farm and get a more economical unit, these increases in land values mean that his costs are going to be high. It makes it a great deal more difficult for him to get started in farming or expand his operations and to produce at reasonable costs.

So depending on which side of the coin you look at, it is either very good or very bad.

#### FARM OUTPUT AND INPUT

This chart, Mr. Chairman, dramatizes the technological revolution that is going on in American agriculture.

(The chart referred to follows:)



#### FARM OUTPUT AND INPUTS

Farm output in 1963 was 12 percent above the 1957-59 average establishing a new record high for the sixth consecutive year. Compared to 1962 the increase was nearly 4 percent. Output of livestock and products was up 2 percent with increases in meats and the poultry and egg groups more than offsetting a fractional decrease in dairy products.

Crop output was up nearly 5 percent from 1962. Sugar crops, feed grains, oil-bearing crops, cotton, food grains, and fruits and nuts all contributed to the increase. Tobacco and hay and forage output declined a little.

Crop production per acre at 119 (1957-59 equals 100) was a record high, 9 percent above 1960.

Total inputs used in agriculture in 1963 increased 1 percent from 1962. Only 4 percent more inputs were used in 1963 than in 1940. However, farmers have continued to substitute nonfarm inputs such as fertilizer and machinery for land and labor. This process is expected to continue.

Dr. COCHRANE. As you see, since 1947-49, total output has increased almost every year. It has increased 30 percent in the 13-year period, 1950 through 1963.

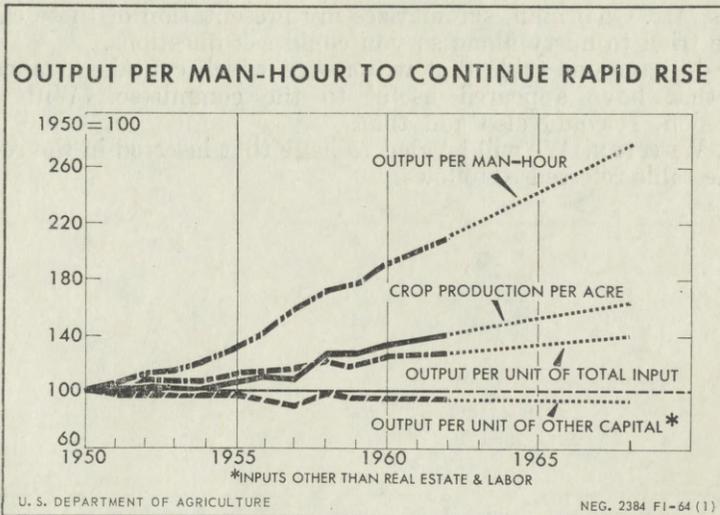
On the other hand, the total inputs of land, labor and capital have held almost constant over this period. The total value of farm resources devoted to production, has increased almost not at all. But still, we have had this dramatic increase in total output.

This, of course, did not occur by magic. It occurred as farmers adopted better techniques, they substituted improved farm machinery for their old farm machinery, better varieties, better weed control, better disease control, and all of these things have contributed to this miracle of increased production with almost no increase in the total value of inputs.

#### INCREASED EFFICIENCY IN AGRICULTURE

This last chart, Mr. Chairman, summarizes for us the efficiency picture in agriculture. You will observe that as we have substituted capital for labor—and that is what has been going on—the output per man-hour of labor has increased very greatly.

(The chart referred to follows:)



## CONTINUED RISE IN PRODUCTIVE EFFICIENCY OF AGRICULTURE

Even with the restraints on production provided by present programs, total farm output is projected to rise about 9 percent over the next 5 years. This will be fully adequate to take care of the needs of a larger population and some expansion in export outlets, and can be achieved with no more than a slight increase in crop acreage, and a decline of at least 10 percent in the use of labor. Accordingly, output per acre may rise about 7 percent, and output per man-hour by over 20 percent.

This sharp rise in productivity in the face of less labor and very little change in acreage reflects continued technical developments in agriculture. These will continue to be introduced through larger capital inputs consisting mainly of machinery, fertilizer, insecticides, and improved seeds. Capital inputs other than land are projected to rise about 8 percent above 1963.

Dr. COCHRANE. The productivity of the average worker in agriculture more than doubled between 1950 and 1963. Our experts believe that this increase in the output per man-hour of labor is going to increase through the rest of this decade.

Similarly, the output per acre has increased substantially over the period from the 1950's on. Probably the best measure of efficiency shown on the chart is the output per unit of total input. What has happened is that output per unit of total input has increased 30 percent in the last 13 years, giving us some measure of the general gain in efficiency.

Output per unit of other capital has not increased. It has declined very modestly, because the application of such capital has been increasing just a little bit more rapidly than the increase in output, and that causes the output per unit of other capital to go down.

This, Mr. Chairman, summarizes my presentation of these charts. I have tried to hurry along so you could ask questions.

We do have one table that we present which contains a series of data that have appeared useful to the committee. With your permission, I would also add that.

Mr. WHITTEN. We will be glad to have that inserted in the record. (The table referred to follows:)

## Selected data relating to farm prices and income, United States, 1939 and 1950-63

Year	Prices received and paid			Food market basket <sup>3</sup>		Total farm output 1957-59=100	Agricultural exports millions	Sales, expenses, and realized income of farm operators from farming			Index of farmland values (1957-59=100)	Total farm debt (excluding CCC) <sup>4</sup> Jan. 1 (billions)
	1910-14=100		Parity ratio (percent) <sup>2</sup>	Farm value	Marketing margin			Cash receipts from sales billions	Production expenses billions	Realized net income billions		
	Prices received by farmers	Prices paid or parity index <sup>1</sup>										
1939	-----	-----	-----	-----	-----	68	\$655	\$7.9	\$6.2	\$4.4	30	\$9.6
1950	258	\$123	77	\$172	\$279	86	2,873	28.5	19.3	13.2	67	10.8
1951	302	256	101	497	488	89	4,040	33.0	22.2	15.2	77	12.3
1952	288	282	107	482	527	89	3,451	32.6	22.6	14.4	82	14.0
1953	255	277	100	445	538	93	2,847	31.1	21.4	13.9	83	14.8
1954	246	277	80	421	508	93	3,054	30.0	21.7	12.2	83	14.6
1955	232	276	84	524	574	96	3,199	29.6	21.9	11.5	87	15.5
1956	230	278	83	390	582	96	4,170	30.6	22.6	12.0	90	16.9
1957	235	286	82	401	606	95	4,906	29.8	23.4	11.0	96	17.8
1958	250	294	85	430	624	102	3,855	33.4	25.3	11.3	101	18.9
1959	240	297	81	398	642	103	3,855	33.5	26.2	11.7	108	20.6
1960	238	299	80	407	646	108	4,850	34.0	26.2	11.7	111	22.7
1961	240	302	80	406	654	107	5,030	34.9	27.1	12.5	114	23.8
1962	243	306	79	409	659	108	5,030	33.9	28.2	12.6	120	25.5
1963 <sup>5</sup>	241	311	78	394	684	112	5,078	36.2	28.8	12.3	125	27.9

<sup>1</sup> Prices paid by farmers for goods used in farm family living and production, including allowances for taxes and mortgage interest paid per acre of farm real estate and for hired labor.

<sup>2</sup> Index of prices received expressed as a percentage of the index of prices paid.

<sup>3</sup> The market basket includes estimated quantities of U. S. grown foods purchased per urban worker family in 1952. 1939 estimates based on same market basket as for 1950 to date.

<sup>4</sup> Dec. 31.

<sup>5</sup> Preliminary.

Source: Compiled from Economic Research Service and Statistical Reporting Service data.

## GENERAL COMMENTS ON AGRICULTURE

Mr. WHITTEN. We have thoroughly enjoyed your presentation.

Dr. Cochrane, two or three things strike me in connection with this. As you know, I have spent many hours and days trying to figure how to sell the needs of agriculture to Congress and to the country.

It has been my job to help do that, and I have enjoyed accepting the challenge. Several things should be pointed out following this series of charts. One of them is that, after all, the taxpayer and consumer in the United States are one and the same. The consumer is a taxpayer and the taxpayer is a consumer. That being true, it should be evident to all that the cost of food and fiber is going to be paid. It is going to be paid at the marketplace or it is going to be paid in taxes to support the program, if you are going to have people in the business of production for the consumer.

The other thought that struck me, if we have any real feeling for the peoples of the world—and I know we do—to refuse to make this wonderful production plant that we have, with this tremendous production of fine food and fiber and all that, to the peoples of the world would almost be sinful.

In still other cases, the big part of what we make available is raked off by those through whose hands it goes to reach the people. Clearly, with me, if we are going to be in a type of program as we are, making this tremendous production available to the people of the world would be far more sound than many of the things we do.

Another thing that strikes me in observing your presentation is that income has gone up, up, up for the American worker, and yet the cost of his food has stayed down in the neighborhood of 18 percent—or has been reduced to that amount. All of which means that there is more and more left for many of the things that make for our high standard of living.

I made two or three speeches from information prepared by your own Department, pointing out that agriculture is by far the biggest market that American industry has, that it employs perhaps more people than American industry, when you take into consideration those that produce the machinery and equipment and other things that the farmer has to use to produce.

It is just inconceivable that anyone who would sit down and go over this wouldn't realize just how much credit the farmer deserves for all the other things that we take for granted in this country. Our problem is to get them to sit down and give attention to it.

There are several things here that we on the committee are aware of. We have a chart here showing the difference between price-supported and nonsupported commodities. I mention this again just so that the record will have it. There are mighty few nonsupported commodities that are not tremendous beneficiaries of the supported commodities.

Dr. COCHRANE. That is correct.

Mr. WHITTEN. Similarly, organized labor and minimum wages don't apply to everybody, but those to whom it doesn't benefit from the areas where prices are controlled by bargaining power or by minimum wages.

Take perishable commodities, such as citrus. It doesn't have a price support but it has perhaps the best price support system in the

world. You buy up the surplus. If you buy up the surplus, the market will take care of the price problem.

Also, as I have said many times, we frequently hear cattle people say they don't have price supports. They have one of the best. They have it in the name of the grain people. They have the benefit of price supports in the other fellow's name. We could go on down the list and point out things that you and I are familiar with.

I am glad that you pointed out how much the farmers depend upon agricultural exports. But over and above that, the Nation is dependent on these exports as dollar earners in this balance of payments.

#### COTTON EXPORTS

I do note here one or two things that perhaps I should call attention to. I notice that cotton is in trouble, and we will hear lots of things said about cotton being in trouble again.

Those of us on this committee know why it is in trouble. In 1955, and the chart shows it, the U.S. Government was keeping American cotton off world markets and building up a tremendous supply. This committee insisted on offering cotton competitively, after we finally got them to offer everything else. And then cotton, of course, moved. We sold up to 7 million bales in a year for exports.

Then the Department of Agriculture quit again; I think at the instance of some segments of the trade in the second instance. And exports dropped off.

In 1959 the Department of Agriculture came before this committee and said:

We grant you that what you insisted on \* \* \* offering our production competitively \* \* \* worked.

At that time, the committee made this statement which appears in the 1959 Appropriations Committee report on page 7:

The committee has been disturbed during the present hearings to find that the Department is contemplating the elimination of this competitive sales program—

Having reference to cotton—

and the substitution of an export subsidy arrangement whereby the stocks of CCC assets of the Corporation would be transferred to American exporters who exported commodities from their own stocks. From the testimony it is not clear that authority exists.

This subcommittee was unable to stop the Department. But we insisted that they should keep competitive sales alive; this they refused to do. I think proof is evident that the reason for the cotton situation right now, for a part of last year and this year, was their refusal to make competitive sales. We drifted back to offering cotton at a higher price than they could get it elsewhere.

About 6 months ago the Department acceded to the urging of this committee and started back in competitive sales, and exports have jumped up tremendously.

So many of these ups and downs, in my opinion, come from faulty governmental policy. I think the record will clearly bear me out. This has not especially been under your administration; but has been going on since 1955, when we first got commodities offered competitively.

The other thing that is quite evident is that American agriculture cannot continue to pay higher and higher prices in the way of cost of

production and sell for less and less, unless you, through research, can reduce the cost of production per unit. There is one thing that is not stressed here that gives us some hope, and that is, by increasing the number of units produced, that it might offset this increased cost as compared with the reduced price per unit.

But here again we run into the absolute necessity to export, if we are to deliver that.

I haven't taken these charts up one by one. I wish to compliment you for the clarity with which you have prepared them, and with which you have presented them. It all comes back to the fact that this is the key to all our prosperity, this matter of agriculture, keeping it in balance with the rest.

This subcommittee tries, and I know you do, and we appreciate your efforts to bring this message to us.

Dr. COCHRANE. Thank you. I have enjoyed appearing here and presenting these charts.

Mr. WHITTEN. Mr. Natcher?

#### MONEY SPENT ON FOOD

Mr. NATCHER. Dr. Cochrane, as you know, it becomes a little more difficult each year to present this bill to the House due to the amount involved. Certainly, I was glad to hear your statement to the committee and especially that portion which shows the amount of money the American farmer is receiving for his products.

As you know, the President in his message on agriculture, which was delivered, I believe, the last day of January, pointed out that here in this country the income of the average farmer's family is still only 55 percent of that received by the average nonfarm family, and that steadily rising costs are still eating up the major portion of the increase in gross farm income, forcing upon the farmer a cruel cost-price squeeze.

Further, as you know, Dr. Cochrane, the President pointed out that:

Almost one-half of our Nation's poor live in rural areas and that farming communities have three times the proportion of dilapidated and substandard homes as the rest of the Nation.

When you hear figures such as these, you are surprised. I know that a lot of people in this country do not know that this is the situation.

Dr. Cochrane, from time to time during the past several days we have heard figures submitted to the effect that the people in this country spend some \$96 or \$97 billion a year for food. Is that the approximate amount or is that too high?

Mr. KOFFSKY. It is too high. It is about \$75 billion for all food, including imported foods and fishery products. It is about \$67 billion for the domestic farm-produced food.

Mr. NATCHER. The figure as far as farm food is concerned would total how much, Dr. Cochrane?

Dr. COCHRANE. In 1963, it is \$67 billion. Total civilian expenditures for domestically produced farm food was \$67 billion.

Mr. NATCHER. If you will, at your convenience, I would like to have you submit to me the figure, the total figure as far as all food is concerned.

Dr. COCHRANE. We will do that.

(The information referred to follows:)

Civilian expenditures for domestically produced farm foods were \$67 billion in 1963. Consumer expenditures for all foods including imported foods and fishery products totaled \$75.5 billion. Consumer expenditures for food, alcoholic beverages, and tobacco are estimated at \$95 billion for 1963.

Mr. WHITTEN. Mr. Horan?

#### FARM POPULATION

Mr. HORAN. What is the population situation? What is the farm population, the latest figures?

Mr. KOFFSKY. The figure as of last April was 13.4 million.

Mr. HORAN. That is total farm population?

Mr. KOFFSKY. Yes, sir.

Dr. COCHRANE. We can give it to you by years. He is getting the series.

Mr. HORAN. Surely.

It did decline?

Dr. COCHRANE. It is declining.

Mr. KOFFSKY. I have the series right here.

Mr. HORAN. Say for 5 years. Give us the trend.

Mr. KOFFSKY. 1959, 16.6 million; 1960, 15.6 million; 1961, 14.8 million; 1962, 14.3 million; 1963, 13.4 million.

Mr. HORAN. Are there any projections of the farm population as to when we may have an arresting of the decline?

Dr. COCHRANE. I don't know about that, but we can give you a projection through this next decade without too great difficulty. I am not familiar with a projection that shows us when the decline is going to be arrested.

Are you, Mr. Koffsky?

Mr. KOFFSKY. No. It would be very difficult to say when this will be arrested, although I don't see how this rate of decline that we have had in recent years can really continue.

Mr. HORAN. One wouldn't think so. There are some imponderables in there, I suspect.

#### FARM INCOME

We are fooling around with a tax cut now, and one of the things that a lot of us were fearful of was that if we cut Federal taxes, labor, on the one hand, will have a rash of wage increase demands, which would tend to cut down on the effectiveness of the tax cut, and then, of course, now we hear that the States are all ready to pounce upon the State population with increases in State income taxes and sales taxes.

How are we going to get the farmer's share of this 21.6-cent loaf of bread up?

Dr. COCHRANE. This administration hasn't found it easy to do so; I will say that. I think that the only way that we are going to be able to is to find ways of keeping farm prices from declining, or getting them to move up modestly, while, as Congressman Whitten said, we get production costs down modestly. I think that has to be our approach, a double approach of research to get unit costs down while at the same time we are effective in getting some kind of programs that do not let

farm prices automatically fall and continue to offset whatever increases there are in production efficiency.

I don't suggest that is easy. I have learned in the last 3 years that it is just terribly difficult.

#### RESEARCH IN MARKETING EFFICIENCY

Mr. HORAN. I can commiserate with you, Dr. Cochrane, because I have been close to this, as most people who are close to the farm have been, all of my life. What the President in his farm message proposes is not a new approach to try to investigate the middleman and presumably to raise the level of farm income.

What is your shop? What will it be doing with regard to the proposals from the President?

Dr. COCHRANE. We are continually doing research in marketing efficiency and trying to ascertain exactly what the situation is. All of these estimates that are made with regard to the farmer's share of the consumer's dollar, commodity by commodity, are made in my shop, or in Mr. Koffsky's shop directly. So the first thing I would say to you is that we are engaged regularly in trying to learn what the situation is.

Second, to the extent that we have funds, we do research on various procedures and techniques that might lead to increased marketing efficiency. Not physical procedures. That would be done in AMS—Agricultural Marketing Service. We direct our attention to various types of management and labor efficiencies that will reduce marketing costs.

If this Commission that the President mentions in his message on agriculture were to be established, I expect that the Economic Research Service would be called upon to provide staff or certainly provide a great deal of the material that this Commission would use.

Mr. WHITTEN. Would the gentleman yield?

Mr. HORAN. Yes.

Mr. WHITTEN. That would be true, but Mr. Grant says they put a manpower ceiling on. So you would have a job but nobody to do it with.

Mr. COCHRANE. That is what worries me. These commissions are very worrisome in that respect.

Mr. HORAN. As you approach any problem that deals with the raw materials from the farm, I suppose you have to fool around with the three utilities of time, place, and form. Why is there a reduction in transportation studies in the budget before us? That is one-third of the problem.

Mr. KOFFSKY. We are not reducing our studies of the economics of transportation.

Mr. GRANT. There is a reduction of \$862,000 in the transportation and facilities research in the Agricultural Marketing Service which we were discussing earlier.

Mr. HORAN. What is your reaction?

Dr. COCHRANE. Mr. Horan, I think there is a great number of areas that need to be researched, and it requires judgment within the limits of your budget on what to do. One of the things we have had to expand our research on since we have been here is to try to understand the whole Common Market business. It is a terribly complex

thing. We have to provide the Secretary and the operating agencies good information about expected production increases, and estimates of what these variable fees are likely to do in the way of cutting down imports. These are all things that we have had to pitch in and do that didn't exist 5 years ago.

#### EMPHASIS ON COMMON MARKET

We feel, to illustrate, that the Common Market is so important to us that we just had to give it more attention. And to do that we have had to cut down some other research. These are all judgment factors. We do the best we can, and put our money on what we think are the hottest problems for the same reason that you do. There is a limitation on what you can get the Congress to pass. Then you put a limitation on us, and we look at the hottest problems and try to put the money where we think it will give us the maximum amount of information. And, as I say, one of the things we have had to do is to put money on this whole business of exports, particularly in the Common Market, where there just wasn't much 5 years ago.

#### MARKETING RESEARCH BUDGETARY DECISIONS

Mr. HORAN. That is in your shop. I assume there was some reason for making this reduction in the budget where it was made, and I would assume that it was because the work was pretty well in hand. Is that the conclusion that led to that action?

Mr. GRANT. The major factor here, as I understand it, is that this is work which relates primarily to wholesale and retail stores and organizations which, in view of need to reduce Federal expenditures, should be in a position to finance the research they need rather than depend upon Federal appropriations.

Mr. HORAN. Of course, I am looking at it from the standpoint of a producer.

Mr. GRANT. This doesn't eliminate all of the research. As I recall, it is something over \$1,700,000. The reduction is about one-half.

Mr. HORAN. That is all, Mr. Chairman.

#### EFFECT OF COMMON MARKET

Mr. WHITTEN. Doctor, we, on this subcommittee, serve on various other subcommittees. I happen to serve on the National Defense Appropriations Subcommittee. We had Secretary McNamara before us. I told him that we had spent about \$100 billion in foreign aid. We saved France from communism and ended up with De Gaulle; we freed Cuba from Batista and got Castro; we insisted upon the British and French not defending the Suez Canal, so now we have Panama.

And we insisted on the organization of the Common Market, and now we are trying our best to keep from being squeezed out. I asked Secretary McNamara if he didn't think it was long overdue for us to decide that maybe we had better review our whole foreign policy?

I am not going to press you about an answer to that broad question, but you can see a lot of things that could be better with regard to the Common Market right now, can't you?

Dr. COCHRANE. I certainly can. I would like to point out that the Secretary of Agriculture has been one, I would say, of the tougher

individuals in the administration with regard to dealing with the Common Market, and we have struggled mightily in trying to put some muscle into our policy.

Mr. WHITTEN. I wish to compliment you and the Secretary for the very strong effort you have made to urge the Common Market to let us continue our trading with them. I think you have done a good job against some rather tough odds.

Ever since I have been here, which has been 22 years, going on 23, I have never yet seen the State Department fail to take the side of the foreign country in the matter of trading.

The first time I ever sat in a hearing having to do with agriculture, the State Department was insisting that we couldn't afford to sell cotton and other commodities for what they would bring, because those other countries who sold their commodities for what they would bring, wouldn't like it.

It happened right here. It has been that way ever since.

#### USE OF SECTION 22

I point out again that in all of these matters, the State Department doesn't give us the same support, and that includes the use of section 22 which must be used under some circumstances, if we are not going to let cheap foreign labor and cheap foreign unemployment ruin our farm program.

I have the President's farm speech, and I know his intentions are sincere, but I don't think there is a farm program anybody can have that will work unless there is a provision for the use of section 22 which prevents imports into our country, when it is to the point of threatening the farm program.

That does not prevent us from having agreements such as the wheat agreement or having some other means where the countries have agreed among themselves, and it doesn't prevent us from having country-to-country agreement about these things.

But you can't have this country wide open to the import of cattle from all over the world, which is what we have now, without, in turn, jeopardizing section 32 and jeopardizing the American cattle people.

#### RELATIONSHIP WITH STATE DEPARTMENT

All along—and I know they are real Americans and sympathetic to our problem—the State Department listens to all the complaints from all our competitors. And we have to scrap with them every time to get a fair shake for American agriculture.

The Secretary of Agriculture probably wouldn't say what I have said, but I will say that he has stood up against them and for American agriculture, for which I compliment him.

Mr. HORAN. Would you yield?

Mr. WHITTEN. I will yield.

Mr. HORAN. What is your feeling on this? I have felt that it has become a stock answer from people in the Department of Agriculture who don't want to pursue the subject any further that you can't use section 22 of the Agricultural Act unless it is a price-supported or a Government-programmed commodity. I don't buy that assertion. It is, to me, for all American agriculture.

Dr. COCHRANE. I am not a lawyer, but our General Counsel informs me that the Department of Justice interprets section 22 as applying only to a price-supported commodity.

Mr. HORAN. Or a Government program?

Dr. COCHRANE. I am not too sure of this, but I thought it was a price-supported commodity.

Mr. WHITTEN. Can we have a copy of the Department of Justice's opinion for the record, Mr. Grant? I am sure you could make that available to us.

Mr. GRANT. Yes.

#### VOLUNTARY RESTRICTIVE AGREEMENTS

Mr. HORAN. I think it would be very helpful, because this is a sore spot, as you well know, and as you well know, a lot of our beef producers, right now, we have seen evidence that some of the foreign competitors to this country have taken some cognizance of the complaints in this country, enough so that they have voluntarily agreed to restrict their shipments.

We have a similar voluntary program regarding Canadian apples, you know. I don't know whether you knew that or not.

Dr. COCHRANE. I wasn't aware of that one.

Mr. HORAN. It is an informal agreement that they live up to, and we have put it to the test because early in the fifties, the Canadians were moving an awful lot of their quota onto our Christmas market, which, with apples, is a good market. Conversations were had, and they agreed to an orderly marketing procedure.

Mr. COCHRANE. We have, I think, been quite successful with Australia and New Zealand in getting them, on a voluntary basis, to roll back their imports into this country 6 percent in 1964 below what they were in 1963.

I am aware the cattlemen would like a greater rollback. But this was achieved by purely voluntary means. I think it was a rather substantial achievement. But our General Counsel has told me, because I asked him specifically before I came up here today—that his interpretation is that before you can invoke a section 22 action, the commodity must be a price-supported commodity. We will provide you with a legal opinion on that point.

Mr. HORAN. I think it valid, and the chairman has already indicated quite fully, I believe, that the market that American agriculture provides for American-produced goods does make a contribution to the development in this country of one of the best markets in the world, I guess, the best market in the world.

While some of the commodities that are not under price support are not under marketing orders, maybe under only informal programs involving the use of Government facilities, we do have some of those that very loosely could be called Government programs in a lot of commodities.

I do think that if the American producer is to share the market that he helps to create, that he is entitled to know the extent of that sharing. I can't see that the mention of quotas is necessarily a fighting word. It merely says that the American producer would like to know how far he has to go in this field. But you will put that opinion in the record.

Mr. COCHRANE. Yes, sir. We will get that for you.  
(The material referred to follows:)

DEPARTMENT OF JUSTICE,  
Washington, March 1, 1963.

MEMORANDUM FOR THE HONORABLE MYER FELDMAN, DEPUTY SPECIAL COUNSEL  
TO THE PRESIDENT, RE IMPORTATION OF CANADIAN SOFTWOOD LUMBER

In your memorandum of December 12, 1962, you asked us to examine into the question of whether section 22 of the Agricultural Adjustment Act (7 U.S.C. 624) is available to impose quotas on the importation of Canadian softwood lumber, or whether there are any other provisions of law which would permit emergency action to restrict such importation.

For the reasons set forth below, we are of the opinion that section 22 is not available for the imposition of quotas or other restrictions on the importation of Canadian softwood lumber. With respect to other provisions of law, it is at best doubtful whether there are emergency routes open to the domestic softwood industry in seeking the imposition of such restrictions. Two nonemergency methods have been pursued, but without success so far.

BACKGROUND

The matter arises out of economic difficulties which it is said the domestic softwood lumber industry is experiencing. To reduce the competition from Canadian imports and the alleged squeeze on prices, and other resultant injury to the domestic industry, industry representatives requested imposition of quotas and an increase in the tariff on softwood lumber imports under the "escape clause," section 7 of the Trade Agreements Extension Act of 1951, 19 U.S.C. 1364. An investigation was ordered on July 26, 1962 (27 F.R. 7583 as amended 27 F.R. 8844) and continued under the Trade Expansion Act of 1962, Public Law 87-794, approved October 11, 1962 (27 F.R. 10139). (The report of the Tariff Commission, released February 14, 1963, is noted, *infra*, under the discussion headed "Other Provisions of Law.")

Meantime the economic problem became complicated when a severe windstorm, in October 1962, blew down large stands of softwood timber in the three Pacific Coast States. For conservation reasons (prevention of insect diseases and fire) the down timber and related timber must be removed fairly promptly. This salvage operation involves about 10 billion board feet of lumber or about one-third of the usual annual consumption of softwood lumber in the United States. It was estimated that, as a result of the storm, in each of the next 3 years an additional billion or more board feet of softwood lumber will be produced and marketed, Portland Conference on Windthrown Timber, October 30-31, 1962, Committee Reports, Working Group To Consider Forest Practice Aspects of the 1962 Blowdown Salvage Problem, pages 1-2. (The Conference was comprised of Federal and State officials and industry representatives and was chaired by Assistant Secretary of the Interior John A. Carver, Jr.)

The Committee on Impact of the Salvage Program on the Log and Lumber Market, in the same Conference report, was of the view that the domestic market cannot absorb additional quantities of softwood lumber at present prices, that consumption is not expected to rise substantially in the next 2 years at present prices, that the down timber must be removed for conservation reasons even though it will affect the market, and that at the present rate of consumption the excess production from the blowdown will cause a significant price decline and adverse impact on the economy of the industry.

The Working Group Considering International Aspects urged that an early determination be made by the appropriate Government agency on the applicability of section 22 of the Agricultural Adjustment Act of 1937<sup>1</sup> for control of softwood lumber imports in connection with the increase in log production necessary to meet the conservation problems developing from the October 12 storm.

<sup>1</sup> *Sic*. As discussed *infra*, sec. 22 was first enacted as a 1935 amendment to the Agricultural Adjustment Act of 1933, and later reenacted as a part of the Agricultural Marketing Agreement Act of 1937. See comment to this effect, *Best Foods v. United States*, 147 F. Supp. 749, 754 (U.S. Cust. Ct., 3d Div., 1956).

Section 22 of the Agricultural Adjustment Act provides<sup>2</sup> that if the Secretary of Agriculture believes, and the President agrees, that an article is being imported, or is practically certain to be imported, under conditions and in quantities which will materially interfere with a program or operation concerning an agricultural commodity or product thereof undertaken by the Department of Agriculture, or by an agency acting under its direction, under any one of four categories of programs or operations referred to in subsection 22(a), or which will substantially reduce the amount of any product processed in the United States from a commodity or product included under the programs or operations referred to in subsection 22(a), then the President may impose quantitative limitations or certain fees upon the import of the article.<sup>3</sup> The President may take such action following a Tariff Commission investigation, or he may dispense with the investigation in an emergency; and the section expressly provides that such action may be taken even though it might be inconsistent with our trade agreements or other international agreements.

The four categories of programs or operations with respect to agricultural commodities or products thereof, as described in subsection 22(a), are any program or operation undertaken (1) under title I of the Agricultural Adjustment Act (as reenacted in the Agricultural Marketing Act of 1937), (2) under the Soil Conservation and Domestic Allotment Act, as amended, or (3) under section 32 of Public Law 74-320 (7 U.S.C. 612(c)); or (4) any loan, purchase, or other program or operation undertaken by the Department of Agriculture (or an agency under its direction).

The Department of Agriculture has advised that the description "agricultural commodity or product thereof" is broad enough to cover timber and lumber.<sup>4</sup> However, it has viewed the program coverage comprehended by the four categories in section 22 as limited to adjustment and price support programs which are intended to support or stabilize the prices of specific agricultural commodities and products. The Department further states it has no such programs for domestic softwood lumber.<sup>5</sup> Consequently, section 22 could not be applied to affect the importation of softwood lumber.

On the other hand, representatives of the domestic softwood industry appear to have given a literal reading to section 22, and suggest that it applies to any program of the Agriculture Department which has a relation to timber or lumber.

#### THE QUESTION UNDER SECTION 22

Thus the question raised is whether the four categories of programs or operations described under subsection 22(a) (7 U.S.C. 624(a)) purport to include any and all programs and operations of the Department of Agriculture (which in this case might directly or indirectly relate to timber and lumber), or are descriptive of only certain kinds of programs and operations, to wit, those concerned with price stabilization and price support (in this case, of domestic softwood lumber). The answer is crucial, because whether the President and the Secretary of Agriculture may act at all under section 22 depends initially on the existence of a program or operation for domestic softwood lumber within the meaning of subsection 22(a).

<sup>2</sup> As presently contained in 7 U.S.C. 624, sec. 22 is set forth verbatim as app. A to this memorandum.

<sup>3</sup> He may not impose both, *United States v. The Best Foods, Inc.*, 47 CCPA (Customs) 163 (1960), affirming, 158 F. Supp. 583 (Cust. Ct. 1957).

<sup>4</sup> In this connection, note the opinion of the General Counsel of the Department of Agriculture (No. 100, Apr. 4, 1962) in a comparable context, to wit, sec. 204 of the Agricultural Act of 1956, 7 U.S.C. 1854, holding that timber is an agricultural commodity and lumber is a product manufactured therefrom.

<sup>5</sup> The Forest Service programs, says the Department of Agriculture, are not conducted for the purpose of stabilizing prices but to preserve the living timber and promote the younger growth on national forests as part of an overall purpose to improve and protect the national forests, secure favorable conditions of water-flows, and furnish a continuous supply of timber. Letter, May 16, 1962, to Representative Julia Butler Hansen from Assistant Secretary of Agriculture Frank J. Welch.

In addition, the agricultural conservation program under secs. 7-17 of the Soil Conservation and Domestic Allotment Act (includes payments to farmers for certain conservation practices), the cropland conservation program under section 16(e) of the same act as added by Public Law 87-703 (includes payments to farmers for certain conservation practices), and the conservation reserve program under the Soil Bank Act, 7 U.S.C. 1801 (permits contracts with farmers for partial diversion of cropland for conservation practices), are regarded by the Department of Agriculture as programs conducted for the purpose of conserving and developing soil, water, forest, wildlife, and recreation resources. Letter of Jan. 24, 1963, to the Attorney General from the General Counsel of the Department of Agriculture.

## INTERPRETATION AND LEGISLATIVE HISTORY OF SECTION 22

To answer the question, we have no judicial interpretations,<sup>6</sup> but we do have the cumulative interpretations by Congress and the executive branch as section 22 emerged and evolved in the shifting agricultural and trade policies and a succession of amendments over the past 30 years. It is, of course, clear that in construing statutory language the ultimate objective is to ascertain the intention of Congress, see, e.g., *United States v. Stone and Downer Co.*, 274 U.S. 244, 252 (1927), and that in determining the congressional purpose and meaning reference may be had to the legislative history, including the pattern of prior enactments and informed congressional discussion<sup>7</sup>, and to administrative interpretations, especially of any agency which suggested the enactment<sup>8</sup> or which is charged with its administration.<sup>9</sup> Particularly is this so where, as here, the language in question ("program," "operation," "loan," or "purchase") is not defined in the statute and is not made up of terms of art. *United States v. American Trucking Associations*, 310 U.S. 534, 543, 545 (1940).<sup>10</sup>

We have concluded that the history of the development of section 22 to its present form demonstrates beyond doubt that the programs and operations embraced by section 22 are those price support and adjustment programs of the Department of Agriculture which are designed to support or stabilize the prices of specific agricultural commodities and products.

*Agricultural Adjustment Act, 1933*

The Agricultural Adjustment Act was enacted in 1933. In the prior years, there had developed a great disparity between prices of farm products and other products, so that the exchange value of farm products for industrial goods had fallen far below the pre-World War I average. This effect on farm income was even greater in respect of our export products, such as cotton, wheat, tobacco, and rice, of which the contraction of export demand built up huge surpluses on the domestic market, further depressing prices and farmer income and purchasing power.

The Agricultural Adjustment Act<sup>11</sup> sought to correct this economic condition by control of farm production and marketing, in order to bring supplies into line with demand at prices which would afford farmers a return commensurate with their income during the 5 prewar years, 48 Stat. 31 (1933), sections 1 and 2. Control of production was to be accomplished by making rental or benefit payments to farmers who voluntarily curtailed production of seven basic commodities.<sup>12</sup> The payments were to be financed by a processing tax on the first domestic processing of the commodities, whether domestic or imported.

The marketing controls, aimed at giving the agricultural producer more nearly his fair share of the national income, were to be achieved by Government licensing of, or market agreements with, processors, associations of producers, and others engaged in the handling in interstate commerce of any agricultural commodity or product (not merely the seven basic commodities which were subject to production control).

<sup>6</sup> There is very little judicial interpretation of any phases of sec. 22. *United States v. The Best Foods, Inc.*, 47 CCPA (Customs) 163 (1960), affirming, 153 F. Supp. 583 (Cust. Ct. 1957), dealt with a proclamation under sec. 22 imposing both a fee and a quota restriction upon the importation of peanuts. It was held that sec. 22 authorized the imposition of a fee or a quota but not both. The opinion below noted that peanuts are one of the so-called basic farm crops, and that production was limited under a program established by congressional authority, 158 F. Supp. at 585.

In *C. Tennant, Sons & Co. v. Dill*, 158 F. Supp. 63 (U.S.D.C., S.D. N.Y. 1957), the court upheld a proclamation under sec. 22 restricting the importation of tung oil from Paraguay (which was not a GATT signatory) and denied plaintiff the benefit of the GATT "en route" exemption. The court noted that tung oil was the subject of a Department of Agriculture price support program.

<sup>7</sup> *United States v. C.I.O.*, 335 U.S. 106, 112 (1948), construing the word "expenditure" by a labor union.

<sup>8</sup> *United States v. American Trucking Association*, 310 U.S. 534, 549. A statement by an agency representative presented to a legislative committee during hearings on proposed legislation is entitled to the weight which the Supreme Court has given to contemporaneous interpretations of an administrative agency affected by a statute, particularly where the agency actively sponsored the particular provisions. The statement is highly relevant and material evidence of a general understanding. *Shapiro v. United States*, 335 U.S. 1, 12, fn. 13 (1948).

<sup>9</sup> *Billings v. Truesdell*, 321 U.S. 542, 552-553 (1944); *Roland Co. v. Walling*, 326 U.S. 657, 677 (1946); *United States v. Public Utilities Commission*, 345 U.S. 295, 314-315 (1953).

<sup>10</sup> In this case, the Supreme Court construed the unmodified word "employee" in the Motor Carrier Act provision for ICC regulation of qualifications and maximum hours as not meaning all employees, but only those whose duties affect safety of operations, relying upon the legislative history and contemporary agency interpretations. The Court stated that, when a literal reading of the language used would lead to a result "plainly at variance with the policy of the legislation as a whole," the purpose must govern.

<sup>11</sup> Act of May 12, 1933, 48 Stat. 31.

<sup>12</sup> Defined in sec. 11, as wheat, cotton, field corn, hogs, rice, tobacco, and milk and its products.

*Amendments 1935, section 22 enacted*

In 1935, a number of amendments were made to the Agricultural Adjustment Act,<sup>13</sup> including:

(1) An increase in the Secretary of Agriculture's power of production control by authorizing payments to dispose of surpluses of the seven basic commodities by exportation at world prices, diversion to relief channels, and conversion into low-cost byproducts.<sup>14</sup>

(2) Section 32, appropriating 30 percent of the customs revenue each year for use of the Secretary of Agriculture in encouraging and supporting exportation, domestic consumption by diversion from normal channels of trade, and adjustments in quantity planted or produced for market, of any farm commodity (not merely the basic seven commodities).

(3) Section 31, adding new section 22 of the Agricultural Adjustment Act,<sup>15</sup> providing for quantitative control by the President of imports which might interfere with any program or operation undertaken under this title (the Agricultural Adjustment Act),<sup>16</sup> or which might substantially reduce the amount of any product processed in the United States from any commodity as to which an adjustment program is in operation under this title.

As introduced by its sponsor Congressman Boileau, at the request of dairy farmers, the first version of section 22 was regarded as an adjunct of the agricultural adjustment program which would be called into play where the attainment of parity price for farmers was being jeopardized.<sup>17</sup>

The House Committee on Agriculture expressly recognized this to be the purpose.

"Efforts to restore agricultural prices in this country will not be wholly successful if competitive foreign imported articles are allowed to take the domestic market away from the domestic products. To obviate that danger and to provide the necessary flexibility in order that whatever restriction of imports is required may not be absolute and may be adjusted to meet the situations as they arise the bill (sec. 30) adds a new section to the Agricultural Adjustment Act (sec. 22) authorizing certain limitations on imports in connection with the agricultural adjustment program.

\* \* \* \* \*

"\* \* \* Congress cannot now ascertain and provide specifically for the varieties of circumstances under which and the commodities the importation of which will endanger the effort to attain parity price. Accordingly, under limitations, it can confer the power to ascertain the requisite facts and provide what shall be done when they are found. \* \* \*" (H. Rept. 2141, 74th Cong., 1st sess. (1935), pp. 21-22.)

The Senate Committee on Agriculture and Forestry dropped the provision from the bill,<sup>18</sup> but it was restored (in about the same form) on the floor of the Senate in an amendment by Senator La Follette, who said:

"\* \* \* We have embarked upon a program of endeavoring, by the Agricultural Adjustment Act, to lift the domestic prices of certain agricultural commodities named therein to the parity price, or fair-exchange-value price.

"Mr President, having adopted that policy, it would be not only futile but inconsistent for us to permit imports to be brought into this country to break the prices of the commodities which are affected by the Agricultural Adjustment Act, and which we are endeavoring to lift to the fair exchange value of the parity price.

\* \* \* \* \*

<sup>13</sup> Public Law 320, 74th Cong., approved Aug. 24, 1935, 49 Stat. 750.

<sup>14</sup> 79 Congressional Record 9486.

<sup>15</sup> Public Law 320, 74th Cong., approved Aug. 24, 1935, sec. 31, 49 Stat. 773.

<sup>16</sup> The act of June 16, 1933, 48 Stat. 199, sec. 8(a), provided in part that title I of the act of May 12, 1933, 48 Stat. 31, may for all purposes be referred to as the "Agricultural Adjustment Act."

<sup>17</sup> 79 Congressional Record 9467-9469.

<sup>18</sup> "It provides for all commodities upon which there is a program in operation. It does not necessarily mean a processing-tax program. Any kind of a program carried out under the Agricultural Adjustment Act would be sufficient. For instance, in the case of butter, which is a basic commodity, there is no processing tax, but if the Agricultural Department should enter into a program of buying butter for the purpose of relieving bad conditions in the market, that would be a program put into effect under the provisions of this title, and in that case the President would be compelled, if he found that the importations of butter were affecting the price, to either put on a tax or impose a quota, or in some other way restrict the importation of that commodity. \* \* \* If butter, for instance, is selling at 10 cents below parity, and we can prove that there have been millions of pounds of butter imported into this country since the first of the year, and if we can show that this importation of butter has caused the price of butter to be below parity, as I believe we can, then there is no discretion left in the President, because under those circumstances he shall cause this investigation to be made." *Id.* 9468.

<sup>19</sup> As explained by the chairman, Senator Smith, because the committee thought it stood in the way of concluding trade agreements and would retard recovery of the export business. 79 Congressional Record 10934.

"Mr. President, unless some such amendment as this is adopted and written into the law, it seems to me perfectly obvious that on the one hand we will be endeavoring to lift the domestic prices of agricultural commodities under the Agricultural Adjustment Act and with the other hand we will be permitting imports to come into this country to such a degree as to destroy and defeat our entire effort to give the farmer a parity price for his commodities. Therefore, I hope that a majority of the Senate will find that this amendment appeals to their logic under all the circumstances." \* \* \* 79 Congressional Record 11497-11498.

Senator Vandenberg echoed this sentiment and purpose, saying:

"I submit, as a matter of elementary mathematics and elementary logic, that, if we are going to rely upon the artificial effort to create parity prices for the American farmer by the process and method to which this legislation is dedicated, we must also be prepared to give the American farmer the full control of his own domestic market or the whole scheme is going to break down." 79 Congressional Record 11500.

Indeed, proposed section 22 was likened to section 3(e) of the National Industrial Recovery Act (act of June 16, 1933, 48 Stat. 196) which authorized the President, after Tariff Commission investigation, to curtail or condition imports which might otherwise render ineffective an industry code or agreement (designed to maintain the process of domestic prices). 79 Congressional Record 11502. And, section 22 was described by one of its supporters, Senator Bailey, as clearly "not protective tariff" and "not analogous to the ordinary doctrine of protection," but special protection in connection with the special legislation imposing domestic taxes to elevate the prices of raw materials. 79 Congressional Record 11499.

The Senate adopted the LaFollette amendment and the conference committee accepted it (with minor changes of no bearing on the substance) without discussion in the report.<sup>19</sup>

#### *Executive Order 7233, 1935*

Following the enactment of section 22, the President issued Executive Order No. 7233, November 23, 1935, which placed initial responsibility for action under section 22 in the Secretary of Agriculture (a provision later made part of the statute by the 1950 amendment, 64 stat. 261).

#### *The Butler Case, 1936*

On January 6, 1936, the Supreme Court in *United States v. Butler*, 297 U.S. 1 (1936), held that the production control and processing tax provisions of the agricultural adjustment program were unconstitutional, on the ground that the control of agricultural production was an area of power reserved to the States, beyond the delegated powers of the Federal Government, and that the processing tax fell as an incident to an unconstitutional end.

#### *Amendments, 1936, Soil Conservation and Domestic Allotment Act.*

Because control of agricultural production was thought to be an essential of the adjustment program, the Congress immediately set about relegislating the controls by means it felt were constitutional. The vehicle was an amendment of the Soil Conservation Act of 1935 (49 Stat. 163) which had five named objectives, three of which were aimed to improve soil fertility and conserve use of land, and two of which were to assure a stable supply of agricultural commodities at prices fair to producers and consumers, and to reestablish as rapidly as practicable the ratio between purchasing power of farm income and nonfarm income that prevailed in the 5-year August 1909-July 1914 period. The means were to be a temporary 2-year program, until the States had a chance to legislate, addressed to the first three objectives, under which the Secretary of Agriculture would make payments directly to farmers who undertook a voluntary program of crop control for soil conservation purposes. The temporary national program was to be followed by a long-range State program for all five objectives, supported by Federal grants.<sup>20</sup> The whole program would be financed out of general funds in place of the invalidated processing tax. This amendment was labeled the "Soil Conservation and Domestic Allotment Act," act of February 29, 1936, 49 Stat. 1152.

<sup>19</sup> H. Rept. 1757, 74th Cong., 1st sess. (1935).

<sup>20</sup> Only one State ever submitted a plan under this authority and, under temporary extensions of the temporary national program, direct payments were made to farmers, geared to the curtailment of production. With the change in production policy brought about by World War II, discussed *infra*, these payments practically disappeared. The authority for them still exists, made permanent by Public Law 87-705 (1962), which also repealed the provisions for submission of plans by the States. See S. Rept. 1787, 87th Cong., 2d sess. re H.R. 12391, 1962 Cong. and Admin. News, p. 3199.

Included in the amendment was a provision amending section 22 of the Agricultural Adjustment Act, which added the programs under the Soil Conservation and Domestic Allotment Act to the programs protected by section 22. There was practically no debate on this provision, but the few comments made indicate that the original intention of section 22 was simply being carried over. There were expressions of concern by Representatives Woodruff and Andresen that there was inconsistency between a policy of crop reduction and large scale importation of the same commodities, 80 Congressional Record 2506, 2386; and Chairman Jones of the House Committee on Agriculture said:

"\* \* \* This simply makes the import quota provision, which I think everyone is in favor of, available under this act as it was under the A.A.A. \* \* \*." 80 Congressional Record 2547.

#### *Agricultural Marketing Agreement Act, 1937*

In the *Butler* case, supra, the Supreme Court had dealt with, and struck down, only the production control provisions of the Agricultural Adjustment Act. Nevertheless, some U.S. district courts had proceeded to rely on the decision as carrying with it and invalidating the marketing agreements and marketing orders provisions of the act.<sup>21</sup> To save these provisions from an argument of inseparability and to give them a basis to stand on their intrinsic constitutional validity,<sup>22</sup> Congress reenacted those portions of the Agricultural Adjustment Act which did not relate to the invalidated production control program.<sup>23</sup> The statute was called the "Agricultural Marketing Agreement Act of 1937," and section 1(k) thereof reenacted section 22 of the Agricultural Adjustment Act without change.

#### *Amendments, 1940*

In 1940, several changes were made in section 22 by the act of January 25, 1940, 54 Stat. 17. The most important change, for this discussion, was extending the protection of section 22 to programs under section 32 of Public Law No. 320, 74th Congress (7 U.S.C. 612c).<sup>24</sup> Section 32 of Public Law No. 320 provided that an amount equal to 30 percent of the gross annual customs receipts was to be made available for use by the Secretary of Agriculture in encouraging exportation of agricultural commodities and products, encouraging domestic consumption by diversion from normal commercial channels or by donation to low income groups, and reestablishing farmers' purchasing power in connection with normal production. The section has been the source of authority for many of the disposal programs for surplus agricultural commodities and products. In extending the coverage of section 22 to operations under section 32 of Public Law No. 320, both the House and Senate committee reports said:

"Originally the protection afforded by section 22 was applicable only to programs carried out under the Agricultural Adjustment Act (of 1933). Later the protection afforded by section 22 was extended to farm programs carried out under the provisions of the Soil Conservation and Domestic Allotment Act. Programs for the benefit of our farmers are also being carried out under section 32 of Public, No. 320, approved August 24, 1935, as well as under the Agricultural Adjustment Act (of 1933) and the Soil Conservation and Domestic Allotment Act. Under the provisions of the bill, the protection afforded by section 22 \* \* \* would be extended to programs carried out under section 32 of Public No. 320. As in the case of certain other farm programs, some of those carried out under the provisions of section 32 involve the support of domestic prices at levels higher than the prices that would make the export portion of a crop fully competitive in the low-priced world market. It is clearly necessary for the successful operation of such programs that some means, such as is provided in section 22, be available to prevent a backwash of low-priced exports into a higher priced domestic market." House Report 1166, 76th Congress, 1st session (1939), pp. 1-2; Senate Report 1043, 76th Congress, 1st session (1939), pp. 1-2.

"In explaining the administration's position, and its understanding of the proposal, Secretary of Agriculture Wallace wrote in a letter dated August 5, 1939:

As you know, one of the objectives of several of the existing farm programs is to support the domestic price of certain agricultural commodities at levels above those that would make the export portion of the crops fully competitive in the low-priced world market. Another objective is to maintain our fair share

<sup>21</sup> S. Rept. 565, 75th Cong., 1st sess. (1937), p. 2.

<sup>22</sup> H. Rept. 468, 75th Cong., 1st sess. (1937), pp. 1-2.

<sup>23</sup> Act of June 3, 1937, 50 Stat. 246.

<sup>24</sup> As discussed above, Public Law No. 320, 74th Cong. (1935) was the act which in sec. 31, enacted the original sec. 22 of the Agricultural Adjustment Act of 1933 (see note 13, supra).

of the world's exports. Taken together these effects of the farm programs are protecting American farmers against the full fury of the storms now raging in the world markets. The successful operation of such programs requires, of course, that some means be available to prevent a backwash of low-priced exports from coming into, and breaking, the higher priced domestic market. The purpose of section 22 \* \* \* is to provide this kind of protection." \* \* \*<sup>25</sup> 84 Congressional Record 11162.

#### *Amendments, 1948*

In 1948, the Congress placed another and fourth category of program under the protection of section 22.

By that time a change had taken place in the farm program and policy. The pre-World War II emphasis on "scarcity economics" to achieve parity prices had shifted, under the war and postwar demands for agricultural products, to "the objectives of abundant production" and the aim that "parity of income should take the place of parity of prices."<sup>26</sup> The emphasis had moved to the use of price support measures,<sup>27</sup> designed to stimulate production by protecting the farmer against the possibility that increased planting would lead to oversupply and consequently depressed prices.<sup>28</sup>

This shift in emphasis necessitated an amendment of section 22, if it appeared that price supports were to be continued. Most of the mandatory price support operations were scheduled to expire at the end of 1948, as a result of the official termination of hostilities in 1946. Congress intervened and enacted the Agricultural Act of 1948 (62 Stat. 1247), which continued and expanded the price support program for a 2-year period.<sup>29</sup>

Previously, section 22 had not been considered to be an adjunct to the price-support operations as distinguished from the adjustment program. As the Secretary of Agriculture explained in requesting revision of section 22:

"The field within which the authority granted by section 22 may be exercised is so limited that the authority cannot be of much aid to the Department of Agriculture in discharging its price-support obligations in this period of adjustment. If a program of the Department is not undertaken pursuant to one of the three statutes referred to in section 22, the authority conferred by that section may not be utilized to control the importation of an article the importation of which is materially interfering with the successful operation of the program by the Department." (H. Rept. 1776, 80th Cong., 2d sess. (1948), p. 6.)

Congress remedied the deficiency by including an amendment of section 22 in the Agricultural Act of 1948, *supra*, which made the section applicable to "any loan, purchase, or other program or operation undertaken by the Department of Agriculture, or any agency operating under its direction."

Of this amendment, the Senate Committee on Agriculture and Forestry said:

"Section 22 of the Agricultural Adjustment Act of 1933 is amended to include any commodity subject to price-support operations under the provisions whereby the President may take corrective action upon finding that imports are rendering or tending to render any particular price-support program ineffective." (S. Rept. 1295, 80th Cong., 2d sess. (1948), p. 7.)

The House Committee on Agriculture said:

"The bill is designed to strengthen price-support programs for American agricultural commodities and to prevent their disruption through excessive imports of foreign commodities." (H. Rept. 1776, 80th Cong., 2d sess. (1948), p. 6.)

Senator Aiken, chairman of the Senate committee, repeated this statement on the floor of the Senate (94 Congressional Record 8307). And Chairman Hope of the House committee observed to the House:

"You can very easily see the reason for the provision. There is no logic and no reason in supporting the price of an agricultural commodity in this country

<sup>25</sup> Among other changes effected by the 1940 amendment to sec. 22 was the provision permitting application of the section when it appeared that imports are "practically certain" to interfere with a program, and equipping the President with a choice of remedies, i.e., to impose either a quota or an import fee.

<sup>26</sup> "Long-Range Agricultural Policy and Program," S. Rept. 895, 80th Cong., 2d sess., pp. 22-23.

<sup>27</sup> Of production controls and marketing quotas, it was said, these "are adapted to a few special commodities which lend themselves to long storage, but otherwise their usefulness is limited to emergency conditions." *Id.* p. 23.

<sup>28</sup> The price support programs were built upon such legislation as the Agricultural Adjustment Act of 1938 (act of Feb. 16, 1938, 52 Stat. 31, as amended), which authorized the Secretary of Agriculture to make nonrecourse loans to farmers with the commodities subject to the program as security, and amendments to legislation dealing with wartime price control and economic stabilization activities.

<sup>29</sup> The price support program enacted is explained in the conference report, H. Rept. 2448, 80th Cong., 2d sess. (1948), pp. 17-18.

if we are going to permit that program to be rendered ineffective by imports" (94 Congressional Record 7901).

The 1948 amendment of section 22 included several other changes, two of which are pertinent to this examination of the legislative history. One was the extension of section 22, in subsection (a), to cover products of an agricultural commodity as well as agricultural commodities.<sup>30</sup> The other was the addition of a subsection (f), which prohibited enforcement of a proclamation under section 22 that would be in contravention of any treaty or international agreement to which the United States is or hereafter becomes a party. This subsection was the subject of further legislative alterations, as discussed hereafter.<sup>31</sup>

However, with the enactment of the 1948 amendment of section 22, the description of the agricultural programs which the section presently is designed to protect had been completed and incorporated in subsection (a). As we saw, chronologically, these embraced in 1935, 1936, and 1940, respectively, the three categories of adjustment programs concerned with production and marketing controls, and in 1948 the price support programs.

#### *Amendments, 1950*

The 1950 amendment, which appeared as section 3 of an act to increase the borrowing power of Commodity Credit Corporation, act of June 28, 1950 (64 Stat. 261), made two changes in section 22.

The first change was an addition, placing in the statute the procedural step earlier established by Executive Order 7233 of November 23, 1935, *supra*, by which the Secretary of Agriculture would determine initially the need for a section 22 proceeding, and the President would then refer the matter to the Tariff Commission for full investigation.<sup>32</sup> In so doing the House, and later the conference committee of both Houses, rejected a Magnuson-Morse proposal in the Senate to transfer full and final investigating authority to the Secretary of Agriculture.<sup>33</sup>

Another feature of the Magnuson-Morse amendment was the proposal to lift the prohibition, imposed by the 1948 subsection (f), *supra*, against using section 22 in contravention of an international agreement. In place of this proposal, the second change actually enacted by the 1950 amendment was a compromise re-writing of subsection (f), which continued recognition of the supremacy of international agreements in relation to section 22, but required that hereafter our international agreements be so written as to permit full use of the escape provisions of the GATT.

#### *Amendments, 1951*

However, in 1951, Congress made the complete switch in subsection (f) earlier suggested by the Magnuson-Morse proposal. Section 8(b) of the Trade Agreements Extension Act of 1951 (act of June 16, 1951, 65 Stat. 75) amended subsection 22(f) of the Agricultural Adjustment Act to provide (as it reads today) that:

"No trade agreement or other international agreement heretofore or hereafter entered into by the United States shall be applied in a manner inconsistent with the requirements of this section."

In according this superior status to section 22 over any conflicting trade agreement provision,<sup>34</sup> it was fairly obvious that the Members of Congress were concerned with protecting the artificially high prices for certain products, created by the agricultural programs, from jeopardy by imports attracted because of these high prices.<sup>35</sup> Senator George said:

"With these provisions, it would seem that agricultural products, the price of which we are supporting, could very well be protected. I agree with the Senator

<sup>30</sup> See H. Rept. 1776, 80th Cong., 2d sess. (1948), p. 6.

<sup>31</sup> The House and Senate reports, H. Rept. 1776 and S. Rept. 1295, *supra*, merely noted the inclusion of subsec. (f) in the 1948 amendments. But it is clear that this amendment came in because of the commitments undertaken by the United States in becoming signatory to the General Agreement on Tariffs and Trade (GATT) in October 1947, 61 Stat. A3. Art. II(b) of GATT, 61 Stat. A14, limited duties and charges to those imposed or required to be imposed by legislation in force, and art. XI, 61 Stat. A32-A33, prohibited import restrictions, but recognized those necessary for enforcing a Government program to restrict domestic production or to reduce a domestic surplus by disposal to domestic consumers free or below market prices. Under these articles, this country could have justified fees or quotas which it might have imposed under sec. 22 as it read prior to the 1948 amendment, but fees or quotas in aid of the price support programs, brought in by the 1948 amendment, appeared to be in direct conflict with art. II and XI of GATT. Thus, unwittingly or not, subsec. (f) of the 1948 sec. 22 made ineffective the use of the 1948 extension of sec. 22(a) to price support programs. The 1955 GATT waiver to the United States, discussed *infra*, later cleared up the conflict between sec. 22 and GATT.

<sup>32</sup> Supporting regulations were issued in 1951, 16 F.R. 9343, 7 C.F.R., sec. 6.1 et seq.

<sup>33</sup> Because, said Congressman Patman, it vested too much authority in the Secretary of Agriculture, 96 Congressional Record 8929-30. The conference report was H. Rept. 2269, 81st Cong., 2d sess. (1950).

<sup>34</sup> S. Rept. 299, 82d Cong., 1st sess. (Senate Committee on Finance, 1951), p. 7.

<sup>35</sup> Senator Butler itemized a number of these price support programs, relating to barley, oats, rye, vegetable oils and fats, and wool, 97 Congressional Record 5669.

that it is illogical to support the price of a farm commodity and at the same time so reduce the protection of that particular price as to permit its undercutting and undermining." 97 Congressional Record 5506.

Senator Wherry echoed the same view:

"I cannot help but feel that it is most illogical to permit the importation into the United States of agricultural products on concessions so low, while the support prices for the same commodities are so high, that farmers of another country get the benefit of the support prices." \* \* \* 97 Congressional Record 5556.

The Trade Agreements Extension Act of 1951 (65 Stat. 75), supra, also contained a section 8(a),<sup>36</sup> which was not an amendment of section 22, but which provided for invoking section 22 in any case where the Secretary of Agriculture determined and reported to the President and to the Tariff Commission that due to the perishability of an agricultural commodity a condition existed requiring emergency treatment.

It was unmistakable that both the emergency provision and the supremacy amendment were designed to complement the price support programs under the coverage already provided by section 22. As Senator George said:

"In the event that the price of an agricultural commodity is being supported or other support measures have been taken in conformity with section 22, if a question arises, the case must be judged on its own merits. The President has not only ample power to deal with rates in that instance, but he has express power, I should say, to establish a quota."<sup>37</sup>

#### *Amendment, 1953*

The next and final change, to date, in section 22 came in 1953, in the Trade Agreements Extension Act of 1953.<sup>38</sup> Without referring in so many words to the emergency action earlier authorized for perishable agricultural commodities, the amendment extended the authority to take emergency action to any article under section 22. It is provided that where the Secretary of Agriculture determines and reports to the President that a condition exists requiring emergency treatment with regard to any such article, the President may take immediate action under section 22 without awaiting the recommendations of the Tariff Commission, such action to continue in effect pending the report and recommendations of the Tariff Commission and action thereon by the President.

The amendment responded to a proposal made by Secretary of Agriculture Benson, who felt that section 22 could be more effective if the President enjoyed emergency authority to assure the protection of the Department's price support and other programs against interference or nullification by the distortions in international trade which such programs are likely to create.<sup>39</sup>

In further testimony, Secretary Benson said:

"We, in Agriculture have in operation, as a consequence of congressional action, various price-support programs. Many of the commodities included in these price-support and marketing-order programs are subject to substantial import competition. In many cases the price-support level is substantially above the world market price, even after allowance for the customs duties assessed against imports. When that happens, imports are attracted to this country from all over the world, including areas whose products would normally be exported in whole or in part to other countries where they may be badly needed.

\* \* \* \* \*

"In recognition of the fact that a stimulation of imports can impose an intolerable burden on a price-support program, the Congress enacted section 22 of the Agricultural Adjustment Act." House Committee on Ways and Means, "Trade Agreements Extension Act of 1953," hearings on H.R. 4294, 83d Congress, 1st session (1953), pages 726-727; same also in Senate Committee on Finance

<sup>36</sup> Codified as 19 U.S.C. 1365, but recently repealed by the Trade Expansion Act of 1962, Public Law 87-794, approved Oct. 11, 1962, sec. 257(e).

<sup>37</sup> 97 Congressional Record 5507.

<sup>38</sup> It took the somewhat complex form of an amendment of sec. 8 of the Trade Agreements Extension Act of 1951, supra, adding a new subsection (c) which amended subsection (b) of sec. 22 of the Agricultural Adjustment Act by adding a new sentence at the end thereof. Act of Aug. 7, 1953, sec. 104. 67 Stat. 472.

This form of amending sec. 22 through the Trade Agreements Extension Acts both in 1951 and 1953, rather than by direct amendment of sec. 22, probably came about because of the parliamentary concern with germaneness and the propriety of the finance and tax committees' developing the changes. Ordinarily the substance of sec. 22 is regarded as vested in the agricultural committees. See explanation of Senator George, 97 Congressional Record 5556 (1951); and justification by Senator Magnuson, 99 Congressional Record 7881 (1953).

<sup>39</sup> Introduced on the floor of the Senate by Senator Cordon. The text was borrowed from a bill sponsored by Senators Aiken and Holland, then pending before Senate Committee on Agriculture and Forestry (99 Congressional Record 7906 and 7903). Secretary Benson's quoted testimony before that committee is in hearings on foreign trade in agricultural products (83d Cong., 1st sess. (1953), p. 14).

"Trade Agreements Extension Act of 1953," statements on H.R. 5495, 83d Congress, 1st session (1953), page 498.<sup>40</sup>

*The GATT waiver, 1955*

One further item of history deserves note. We observed earlier that the 1948 amendment of section 22, subsection (f), prohibited action under section 22 which would contravene our international agreements. The 1950 amendment continued this recognition of the superiority of the international trade agreements. However, the 1951 amendment of subsection (f) reversed this position to provide that no international agreement should be applied in a manner inconsistent with the requirements of section 22.

The 1951 amendment created a direct conflict with our undertakings under articles II and XI of the GATT, because the circumstances under which those articles permitted the imposing of additional duties or import restrictions were more limited than the circumstances recognized by section 22.<sup>41</sup> In particular, fees or quotas which might be imposed in aid of the price support programs, brought under the protection of section 22 by the 1948 amendment, appeared to be in direct conflict with articles II and XI of the GATT.

As a result, in 1955 the United States asked for and obtained a waiver from the contracting parties to the GATT,<sup>42</sup> which recognized that action in conflict with articles II and XI might be taken pursuant to section 22 of the Agricultural Adjustment Act.<sup>43</sup> The decision notes the statement of the United States concerning section 22:

"(a) that there exist in the U.S. governmental agricultural programs (including programs or operations which provide price assistance for certain domestic agricultural products and which operate to limit the production or market supply, or to regulate or control the quality or prices of domestic agricultural products) which from time to time result in domestic prices being maintained at a level in excess of the prices at which imports of the like products can be made available for consumption in the United States and that under such conditions imports may be attracted into the United States in abnormally large quantities or in such manner as to have adverse effects on such programs or operations unless the inflow of such imports is regulated in some manner."<sup>44</sup>

CONCLUSION RESPECTING SECTION 22

This review of the history of section 22 and its amendments, and of the contemporary legislative and executive branch views as the section evolved into its present-day form, is dispositive of the meaning and scope of the section. None of it has been changed by enactment of the Trade Expansion Act of 1962 (Public Law 87-794, *supra*), which specifically states, in section 257(h), that nothing in that act shall be construed to affect the provisions of section 22 of the Agricultural Adjustment Act.

The history and interpretations establish that section 22 was and is the complement of those Department of Agriculture price-support and adjustment programs which are designed to support or stabilize the prices of specific agricultural commodities and products. The Department of Agriculture has advised us that it has no such program with respect to domestic softwood lumber. Since domestic softwood lumber is a product which is not under any such price-support or adjustment program, it follows that neither the Secretary of Agriculture nor the President have authority to take action under section 22 of the Agricultural

<sup>40</sup> On the question of what might constitute an "emergency" under the amendment, Senator Cordon said: "I desire it to be understood that in the last analysis, what constitutes an emergency, under the language of the amendment, would be what the Secretary of Agriculture felt was an emergency and what the President felt was an emergency, after hearing from the Secretary of Agriculture. That is as far as we can go if we are to leave this matter in the discretionary field, where I believe it must be" (99 Congressional Record 7908).

<sup>41</sup> See note 31, *supra*.

<sup>42</sup> Art. XXV, par. 5 of the GATT permits the contracting parties to waive an obligation of the agreement by a two-thirds majority of the votes cast, if that majority comprises more than half of the contracting parties (61 Stat. A-68).

<sup>43</sup> Decision of Mar. 5, 1955, GATT: Basic Instruments and Selected Documents, 3d supp. (Geneva, June 1955), pp. 32-38. The decision recites the considerations, including the statement of the United States, the decision of waiver, the conditions and procedures, and the text of sec. 22 (7 U.S.C. 624) and Public Law 50, 82d Cong., sec. 8(a) (19 U.S.C. 1365). This latter provision, sec. 8(a) of the Trade Agreements Extension Act of 1951, was repealed in 1962, by Public Law 87-794, sec. 257(e). One of the conditions of the waiver is that the United States will remove or relax each restriction permitted under the waiver as soon as circumstances permit.

<sup>44</sup> *Id.* p. 33.

Adjustment Act looking toward the curtailment of, or imposition of fees upon, the importation of Canadian softwood lumber.<sup>45</sup>

#### OTHER PROVISIONS OF LAW

##### *Tariff adjustment, Trade Expansion Act of 1962*

As we noted at the outset of this discussion, a Tariff Commission investigation of softwood lumber (No. 7-116), was begun under section 7 (escape clause) of the Trade Agreements Extension Act of 1951 (19 U.S.C. 1364), and continued under the Trade Expansion Act of 1962, Public Law 87-794, approved October 11, 1962 (secs. 257(e)(3), 301, and 351). In keeping with the 1962 statute, the purpose of the investigation was to determine whether, as a result in major part of concessions granted under trade agreements, softwood lumber is being imported into the United States in such increased quantities as to cause or to threaten to cause serious injury to the domestic producing industry. Representatives of the domestic industry, contending that there is such injury, asked for the imposition of quota restrictions, an increase in tariff, and elimination of the markings exemption. By a supplemental brief they called attention to the effect of the October 1962 blowdown and, because of it, requested an even more stringent quota for the next 3 years; i.e., a reduction of the originally requested quota of 10 percent of consumption to 6½ percent of consumption.<sup>46</sup>

The Tariff Commission has just recently filed its report to the President (TC Publication 79), released February 14, 1963. The Commission was of the view that under the statutory test, before it could deal with the question of whether there was serious injury or threat thereof to the domestic industry, it had to determine that the increased imports are due "in major part" to trade agreement concessions, and that such increased imports are "the major factor" in causing or threatening the serious injury. Further, said the Commission, unless it could find that the concessions are the major cause of the increase in imports, it was foreclosed from making an affirmative finding under the statute, irrespective of the contribution which the increase in imports makes toward causing or threatening serious injury to the domestic industry.

The Commission was of the view that there has been an increase in recent years in the import of softwood lumber, but that the only trade agreement concessions which could have contributed materially to the increase, the tariff reductions made as early as 1936 and none more recently than 1948, were only a "negligible cause" of lumber being imported in increased quantities. It felt that other factors were more important in causing the increase in Canadian lumber imports. Among these the Commission listed the shortage of commercially available softwood timber in the United States, which has pushed up the price of domestic logs as demand increased, and a correspondingly increased commercial availability of newly opened timberland in Canada, which has made Canadian production of timber for export attractive; the depreciation of the Canadian dollar, which has stimulated U.S. imports of Canadian lumber; the lower waterborne transportation rates and costs from British Columbia to eastern United States as compared with the rates and costs from the Pacific Northwest; and an increasing awareness by U.S. distributors and consumers of the general high quality of Canadian lumber.

The Commission concluded that, not only do the trade agreement concessions fall far short of being the preponderant cause of the increase in softwood lumber imports, but that they do not contribute to the increase as much as do other causes.

The unanimous finding of the Commission was that softwood lumber is not, as a result in major part of concessions granted under trade agreements, being imported in such increased quantities as to cause, or threaten to cause, serious

<sup>45</sup> In his letter dated May 16, 1962, to Representative Julia Butler Hansen, Assistant Secretary of Agriculture Frank J. Welch, after expressing a similar view with respect to timber and its products generally and observing that the timber activities of the Forest Service are not conducted for the purpose of stabilizing prices (see note 5, supra), added: "Furthermore, even if such timber activities could be determined to be a program of the type to which section 22 is applicable, there is a further serious question whether any material interference therewith could be shown to result from imports of timber or lumber from Canada. We understand that the Forest Service has been able to obtain satisfactory prices for the timber it can offer for sale in accordance with sustained yield and multiple use management."

<sup>46</sup> In an appropriate case, if the Tariff Commission should report an affirmative finding of serious injury, the President may, subject to the provisions of sec. 351 of the Trade Expansion Act of 1962, proclaim an increase in, or imposition of, any duty or other import restriction on the article causing or threatening to cause serious injury to the domestic industry, as he determines to be necessary to prevent or remedy the serious injury.

Alternatively, under sec. 352, the President may negotiate international agreements with foreign countries, limiting the export from such countries and the import into the United States of the article causing or threatening serious injury to the domestic industry, if he decides that such course would be more appropriate to prevent or remedy the injury.

injury to the domestic industry producing the like article. The Commission offered a final observation that:

"\* \* \* evidence obtained in the course of the investigation suggests that the factors giving rise to the increase in imports, rather than the increase itself, are mainly responsible for the major problems confronting the domestic softwood lumber industry, particularly the Pacific Northwest segment of it. Some of the factors, such as the increasing competition from substitutes for lumber and the recent calamitous 'blowdown,' obviously do not stem in any measure from the increase in imports" (report, *supra*, pp. 21-22).

#### *Negotiated reduction of imports*

A provision authorizing the President to negotiate agreements with foreign countries to limit their export and the importation into the United States of any agricultural commodity or product (but without a Tariff Commission investigation or finding of serious injury as required in sec. 352 of the Trade Expansion Act, note 46 *supra*) is contained in section 204 of the Agricultural Act of 1956, 7 U.S.C. 1854.

The Department of Commerce has advised us that the possibility of such an agreement with Canada on lumber has been explored, but without success to date.

#### *National security*

Section 232 of the Trade Expansion Act of 1962, *supra*, provides that if, as a result of an investigation by the Director of the Office of Emergency Planning, the Director advises and the President determines that an article is being imported into the United States in such quantities or under such circumstances as to threaten to impair national security, as set forth in the section, the President shall take action for such time as he deems necessary to adjust the imports so that they will not threaten to impair national security.

The General Counsel of the Commerce Department has pointed out that imports of softwood lumber from all sources, though increasing steadily, are less than 15 percent of domestic consumption, and that, as a practical matter, the present circumstances are not likely to be regarded as constituting a threat to national security.

#### *Flexible tariff provision*

The so-called flexible tariff provision for equalizing domestic and foreign costs of production, Section 336 of the Tariff Act of 1930, 19 U.S.C. 1336, does not apply to articles which are governed by trade agreement, 19 U.S.C. 1352. Since the United States has entered into trade agreements affecting rates of duty and other import restrictions on softwood lumber, which agreements came into effect in 1936, 1939, and 1948 (see Tariff Commission Report, TC Publication 79, *supra*, p. 8), the flexible tariff provision does not apply to softwood lumber.

#### *Antidumping*

The Antidumping Act, 1921, 19 U.S.C. 160-172, authorizes the imposition of special offsetting duties, where injury to domestic industry results from sales in the United States of imports which are underpriced in relation to their sales price elsewhere.

The Department of Commerce advises that it is not presently aware of any evidence that imports of Canadian lumber have been so underpriced.

#### *Countervailing duties*

Section 303 of the Tariff Act of 1930, 19 U.S.C. 1303, provides for imposition of additional duties on an imported article whenever any government or private persons have paid or bestowed a bounty or grant upon its manufacture, production, or export. The countervailing duty shall equal the net amount of the bounty or grant.

The Department of Commerce informs us that it is not presently aware of any Canadian acts or practices which clearly amount to providing bounties or grants for the production or export of lumber, within the meaning of the countervailing duty statute.

#### *Unfair competition*

Section 337 of the Tariff Act of 1930, 19 U.S.C. 1337, permits exclusion from the United States of foreign merchandise as to which there have been employed unfair methods of competition or unfair acts in the importation or sale, with the effect or tendency to substantially injure an efficiently and economically operated domestic industry.

The Department of Commerce has advised us that it is not presently aware of any reason to believe that any such showing could be made with respect to the importation or sale of Canadian lumber generally.

*Discrimination by a foreign country*

There are a number of provisions of law which variously permit excluding imports, or imposing restrictions or special duties upon them, or suspending trade agreement concessions, when the government of the exporting country discriminates (1) against the commerce of the United States, 19 U.S.C. 1338, or (2) against the importation or sale of any product of the United States, 19 U.S.C. 181, or (3) against importation of U.S. products, section 252 of Public Law 87-794.

While the General Counsel of the Commerce Department has advised that it is extremely difficult to be certain that no such discriminations against U.S. products have been practiced by Canada, he makes the point, with which we agree, that these provisions are designed to assist the President in bringing to an end any unreasonable and discriminatory acts or policies of a foreign government unjustifiably restricting the commerce of the United States, and are not meant to provide an excuse for an exclusionary or other restrictive order. The invoking of any of these provisions would entail serious charges and unfriendly action against, in this case, the government and people of a friendly neighbor, a course which would hardly be advocated except on the strongest of provocations and only after attempts had been made by less drastic means to terminate the discriminatory practices to which objection is made.

CONCLUSIONS RESPECTING OTHER PROVISIONS OF LAW

The review of the statutes, in addition to section 22 of the Agricultural Adjustment Act, and of the facts to the limited extent we know them, suggests that it is at best doubtful whether there are emergency routes open to the domestic softwood industry in seeking the imposition of quotas or other restrictions on the importation of Canadian softwood lumber.

Two nonemergency methods of proceeding, which are authorized, apparently have been pursued. These are: First, the tariff adjustment (formerly escape clause) investigation under sections 301 and 351 of the Trade Expansion Act of 1962, which has been concluded with the Tariff Commission report that trade agreement concessions are not responsible in major part for such increasing imports of softwood lumber as to cause or threaten serious injury to the domestic producing industry; and second, exploration of a possible United States-Canadian agreement, pursuant to section 204 of the Agricultural Act of 1956, to limit importation of softwood lumber into the United States.

Whether or not the efforts to impose the import restrictions are justified or should succeed is not within our knowledge and we express no opinion on that subject.

NORBERT A. SCHLEI,  
*Assistant Attorney General, Office of Legal Counsel.*

APPENDIX A

SECTION 22 OF THE AGRICULTURAL ADJUSTMENT ACT AS CONTAINED IN 7 U.S.C. 624

"(a) Whenever the Secretary of Agriculture has reason to believe that any article or articles are being or are practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, any program or operation undertaken under sections 601-604, 607, 608, 608a, 608b, 608c, 608d, 608e-1, 608f-612, 613, 614-619, 620, 623, and 624 of this title<sup>1</sup> or the Soil Conservation and Domestic Allotment Act, as amended, or section 612c of this title,<sup>2</sup> or any loan, purchase, or other program or operation undertaken by the Department of Agriculture, or any agency operating under its direction, with respect to any agricultural commodity or product thereof, or to reduce substantially the amount of any product processed in the United States from any agricultural commodity or product thereof with

<sup>1</sup> In the Statutes at Large, the description is merely "under this title" without specifying the particular section numbers. See 64 Stat. 261 (1950).

<sup>2</sup> In the Statutes at Large, "Section 612c of this title" is described as "section 32, Public Law Numbered 320, Seventy-fourth Congress, approved August 24, 1935, as amended." See 64 Stat. 261 (1950).

respect to which any such program or operation is being undertaken, he shall so advise the President, and, if the President agrees that there is reason for such belief, the President shall cause an immediate investigation to be made by the U.S. Tariff Commission, which shall give precedence to investigations under this section to determine such facts. Such investigation shall be made after due notice and opportunity for hearing to interested parties, and shall be conducted subject to such regulations as the President shall specify.

"(b) If, on the basis of such investigation and report to him of findings and recommendations made in connection therewith, the President finds the existence of such facts, he shall, by proclamation, impose such fees not in excess of 50 per centum ad valorem or such quantitative limitations on any article or articles which may be entered, or withdrawn from warehouse, for consumption as he finds and declares shown by such investigation to be necessary in order that the entry of such article or articles will not render or tend to render ineffective, or materially interfere with, any program or operation referred to in subsection (a) of this section, or reduce substantially the amount of any product processed in the United States from any such agricultural commodity or product thereof with respect to which any such program or operation is being undertaken: *Provided*, That no proclamation under this section shall impose any limitation on the total quantity of any article or articles which may be entered, or withdrawn from warehouse, for consumption which reduces such permissible total quantity to proportionately less than 50 per centum of the total quantity of such article or articles which was entered, or withdrawn from warehouse, for consumption during a representative period as determined by the President: *And provided further*, That in designating any article or articles, the President may describe them by physical qualities, value, use, or upon such other basis as he shall determine.

"In any case where the Secretary of Agriculture determines and reports to the President with regard to any article or articles that a condition exists requiring emergency treatment, the President may take immediate action under this section without awaiting the recommendations of the Tariff Commission, such action to continue in effect pending the report and recommendations of the Tariff Commission and action thereon by the President.

"(c) The fees and limitations imposed by the President by proclamation under this section and any revocation, suspension, or modification thereof, shall become effective on such date as shall be therein specified, and such fees shall be treated for administrative purposes and for the purposes of section 612c of this title,<sup>2</sup> as duties imposed by the Tariff Act of 1930, but such fees shall not be considered as duties for the purpose of granting any preferential concession under any international obligation of the United States.

"(d) After investigation, report, finding, and declaration in the manner provided in the case of a proclamation issued pursuant to subsection (b) of this section, any proclamation or provision of such proclamation may be suspended or terminated by the President whenever he finds and proclaims that the circumstances requiring the proclamation or provision thereof no longer exist or may be modified by the President whenever he finds and proclaims that changed circumstances require such modification to carry out the purposes of this section.

"(e) Any decision of the President as to facts under this section shall be final.

"(f) No trade agreement or other international agreement heretofore or hereafter entered into by the United States shall be applied in a manner inconsistent with the requirements of this section."

Mr. HORAN. Where is my interim report on what constitutes an economic unit?

Mr. KOFFSKY. We will have that up to you for our hearing on March 10.

Mr. WHITTEN. Is that all, Mr. Horan?

Mr. HORAN. Yes, sir.

Mr. WHITTEN. Thank you, Dr. Cochrane. We made rather fast time. In some ways, I think, perhaps, we did a better job than when we ramble around.

Dr. COCHRANE. Thank you.

Mr. WHITTEN. The committee will stand adjourned for the day.



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STATE OF WISCONSIN

IN SENATE,  
January 10, 1907.

REPORT  
OF THE  
COMMISSIONER OF  
THE  
LAND OFFICE,  
FOR THE YEAR  
1906.

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