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EXTENSION OF PUBLIC LAW 480— Titles I and II

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HEARINGS BEFORE THE SUBCOMMITTEE ON FOREIGN AGRICULTURAL OPERATIONS OF THE COMMITTEE ON AGRICULTURE HOUSE OF REPRESENTATIVES EIGHTY-EIGHTH CONGRESS SECOND SESSION

FEBRUARY 18, 19, 20, AND 28, 1964

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EXTENSION OF PUBLIC LAW 480—TITLES I AND II

TUESDAY, FEBRUARY 18, 1964

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON FOREIGN AGRICULTURAL OPERATIONS
OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:10 a.m., in room 1310, Longworth House Office Building, Washington, D.C., Hon. W. R. Poage (chairman of the subcommittee) presiding.

Present: Representatives Poage, Jones of Missouri, Matthews, Stubblefield, Harding, Matsunaga, Dague, and McIntire.

Also present: Representatives Cooley, Grant, Johnson of Wisconsin, Purcell, Duncan, Olson, Hoeven, Quie, Findley, and Dole.

Christine S. Gallagher, clerk; Hyde H. Murray, assistant clerk; John J. Heimburger, general counsel; Robert Bruce, assistant counsel; and Francis LeMay, consultant.

Mr. POAGE. The subcommittee will please come to order.

We are very much pleased this morning to have so many members of the committee with us, and we are very delighted to have the chairman of the full committee with us, as well as to have other members of the full committee present who are not members of the subcommittee.

We have, of course, the Secretary of Agriculture and members of his staff present with us. We will start this discussion of Public Law 480. We should like to have you tell us of the present working of the program and any improvements or changes that you may suggest in the program for future use. This program has been accepted as one which has done a great deal of good. But, like all others, it is not a perfect program. And as it has operated we have begun to see opportunities to make changes in it. We would like to discuss any changes that you think are advisable. We should like to hear from you as to those things that you think should not be carried on. We will be glad to hear about those, too. So, Mr. Secretary, we will be delighted to hear from you.

STATEMENT OF HON. ORVILLE L. FREEMAN, SECRETARY, DEPARTMENT OF AGRICULTURE; ACCOMPANIED BY C. R. ESKILDSEN, ACTING ADMINISTRATOR, FOREIGN AGRICULTURAL SERVICE; EDWARD M. SHULMAN, DEPUTY GENERAL COUNSEL; RICHARD H. ROBERTS, DEPUTY ASSISTANT ADMINISTRATOR, FOREIGN AGRICULTURAL SERVICE; AND HILTON BATEMAN, CHIEF, REPORTS AND ANALYSIS BRANCH, PROGRAM OPERATIONS DIVISION, FOREIGN AGRICULTURAL SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Secretary FREEMAN. Thank you very much, Mr. Chairman, and Chairman Cooley and gentlemen.

First, Mr. Chairman, may I express my appreciation for your courtesy in scheduling this meeting today and postponing that of yesterday. As the chairman knows, I went home yesterday to bury a very dear aunt of mine who, incidentally, served on this Hill for over 15 years—10 years here in the House as a Secretary for Congressman Youngdahl and then Congressman Miller, and then Congressman Henry, and then went over and served as administrative assistant to Senator Humphrey. And she made the arrangements for the marriage of Mrs. Freeman and myself here during the war. My wife lived with her while I was in training at Quantico. She was an extraordinary person. And I felt that I must be at that sad occasion. I appreciate your courtesy, Mr. Chairman, and that of this committee, in making that possible.

I am honored to testify and, particularly pleased personally to testify in favor of this bill to extend titles I and II of the Agricultural Trade Development and Assistance Act of 1954. These titles are basic parts of Public Law 480, under which we have been operating, for nearly 10 years, a program that already stands out before the world as a monument to the practical economic wisdom and the high moral purpose of the people of the United States.

The Congress can be justifiably proud of having enacted, with bipartisan support, this food-for-peace program under Public Law 480. Rarely has any governmental policy and program contributed so much to so many people and to so many diverse interests. It serves all of the people in the United States by promoting greater economic well-being at home and greater security in our relations with the rest of the world. It enables this Nation to advance the interests of its own citizens as they seek to meet their responsibilities to less-favored peoples.

It effectively serves the foreign policy interests of the United States while it helps to expand our export trade. It contributes to domestic economic well-being for both agriculture and commerce while it has been a major factor in helping to end famine in the free world. It relieves hunger and suffering and promotes education among men, women and children in underdeveloped parts of the world; and at the same time it helps those nations to an accelerated takeoff in economic growth that will speed the day when they will become partners with us in commercial trade—opening to us and to our children the last, vast underdeveloped market in the world. In addition to its history of developing commercial markets, Public Law 480 has a net favor-

able impact on our balance-of-payments position. By promoting higher standards of living for people going through the revolution of rising expectations, it promotes free institutions among those people, and thus contributes materially to American hopes for security and peace.

Under Public Law 480 we have developed programs that are particularly appropriate to meeting needs that arise out of the revolutionary changes that characterize this period of history.

One of these changes, brought about by the scientific and technological revolution, is such a vastly increased potential for production of material goods that we can foresee an age of abundance in which we could produce enough food, clothing, and shelter for all. Nowhere is this productive potential demonstrated more dramatically than in American agriculture. Our farms are the most productive in the world, and their productivity continues to increase. One American farmer today produces enough for 29 consumers, 4 of whom are in other nations. His output has increased 140 percent since the end of World War II, almost three times the gain in our nonagricultural productivity.

American agriculture has thus been forced into the forefront of facing the complex problems involved in adjusting from an economy of scarcity to an economy of abundance. These are adjustments that will have to be made eventually by other segments of our economy—certainly our rapidly automating industry is facing them now. In agriculture we seek to approach this adjustment both by gearing our production to amounts that can be used and by expanding the use of commodities we produce. Public Law 480 has contributed substantially toward expanding the use of our commodities.

During the past 10 years we have reduced our cropland area by more than 50 million acres, but we still produce more than our commercial markets can absorb. During this same period, Public Law 480 has enabled us to augment our commercial sales by moving 120 million tons of American farm products to foreign consumers. This has included 3 billion bushels of wheat, which is more than two of our bumper crops. It has included 10 million bales of cotton, about two-thirds of a year's production. It has included 100 million bags of rice, 6 billion pounds of vegetable oil, and substantial amounts of feed grains, tobacco, and dairy products.

There are both economic and moral implications of this transfer from an age of scarcity to an age of abundance. The economic implications include the maintenance of adequate income for those human beings who produce, even though machines are taking over much of the work. The moral implications include the imperative of widespread sharing of the abundance that is now possible. Public Law 480 is helping us to meet both of these responsibilities in this transitional age.

Another change that is characteristic of the age in which we live is the emergence, from colonialism and from relatively primitive economic development, of scores of new nations, whose people are reaching desperately for the advantages and the higher levels of living that accompany modern economic development. Hunger and malnutrition abound among the people of most of these emerging nations—yet too often they have not yet reached the stage where they can either produce or purchase enough food to meet their needs.

Under Public Law 480 we have, from its inception, carried out programs to provide food for the hungry and to meet emergencies. We have done this so effectively that famine no longer threatens the free world. Food supplies provided under these programs have been effective in forestalling destructive inflation in nations moving toward industrialization. And, particularly in recent years, we have emphasized the development of programs that directly foster economic growth, either by the investment of local currencies generated under title I or by the use of food as part payment for work. Our food for peace has become a capital investment in constructive community development projects. It is helping to build free institutions. Through school lunches it is fostering education, and thus contributing materially to an investment in human capital that is a much greater factor in economic growth than is generally recognized.

Thus Public Law 480 makes its direct contribution to the achievement of the rising expectations of people in the developing nations of the world. And, indirectly, this contribution is one that substantially affects the well-being of the American people—because of the importance of a third characteristic of this age in which we live.

This third characteristic is the unprecedented degree to which the peace and freedom and prosperity of all of the nations of the world depend upon their relationships with each other. Our prosperity is affected because anything we do to hasten the day when the billions of people in less-developed areas can themselves achieve the higher income level that goes with modern economic development leads toward greater markets for our abundant productivity.

Our peace and security are affected because wars and revolutions in any part of the world today affect the security of all other parts.

Our freedom is affected because anything that serves to strengthen the free world, as well as anything that helps uncommitted and uncertain peoples to turn toward free institutions, strengthens our side in the cold, ideological struggle with communism. Our productivity, and particularly our abundance of food, gives us one of our greatest advantages in this cold war. Our food-for-peace programs provide us with an unparalleled opportunity to make the most of that advantage.

I have thus far expressed my support for the extension of Public Law 480 in terms of: First, the unique opportunity it offers to operate programs that at one and the same time promote economic well-being at home while they support our foreign policy and help to meet our moral responsibilities abroad; and, second, the significant manner in which Public Law 480 helps us to meet the revolutionary changes and special characteristics of our times. I should like to turn, now, to briefly itemize and summarize some of the particular gains we obtain from various aspects of Public Law 480 operations.

First, improved farm income: I have already referred to the great volume of farm commodities that have been exported under Public Law 480. These exports have relieved the Government of the cost of storing these commodities, and of the intense pressure for an even more drastic cutback of farm production that would have occurred if no such programs existed. They have made it easier for us to improve farm income because of the additional marketing outlets which they represent. A few facts and figures help us to realize the significance of these expanded markets.

During 1963 exports of American farm products under Public Law 480 totaled \$1.6 billion, the highest annual level since the program began. These shipments accounted for 30 percent of our total agricultural exports. They represented the production from more than 25 million acres. Our exports under Public Law 480 last year represent 75 percent of all wheat exported, 54 percent of total vegetable oil exports, 53 percent of total rice exports, and 33 percent of our total exports of cotton. One needs only to review figures like these to realize what would happen to markets for farm commodities without Public Law 480.

Second, better income to business: It is not only the American farmer, but a large part of the American business community benefits directly from operations under Public Law 480. Hundreds of thousands of workers owe their jobs to the processing, handling, transportation, and related services needed to export these commodities. The additional income farmers get is spent largely in local businesses across the Nation, thereby contributing to business in general, and particularly to those that furnish the fertilizer, machinery, fuel, and other supplies and services which our farmers buy at the rate of over \$40 billion a year.

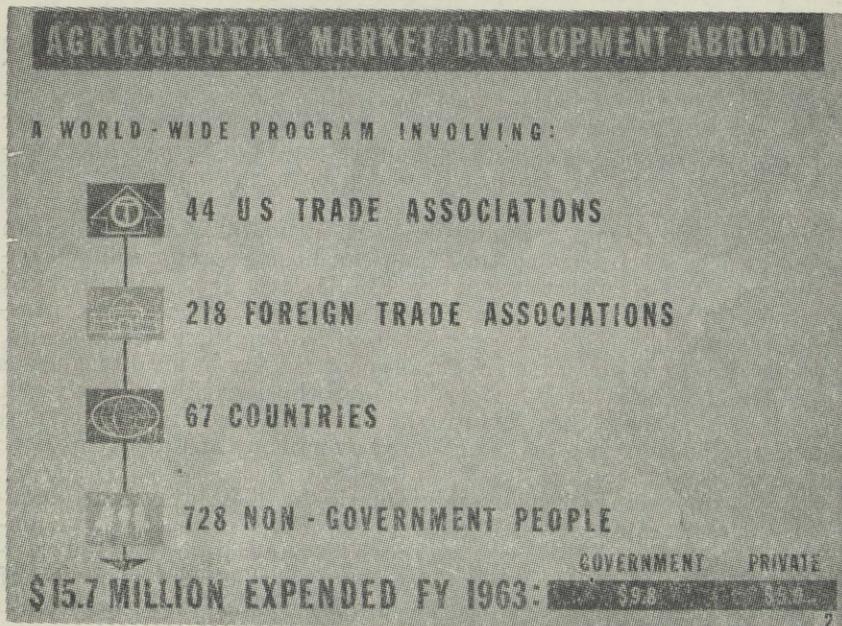
Third, expansion of commercial markets: The last great undeveloped markets in the world are to be found in the developing countries which today are among those to which our Public Law 480 shipments generally go. There are three ways in which the operation of Public Law 480 contributes to the development of these areas into commercial markets for our business in the future.

In the first place, programs under Public Law 480 make it possible for us to introduce our food products to people that may not have been accustomed to these products before. When hungry children are introduced to unfamiliar foods in a school lunch program they are likely to develop a taste for the foods they eat that will last a lifetime. Japan's large dollar purchases of wheat today can be traced to school lunches served to Japanese children only a few years ago under our food for peace programs. We are now providing school lunches for 40 million children, and supplemental feeding for 16 million infants and preschool children, in over a hundred countries, and the program is still expanding.

In the second place, title I provides funds that are used in market development programs. Before Public Law 480 very little market development was being carried on by U.S. agricultural producers and trade associations, although a few individual firms were active. Today, under the impetus of market development funds developed under sales for foreign currency under title I, there are 44 U.S. trade associations and 728 non-Government employees working on market development projects in 67 foreign countries. Virtually all U.S. agricultural export commodities are represented in these joint projects of Government and private industry.

Charts: This gives a little, as we would say, demonstrative evidence of the magnitude of the going promotion program. You will note that there are 44 U.S. trade associations, 218 foreign trade associations, 67 countries, and 728 non-Government people involved.

(The chart follows:)



Secretary FREEMAN. Cooperating U.S. trade associations handle the oversea projects under the supervision of the Foreign Agricultural Service and make substantial financial contributions to augment foreign currencies made available from title I sales. Market development expenditures in fiscal year 1963 totaled \$15.7 million, including \$5.9 million in cash, personnel, goods, and services contributed by the U.S. trade cooperators.

The third way in which the operation of Public Law 480 contributes to the development of markets abroad, and by far the most important in the long run, is the transformation of the developing nations from being recipients of aid to being new partners in commercial trade. This has been important in the past. It will be even more important in the future as we are increasing our emphasis on programs directed toward promoting economic growth.

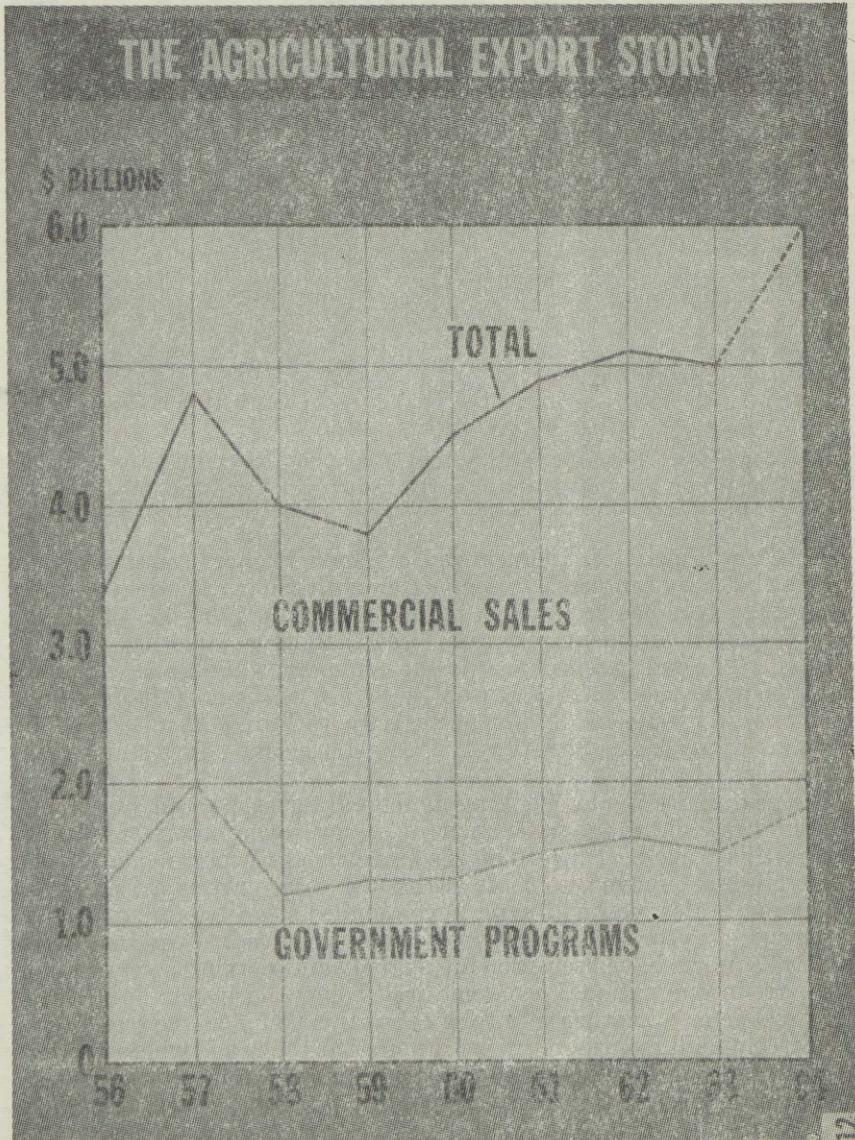
Today, Japan is an outstanding example. Japanese officials credit our aid programs of only a few years ago with bringing their country back from the brink of starvation, putting a brake on inflation, preventing an incipient social revolution, and paving the way for the reconstruction of Japanese industry. They also helped to revolutionize Japanese eating habits. Today the Japanese consumer uses twice as much wheat, oil, and fats, four times as much meat, and three times as much milk as they did before the war. All Japanese school children now have a school lunch program. And Japan is our No. 1 purchaser of American farm products for dollars.

Other nations, such as Spain, Israel, Italy, Greece, and Taiwan are becoming commercial customers, and more will follow. A nation in a weak foreign exchange position does not, of course, suddenly transform itself into a full-fledged, cash-dollar customer overnight. The

transformation is a gradual one. Title IV of Public Law 480 is an effective program for helping to bring about this transition.

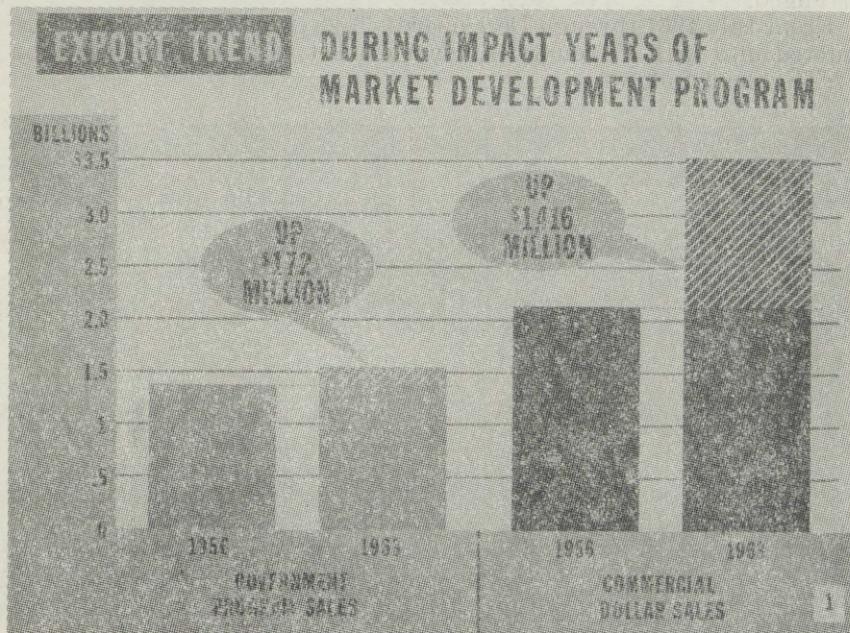
Under title IV, we are able to supply American farm products to the stronger developing countries on a dollar-sales basis with repayment over a protracted period of time and at favorable rates of interest. Such terms are of particular help to those countries that are ready to enter the commercial market provided credit terms can be arranged.

From July 1961 through December 1963, 28 title IV agreements were entered into with 17 countries, for a market value of \$176.8 million (The chart follows:)



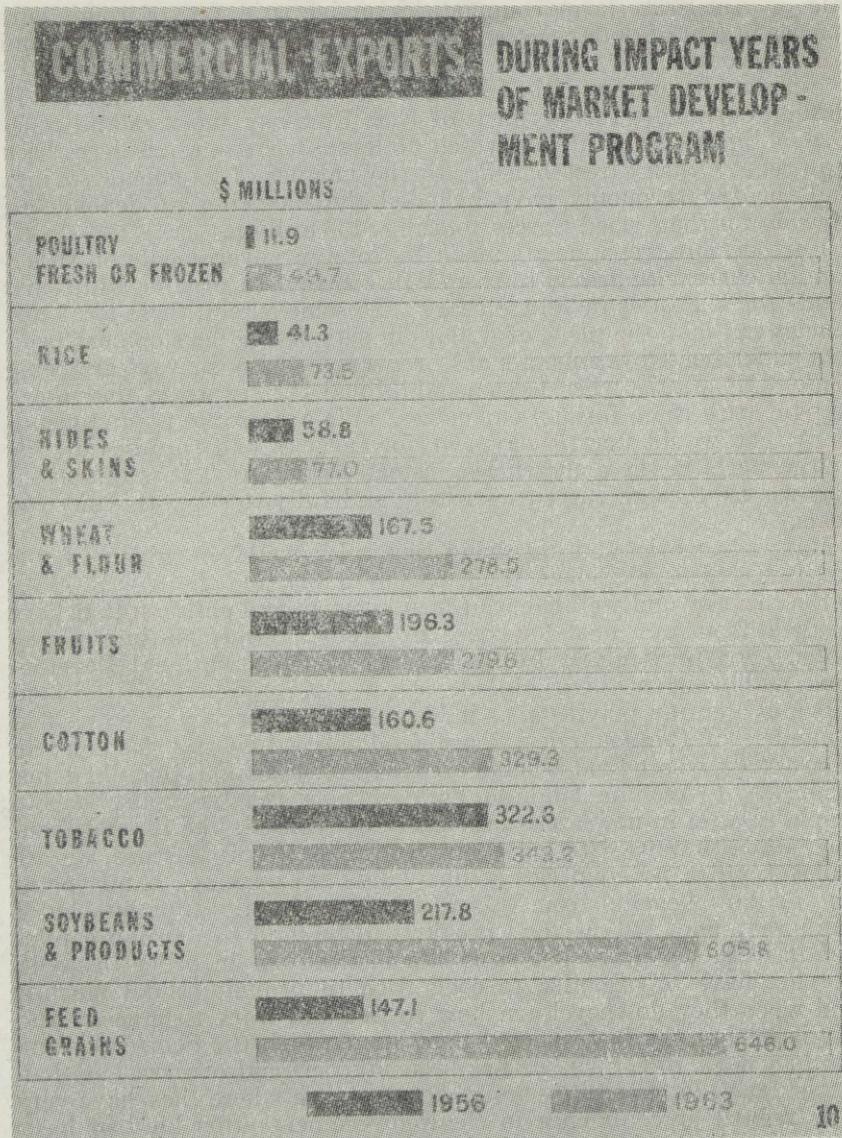
Secretary FREEMAN. In 11 countries—Bolivia, Formosa, Portugal, Yugoslavia, Ethiopia, Chile, Columbia, Peru, Ecuador, Syria, and Paraguay—the agreements represented a shift over from foreign current sales under title I, or the use of title IV in combination with title I. We are now negotiating with a number of good prospects for title IV agreements through the private trade.

(The two charts follow:)



Secretary FREEMAN. Incidentally, under this chart there are some figures that are of interest, in connection with the market development program. This has to do with the export trend, 1956-63. The blue part is the Government program sales that have increased by \$172 million. The red hatched part is the commercial dollar sales during that period of time that increased by \$1,416 million. Of course, we would not attribute all of this, necessarily, to Public Law 480, but by the same token it has been a very, very significant effort and accomplishment.

The next chart, again speaking in general terms, headed, "Commercial exports," shows the same story of the growth of commercial sales during this period. Since 1956 the Government programs have been relatively level, moved up a bit in the last year, particularly, but the commercial sales, you will note, have climbed steadily, and, of course, in the current year are shooting up very high, indeed. And some agricultural exports have been growing sharply and playing a very important part in our national economic well-being and in our dollar payment problem. Another way to say the same thing can be seen in this one by commodities, where you will note that the red is where we were in 1956 and the blue is where we are today. And you can notice, going down the line that it covers poultry, fresh or frozen, rice, hides



and skins, wheat and flour, fruits, cotton, tobacco, soybeans and products, and feed grains. And there have been very, very significant increases in these agricultural exports. This is true also of the developing countries and it is true in those in which we have made heavy title I sales. And there seems to be a rather direct correlation between the vigor of our promotion program and also our Public Law 480 program, and the commercial dollar sales that fall from it.

Fourth, other benefits from use of foreign currencies: Market development is but one of the two dozen or so uses of foreign currencies obtained through title I sales. (These currencies that I speak of are foreign currencies that we have obtained from other countries, by the

sale of American farm commodities under title I.) Foreign currencies in lieu of dollars represent substantial savings in our gold and dollar account.

Since its beginning, title I has provided more than \$850 million in foreign currencies for payment of U.S. Embassy expenses and other U.S. obligations abroad for which dollars otherwise would have been required. Other direct benefits to the balance-of-payments savings and the U.S. economy have included the financing of dependents' housing for the Armed Forces, totaling \$133 million.

Furthermore, repayments made by foreign governments on title I foreign currencies loaned to them will continue to provide additional funds for U.S. uses in future years. To some extent, these local currencies can take the place of dollars in supporting development projects under our Government's aid programs. Also, surveys are being made to determine whether some additional U.S. expenses abroad can be paid with these foreign currencies. We are proposing an amendment that would permit payment for services and supplies at discharge ports in these currencies, instead of dollars. It is important that we use foreign currencies wisely and fully to support American goals.

Many dramatic and inspiring examples could be given of the progress and development, the economic gains, and the contributions to the security and well-being of men, women, and children that have resulted from our food-for-peace programs. Other testimony presented here, particularly by the Agency for International Development, will bring out these points.

It has been my privilege, as it has been of most of you, to visit in a number of the countries where food is used in this fashion; in other words, where food is being used actually as capital to build dams, irrigation, to reclaim land, to build schools and hospitals, to help people resettle in new areas previously not settled, like the old frontiers, when they used to get their grubstake and, in a sense, we are grubstaking many countries as new lands are opening. And one of the ancillary benefits from this which is not easily apparent, but I think very real, is that food is going to be used to develop capital and if it is, you have got to create institutions in order to do it. Mothers have to organize to cook food to provide school lunches. And when they do they learn how to live and work together. And this is setting the institutional base upon which the democracy and freedom must rest. And it has been my personal observation that, particularly, in countries—and there are some where they have very little regard or confidence in their government—this kind of basic institution building is a critical beginning for the possibilities of a future of freedom and democracy in those countries.

Under title I, the largest component, we have entered into a total of 376 sales agreements, with 47 countries, for an export market value of nearly \$10 billion. Under title II, we have moved U.S. farm products in the amount of \$1 billion to 69 countries, mainly in the form of donations under which our commodities are used both to support economic development projects and to feed the victims of earthquake, flood, drought, or other disaster. Also, through title II we are carrying out the U.S. pledge to the U.N. FAO world food program, now entering its second year.

Although these hearings are not directly concerned with title III, for the record I think we should also note its constant and very helpful movement of American food to foreign needy people through auspices of registered U.S. voluntary relief agencies and the United Nations Children's Fund. During the last decade we have made available to such agencies under title III a total of \$1.4 billion worth of food; 77 million persons in 134 countries and territories are currently receiving this food.

Title III also authorizes the barter program, a helpful means of exchanging our farm abundance for needed supplies and materials from abroad without expenditure of our tight foreign resources. A total of \$1.6 billion worth of U.S. farm products have been exchanged for foreign products under the Public Law 480 barter program. Our current programs place heavy emphasis on the use of agricultural surpluses to pay for goods and services acquired abroad by the Defense Department and other Government agencies.

The bill which we are recommending today would extend the authorizations for titles I and II for an additional 5 years, which would carry them through December 31, 1969. This extension would provide for continuity in planning and carrying out Public Law 480 programs.

For title I, we recommend an authorization that will permit us to continue programing at the same level as for the previous 5 years. This amount is \$7.1 billion, plus (1) the expected carryover from 1964 and the proposed renewal of the expired 1961 carryover of authorized funds, and (2) an estimated \$1 billion in reimbursements to the Commodity Credit Corporation from other agencies of the U.S. Government for title I currencies, and repayment of economic development loans in dollars. We believe that this level will meet foreseeable needs, because the fact that some countries are moving out of the assistance category will enable us to meet new and expanded needs in countries in which food assistance can contribute significantly to economic development under free governments.

For title II, we recommend that the authorization be increased to \$450 million per year for the requested 5-year period, to provide for an expansion in economic and community development projects. This compares with the current authorization rate of \$300 million a year.

We are also recommending a few amendments to the basic Public Law 480 legislation which we will be pleased to discuss with the committee.

You will note there have been a minimum of amendments to the current on-going program.

I should like to conclude this testimony by pointing out that the need for this program is even greater today than it was 10 years ago, when it was first enacted as a means of developing constructive use for U.S. agricultural surpluses. As populations grow at a record rate, and as developing nations approach and enter the takeoff stage in economic growth, the gap between demand and supply of food in those nations will widen unless food aid is provided. This is a transitional stage. It is a fortunate fact of history that, because this great need abroad comes at a time when we must adjust American agriculture to its tremendous increase in productivity, we find in Public Law 480 an approach to the solution of both of these problems. As long

as these two problems exist side by side, abandonment of our food-for-peace program is, I submit, unthinkable.

The pattern of growth that projects a doubling of the world's population by the year 2000 calls upon the developing nations to do all they can to help themselves, and it calls upon the more developed nations to give them tangible support as they try to improve their capabilities. Public Law 480 is a positive expression of that support. I should like to emphasize that we are directing more and more of our programs under Public Law 480 along channels that do more than simply feed the hungry—along channels that promote economic growth and enhance the ability of those receiving assistance to provide for themselves. Commodities that otherwise would have been surpluses in American stockpiles are being transformed into capital investments that will return rich dividends in the future.

Other prosperous, highly industrialized nations are today beginning to realize that it is also their responsibility as well as in their own interest to share in this effort. Those prosperous nations that produce food in excess of their needs are exploring ways by which they can engage in programs involving food assistance. Agricultural importing nations, whose prosperity is based on industry, can be asked to do their share by assuring to American agricultural commodities a fair share of expanding commercial markets.

By reenacting the Agricultural Trade Development and Assistance Act of 1954 we can thus continue and enhance one of our Nation's most successful and effective programs for the development of international commercial trade both now and in the years ahead, a program for economic benefits at home and for constructive implementation of a foreign policy directed toward security and peace.

Thank you, Mr. Chairman.

Mr. POAGE. Thank you very much, Mr. Secretary. We do appreciate your good review of this program. As I said a moment ago, I think that we all recognize that there have been great benefits that have come from this program, but I think that we ought to recognize as we have had experience with these programs that we have run into some things which should be changed. You have suggested some changes you think should be made. I know some of the members have some changes in mind that should be made, that is, that they think should be made.

I have myself long been thinking about what seems to me to be an inconsistency that has developed in the use of grants. I had thought that they were not to be continued and have personally hoped that they would not be continued, that is, the practice of making grants of a part of the price for these commodities. For instance, in the Indian grants, as you know, we made a grant of 42.5 percent of the price for the commodity. And I have noticed in some of these recent agreements, small agreements and small grants, that 15 to 20 percent, I believe, was the maximum. To my mind that is in direct conflict with the law which provides that those commodities must be sold at world market prices. The reason for that provision of the law was to prevent breaking the world price. I think you will agree that one of the greatest needs for the present day is to raise farm prices the world over.

Certainly, these developing countries have nothing to sell in most instances, except primary products, that is, agricultural and mineral

products, and to the extent that the price of these commodities can be raised, their living standards can be raised. To me, it is the simplest way and the soundest way of raising the living standards of the world, to raise the price of their primary products, both from the United States and from Latin America, from India, from the islands of the Pacific, from Africa, and from everywhere else.

Yet when we sell products at less than the world price we break that world price. And as I see it we are then defeating the very thing that we want to accomplish. Would you not give us the views of the Department on this matter of the making of grants? Certainly, if we sell cotton at the world price and then make a grant of 30 percent of the sale price we simply have sold that cotton at a price 30 percent less than the world price, have we not?

Secretary FREEMAN. I think that there are two segments to that question. First, I would say, Mr. Chairman, that I am familiar with your—and that of many members of the Congress—feeling in connection with grants. And as you kindly stated the volume and the amount of the grants has significantly decreased.

Mr. POAGE. Yes. We understood that they were going to decrease—period—that they would stop.

Secretary FREEMAN. I will get to the question. Basically, I agree with you that we have sought to minimize grants, and they have been cut significantly. I think, however, that we need to go to each of these programs on a country-by-country basis in connection with the economics of that country, of its agriculture, of its needs and also of the overall political situation with regard to that country at a given time and place. All of these factors enter into it.

I would only say that we seek to eliminate grants, other things being equal. We have moved strongly in that direction, but I do think that in some instances that grants have been necessary, and I think in some instances a minimum grant bill in all likelihood continue to be necessary.

Mr. POAGE. Mr. Secretary, the Congress passed the law, and it seems to me that if there were emergency conditions that made it—that made a grant necessary, that you should make it under title II. That is what the law intended. The law set up a way to make gifts to people. But it did not set it up so as to make those gifts as a part of a commercial transaction that would reduce the world price.

Secretary FREEMAN. I think, as a practical matter now, there are really two subjects here, perhaps. I think that the commodity in question is sold to that country and moves into the trade of that country at the world price. The grant of the currency, which is subsequent to it, is a part of the development program in the given country. And as such I do not think it has the effect of decreasing the commercial price of the market. This is the economic development or political phase, rather than the agricultural market price phase. And the commodity does move and is sold at world prices pursuant to law.

Mr. POAGE. I do not follow that. I may be completely wrong, but I just cannot follow it. Suppose that you come in and offer to sell me some calves and you price them at 25 cents, and you tell me at the time, "If you buy these calves, I will give you back cash of 5 cents pound on them." And I want them, and I get those calves at 20 cents. I do not care what the records show. I am not paying 25 cents, but 20 cents. And that is all I will figure that the calves cost me.

If you give me back 5 cents a pound on those calves as quickly as I have sold them, you have sold them for 20 cents. It is a rebate, or whatever you want to call it.

We consider it illegal in private deals in the United States. We say that that is an unfair trade practice when some private corporation does it here at home. Why is it any better when the U.S. Government does it abroad?

Secretary FREEMAN. Well, I think perhaps the analogy is perhaps pertinent. And I know that the chairman will pass on his savings to the consumer.

Mr. POAGE. Not me.

Secretary FREEMAN. Not you?

Mr. POAGE. Not me. [Laughter.]

The Chairman would not do anything of the kind. I will figure that I got those calves below the market and I will figure that I am going to make an excess profit on those calves. And I do not see why these other countries do not see it the same way on this.

Secretary FREEMAN. I do not really think so. And you have been in the countries and you are an expert on this program and I certainly am impressed by your observations. I must say, in all honesty, that mine would indicate that the country in question, particularly a country that in most of these instances which by definition is an undeveloped country, struggling to expand, will sell those commodities at the world price. And the grant in question will be funneled into a use which we hope and seek to negotiate and supervise and influence which will contribute on a grant basis to something totally unrelated to, perhaps, the commodity in question and to its sales price.

Mr. POAGE. If there is some purpose for which we should make a grant—if there is some reason why we should give country A extra money or make them a grant—make them a gift—if there is some reason for that, then why should not we make it as a gift and charge them the full price of the commodity—then make them a gift entirely apart from these transactions? I understand full well that this committee provided ways to give away these commodities—to give them to people where there has been some kind of catastrophe that made it impossible for them to buy. I do not want to belabor the point, but it seems to me that we are using the wrong method of making our gift, and that we are doing it clearly in a way that Congress did not intend. Maybe other members did intend to do that. I am only speaking for myself.

Are there questions from other members of the committee?

Mr. Jones?

Mr. JONES of Missouri. Thank you, Mr. Chairman.

Mr. Secretary, my main objection to the way in which this program has been administered is the fact that we have in effect permitted the recipient nation to make the terms of the transaction. I think in many instances we did not protect the U.S. Government to enable it to take the full political advantage, as you mentioned with reference to politics a minute ago. I recall when this program started that the chairman and some of the members of this subcommittee were in South America, and we were rather amazed at that time at the lack of information on the part, not only of the public in those countries, but of the people in Government there as to Public Law 480, its program, which was being put into effect, and there seems to be a

reluctance on the part of those in charge of the program to receive the full recognition of what the U.S. Government was doing.

I support the chairman in his views that in these grants, after we have made the sale for the foreign currency, in many cases we wind up with the control over only about 10 to 15 percent of the total amount of the foreign funds that are involved.

I am not criticizing the Department of Agriculture for that as much as I am the State Department and what has apparently been the policy of our Government.

It seems that in carrying on all of these programs we have attempted—and I think successfully but with what I think is a wrong approach—in that we have left the impression with these countries that in extending this aid we overemphasized the fact that there was no obligation on the part of that Government to reciprocate, either in kind or by acknowledgement of the generosity of this country.

I think that too often we have tried to assume that Public Law 480 was evolved mainly for the purpose of disposing of surplus commodities. I think we have lost sight of the opportunity of requiring some recognition on the part of the recipient country that we were expecting them, at least, to cooperate in the distribution of these commodities and funds.

As a member of this committee, and as a member of the Interparliamentary Union, we have had an opportunity to visit with representatives of other nations who have been recipients, and I have been very much irritated—I will put it that way—with the fact that so many of these recipient countries have been critical of the fact that we had not been as generous as we might have been; and, also, with the fact that maybe in some instances we were trying to require those countries to make some adjustment in their basic policies, land reform, and that type of change, in order to see to it that the commodities that we sent there actually went to the final recipient, rather than to be retained by someone in charge of the Government who would make an additional profit off of that.

Mr. POAGE. Will you yield at that point?

Mr. COOLEY. That is a very good statement.

Mr. POAGE. I want to ask you to yield there. I would like to mention an instance where I happened to be sitting between delegates at the IPU meeting from Latin American countries, on each side of me, and across the table also, and one of them said to me, "I wish that you would quit giving us aid or, at least, if you are going to give us aid that you would follow every dollar and see that it is spent as you intended." Everyone around there seemed to give consent and approval to the statement that we should follow every dollar until it is spent.

Mr. JONES of Missouri. I think that we have been made patsies in many of these countries due to the fact—and I think that we have lost the respect of many of these nations, because of our position, the fact that we have not required certain things to be done; in other words, I speak only for Paul Jones now, but I am not in favor of extending any kind of help, either through the sale, or gift, or anything else, program, to people who do not feel some commitment to the United States of America and the taxpayers who are footing this bill.

In your testimony you mentioned the amount of money that was spent in different places. You mentioned the dependent housing for

the Armed Forces, totaling \$133 million; and then there was another—

Secretary FREEMAN. \$850 million—

Mr. JONES of Missouri (continuing). \$850 million?

Secretary FREEMAN. That's for other uses.

Mr. JONES of Missouri. And when you add those two together we come up with less than \$1 billion which would mean that we are actually receiving less than 10 cents on the dollar for the dollars that we are putting out. I feel like we are entitled to more than that.

There was a suggestion made at one time—and I am sure that the reason that it was not implemented was because some of the foreign nations said, "Well, now, we are not going to agree for that money to be used for that"—it was suggested here at one time that we make these foreign currencies available through the State Department, or any other agency of Government to tourists who go to those countries to use those funds—that would be one of the purposes that would be recognized for the use of those funds. And there are other ways that we could be using more of these funds for the benefit of the United States.

I think that in the final analysis the recipient countries would have a whole lot more respect for us if we did require some things along that line. I will not take up any more time of the committee, but I wanted to get that off my chest as to some of the things I feel that have not been carried on. At least, some of the people on this committee feel they have not been as it should have been.

Secretary FREEMAN. Might I mention, Mr. Chairman, in response to Congressman Jones' statement that I think there is a good deal of merit in what he has had to say. He said earlier in his remarks that the emphasis had been one of surplus disposal in many places—and in many places this program had gotten a kind of label as if we were doing this because we had to, and it was a favor to us and, in effect, in the terms of their receiving it. I think that this has sharply changed in recent years. I know that in my case, having been in at least a dozen of these countries and having held press conferences in them, I have without exception made the statement that if anybody thinks that they are doing the United States a favor by being a recipient under Public Law 480, why, they had better get straightened around, because this is something that comes from the American taxpayer, "and if you do not want this, you just say so and we will stop it right now." And I think that there is a much broader realization, plus the fact, I think, that the program has been so important to so many countries that a recognition of that fact and a resulting appreciation and a strengthening of the position of our country, and the democracy in those countries has been forthcoming. And so I will only answer to say that I think we are making progress along the lines you have outlined.

Mr. JONES of Missouri. Thank you.

Mr. POAGE. Mr. Dague, do you have any questions?

Mr. DAGUE. I have no questions, thank you.

Mr. POAGE. Mr. McIntire?

Mr. MCINTIRE. Secretary, I appreciate your statement and response to Mr. Poage as to an improvement in this program and how we use title II for grants. Do you feel that the transaction itself is based on current market prices?

Secretary FREEMAN. That is right.

Mr. McINTIRE. And that the use of these funds takes on a different purpose in context than simply a rebate on the price in the transaction?

Secretary FREEMAN. That is right.

Mr. McINTIRE. Then is it appropriate to draw from that statement that these uses are for economic development, and to the extent to which they also are a matter of foreign relations—that they—

Secretary FREEMAN. Yes.

Mr. McINTIRE (continuing). That they come within the broader term of the political situation?

Secretary FREEMAN. Yes.

Mr. McINTIRE. That this is by far the predominating idea that these grants are made under title I?

Secretary FREEMAN. Yes.

Mr. McINTIRE. Then this gets right over into the area of foreign aid as we have experienced it down through the years, where we have made considerable loans and grants through our foreign aid program, administered under the AID for economic development. If that is the case, I should like to call your attention to an amendment that I offered, H.R. 6932, on which the Comptroller General reported under date of June 25, 1963, in which letter the Comptroller General stated that they had no comments to offer with respect to its merits or recommendation regarding its enactment. That is in the last paragraph. He also stated, "the subject matter of the bill relates to matters of policy primarily for determination by the Congress."

Would you comment perhaps on this—

Secretary FREEMAN. I will comment on it.

Mr. McINTIRE. Would you comment on that amendment?

Secretary FREEMAN. If I understand, Congressman McIntire, this would be a question of whether this ought to be financed through the Department of Agriculture or through AID or in a separate appropriation. That was it, as I recall the amendment.

Mr. McINTIRE. Pardon me, Mr. Secretary, it stated, "and no foreign currencies shall be made available for grants pursuant to subsection (e), except in such amounts as may be specified from time to time in appropriation acts for foreign assistance."

What I am searching for here in this amendment, predicated on the basis which you outlined that these grants are, in effect, grants within the area of foreign assistance, rather than in the context of title I in Public Law 480. My purpose in introducing this bill was to get these matters before the committee and before the Congress, to get some views as to why these grants should not be subject to appropriation action, and why they should not be counted as appropriate items authorized under the foreign aid program. I am simply pointing out that here is a vehicle that would put these forms of assistance under some appropriation provision and a necessary discipline and it would also designate them being precisely what you have said they are.

Secretary FREEMAN. Let me answer that by saying that it is, I think, impossible to split off a part of this program which I believe strongly ought to be administered in the last analysis in close cooperation, but nonetheless ought to be administered by the Department of Agriculture, because it is intimately related and tied in (a) to domestic American agriculture in terms of the commodities, their availabilities and

what is going to be beneficial to our domestic agriculture; and (b) is going to be determined in the light of international agriculture and some real know-how in connection with the agriculture of the receiving country and its effect upon other agriculture; in other words, this is basically in terms of a program intimately tied into American agriculture and American commodities. And so far as the grants, which are a minimum part of it, they play a relatively small part.

The AID part of it is really in title II which is involved with a close working relationship with AID in the direct economic development project, but where title I is concerned, as to minimum grants, I do not see how we could operate a program in which this part was split off. I think it would limit us very severely in terms of the effectiveness of the program, both where domestic agriculture is concerned and also the receiving country.

Mr. McINTIRE. I should like to have a report on this. You would not favor this amendment?

Secretary FREEMAN. Yes.

Mr. McINTIRE. Let me ask one further question, Mr. Chairman, which is brief. On page 10 of the statement, Mr. Secretary, you state:

We are proposing an amendment that would permit payments for services and supplies at discharge ports in these currencies instead of dollars.

First let me ask: When these shipments arrive at the port of entry in the recipient country, are we paying the costs on those commodities at the present time?

Secretary FREEMAN. Yes.

Mr. McINTIRE. Our commitment is on a delivered basis—it is on the dock, you might say and we are paying the transportation costs, et cetera?

Secretary FREEMAN. Let me see if I can state this. Mr. Eskildsen, who is administering the program, can correct me if I am in error a little bit in the detail—it is my understanding that when we ship in American bottoms there are certain costs incurred at the port of discharge which are included in the rate that we pay. We also absorb the difference between the American bottom and the foreign bottom. The cost equal to the foreign bottom is repaid to us in soft currency. If we ship in foreign bottoms we do not pay those charges and it is up to the receiving country all the way down. As it now stands, when we ship in American bottoms the cost of the discharge, let us say, is paid by the United States and has been paid in dollars, rather than in soft currencies. And the proposed amendment would make it possible that this would be paid in soft currency funds in the receiving country. Is that right?

Mr. ESKILDSEN. Yes.

Mr. McINTIRE. The reason why you are paying this in dollars on the American ships, is owing to the fact that ocean freight includes the unloading?

Mr. ESKILDSEN. Mr. McIntire, it is a question of financing by the Commodity Credit Corporation in dollars for the U.S.-flag ship that the Secretary referred to. The part that this amendment devotes itself to is that part of the cost which takes place in the foreign port and thereby presumably could be handled by the payment of local currencies. What we are trying to do is to get in a position where we can ask those costs be picked up in local currency. These have to do

only with the port costs, bunkering, some of the unloading costs, not with the cost of the freight itself. This would be, under the amendment proposed, handled wherever possible by the use of local currencies, rather than by having them financed by the Commodity Credit Corporation.

Mr. McINTIRE. The arrangement by which you now pay the transportation, by which you now pay the overage in transportation costs on American bottoms, does that include the unloading and is this by statute or is this by administrative determination?

Mr. ESKILDSEN. I would like to run through this very quickly; that is, the system which is used in carrying out the cargo preference act which is part of the problem here. In carrying out the cargo preference act we require that 50 percent, at least, of the commodities move in the U.S. bottoms. These bottoms, normally, cost more than the world market price for ocean freight. So we devised an arrangement whereby, up to the world market price, the shipping would be paid to us, just as for the commodities, in the form of the currency of the country to which we are sending it. There is a gap between that amount and the total cost of American shipping which is paid directly by the Commodity Credit Corporation. This amendment does not address itself to that differential. It addresses itself to the port costs which are paid by the shipowners moving into foreign ports and which could, we believe, in many cases be paid for in local currency, thereby making it unnecessary for the Commodity Credit Corporation to finance that part of the costs with dollars.

Secretary FREEMAN. Your question still has not been answered. I think the answer is that as the law now stands we are not able to change the negotiations to get refunded in dollars for this payment, and even though we get refunded for this amount of the payment in soft currencies, that does not meet this problem. However, if we could provide for that segment of it—if the law would facilitate our use of soft currencies, we could then provide for that payment of that segment in soft currencies. In other words, at present it does not specifically help us accomplish this use.

Mr. McINTIRE. If I may pursue that further, what you are telling us is that in an agreement on this you make delivery in a foreign bottom, that is, if you do, that the recipient country pays the freight?

Secretary FREEMAN. Right.

Mr. McINTIRE. In an agreement in which you are obligated by the law, at least, to make part of the shipment in American bottoms and the Commodity Credit Corporation is subsidizing the differential between the foreign bottom rate of freight and the American bottom rate of freight?

Secretary FREEMAN. That is correct.

Mr. McINTIRE. Delivered and discharged?

Secretary FREEMAN. That is correct.

Mr. McINTIRE. In both instances?

Secretary FREEMAN. That is correct.

Mr. McINTIRE. What your amendment would propose to do is to permit negotiation of the discharge costs to be paid in local currency?

Secretary FREEMAN. That is right.

Mr. McINTIRE. In the recipient country?

Secretary FREEMAN. That is exactly right.

Mr. McINTIRE. And the law does not permit you to negotiate that at the present time?

Secretary FREEMAN. Mr. Eskildsen indicates that it could be done. And your next question is why is it not being done. And it would be mine, too.

Mr. ESKILDSEN. We have made an effort to negotiate these arrangements, but possibly because of the experiences we have had in the past in doing it otherwise it has been difficult to reach those agreements. It is our feeling that if the Congress would give attention to this particular point and would give us support on it we would be in a better position to negotiate having these costs paid in local currency.

Mr. McINTIRE. Do you mean to tell me that in negotiating an agreement with a recipient country in which we already hold outstanding soft currency that you cannot negotiate that way under the law—that you cannot negotiate some of those soft currencies which we already have credited to our account so they can be used to pay for stevedoring and for unloading and port costs?

Mr. ESKILDSEN. I would not say that we would be completely unsuccessful. I would think that this amendment would give us some support in this respect. I think we would still succeed in some cases, but we would like to succeed in a lot of cases, in all cases, in fact, where it would be to our advantage.

Mr. McINTIRE. The thing that bothers me here is that this is another opportunity to make these commodities less expensive to the recipient country. How much farther must we go? We are going to have to use something in appropriations and authorization for these funds. How much farther do we have to go?

Mr. ESKILDSEN. The purpose of the amendment is to accomplish this with respect to these particular kinds of costs. This is the purpose of it.

Mr. McINTIRE. The present trouble is that the United States picks up the tab.

Mr. ESKILDSEN. The purpose of it is to give us a facility, the facility to use foreign currencies, rather than U.S. financing to pay for some of these port costs. This is the simple purpose of the amendment.

Mr. McINTIRE. I will not prolong the discussion, Mr. Chairman, but it seems to me that already you can do that. I would like to have the counsel of the Department point out the limitation in the law which says that this cannot be negotiated right now.

Secretary FREEMAN. We will do that, Mr. McIntire. I will look into it further myself. I want to say that the practice has grown up for a number of reasons where this has been paid to our shipping companies in dollars. We, by this amendment, will be in a better position to pay it with the soft currencies. I think that we can probably in many cases negotiate it, but this will strengthen our position, and we just ask for a clear statement of congressional intent in that regard which will make it easier to accomplish that goal.

Mr. McINTIRE. Thank you.

(The information referred to follows:)

There is no provision in Public Law 480 or related statutes which would prevent using foreign currencies to pay U.S. vessels for that part of the ocean freight costs which consists of foreign port charges. However, in accordance with the normal established commercial practice of the private trade, U.S. vessels in the past have used U.S. dollars in paying these charges and have in turn been paid under Public Law 480 in dollars. The foreign port charges involved are not

usually the stevedoring costs of unloading but instead consist of a number of other foreign port costs including tugboat services, piloting services, local agency fees, taxes, bunkering, wharfage, launch hire, lightering, lightening, etc. This amendment would give legislative support for the change in policy.

Mr. POAGE. I want to change a little bit the order of recognition. The chairman of the full committee is with us today, and I recognize Mr. Cooley.

Mr. COOLEY. I thank you very much, Mr. Chairman. I would like for the Secretary to give us some more specific information about how the barter system has worked. You mentioned it in your statement. I should like to know if in a comparison with a year ago or 2 years ago it is greater in volume or smaller in volume—just what it is?

Secretary FREEMAN. I am happy to report that the volume of barter is significantly up; that we expect in this year it will reach close to \$200 million which is almost as high as it has ever been. As you know, there has been a redirection of the program, because the strategic materials that provided the main barter item in the main part have reached a level where we no longer need them. There was a somewhat lengthy review that involved all segments of our Government with which you are familiar. And then there was the issuance of a new streamlined policy in connection with the emphasizing of off-shore procurement where we were not as active, I think, as we should have been before, and I think that the volume that we project now is close to \$200 million a year in barter, and a much more active barter program than has been the case in the past year.

Mr. COOLEY. In the operation of the barter program we have acquired strategic materials which are worth more now than they were at the time that they were acquired. I believe that you showed that we have made a profit. They have been put into storage, and they have gone up in value since we received them. I believe that we have received more return in cash value under the barter program than by any other program we have which is provided for in this law. If that is true, it seems to me that you could well expand rather than limit this. If you get something of value in exchange for surplus commodities it seems to me that is a good program. The Congress has approved this time and time again, you know.

Secretary FREEMAN. We have been working very hard on this. The volume of barter has ranged from 1955 through 1963 from a high of \$350 million, in 1956, when we were in a position of need, where some critical minerals, especially were concerned, to a low of \$39 million in 1963 which was during the period of revising and revamping the program, to a projected 1964 level of \$123 million which is a sharp increase. And our barter program has been very active these last 6 months.

Mr. COOLEY. As I say, that is a sharp increase over 1963, but 1963 was way down.

Secretary FREEMAN. But you see, I have given the figure of \$200 million which is higher than we have had, except for the 3 initial years, when we were procuring heavily for stockpiling. So we are going to be higher in barter this year than we have been any year since 1958.

Mr. COOLEY. Thank you. That is all.

Mr. POAGE. Mr. Hoeven?

Mr. HOEVEN. Mr. Secretary, I appreciate the progress report you have given us on Public Law 480. It has proven to be a rather popular program and is showing some results. This law has had bipartisan support ever since its inception during the 83d Congress.

Secretary FREEMAN. Yes, it has.

Mr. HOEVEN. I note that you are asking for a 5-year extension of title I and title II, instead of the present 3-year program. Why do you want a 5-year program?

Secretary FREEMAN. Basically because we have found in these programs that a leadtime in connection with them is really quite important, because they do involve the implementing of the programs that take some period of time, and the 3-year period, while it was a period under which we think we operated effectively, a 5-year period would make for a greater continuity of planning and operation than we could under this other basis.

Mr. HOEVEN. I share the concern expressed by Chairman Poage and Mr. Jones and Mr. McIntire regarding some phases of the program. I believe Congress should have the opportunity to review the entire program periodically without extending the life of the program for a longer time. I am not convinced there should be a 5-year extension. Your proposed amendment regarding payment of unloading costs has merit. And as far as I am concerned, the recipients should be required to pay the unloading costs.

Secretary FREEMAN. I agree.

Mr. HOEVEN. Now, Mr. Secretary, I am a bit puzzled about your request for a title II authorization of \$450 million per year. Has the Budget Bureau approved this?

Secretary FREEMAN. Yes, sir.

Mr. HOEVEN. Well, then, how do you explain the item in the President's budget for the fiscal year ending June 30, 1965, in which he only asks for \$264 million for the fiscal year 1964?

Secretary FREEMAN. I think, Mr. Hoeven—

Mr. HOEVEN. Apparently you are asking for \$206 million more than the President has requested in his budget.

Secretary FREEMAN. This question is very appropriate and timely. It reflects the problems I have at the time as well as in the overlap of authorization and expenditure. The amount in the budget is the expenditure. I think that you have in mind an expenditure figure. The amount that we ask here is an authorization figure. And the level for fiscal year 1964 was \$264 million. The authorization—

Mr. HOEVEN. Recommended for fiscal 1965.

Secretary FREEMAN. Recommended for 1965—which would be the level in this instance that we feel would actually be shipped during that fiscal year. This is a calendar year authorization. And we are dealing in the budget, of course, with a fiscal year expenditure figure. But I think, Mr. Hoeven, that they are not inconsistent.

Mr. HOEVEN. When did the Budget Bureau Director approve your \$450 million authorization request?

Secretary FREEMAN. This was approved within the last week.

Mr. HOEVEN. Within the last week?

Secretary FREEMAN. Yes.

Mr. HOEVEN. Do you mean to say it is not covered in the budget?

Secretary FREEMAN. Oh, yes. I think that current shipments would be covered in the budget under the appropriation, under the NOA—

new obligational authority—figure of the budget. However, under the expenditure figure for a current fiscal year in the budget, the new maximum programing authorization for a calendar year would not be shown.

Mr. HOEVEN. I refer you to the budget figures fiscal year 1965, page 82 under the heading, "Food for Peace," Public Law 480, title II, 1963, \$216 million; 1964, estimated \$246 million; 1965 estimated \$244 million. And new obligation, authority for 1965, \$265 million. It seems to me that you are asking for about \$206 million more than the President has requested.

Secretary FREEMAN. Well, I do not have the budget before me, but I would like to see it, if I may.

Mr. HOEVEN. Yes, you may. Here is my copy.

Mr. ESKILDSEN. I would be glad to try to give you what I think is the explanation for this.

Mr. HOEVEN. I would like to have the matter clarified, because I think it is important.

Mr. ESKILDSEN. I think this might be useful when the witness from AID, who administers title II comes up. But I believe that I can give you a general explanation of it which is factual.

The authorization for title II that you have before you is a 5-year program. It is also a maximum figure. As you can see from the facts the proposal is going from \$300 million to \$450 million. There is an intention to extend this program.

The budget figures you referred to, sir, are figures that reflect the actual movement of the commodities in any given year. Actually, the authorization under which one-half of fiscal 1965 would take place, if the authorization is current, would extend to December 31, 1964, and the figure here really reflects the movement of commodities. The figure that is before you in the extension of Public Law 480 has to do with the program maximum annually for the period ahead, so that you do have to equate these in terms of what actually happens under these programs as they go forward.

Mr. HOEVEN. You mean to say that the budget does not present the accurate figures?

Mr. ESKILDSEN. No; they reflect an accurate picture, but they reflect the picture that is always behind in time. The programing figure which is before you, in the extension of Public Law 480, is the reason for the difference.

Mr. HOEVEN. If I am not mistaken the Appropriations Committee will be guided by the budget requests—isn't that true?

Mr. ESKILDSEN. So far as the actual appropriation is concerned.

Mr. HOEVEN. And if you thereafter need more money you will have to ask for a supplemental appropriation will you not?

Mr. ESKILDSEN. Actually—

Mr. QUIE. I think that under this, actually, the Appropriations Committee would be bypassed—it would be by way of the back door, because this bill would permit money to be expended, and you would borrow from the Treasury.

Mr. ESKILDSEN. Actually—

Mr. QUIE. For the so-called spending.

Secretary FREEMAN. Setting the outside limits. The projects that you are speaking of—now I have this before me—I think that Mr. Eskildsen said, Mr. Hoeven, that the projection for fiscal 1965 is in

the level of \$264 million and an estimated expenditure level of \$244 million. To me this authorization would be a maximum that could be expended which we then would operate under, but the budget projection in this instance is the best that we can estimate as to shipments currently under these programs—the level set forth in the budget.

Mr. HOEVEN. Do you agree with Mr. Quie that this would be a back-door spending operation and that you would bypass the Appropriations Committee?

Secretary FREEMAN. This program from the very beginning has never been such an operation. I think that the term "back-door spending" carries with it unfortunate semantic overtones. Let us just say that this whole program, because of its nature, because of the great variations that we have to deal with and this complexity has been one where larger limits have been set by way of authorization in this committee. And the financing has subsequently been handled as it has under other agricultural programs, including our price support programs, in dairy and other things, through the Commodity Credit Corporation, based upon what the situation is, because of the many variations. It is very conceivable that there would be differences in these estimates based upon accidents of weather, or heavier or less heavy production, and amounts of surpluses that would be available—all of these contingencies enter in which cannot be sharply measured. And so a long time ago in these programs, and in this one, Congress in its wisdom set some broad authorizations, and within those we operate.

Mr. POAGE. Will you yield?

Mr. HOEVEN. I yield.

Mr. POAGE. I might make this observation as to back door spending. As I see this under Public Law 480, the Congress made the appropriation to the Commodity Credit Corporation to purchase these commodities. It is not back door spending there, because the Appropriations Committee appropriates whatever money is necessary to provide the capital stock for the Commodity Credit Corporation. Congress authorizes that, and this committee is the one that authorizes the purchase of these commodities by the Commodity Credit Corporation. Having purchased the commodities it seems to me that there is no further question of legislative appropriation. The Congress authorized the appropriation. The Appropriations Committee provided the money for the purchase. The commodities were purchased. This committee then authorized the transfer of one commodity into another commodity, and in some cases that other commodity is foreign currency. It may be in lira, it may be in rupees. It is the currency of all of these countries with whom we deal.

My feeling on the matter is that having authorized the transfer of wheat for rupees, for instance, that there is no appropriation necessary. We have authorized some of these commodities to be transferred as Mr. Cooley suggested under the barter sections of the bill. Nobody contends that the Appropriations Committee has to appropriate the grain or anything else under that program. If an appropriation is not necessary for a transfer of wheat for diamonds, why should it be necessary when we transfer wheat for rupees? Actually it is not. The Appropriations Committee does not claim that this first transfer requires an appropriation nor does it claim that it requires

an appropriation to transfer the diamonds. Why should it require an appropriation to transfer the rupees which were acquired in the same manner? To my mind, the Appropriations Committee is going far beyond its proper function in trying to control the handling of these commodities. And these currencies are commodities. They are not dollars. And under our basic system, they cannot be appropriated. The Appropriations Committee had no authority to appropriate anything except U.S. dollars out of the Treasury of the United States. It cannot appropriate anywhere else.

The only place it can appropriate is out of the Treasury of the United States. These currencies are not in the Treasury of the United States. They never have been and they cannot get there. They are not in the Treasury of the United States. The Appropriations Committee has no more right to appropriate them, as I see it, than it has to appropriate wheat out of the warehouses in Minneapolis, or cotton out of the warehouses in Houston, Tex.

Mr. HOEVEN. I will not take any more time, Mr. Secretary. I assume the President wants you to adhere to his budget requests. It seems to me that you are asking for \$206 million more than the President requested in his budget. This will have to be explained to the Congress. That is all I have to say.

Secretary FREEMAN. I would like to have the record show that the Congressman has not properly stated the situation, but we probably disagree on that.

Mr. HOEVEN. Does the gentleman question the accuracy of my figures?

Secretary FREEMAN. Yes, sir.

Mr. HOEVEN. You have the budget before you and the figures speak for themselves.

Secretary FREEMAN. I question, Congressman Hoeven, in this instance because I think—and I beg your pardon—that you are comparing apples and oranges, and I speak with all due respect.

Mr. HOEVEN. I am not concerned about apples and oranges. I am talking about \$206 million of the taxpayers' money.

Secretary FREEMAN. It is the difference between an authorization which projects a program which will run for a significant period of time, about which there are great variations and an estimate in terms of the particular fiscal year, and as such they do not represent identical items at all. And the conclusion of the budget implications that you draw I do not believe is quite fair or accurate.

Mr. HOEVEN. But, Mr. Secretary, with all due respect to your views, you do not deny the fact that in your statement you are asking for \$450 million per year for 5 years?

Secretary FREEMAN. That is correct.

Mr. HOEVEN. You do not deny the fact that in the President's budget he asks for only \$244 million for fiscal year 1964, with new obligation authority of \$264 million?

Secretary FREEMAN. This is the Presidential—

Mr. HOEVEN. That is a fact; is it not?

Secretary FREEMAN. Yes.

Mr. HOEVEN. All right. The difference between \$450 million in your request and the President's request of \$244 million is \$206 million.

Secretary FREEMAN. That is correct.

Mr. HOEVEN. The President is not asking for that amount.

Secretary FREEMAN. But the difference, Congressman, is that the one is an authorization in connection with this committee, and the long-term program with which you are familiar, and the other is a specific budgetary amount that is set forth this year, and as such we are talking about different things. We are asking for \$450 million a year for a 5-year program on title II. The expectation is the prediction of expenditures as set down in the President's budget. And I am sure that it will be adhered to. The figures we are projecting here is by way of overall authorization and is one that runs through a period significantly longer than the budget submitted that you drew my attention to. And that is why I say that you are comparing apples and oranges.

Mr. HOEVEN. This is a matter which you and the Budget Director will have to work out.

Secretary FREEMAN. Thank you.

Mr. HOEVEN. That is all.

Mr. POAGE. Mr. Matthews?

Mr. MATTHEWS. Mr. Chairman, and Mr. Secretary, I want to thank you for your statement. As usual it is articulate and informative and it is encouraging.

There is just one facet of this program, Mr. Chairman, that I am going to ask about and that is, if you will just make a brief observation about it, because it may be extraneous to this. The question is, Could you give us just a brief statement about similar Public Law 480 programs in other countries?

Secretary FREEMAN. I would want to check it. I know of no other country that has a program similar to this, Congressman Matthews. The world food program under the auspices of the Food and Agriculture Organization of the United Nations is launched on a 3-year program which has some similarity, not in terms of title I, but in terms of title II by way of economic development projects, child and school feeding, and emergency relief, using food, with contributions to \$100 million total program from some 60 different countries, including the United States.

Mr. MATTHEWS. Specifically, take a country like France, would France have some kind of a program that has some similarity to Public Law 480?

Secretary FREEMAN. To my best knowledge France has no program comparable to Public Law 480.

Mr. MATTHEWS. In other words, this program of ours is still, you might say, a rather unique program?

Secretary FREEMAN. This program of ours is a unique program. And as I indicated in the closing part of my statement, it is one that other nations, many of whom are moving into a surplus producing potential position, we believe should join with us. And some of the pioneering in this is being done under the world food program and in my judgment it will lead to that in the future. I think that in the future we will see, by many countries, an increased use of food accomplishing the same dual purposes that we have enjoyed here.

You might note also, in terms of our commercial markets in those nations that are importing nations and also prosperous that we feel should join with us in some of these programs, that one of the ways that they can is by fair arrangements, so that we may enjoy reasonable competitive access to the markets.

Mr. MATTHEWS. Thank you very much, Mr. Secretary.

Mr. POAGE. Thank you. I must call on members of the subcommittee before I call on our visitors.

Mr. Harding?

Mr. HARDING. Mr. Secretary, you point out, under title II, "we recommend that the authorization be increased to \$450 million per year for the requested 5-year period." But just above that, under title I, I cannot ascertain just what will be the annual increase in the authorization of title I. Could you spell that out for us further?

Secretary FREEMAN. Yes; I would be happy to put a breakdown of this in the record and will do so. To summarize here, the program level under title I, the shipments for this year is about \$1.8 billion, and this amount appropriated here, together with the carryover and the carry-in that we have, which gives us some flexibility, together with the repayment that we will receive from selling soft currency to other parts of the Government, say, to the State Department, will total out to a figure which, over the 5-year period when added to the \$7.1 billion will have a yearly level operation of about \$1.8 billion. The total, I think, is about \$9 billion total.

Mr. HARDING. So that it is roughly about \$2 billion increase?

Secretary FREEMAN. It will be about \$1.8 billion a year. That is not an increase. That is maintaining the current level, but some countries will be phased out pursuant to the direction of this committee. We have been moving on a commodity basis from title I to title IV as you set the standards and the policies that you have directed us to administer.

(The information requested follows:)

	<i>Millions</i>
Annual rate agreements to be signed, projected 1965-69.....	\$1, 800
Basis of authorization:	
1. Restoration of Dec. 31, 1961 carryover (approximate).....	400
2. Reimbursements estimated from foreign currency sales and dollar loan repayments.....	1, 000
3. Estimated remainder of current authorization.....	500
New authorization required.....	7, 100
Total authorization 1965-69 (estimated).....	9, 000

Mr. HARDING. Mr. Secretary, like Mr. Matthews, I want to thank you for your fine statement. I believe that your statement on page 13 that the abandonment of the food-for-peace program would be unthinkable is hardly a strong enough statement. I think that any cut in the food-for-peace program under our present conditions of overproduction and large surpluses in agricultural commodities would be unthinkable. Everywhere that I go in my district I find that my constituents want an expansion of the food-for-peace program to replace some of the dollar foreign aid program. I believe that you have presented an outstanding statement that is in line with the thinking of my constituents in Idaho.

I compliment you for this outstanding statement.

Secretary FREEMAN. Thank you.

Mr. POAGE. I thank you, Mr. Harding.

Mr. Stubblefield?

Mr. STUBBLEFIELD. I have no questions.

Mr. POAGE. Mr. Matsunaga?

Mr. MATSUNAGA. Mr. Secretary, I too would like to add my commendation for your fine statement.

Referring to page 10 of your statement, I would like to pursue what Mr. Hoeven was asking about, relative to your recommendation for the payment of services at the discharge ports in local currency. What is the estimated amount that would be saved in American dollars by this?

Mr. ESKILDSEN. I am afraid that I will have to give you a figure for the record later on. I would not have that with me at the moment.

Mr. MATSUNAGA. You have no figure?

Secretary FREEMAN. May we submit a figure for the record and send you a copy of it? We just do not know that figure offhand. I am sorry.

(The information referred to follows:)

Since local port costs vary for each type of vessel in every port of the world an estimate of the amount spent in foreign ports will be rather rough. However, a figure of around \$5 million per year could be considered realistic.

Mr. ESKILDSEN. I might say that a very, very rough estimate would put it in the order of magnitude of \$5 million.

Mr. MATSUNAGA. This would help our deficit in the balance-of-payments problem?

Secretary FREEMAN. Yes, sir; it would.

Mr. MATSUNAGA. Relative to the \$450 million which you are requesting—an increase of \$150 million per annum over what you are now getting for title II—is any part of it operational, or is it for the purpose of purchasing of different grains and commodities? Is any part of this going to be for operating expenses under title II; and if so, what percentage of it?

Secretary FREEMAN. The only part of it that would be operational would be the ocean shipping costs. The administration of it would not be provided for under that authorization. This runs to the commodities and the value of the commodities. And under the shipping preference the payments for shipping preferences. Otherwise, it would not be operational. There could be some for the processing of wheat into bulgur or that kind of thing—butter into butter oil, but only as it related to the commodity itself.

Mr. MATSUNAGA. Thank you.

Mr. POAGE. Thank you, Mr. Matsunaga.

Mr. Quie?

Mr. QUIE. Mr. Secretary, to better understand the questioning as to shipping costs, let us say that it costs \$16 a ton to ship grain in a foreign bottom, and there is a \$1 cost for unloading, and in this instance the recipient country pays the whole \$17 for that?

Secretary FREEMAN. Yes.

Mr. QUIE. When it is shipped in foreign ships?

Secretary FREEMAN. Yes.

Mr. QUIE. If an American bottom is used it will cost \$20 to ship it, for example, and also a dollar for unloading. Does the foreign country to pay \$16 for the shipping and we pay \$4 extra to the American shipping firm?

Secretary FREEMAN. That is correct, but we get the \$16 in soft currency.

Mr. QUIE. How about the dollar for unloading expense—do we also pay that dollar for unloading?

Secretary FREEMAN. That is correct, but we receive back foreign currency for that too.

Mr. QUIE. In other words, this means that when we ship in American bottoms the cost to the recipient country is \$16, using this example, while when we use foreign bottoms it is \$17 for the shipping and the unloading cost.

Mr. ESKILDSEN. I think that I can lead you through this. It is a little complicated. If the figures were the right figures that you are using—

Mr. QUIE. This is just an example. They are not the correct figures, of course.

Mr. ESKILDSEN. In the example of \$16 for the world market price for shipping, the additional \$4 for the U.S. shipping, on the U.S. movement, if we were able to finance the foreign port costs with foreign currencies we have on hand rather than with the dollar which is used by the vessel operator to buy foreign currency, we would then save the extra dollar in financing. This would be the effect of this kind of an operation.

Mr. QUIE. You have lost me.

Mr. ESKILDSEN. I am sorry. This is complicated. The effect of it is that we would use less dollars to finance the shipping and, presumably, if they use their own currency to pay for these costs, we would not get it back in terms of the local currency again, either, but it would reduce our amount of Commodity Credit Corporation financing.

Mr. QUIE. Let us not talk about what you are proposing; let us talk about what is happening right now.

Mr. ESKILDSEN. What is happening right now is this, that in the example that you have given us, the \$16 is given back to us in the form of the currency of the country. We pay outright for the \$4 difference between the world market price for shipping and the U.S.-flag ship costs and receive nothing back.

Mr. QUIE. We would also pay for the unloading cost when American bottoms are used?

Mr. ESKILDSEN. It would be part of the shipping cost, yes, but for which we are reimbursed in foreign currency.

We finance that unloading cost with dollars and receive back foreign currency.

Mr. QUIE. So that the recipient country has a little bit less cost to them in American bottoms when they are used, than when foreign bottoms are used and for that reason they really have no objection to the use of American bottoms, they would prefer the American bottoms.

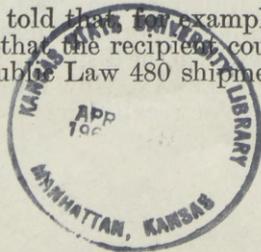
Mr. ESKILDSEN. Could we put in a statement on this point for the record to make it perfectly clear?

Mr. QUIE. I would like to have that, using the dollar-and-cents example rather than the philosophy.

Mr. ESKILDSEN. I think that we can do that.

Secretary FREEMAN. I am a little confused on it myself. I learned a little bit this morning about it.

Mr. QUIE. Many people have been told that, for example, as to the Russian wheat deal, that the reason that the recipient countries proposed to use American bottoms in Public Law 480 shipments, is that



actually they get a little better deal than in the foreign bottoms. If this is true or not, I do not know. Actually, it is the same in both cases or it is not.

Secretary FREEMAN. Let us check on a hypothetical instance and put it in the record.

(The information referred to follows:)

Using the hypothetical rates which were quoted above: if the U.S.-flag vessel rate was \$21 per ton, including \$1 foreign port charges, and the foreign-flag vessel rate was \$17 per ton, including \$1 foreign port costs, the foreign government would be required to deposit its currency equivalent to \$17 per ton shipped on the U.S. vessel, so that the foreign port costs would be presumed to be included in both rates.

The advantage to the importing country in the use of U.S. vessels is that they can repay in their own currency, whereas if foreign-flag vessels are used they may not have enough of their own vessels and thereby have to pay in foreign exchange to hire those of other countries. The foreign exchange used is usually as difficult for their balance-of-payments situation as to pay in dollars, but for the freight rates are lower on non-U.S. vessels. However, when they can get us to pay dollars for shipments on U.S. vessels and reimburse us only for the foreign vessel rate and in their own currencies, they have both advantages, the lower rate and no foreign cost.

Mr. QUIE. Then my next question is to follow up the question that I asked a while ago in regard to back-door spending, you mention on page 6 of your statement:

During 1963 exports of American farm products under Public Law 480 totaled \$1.6 billion, the highest annual level since the program began.

Is this figure in world market prices, support level prices, support level prices plus cost to the Department of Agriculture, or the market price at the time?

Secretary FREEMAN. The \$1.6 billion you mentioned is a figure for export market value.

Mr. QUIE. That is the Commodity Credit Corporation costs?

Secretary FREEMAN. No. It is at the world price.

Mr. QUIE. It is at the world price?

Secretary FREEMAN. World price.

Mr. QUIE. Then under title I, in the budget the President indicated a substantial saving. As I recall, it was \$528 million. I may not be correct in that figure. But it is in that vicinity. Where does the saving come from? I understand that the savings would be because the wheat that now goes out is therefore a budgetary figure, of the cost to the Commodity Credit Corporation, and that the cost would be down by moving just as much food as you had before, but if you are basing it on the world market price I do not see that where the savings would come from.

Secretary FREEMAN. I will need to check this, but I think that the figures used in the budget of Commodity Credit Corporation cost figures reflecting our Government cost figures. The figures used at that particular point in this testimony, which are more meaningful as they relate to the real substance here, are world price, which is a more meaningful figure.

Mr. QUIE. Then we come back again to the question of Mr. Hoeven, if the \$244 million, as the President indicated in his budget, are Commodity Credit Corporation figures, and the \$450 million are world market prices, then the disparity is even greater.

Secretary FREEMAN. Now wait a minute.

Mr. QUIE. You recall that?

Secretary FREEMAN. I just said that these figures are world market prices.

Mr. QUIE. Throughout the whole statement or just that one figure?

Mr. ESKILDSEN. If we could leave the \$1.6 billion for a moment and deal with the other, the Secretary mentioned that the level is now \$1.8 million. This is at the Commodity Credit Corporation cost. The \$450 million authorization under title II that Congressman Hoeven referred to is also at Commodity Credit Corporation cost. The figures in the budget are Commodity Credit Corporation costs. It is possible to state these figures also in world market prices. I think that if you just drop out that one figure, which is on a different basis, we will have comparable figures. Let us put it that way.

Mr. QUIE. In other words, only one figure in your statement is based on world market prices?

Mr. ESKILDSEN. The \$1.6 billion. The rest of the figures we have been talking about here are all as Commodity Credit Corporation costs.

Mr. QUIE. Then also to try to get this thing in context, on page 11 of your statement, with respect to the various amounts of money in the various titles, under title I, \$10 billion, under title II, \$1 billion—are you using 10-year figures or are you using something else? You mentioned one place a 10-year figure, but not for the remaining titles.

Secretary FREEMAN. These are overall figures from the inception of the program.

Mr. QUIE. That is for 10 years since 1954?

Secretary FREEMAN. Yes, at world market levels for agreements signed. That is a question of programing, many times programing ahead, contracts signed ahead, deliveries may take 18 months and in the meantime sometimes there are contract adjustments. So just jumping from one situation to another it can be very confusing.

Mr. QUIE. Then my last question—for example, if the loan level has dropped to \$1.25 a bushel on wheat, would the Commodity Credit Corporation cost be the new loan level, even though the wheat was secured by the Commodity Credit Corporation at a level closer to \$2 a bushel?

Secretary FREEMAN. Yes, the figure which we have here would envisage a continuation of the program at the current level. And that is included in the \$7.1 billion projected figure.

Mr. QUIE. All of these then are based on 1964?

Secretary FREEMAN. Yes, sir, for the first year, but after that on the basis of permanent legislation now in existence.

Mr. QUIE. As the law presently requires?

Secretary FREEMAN. Yes, correct. Whether the wheat bill that is before this Congress goes through or not, unless it is a different one than the administration has recommended, we would still have the same situation in regard to the market price of wheat.

Mr. QUIE. And that is about \$1.30 a bushel?

Secretary FREEMAN. Yes, for the 1964 crop, but under the existing law the wheat price basis in the program is assumed to go back up to the fiscal 1964 level in the budget after the first year.

Mr. QUIE. Thank you.

Mr. POAGE. Thank you, Mr. Quie.

Before I recognize you, Mr. Findley, may I ask a question of the committee and for that we will go off the record.

(Discussion off the record.)

Mr. POAGE. Back on the record.

Now, Mr. Findley, we will be glad to hear from you.

Mr. FINDLEY. Mr. Secretary, one of the subsections in title I refers to the tourist dollar amendment. We have a gold outflow problem in the United States. And one of the reasons for this problem has been the spending by U.S. tourists abroad. I am wondering why it is that this subsection as to the tourist dollar authority has not been utilized fully in negotiating your agreements. This would be one way that we could help the gold problem. We could get the U.S. tourist to change his dollars for the U.S.-owned foreign currency and that would help.

Secretary FREEMAN. It would.

Mr. FINDLEY. Could we utilize this subsection to a fuller extent?

Secretary FREEMAN. This is a matter that is taken into consideration in the various negotiations, as you know, which are conducted by a cross section of the various operating departments within the Government, and it relates to the problems of the country in question and its dollar position as well as our own.

Mr. FINDLEY. Since this was enacted in 1961 the United States has concluded several agreements with Communist Yugoslavia under Public Law 480, title I. U.S. tourists spend about \$3 million a year in Yugoslavia. Has this tourist-dollar subsection been utilized in Yugoslavia?

Secretary FREEMAN. I do not believe so.

Mr. FINDLEY. You do not know whether it has?

Secretary FREEMAN. I do not think so; I say no.

Mr. FINDLEY. Can you imagine why we would defer to the currency problems of a Communist country and their local needs when we have such a pressing gold outflow problem ourselves?

Secretary FREEMAN. This has been a rather complicated problem. One of the things we have accomplished with both Poland and Yugoslavia has been a very significant increase in the amount of commercial dollar trade. And the problem in that connection, of course, is if they are going to buy from us for dollars, they have got to have dollars to pay for the commodities. And some of those dollars have come from the tourists, the tourist activity. And so on balance, particularly when there have been very limited amounts, we have felt that we would benefit commercially and dollarwise more in pushing in the direction of insisting on their buying substantial amounts of agricultural commodities for dollars, and this has been involved in the question of the application of the most-favored-nation treatment and other things with which you are familiar. And so on balance we felt that our dollar position was improved in following this direction, rather than the one which has been a matter of sensitive negotiation. And in the long run we think it would cost us dollars.

Mr. FINDLEY. Would you have any objection to an amendment to Public Law 480 which would require that the tourist dollar section be one of the authorized uses for currencies by the United States under these agreements?

Secretary FREEMAN. It could be negotiated out as you have pointed out. I would oppose an effort to make it mandatory for the reasons I have given.

Mr. FINDLEY. You would oppose it?

Secretary FREEMAN. That it should be mandatory. Any place that we can save dollars on our balance-of-payments problem, I can assure you that we are pushing hard to do it, because of the difficult and critical dollar position, but as in this instance, let me just give you a hypothetical example which is very possible. Recently, we have negotiated Public Law 480 with Poland. It is for \$90 million. This arrangement involves \$60 million of sales for dollars and only \$30 million sales under Public Law 480 which will also be repaid in dollars over a 40-year period.

Mr. FINDLEY. What percentage of the local currency is required under this?

Secretary FREEMAN. All of it.

Mr. FINDLEY. The entire amount?

Secretary FREEMAN. The entire amount.

Mr. FINDLEY. Is it a part of it?

Secretary FREEMAN. That is the entire amount that would be repaid—the entire amount is for dollars.

Mr. FINDLEY. The tourist dollar feature is a part of that agreement—is that included?

Secretary FREEMAN. No. Tourist dollars are not a part of it. I was using this as a hypothetical example. Let us assume that the tourist dollar which has presented special difficulties in negotiations, precluded the closing of the agreement, which would mean that \$60 million, and suppose that the tourist dollars involved were \$3 million. Well, obviously, we would rather have \$60 million than \$3 million.

I want to assure you that we are negotiating all of these, looking toward trying to strengthen this critical balance-of-payments situation with which all of us are deeply concerned, a problem which the Presidential Committee has worked on, and there have been very stern directives in connection with it which have been followed.

Mr. FINDLEY. Mr. Secretary, I assume that soybean oil will continue to be a part of the Public Law 480 program in the future, will it not?

Secretary FREEMAN. Yes, sir.

Mr. FINDLEY. Was this a part of your discussion on February 10 in Illinois as to the soybean situation—

Secretary FREEMAN. I cannot say.

Mr. FINDLEY (continuing). Under Public Law 480?

Secretary FREEMAN. I cannot say that it was a part of it. I do not understand the question.

Mr. FINDLEY. This clipping was a news report on your speech in Illinois. I thought that you might be interested in it. It was reporting on your speech to the Soybean Association in the State of Illinois.

Secretary FREEMAN. Pardon me—to the Soybean Producers Association?

Mr. FINDLEY. Right, in which you refer to me as the hatchetman for the Republican Party.

Secretary FREEMAN. That is a fair title, do you not think, sir?

Mr. FINDLEY. I want to be able to prove it, because it is quite a high position. [Laughter.]

Secretary FREEMAN. I think you have earned it.

Mr. FINDLEY. You stated in that speech, according to this report that I have been selected as the hatchetman to twist and distort figures, to help the Republican Party. "This man has been selected"—this is a direct quote—"he admits being the hatchetman of the Republican Party."

Now, I am curious as to your source of information. Where did I admit being the hatchetman of the Republican Party?

Secretary FREEMAN. To that extent the statement is not a direct quote. I never said that you admitted it. I think that you would be too modest and enjoy too much the position of a politician to do so, but I think that the facts speak for themselves.

Mr. FINDLEY. Can you tell me where I attacked the integrity of the Department of Agriculture?

Secretary FREEMAN. You have questioned figures again and again which had a very direct impact upon certain people who have made reports, people of long standing.

Mr. FINDLEY. You were speaking that day about a letter which I sent to you on February 8, the full text of which I have here. I did not question the integrity of anyone. I simply brought to light a criticism brought by one section of your own Department against another section, so if there was any questioning of integrity it was by your own Department, not myself.

Secretary FREEMAN. Let me just say that if you do not question the integrity of the Department's witnesses, why the statement as issued and as interpreted was one which was read by the Secretary as questioning their integrity, and many other statements, which have indicated that you felt—you so stated—that the figures were juggled to get certain results, and that some of them have been the product of people who have been issuing similar statements, some of which have been in support of programs, some of which have been derogatory to them. And I, very frankly, wanted to bring up the thought that you had been very loose in your criticisms and your use of figures, that you have jockeyed them around for political purposes without much regard to their validity.

Mr. FINDLEY. You make serious charges.

Mr. POAGE. The chair has been very patient and has allowed a wide latitude in questions but this discussion has absolutely nothing to do with the Public Law 480, which is the subject of this hearing. I do not want to cut anybody off, because we are rather liberal with our interpretation of relevancy, but I cannot see the relevancy of this. I can understand why you and the Secretary may have grounds for a discussion, but I cannot see what it has to do with the hearing that is before us.

Mr. FINDLEY. Mr. Chairman, he has made serious charges.

Mr. POAGE. I understand.

Mr. FINDLEY. I am sure that you will agree to that. He made serious charges in Illinois without backing them up. I have this letter and—

Mr. POAGE. What has it to do with Public Law 480, the subject of this hearing? I can understand that you might very well seek to get

into a newspaper debate in Illinois, but why keep the members of this committee here when we have assembled for the purpose of going into a hearing on Public Law 480. You come to this committee—and you are always welcome—we are delighted to have you ask for any information or to express any thoughts, or to ask any questions you have on the subject before this committee, but this committee is not investigating your relationship with the Secretary. It is not concerned with that, but if you have anything relevant on Public Law 480, the committee will be delighted to extend you time to participate in the discussion on the subject before the committee. However, I think that in all fairness to those committee members who are giving their time to the matter before us, that it should be pointed out that not a single one of the members of your side of the House who are members of this subcommittee have remained in the room to hear you. The members on the majority side are here for the purpose of considering the legislation before us. If you cannot get one Republican member of the subcommittee to hear you, why should the other members stay here to give you a forum to engage in a private debate which has nothing to do with Public Law 480?

Mr. FINDLEY. I could summarize my views very briefly. I would simply like to state that there was nothing in my statement which was inaccurate. I know of nothing that I have ever said that justifies such charges. And I would like then for him to detail his charges in the record so I can refute them.

Mr. POAGE. Now the chairman will ask that nothing of that kind be put in the record. You can put it in any other kind of report that you want, but this is a record relating to Public Law 480, and unless your discussion is relevant I do not see why you should come to this hearing and ask to get in the record. You cannot come in here as a cuckoo and lay your eggs in this basket.

Mr. FINDLEY. I have been called the hatchetman, and now a cuckoo bird, so it would be quite a challenge to an artist to paint my picture. My comments are relevant, because I am a member of the Agricultural Committee, because Mr. Freeman heads the Agricultural Department and because he made serious charges against me. That is the reason I brought up the topic.

Mr. POAGE. While I again want to say that you are welcome, you are not a member of this subcommittee. You have not, as a member of this subcommittee, been maligned in any way; that is, as a member of this subcommittee nothing has happened to you. This is the Foreign Agricultural Subcommittee which is meeting here this morning to consider a specific subject matter. I am sure that you went to church the day before yesterday, and you did not raise the question there in that meeting. I think your discussion would have been about as much in order there as it is here.

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

Mr. JONES of Missouri. Inasmuch as all of the members of the subcommittee have left and we have work on the floor of the House, I would suggest that we adjourn.

Mr. POAGE. I would like to have you withhold that motion so that we may hear Mr. Dole. If he has anything that relates to Public Law 480—

Mr. DOLE. I want to get some tables.

Mr. JONES of Missouri. I will withhold it.

Mr. DOLE. Do you have figures on sales of different types of wheat under title I, Public Law 480—do you have a table on that?

Secretary FREEMAN. Yes.

Mr. DOLE. With reference to the statement on page 8 about the 44 U.S. trade associations and the like, could we have a breakdown of these associations?

Secretary FREEMAN. Yes.

Mr. DOLE. Could we have that?

Secretary FREEMAN. Yes; we will be glad to furnish that—we will be very happy to make that available for the record.

(The information referred to follows:)

The Department was faced with a new situation following the passage of Public Law 480 in 1954 to put into operation the provision "to help develop new markets for U.S. agricultural commodities on a mutually benefiting basis." This endeavor was to be carried out in many countries, with varying cultural and economic backgrounds and wide differences in marketing systems.

One of the initial decisions was to carry out the foreign market development program by working principally through agricultural trade organizations operating on a commodity basis, so that the program would be closely associated with representatives of those actually selling agricultural commodities. This decision brought other resources into the program from private contributions and also focused the attention of these groups, many of which had little or no export experience, on the potential foreign markets for their products.

In an effort also to bring into the program the knowledge and financial resources of those firms and groups overseas which process and distribute U.S. agricultural products, and to overcome possible local resistance to American Government programs in foreign countries, the practice of using local cooperators has been followed in most countries. These groups in the importing countries, working with the U.S. cooperators, have proved to be a valuable addition to the program. Their industry connections and knowledge of local conditions have provided insight and judgment which could not have been obtained only by stationing American technicians abroad.

Attached is a listing of FAS expenditures from inception of the program through June 30, 1963, for all market development cooperator projects. Separate listings are included for each of the 44 active and 39 inactive U.S. cooperators. The table also shows fiscal year 1963 expenditure rates for the active cooperators, and the dates the present active cooperators came into the program.

In total, \$22,448,738 have been expended from FAS funds for joint market development cooperator projects while U.S. and foreign cooperators have contributed a total of \$23,758,761 in cash, goods, and services. In fiscal year 1963, a total of \$5,994,638 in FAS funds were expended for joint cooperator projects. For the same period, the cooperator contributions amounted to \$5,935,864. In addition, \$3,764,142 in FAS funds were expended for trade fairs, trade centers, economic research program operating expenses, and small projects for which cooperators were not available. The total FAS expenditures for 1963 were \$9,758,780.

Wheat: Inspections for export under title I, Public Law 480, by classes and country of destination

JULY 1962-JUNE 1963

[Thousands of bushels]

Country of destination	Hard Red Spring	Hard Red Winter	Soft Red Winter	White	Mixed	Durum	Total
Colombia	132	727		28			887
Ecuador				19			19
Peru				615			615
Bolivia		384					384
Brazil		39,161			920		40,081
Paraguay		1,304					1,304
Poland		13,421	3,210		2,876		19,507
Yugoslavia		28,258	2,534	3,173	6,231		40,196
Greece							
Turkey		11,182	1,877	944			14,003
Cyprus							
Sudan	1,138						1,138
Iran	43	4,376					4,419
Israel		7,803					7,803
India		91,472		39,447			130,919
Pakistan	189	28,877		19,552			48,618
Korea		13,081		9,489			22,570
Taiwan (Formosa)		6,829		4,078			10,907
Congo, Republic of							
Tunisia		3,399					3,399
Egypt (United Arab Republic)		16,861	3,655	5,371	755		26,642
Total	1,502	267,135	11,276	82,716	10,782		373,411
Colombia							
Ecuador							
Peru							
Bolivia							
Brazil		13,502					13,502
Paraguay		798					798
Poland		2,639					2,639
Yugoslavia	196	1,706					1,902
Greece		1,261					1,261
Turkey		4,946	354		372		5,672
Cyprus		377					377
Sudan		1,248					1,248
Iran							
Israel		4,904					4,904
India		66,876	371	20,765			88,012
Pakistan	153	29,579		10,705			40,437
Korea		6,650		4,865			11,515
Taiwan (Formosa)		2,233		2,819			5,052
Congo, Republic of	37						37
Tunisia							
Egypt (United Arab Republic)		16,305	2,176				18,481
Total	386	153,024	2,901	39,154	372		195,837

Source: Grain and Feed Division, FAS, Feb. 19, 1964.

Total expenditures of active cooperators—Includes active and inactive projects of each cooperator

	Date of 1st project	Fiscal year 1963 expenditures	Total FAS expenditures
1. American Guernsey Cattle Club	Feb. 24, 1959	\$587	\$1, 126
2. American Jersey Cattle Club	Mar. 22, 1961	2, 144	9, 583
3. American Soybean Association	Apr. 3, 1956	107, 271	677, 383
4. Brown Swiss Cattle Breeders Association	Nov. 21, 1957	1, 246	6, 167
5. California Prune Advisory Board	June 11, 1957	100, 684	305, 653
6. California Raisin Advisory Board	May 15, 1957	98, 746	189, 471
7. American Angus Association	Feb. 8, 1962	8, 504	8, 504
8. Cotton Council International	May 23, 1955	1, 023, 625	5, 647, 601
9. Cranberry Institute	Dec. 8, 1960	16, 887	21, 576
10. Dairy Society, International	Mar. 27, 1956	86, 633	655, 447
11. Dried Fruit Association of California	Feb. 8, 1961	846	1, 833
12. Florida Citrus Commission	July 9, 1957	82, 988	351, 079
13. Great Plains Wheat	Oct. 5, 1959	734, 519	2, 065, 323
14. Holstein-Friesian Association of America	Sept. 27, 1956	3, 213	27, 496
15. Institute of American Poultry Industry	Sept. 1, 1956	531, 890	1, 337, 265
16. International Brangus Breeders	Apr. 23, 1963	0	0
17. Millers' National Federation	Mar. 21, 1956	989, 640	371, 046
18. National Dry Bean Council, Inc.	May 29, 1963	0	0
19. National Livestock and Meat Board	Apr. 16, 1962	1, 485	2, 970
20. National Renderers Association	July 5, 1956	56, 992	530, 536
21. Red Cherry Exports, Inc.	Feb. 15, 1962	8, 366	22, 538
22. Soybean Council of America	Feb. 18, 1957	1, 315, 596	3, 146, 291
23. Sunskist Growers, Inc.	Dec. 29, 1959	57, 820	69, 611
24. Tanner's Council of America	Mar. 26, 1963	0	0
25-28. Tobacco Associates, et al.	Jan. 18, 1956	471, 434	2, 694, 020
(a) Leaf Tobacco Exporters Association			
(b) Burley and Dark-Leaf Tobacco Export Association			
(c) Tobacco Associates, Inc.			
(d) Virginia Dark-Fired and Sun-Cured Tobacco Association			
29. U.S. Feed Grains Council	Oct. 1, 1960	508, 018	944, 093
30. U.S. Rice Export Development Association	Aug. 19, 1957	154, 833	256, 935
31. Western Bean Dealers, Inc.	Mar. 1, 1957	13, 528	29, 958
32. Western Wheat Associates and Great Plains Wheat (joint project)			
33-34. National Hide Association and Western States Meat Packers (joint project)	Sept. 2, 1958	349, 866	1, 125, 736
35. National Canners Association ¹	Sept. 15, 1960	74, 176	316, 696
36. American Brahman Breeders Association	Sept. 3, 1963	0	0
37. American Dry Milk Institute ¹	May 22, 1961	7, 568	14, 209
38. American Hereford Association ²	Aug. 20, 1963	0	0
39. American Seed Trade Association ¹	Aug. 11, 1961	0	0
40. Ayrshire Breeders Association	Sept. 27, 1963	0	0
41. Western Wheat Associates	Nov. 19, 1959	0	444
42. Poland China Record Association ²	Nov. 24, 1959	65, 995	193, 657
43. Purebred Dairy Cattle Association		0	0
44. Santa Gertrudis Breeders, International	Sept. 18, 1957	0	865
	May 29, 1961	76	2, 865
Subtotal		5, 975, 166	21, 027, 977

¹ Agreement signed in fiscal year 1964, no billings received as yet.

² Participated only on informal basis and have not spent FAS funds.

TOTAL EXPENDITURES OF INACTIVE COOPERATORS

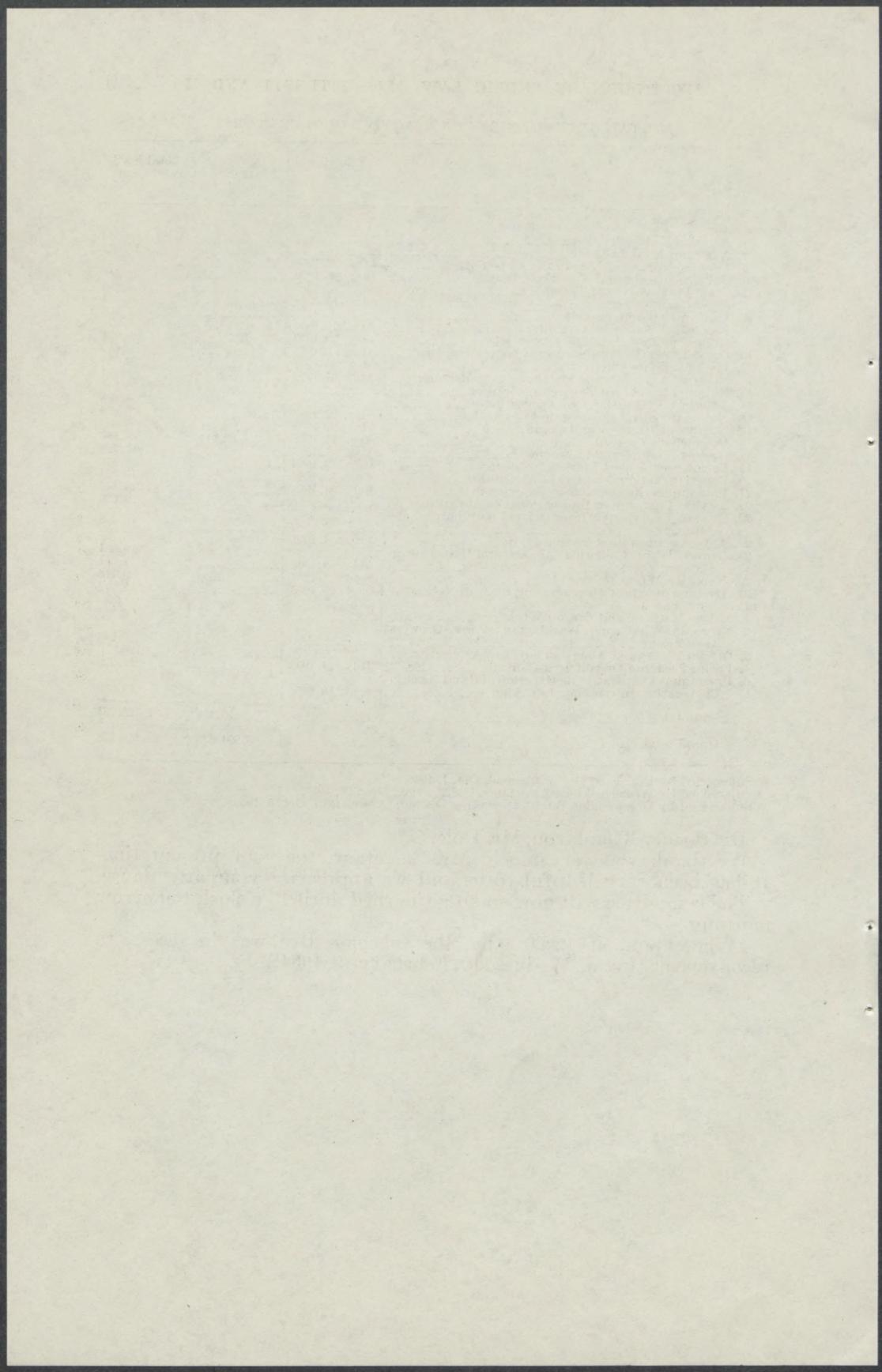
Cooperator:	Effective date	Fiscal year 1963 expenditures	Total FAS expenditure
1. Agrarian University, Peru			\$8,000
2. American Meat Institute			51,632
3. Board of trustees of L.S. Junior University	Jan. 27, 1958		3,339
4. California Grape and Tree Fruit League	June 8, 1959		1,365
5. Cling Peach Advisory Board	Oct. 3, 1957		24,754
6. Department of Tecnico, Inter-American	June 17, 1958		890
7. Eastern Brahman Association			13,174
8. Escutorio Tecnico de Agricultura	Aug. 27, 1957		69,274
9. Grain Sorghums Producers Association ³	July 29, 1959		689
10. Great Lakes Cherry Producers Cooperative, Inc.	Mar. 5, 1960		22,518
11. Michigan State University	May 20, 1957		1,274
12. National Association of Margarine Manufacturers	Apr. 4, 1958		6,048
13. National Cigar Leaf Tobacco Association			8,985
14. American Polled Hereford Association		335	6,670
15. National Federation of Grain Cooperatives	Mar. 27, 1958		8,904
16. Northwest Horticultural Council	Mar. 29, 1958		23,193
17. Oregon Seed Council	Apr. 11, 1958	12,841	613,598
18. Oregon Wheat Growers League ⁴	Mar. 1, 1956		8,346
19. Pacific Seed Export Market Institute	June 13, 1958		10,924
20. Peruvian National College of Agriculture	Apr. 17, 1957		10,378
21. Programa Cooperativo de Experimental	Feb. 4, 1958		2,629
22. Servicio Cooperativo Internacional de Agricultura			
23. Servicio Cooperativo Internacional de productos de Alim			19,868
24. Texas Certified Seed Producers, Inc.	Jan. 4, 1961		9,381
25. University of California Agricultural Experiment Station	May 9, 1960	6,278	1,681
26. Nebraska Wheat Growers ⁵	Sept. 3, 1957		36,118
27. Division of Wheat Development, State of Nebraska	Sept. 29, 1956		15,972
Joint cooperators:			
1. Millers National and Oregon Wheat		18	168,849
2. Nebraska Wheat and Washington Wheat Growers Association			57,918
3. Oregon Wheat and American Soybean Association			190,876
4. Pacific Seed and Oregon Seed Council	July 14, 1959		7,226
5. Programa Cooperativo de Experimental and Servicio Cooperativo Internacional de Alim	Sept. 19, 1958		10,889
Subtotal		19,472	1,420,761
Grand total		5,994,638	22,448,738

³ Superseded by U.S. Feed Grains Council, Oct. 1, 1960.⁴ Superseded by Western Wheat Associates, U.S.A., Inc., Nov. 24, 1959.⁵ Superseded by Great Plains Wheat Marketing Division Association, Oct. 5, 1959.

Mr. POAGE. Thank you, Mr. Dole.

We thank you very much, Mr. Secretary, for your presentation. It has been very helpful to us and we appreciate your attendance. The committee will now stand adjourned until 10 o'clock tomorrow morning.

(Whereupon, at 12:20 p.m., the subcommittee was in recess, to convene at 10 a.m., Wednesday, February 19, 1964.)



EXTENSION OF PUBLIC LAW 480--TITLES I AND II

WEDNESDAY, FEBRUARY 19, 1964

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON FOREIGN AGRICULTURAL OPERATIONS
OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10 a.m., in room 1310, Longworth House Office Building, Washington, D.C., Hon. W. R. Poage (chairman of the subcommittee) presiding.

Present: Representatives Poage, Jones of Missouri, Matthews, Harding, Stubblefield, Matsunaga, Dague, and McIntire.

Also present: Representatives Purcell, Olson, and Quie.

Christine S. Gallagher, clerk; Hyde H. Murray, assistant clerk; John J. Heimburger, counsel; Robert Bruce, assistant counsel; and Martha Hannah, staff.

Mr. POAGE. The subcommittee will please come to order.

We decided yesterday in the subcommittee that the only way that we could proceed and hear the witnesses would be to limit the time of each witness. We have eight witnesses scheduled this morning, with 2 hours' time. The committee is interested in getting to hear everyone, and we suggest that those who present statements spend no more than 7 minutes in presenting their statements. I realize that some of you have prepared statements that will require longer than that time, but if you will not read for more than 7 minutes, you may insert the balance of your statement in the record. That will give us an opportunity for questions by the members of the committee who have pertinent questions on a particular subject. We will not go around the line. We are not going to go down the line asking every member if he wants to ask questions.

Our first witness is our colleague, Mr. Derwinski from Illinois.

We will be pleased to hear from you now.

STATEMENT OF HON. EDWARD J. DERWINSKI, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. DERWINSKI. Mr. Chairman, and members, it is not my purpose to discuss all phases of Public Law 480, except to state that I believe the present law should be extended with the necessary modifications that experience has revealed are practical. It is my purpose to direct your attention to one amendment which I believe should be included in the bill and would be most helpful. That is my proposal that we use our surplus local currencies which have accumulated, specifically, in Poland and Yugoslavia, and make them available to private enterprise farmers on a loan basis, with reasonable terms and credit condi-

tions. The reason for advancing this thought is that in Poland and Yugoslavia, because of the resistance of the farmers to communism, collectivization has not been implemented, although the governments of both of these countries are trying, by economic pressures, to force the farmers into collective farm systems.

It is my suggestion that inasmuch as in both of these countries we have accumulated substantial funds and rarely get permission from the Governments to use them in an effective fashion, and we cannot withdraw them, that we could strike a blow for freedom by making these funds available to the individual citizens, rather than to Communist governments.

As a member of the Foreign Affairs Committee of the House, we are often told that when we propose various restrictions to the foreign aid program, that we are tying the hands of the administrators. In this proposal we would be doing just the opposite. We would be giving them leverage with which to negotiate a better use of accumulated local currencies. Should we offer this type of program and the government of any of these Communist countries turns it down or refuses to accept this proposal, we would demonstrate to the world the fact that we are interested in the people of those countries and that their own governments are not.

This proposal has, I believe, a tremendous psychological possibility in the battle for the minds of men throughout world, and I do not believe that it would be an impediment or restriction in the administration of this act.

I hope that by making this brief presentation calling this to the attention of the committee, that when you enter executive session, this might strike the committee as having great possibility and I therefore present it to you as a point worthy of discussion.

Mr. POAGE. We are very much obliged to you, Mr. Derwinski, for this suggestion. Frankly, I do not know offhand the nature of our agreements, whether the existing agreements would allow this use. If not, I think that we could consider it and if there is not any conflict with what now is outstanding, we could avail ourselves, perhaps, of this suggestion. We will make your entire statement a part of the record at this point.

Mr. DERWINSKI. Thank you, sir.

(The prepared statement of Mr. Derwinski follows:)

STATEMENT OF HON. EDWARD J. DERWINSKI, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

It is not my purpose to discuss all phases of Public Law 480 except to state that I believe the present law should be extended with the necessary modifications that experience has revealed are practical. My purpose in appearing before you this morning is to direct your special attention to one area where a new concept can be added; that is, in the use of foreign currency in countries having a Communist government.

The two Communist countries in which we hold substantial amounts of foreign currency are Poland and Yugoslavia.

On January 14 of this year, I reintroduced a measure, H.R. 9619, which I had previously introduced in the 87th Congress, that would add the following new subsection to section 4:

"(t) For farm improvement loans on reasonable terms and conditions to individuals who own and operate farms in countries having a Communist government where surplus agricultural commodities are sold under this Act; except that foreign currencies shall be available for the purposes of this subsection (in addition to funds otherwise made available for such purposes) only in such amounts as may be specified from time to time in appropriation Acts;"

Since in Poland and Yugoslavia the local currencies we have acquired under Public Law 480 are accumulating—in Poland \$452.5 million and in Yugoslavia \$597.3 million as of June 30, 1963—and the Government is most reluctant to permit effective use of the funds, the inclusion of the language of H.R. 9619 would give the administration flexibility and an effective negotiating tool.

A basic weakness in all Communist countries is the independence of the farmer and their stubbornness to bow to the collectivization of farms.

By offering individual farmers loans on reasonable terms and conditions, we would be supporting free enterprise, thus strengthening their resistance to Communist pressures.

We might well assume that the Communist governments of Poland and Yugoslavia and, for that matter, those of any Soviet satellite in which local currencies might be acquired under Public Law 480, would naturally object to a program of this nature. Yet in so doing, they would be denying their own farmers an opportunity for development and improvement from the oppressed conditions under which they now labor. The world would then see that Communist governments do not have the interest of their own citizens at heart.

I believe this proposal would give our State Department tremendous flexibility and negotiating leverage; would be an effective move by the Congress in the psychological struggle which we must carry on in the face of the international Communist conspiracy, and would demonstrate the interest of the U.S. Government and its people in the individual citizen suffering under a Communist government.

I take sharp issue with continuing aid to Yugoslavia and Poland and any other Communist country, but my proposal is aimed at circumventing the government and reaching the people, thus dramatizing the aid that is obtainable from the United States, in contrast to the inability of their governments to adequately improve their status.

Since aid to Communist governments has been greatly reduced and of late is limited almost entirely to surplus agricultural commodities, while their governments refuse, as I have indicated, to permit practical use of U.S. funds, I believe the inclusion of my proposal in the law will be beneficial to the administration of the bill and provide an effective weapon in the field of diplomacy and the contest for world opinion in support of free world concepts against Communist colonial and imperial practices.

MR. POAGE. If any of the members have specific questions on any specific subject, we will be glad to hear from them, on something that they want to clarify, or to get some information on.

MR. MCINTIRE. I want to express my appreciation to you, Mr. Derwinski. I agree with my colleague, Mr. Poage. I think that we ought to discuss this in executive session and make some inquiry as to the manner of the agreements, which the chairman has mentioned; and, also, to consider moving independently of the Government in following this suggestion. I want to express my appreciation to you for this suggestion.

MR. DERWINSKI. Thank you.

MR. POAGE. I think that we should contact both the Department of Agriculture and the Department of State on this suggestion. One of our problems here, Mr. Derwinski, is that we do not know who to deal with with regard to this. Of course, theoretically we deal with the Department of Agriculture. We know perfectly well that the Department of Agriculture is not in on a great deal of this operation.

Are there representatives from the Department of Agriculture and the Department of State here this morning? I hoped that there would be. Whom do you represent?

FROM THE FLOOR. Department of Agriculture.

MR. POAGE. All right; I wish that you would carry back to the Department the word that we want to go into this, and we want to talk to the Department about this, and to get their views on it.

Thank you very much, Mr. Derwinski.

MR. DERWINSKI. Thank you, Mr. Chairman.

**STATEMENT OF KENNETH D. NADEN, EXECUTIVE VICE PRESIDENT,
NATIONAL COUNCIL OF FARMER COOPERATIVES**

Mr. POAGE. Our next witness is Mr. Kenneth Naden of the National Council of Farmer Cooperatives.

We will be glad and pleased to hear from you now.

Mr. NADEN. Thank you, Mr. Chairman, and gentlemen. I have a short statement which I believe I can read, and keep within the time limits you have mentioned, with no trouble.

I am Kenneth D. Naden, executive vice president of the National Council of Farmer Cooperatives. The national council is a nationwide federation of farmers' business associations engaged in the marketing of agricultural commodities or the purchasing of farm production supplies or both, and of State cooperative councils. The membership includes many of the major federated and regional farmer cooperatives of the country. The organizations making up the council are owned and controlled by farmers as the off-farm departments of their overall farm business operations.

The national council's primary function is to create and maintain a climate in which the individual agricultural producer can operate efficiently and obtain income for his efforts and capital investment commensurate with the income of individuals in other business segments of the economy. Therefore, we have a strong interest in the programs for long-range growth and stabilization of markets, both at home and abroad, for U.S. farm products. We believe that farm income and the national welfare are both improved through sound expansion of international trade.

The attitude of the membership of the National Council of Farmer Cooperatives, with regard to Public Law 480, is expressed in the following policy statement adopted at the 1963 annual meeting:

Public Law 480: The National Council of Farmer Cooperatives recommends—

1. That Public Law 480 (Agricultural Trade Development and Assistance Act of 1954) be continued as a mechanism for aiding exports of farm commodities and that sufficient funds be provided to implement effectively the objectives of the act.
2. That expansion of Public Law 480 funds be based upon activities designed to expand longrun commercial sales and to aid sound economic growth of developing foreign countries. Many developing areas of the world today may be important future markets for U.S. farm products.

In our last testimony on the subject of agricultural trade development before this committee on February 28, 1962, we repeated our steadily held views that our surplus farm commodities can be used as an effective means of promoting economic development throughout the world while at the same time improving income stability for U.S. farmers. The council firmly supports our national commitments to encouragement of economic growth in the developing countries. The main reasons are that the self-interest of the United States is served by political stability and rising income of those countries. Public Law 480 is a unique instrument of foreign economic policy, in that it is a form of foreign aid which leads to market development for commercial sales. We recognize that over one-third of the total U.S. contributions toward world economic growth in 1963 were made possible through the Public Law 480 program. Our agricultural skill and

productivity can assist our farm and general domestic economic position as they stimulate long-term commercial foreign trade.

Members of the National Council are among the foremost export shippers of many farm products. They have been aggressive merchandisers of important dollar-earning products, such as rice, feed grains, soybeans, canned, dried and fresh fruit, poultry, meat, and many others. Many of these cooperatives are participants in the joint industry-Government market development programs which are now in operation under Public Law 480. This type of partnership is a highly desirable and beneficial example of Government-industry cooperation. It has been compared to the marketing orders and agreements programs, in that it represents Government assistance to encourage self-help action. This kind of cooperation should be continued also because of its flexibility to meet different situations, because it encourages farmers to contribute to capital and assume more responsibility for marketing their products. As these projects pay off in rising commercial sales, the U.S. balance of payments is made more favorable and U.S. farm income is strengthened.

We urge that the Department of Agriculture make every effort under section 104(a) to continue to administer the "5 percent market development" funds through commercial or trade organizations on a cooperative or matching fund basis whenever possible. Expenditure of these funds for well-defined specific objectives is much more likely to be effective if exporting firms or groups have invested their own funds in these promotional activities.

In summary, we believe the activities under Public Law 480 should be continued without major revision in concept or method of operation. We approve continuation of about the present level of expenditures. More benefit will result if longer range plans can be projected. Therefore, we urge this committee to approve extension of Public Law 480 for a period of 5 years.

We appreciate this opportunity to express our views.

Mr. POAGE. Thank you, Mr. Naden. We appreciate your presentation. It will be helpful to the committee.

There are no questions. We are very much obliged to you.

STATEMENT OF WALTER A. HASTY, JR., ASSISTANT DIRECTOR OF LEGISLATIVE SERVICE, NATIONAL FARMERS UNION

Mr. POAGE. Our next witness is Mr. Walter Hasty of the National Farmers Union.

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

Mr. HASTY. Thank you, Chairman Poage. I am Walter A. Hasty, Jr., and I am assistant director of legislative services, division of the National Farmers Union.

I sincerely appreciate this opportunity to appear before you today on behalf of the more than 750,000 family-farm members of National Farmers Union.

On behalf of these members who are truly farmers, I urge your support of a 5-year extension of titles I and II of Public Law 480.

You, Mr. Chairman, along with the members of your committee, are due a vote of thanks by farmers and city people alike for the contribution you have made to the utilization of our abundant food and fiber.

The positive concept of using our food abundance as a weapon for peace in a hungry world as contrasted with the concept of a surplus disposal operation has stimulated many significant accomplishments.

We are very pleased that the President and the Secretary of Agriculture have made it clear that they view agricultural abundance as a national blessing and they have and continue to use this abundance under the food-for-peace program in a positive manner.

The program has operated on a substantial basis since 1954 but the short-term extension of the law has severely limited our ability to plan ahead. We have not been able, therefore, to use food and fiber to the extent that we believe possible as a tool for promoting economic growth and development in the many areas of the world where it is badly needed. A 5-year extension is desirable, we believe, because programs can be planned further in advance and commodities moved in a more orderly manner. It will help the underdeveloped countries because they can plan ahead and make much more judicious use of the commodities to feed their population and the foreign currencies generated for economic projects.

We further believe that it is more practicable for the United States and foreign countries to make plans over a longer period of time so that more extensive use can also be made of transportation, storage, and distribution facilities.

We believe most of all, Mr. Chairman, that the merits of the program based on its past accomplishments warrant this 5-year extension.

We, therefore, urge you to give this proposal favorable consideration.

In closing, Mr. Chairman, I want to thank the committee for the leadership that you have given to what has come to be fondly referred to, as the best known food label in the world, food for peace.

Thank you.

Mr. POAGE. Thank you very much, Mr. Hasty. May I summarize basically that you think that we should extend the law, but that the important thing is to give it greater stability with a longer period of extension?

Mr. HASTY. This is correct.

Mr. POAGE. I will say this off the record.

(Discussion off the record.)

Mr. POAGE. On the record.

Are there questions of this witness?

If not, we are very much obliged to you.

Mr. HASTY. Thank you.

Mr. POAGE. Our next witness is Mr. Harry Graham of the National Grange.

Is Mr. Graham with us?

Mr. HEIMBURGER. He does not seem to be here.

Mr. POAGE. We will pass him for the present, and the next witness is Mr. Edward Behre of the Friends Committee.

We will be pleased to hear from you now.

You may proceed.

**STATEMENT OF C. EDWARD BEHRE, FRIENDS COMMITTEE ON
NATIONAL LEGISLATION**

Mr. BEHRE. Mr. Chairman and members of the committee, in order to save time, my name is C. Edward Behre, 2 Gahent Road, Alexandria, Va. May I submit my statement for inclusion in the record and to read only such portions of it that will bring out the proposals that we would like to offer?

Mr. POAGE. Without objection, all of the witnesses will have permission to insert in the record their complete statement and to present it as they desire.

Mr. BEHRE. First, I would like to commend the excellent presentation of the values and the benefits of this legislation which Secretary Freeman gave yesterday. We would like to make five proposals for making this legislation more clearly and effectively an instrument of foreign policy for the promotion of human welfare and world peace.

Our first proposal is to restate the purpose:

Originally this law was directed almost exclusively toward the relief of American agriculture by disposal of agricultural surplus. In recent years the concept of food for peace has been increasingly emphasized. However, the purpose of using our agricultural abundance as an instrument of foreign policy for the promotion of human welfare and world peace can be stated more clearly and without equivocation.

In similar vein, we suggest that the justification for the humanitarian donation provisions of title III should be on a more statesmanlike basis than the present wording. The present wording of section 302 makes it appear that the United States is only interested in barter and donation of agricultural commodities as a means of preventing waste. And we have suggested some wording that might improve that situation.

Our second proposal is to take food out of the cold war.

A world at peace should be the primary objective of civilized man. Almost as important for this objective as the necessity of avoiding nuclear war and achieving disarmament under world law is the urgency of ending the cold war.

What has been done through Public Law 480 in sharing American food with 100 million people in over 100 countries is unparalleled in human history. But it is not an achievement on which the United States can rest with selfish pride and satisfaction. It ought to humble every one of us that God has blessed us with a country rich in land, in power, in technology, in favorable climate, in a large measure of freedom, and in a people characterized by industry and initiative.

While the United States should seek to cherish, nourish, and expand democratic ideas and institutions, is it not high time to cease using food as a weapon in the cold war? When Christians pray, "Give us our daily bread," is it not clear that "us" must refer to all the children of God? As a nation do we choose to flout the New Testament injunction, "If thine enemy hunger, feed him"?

Yet under Public Law 480, use of our agricultural abundance abroad is focused, with only one exception, on "friendly nations." And in two places in the law transactions with the U.S.S.R. and areas dominated by a Communist regime are specifically prohibited.

The Communist part of the world, because of a variety of reasons, tends to be a food deficient area. Part of their trouble is climate, such as recurrent drouth in Siberia and typhoons in China. Part is due to the slowdown in agricultural production as a result of the communization of farms. Part is due to rapidly increasing population. Whatever the cause of food shortages, the people in these countries, including Russia, China, and Cuba, are our fellow men. Many of them are unwilling captives of a totalitarian system. Such regimes should never have an excuse for expansionist policies in order to have access to food. In the elemental need for food, humanity is one family.

The United States has recently recognized, at least indirectly, a moral responsibility in this direction by authorizing the sale of wheat to Russia to ease the current food shortage in that country. Now, by appropriate amendment so that our agricultural abundance may be used to promote the objectives of Public Law 480 anywhere, our country has the opportunity to make clear to the world that we did not take this step away from the cold war solely for monetary reasons, but that we are sincerely interested in people under whatever regime they may live.

The Friends Committee urges that Public Law 480 be carefully edited to eliminate all reference to dealing exclusively with "friendly nations." By the same token, we urge, that section 107 and section 304 (a) and (b), which prohibit dealing with the U.S.S.R. and other Communist dominated areas, be deleted.

Our third proposal is to use foreign currencies to promote FAO and other U.N. programs.

Under section 104 the President may enter agreements with organizations of nations to use foreign currencies accruing under title I of the act for a variety of purposes, many of which parallel purposes and programs of the United Nations, its specialized agencies and affiliated organizations. However, as far as we know, no U.S. contributions for the programs of the Food and Agriculture Organization or other U.N. agencies come out of the currencies generated by title I transactions.

Because the long-range world food outlook is so critical and because the burden of meeting human needs will fall ever more heavily on the United States, it will be increasingly in the national interest, as well as crucial for the general welfare of mankind to improve agricultural production in underdeveloped countries and to encourage better nutrition of people in food-shortage countries. These are objectives toward which the Food and Agricultural Organization is working.

For fiscal 1963 the FAO received from U.S. general appropriations (not from Public Law 480) only \$4,669,000, plus an additional \$1,075,800 for the U.N. expanded technical assistance program. Would it not be in the spirit of the freedom-from-hunger program to increase our contribution to FAO and related U.N. programs by authorizing the President to allocate to them, for use in countries where unused balances exist, some of the foreign currencies generated under title I?

Our fourth proposal is to make titles I and II permanent.

We suggest that it would be in the national interest to assure the world of the sustained intention of the United States to work for

world peace and to play its rightful part in the world struggle against hunger, by making titles I and II of Public Law 480 permanent. This would mean removing time limitations on the applicability of these titles, by deletion of sections 103(b) and 204. It would also require change of language in the first sentence of section 203.

Elimination of section 103(b) would involve removal of the dollar limitation also. We think this is desirable because, according to the report of the Director of Food for Peace, sales under title I in 1962 had already reached the rate implicit in the current dollar limitation. With huge stocks still in storage, we doubt that opportunities for further expansion of the program have been exhausted.

If your committee cannot see its way clear to put titles I and II on a permanent basis, we urge that, as a minimum, they be extended for 5 years with appropriate lifting of the ceiling for sales under title I and reconsideration of the annual dollar limitation in title II, section 203.

We hope that dollar limitations in various subsections of section 104 are also being re-examined to be sure that none of these worthwhile channels for using foreign currencies accrued under title I is crippled by arbitrary limitations established in earlier years.

Our fifth proposal is to authorize payment of internal freight abroad.

At present there is authority in section 203 for payment of ocean freight on commodities transferred under title II or section 416 of the Agricultural Act of 1949. Only in the case of reaching points of entry in landlocked countries is payment of overland transportation abroad authorized.

In principle it is desirable that people, when in a position to do so, make some contribution in effort, money, or work for benefits received, but title II is directed toward two great purposes. One is to respond to great natural disasters such as floods, prolonged drought, typhoons, earthquakes, or other circumstances beyond control. The other is to further economic development in disadvantaged areas of the world. We can conceive of situations of extreme urgency where it might be desirable for the President to have discretionary authority, similar to that which he now has with respect to ocean freight, to cover the cost of transportation to inland points of distribution. This is now done with military aid. Is food for people in distress less important than guns and bombs?

To implement this we suggest inserting in the next to last sentence of section 203, after the words "to designated points of entry abroad," the words "or, in cases of extreme urgency, from U.S. ports to inland points of distribution abroad."

In closing may we say that, as Americans, we are proud of the tremendous and unprecedented contribution which our country has made to human welfare and economic development under Public Law 480. This, we believe, ranks among the world's most notable pieces of humanitarian legislation. We commend the Agriculture Committee and the Congress for its careful study and sponsorship of this legislation over the years.

We believe the recommendations we have made for improving this act merit your sympathetic consideration. We want to feel that the fruits of our country's God-given resources and its productive achievements are put to use wherever needed for human welfare.

I thank you very much for the privilege of appearing here.

Mr. POAGE. Thank you.

(The prepared statement of Mr. Behre follows:)

STATEMENT OF C. EDWARD BEHRE ON BEHALF OF THE FRIENDS COMMITTEE ON NATIONAL LEGISLATION

My name is C. Edward Behre, 2 Gahent Road, Alexandria, Va. I am appearing as a member of the Policy Committee of the Friends Committee on National Legislation to support the revision and extension of Public Law 480, "The Agricultural Trade Development and Assistance Act of 1954." This testimony has been prepared in cooperation with E. Raymond Wilson, executive secretary emeritus of the FCNL, who had expected to testify had the hearings been held last week as originally scheduled.

The Committee on Agriculture is well aware that the Friends Committee on National Legislation does not claim to speak for all Quakers in the United States. Nevertheless, the Friends Committee is widely representative of Friends in this country, and, on the question of maximum use of our agricultural abundance for humanitarian purposes throughout the world, Friends are as nearly united as they are on anything. The FCNL supported the general purposes of this legislation even before Public Law 480 was enacted 10 years ago. On various occasions it has worked strenuously for various amendments which have broadened the application of this act.

We now wish to make five proposals for making this law more clearly and effectively an instrument of foreign policy for the promotion of human welfare and world peace.

I. RESTATE THE PURPOSE

Originally this law was directed almost exclusively toward the relief of American agriculture by disposal of agricultural surplus. In recent years the concept of food for peace has been increasingly emphasized. However, the purpose of using our agricultural abundance as an instrument of foreign policy for the promotion of human welfare and world peace can be stated more clearly and without equivocation.

May we suggest that the title and section 2 be amended to read somewhat as follows:

(Proposed Preamble for Public Law 480)

"AN ACT To use American food and fiber to improve foreign relations of the United States, to relieve human hunger and to promote economic and social development throughout the world, to expand international trade, and for other purposes

*"Be it enacted * * * etc.*

"SEC. 2. It is hereby declared to be the policy of Congress to expand international trade among the United States and other nations; to facilitate the convertibility of currency; to promote the national welfare and the economic stability of American agriculture by making maximum use of American agriculture abundance for the relief of human hunger and the promotion of adequate nutrition, for economic and social development, and for expansion of economic agricultural production in other countries, including its use in furthering the efforts and programs toward these ends of the United Nations, its specialized agencies and affiliated organizations; to purchase strategic materials; to pay United States obligations abroad; and to foster in other ways the foreign policy of the United States.

In similar vein, we suggest that the justification for the humanitarian donation provisions of title III should be on a more statesmanlike basis than the present wording. The present wording of section 302 makes it appear that the United States is only interested in barter and donation of agricultural commodities as a means of preventing waste.

For your consideration we suggest the following:

"SEC. 302. Section 416 of the Agricultural Act of 1949 is amended as follows:

"SEC. 416. Recognizing that current world trends in population and food production present the United States with a unique opportunity and responsibility to use its agricultural abundance and productive capacity for the relief of human distress and to further economic development around the world, the Commodity Credit Corporation is authorized, on such terms and under such regulations as the President may deem in the public interest: (1) upon application, to make agricultural commodities that cannot be disposed of in normal domestic channels

or sold abroad at competitive world prices, whether in private stocks or acquired through price-support operations, available to any Federal agency for use in making payment for commodities not produced in the United States; (2) to barter or exchange such commodities * * * etc." (The remainder of the section would remain unchanged.)

To further strengthen the humanitarian purposes of the act we also suggest deletion of the word "emergency" from the first sentence of section 201. This section is sufficiently qualified without adding the difficulty of construing the meaning or duration of an emergency.

II. TAKE FOOD OUT OF THE COLD WAR

A world at peace should be the primary objective of civilized man. Almost as important for this objective as the necessity of avoiding nuclear war and achieving disarmament under world law is the urgency of ending the cold war.

What has been done through Public Law 480 in sharing American food with 100 million people in over 100 countries is unparalleled in human history. But it is not an achievement on which the United States can rest with selfish pride and satisfaction. It ought to humble every one of us that God has blessed us with a country rich in land, in power, in technology, in favorable climate, in a large measure of freedom, and in a people characterized by industry and initiative.

While the United States should seek to cherish, nourish, and expand democratic ideas and institutions, is it not high time to cease using food as a weapon in the cold war? When Christians pray, "Give us our daily bread," is it not clear that "us" must refer to all the children of God? As a nation do we choose to flout the New Testament injunction, "If thine enemy hunger, feed him"?

Yet under Public Law 480, use of our agricultural abundance abroad is focused, with only one exception, on "friendly nations." And in two places in the law transactions with the U.S.S.R. and areas dominated by a Communist regime are specifically prohibited.

The Communist part of the world, because of a variety of reasons, tends to be a food deficient area. Part of their trouble is climate, such as recurrent drought in Siberia and typhoons in China. Part is due to the slowdown in agricultural production as a result of the communization of farms. Part is due to rapidly increasing population. Whatever the cause of food shortages, the peoples in these countries, including Russia, China, and Cuba, are our fellow men. Many of them are unwilling captives of a totalitarian system. Such regimes should never have an excuse for expansionist policies in order to have access to food. In the elemental need for food, humanity is one family.

The United States has recently recognized, at least indirectly, a moral responsibility in this direction by authorizing the sale of wheat to Russia to ease the current food shortage in that country. Now (by appropriate amendment so that our agricultural abundance may be used to promote the objectives of Public Law 480 anywhere, our country has the opportunity to make clear to the world that we did not take this step away from the cold war solely for monetary reasons, but that we are sincerely interested in people under whatever regime they may live.

The Friends Committee urges that Public Law 480 be carefully edited to eliminate all reference to dealing exclusively with "friendly nations." By the same token, we urge, that section 107 and section 304 (a) and (b), which prohibit dealing with the U.S.S.R. and other Communist-dominated areas, be deleted.

By so doing the Congress would end an arbitrary obstacle to the use of agricultural products for the healing of the nations. Our hearts, our consciences and our tradition tell us that such use, when feasible and appropriate, will be in the best interest of humanity.

III. USE FOREIGN CURRENCIES TO PROMOTE FAO AND OTHER U.N. PROGRAMS

Under section 104 the President may enter agreements with "organizations of nations" to use foreign currencies accruing under title I of the act for a variety of purposes, many of which parallel purposes and programs of the United Nations, its specialized agencies and affiliated organizations. However, as far as we know, no U.S. contributions for the programs of the Food and Agriculture Organization or other U.N. agencies come out of the currencies generated by title I transactions.

Because the long-range world food outlook is so critical and because the burden of meeting human needs will fall ever more heavily on the United States,



it will be increasingly in the national interest, as well as crucial for the general welfare of mankind to improve agricultural production in underdeveloped countries and to encourage better nutrition of people in food-shortage countries. These are objectives toward which the Food and Agriculture Organization is working.

For fiscal 1963 the FAO received from U.S. general appropriations (not from Public Law 480) only \$4,669,000, plus an additional \$1,085,800 for the U.N. expanded technical assistance program. Would it not be in the spirit of the freedom from hunger program to increase our contribution to FAO and related U.N. programs by authorizing the President to allocate to them, for use in countries where unused balances exist, some of the foreign currencies generated under title I?

IV. MAKE TITLES I AND II PERMANENT

We suggest that it would be in the national interest to assure the world of the sustained intention of the United States to work for world peace and to play its rightful part in the world struggle against hunger, by making titles I and II of Public Law 480 permanent. This would mean removing time limitations on the applicability of these titles, by deletion of section 103(b) and section 204. It would also require change of language in the first sentence of section 203.

Elimination of section 103(b) would involve removal of the dollar limitation also. We think this is desirable because, according to the report of the Director of food for peace, sales under title I in 1962 had already reached the rate implicit in the current dollar limitation. With huge stocks still in storage, we doubt that opportunities for further constructive expansion of the program have been exhausted.

If your committee cannot see its way clear to put titles I and II on a permanent basis, we urge that, as a minimum, they be extended for 5 years with appropriate lifting of the ceiling for sales under title I and reconsideration of the annual dollar limitation in title II, section 203.

We hope that dollar limitations in various subsections of section 104 are also being reexamined to be sure that none of these worthwhile channels for using foreign currencies accrued under title I is crippled by arbitrary limitations established in earlier years.

V. AUTHORIZE PAYMENT OF INTERNAL FREIGHT ABROAD

At present there is authority in section 203 for payment of ocean freight on commodities transferred under title II or section 416 of the Agricultural Act of 1949. Only in the case of reaching points of entry in landlocked countries is payment of overland transportation abroad authorized.

In principle it is desirable that people, when in a position to do so, make some contribution in effort, money, or work for benefits received, but title II is directed toward two great purposes. One is to respond to great natural disasters such as floods, prolonged drought, typhoons, earthquakes, or other circumstances beyond control. The other is to further economic development in disadvantaged areas of the world. We can conceive of situations of extreme urgency where it might be desirable for the President to have discretionary authority, similar to that which he now has with respect to ocean freight, to cover the cost of transportation to inland points of distribution. This is now done with military aid. Is food for people in distress less important than guns and bombs?

To implement this we suggest inserting in the next to last sentence of section 203, after the words "to designated points of entry abroad," the words "or, in cases of extreme urgency, from U.S. ports to inland points of distribution abroad."

In closing may we say that, as Americans, we are proud of the tremendous and unprecedented contribution which our country has made to human welfare and economic development under Public Law 480. This, we believe, ranks among the world's most notable pieces of humanitarian legislation. We commend the Agriculture Committee and the Congress for its careful study and sponsorship of this legislation over the years.

We believe the recommendations we have made for improving this act merit your sympathetic consideration. We want to feel sure that the fruits of our country's God-given resources and its productive achievements are put to use wherever needed for human welfare.

Mr. POAGE. May I clarify one of your last statements? Do I understand correctly that point 5 only relates to contributions to be made in the case of emergency or catastrophe?

Mr. BEHRE. Yes.

Mr. POAGE. You do not intend to apply that to normal shipments under title I?

Mr. BEHRE. No; it would be title II or section 416, I believe.

Mr. POAGE. It would only apply when we were sending food or supplies as a result of some national catastrophe, is that right?

Mr. BEHRE. Speaking primarily there might be such an actual situation that would call for going further than we do now to really make our food effective and we are simply suggesting that we have this permission. At the present we have the discretionary authority so that when we have a case, as I understand it, with the ocean freight now, when we need so urgent, that it cannot be done any other way, that the country itself is not in a position to carry the food to the point of distribution, that we carry it there and make it useful.

Mr. POAGE. Is there any country to which we do not pay the ocean freight?

Mr. BEHRE. Sir?

Mr. POAGE. Is there any country to which we do not pay the ocean freight?

I gathered from the testimony yesterday that we did pay the freight to every country—that is what I gathered from the testimony. I want to get straight on this. Is it correct to put it this way—that we pay the difference between the foreign vessel cost and the American vessel costs, plus the unloading costs at the port.

Mr. BEHRE. Well, I am not, of course, an expert on all of these ramifications of this very complex subject, but as I understood the discussion yesterday the question we were talking to was in respect to the difference under title I.

Mr. POAGE. Yes, it was.

Mr. BEHRE. And I think that the difference under title II and title III of voluntary agencies, that all of the ocean freight is covered, not just the differential.

Mr. POAGE. I think that there is a substantial difference. There should be a substantial difference between the treatment of title I and title II shipments. I find no fault with that suggestion, but I was trying to make clear whether you are proposing to confine this to that.

Mr. BEHRE. Titles II and III and not title I. And I believe that you are right that the ocean freight is paid on all of the donations under title II, and title III now. If I am not mistaken, I believe that the wording of the law is such that the President has to make a determination which, probably, has been made.

Mr. POAGE. I think that is correct. The point I am making there is that once you have this authority, and once the President does make this determination, it comes into effect automatically.

Mr. BEHRE. I think that is correct. That is my understanding.

Mr. POAGE. I understand that you are for liberalization of the whole program—you want to remove the limitation. I recognize, too, that you come representing a viewpoint in which you probably feel that we should handle the mechanics, but we have to be concerned with the mechanics of it. The whole philosophy of appropriations in the

Congress, is that this committee can make the authorization and the Appropriations Committee determines the exact amount that is to be expended. I take it that you would wipe that out and that you would for the purpose of handling these commodities eliminate our Appropriations Committee procedure entirely. I am not suggesting that to find fault with your suggestion, but I am trying to get it clear.

Mr. BEHRE. No; I think that you have carried the point I made too far. In the use of the foreign currencies under section 104 in many instances it says in accordance with the Appropriations Act, and we did not suggest removing those. We suggested that whatever limits are best therein dollars be reconsidered, so that if we set a dollar limitation of \$1 million on a particular item, and we did that 3 years ago, that we reconsider whether that is appropriate today.

Mr. POAGE. You simply want to enlarge the authorization?

Mr. BEHRE. Yes. I did say that under title I that we would suggest removing the dollar limitation, because it is our feeling that the opportunity to develop the sale of these commodities for foreign currencies is something which had its own natural limits and that we would go as far as it was feasible and as far as the administrative agencies felt was in disposing of those commodities and not limiting them to whatever it may be, \$2 billion a year, which it may be at the moment.

Mr. POAGE. You would, however, leave the authority to limit it to the Appropriations Committee?

Mr. BEHRE. Under the use of the foreign currencies we think they should be; yes.

Mr. POAGE. Mr. McIntire?

Mr. McINTIRE. One of the problems in connection with the use of these currencies is the fact that the countries from which these accumulations come are countries where the exchange opportunities are almost zero. And your admonition here is that each foreign currency be made available to the United Nations programs. Is it your thought that in the agreements which are made to set down the framework of the operation under title I in a particular country, the funds that are accumulated within that country would be made available for United Nations administration of the programs within that specific country? Or do you have in mind on page 3 of your statement that there would be a pooling of these soft currencies for use by the United Nations?

Mr. BEHRE. That would be what?

Mr. McINTIRE. Would there be a pooling of these currencies for the use of the United Nations?

Mr. BEHRE. Well, in thinking of this point we had a feeling that if it was possible for them to be pooled that it would be desirable, but we limited our statement, as you notice in the next to the last line for use in countries where the unused balances exist. You might pool those to advantage, but I can appreciate that there are real difficulties in having the currencies of one country used in another country which might not be so easy to negotiate.

Mr. McINTIRE. Also, negotiations under title I are country by country. And these agreements are set down in a framework for the use of these currencies within that country—they are so negotiated. Then, in the last line, is it appropriate to conclude then that what you are recommending here is that instead of these funds being handled by a bilateral agreement between the United States and the re-

ipient country, that these currencies be made available to the United Nations agency within that country?

Mr. BEHRE. That is correct. Our feeling is that in many instances, working through the United Nations maybe it is better received than by a bilateral use of the currencies, and we would like to have the administrative agencies alert to opportunities to work through the United Nations agencies whenever it is feasible and practical under the limitations of these agreements to do it.

Mr. McINTIRE. When those funds are made available to the United Nations agencies, they are in fact out of the control of this country in servicing the use of those funds and in any way managing the use of those funds.

Mr. BEHRE. This I think would need to be taken care of in the agreements with the United Nations organization. You would need to have an agreement with them and not just a blanket use of them, and the agreement would spell out how you intended to control that.

Mr. McINTIRE. Thank you.

Mr. POAGE. Thank you very much.

Mr. JONES of Missouri. I want to comment here. I appreciate your religious concern, but when you mention the fact that we would exclude from the law the limitation and things like that, you would certainly want to put some limitation on, or restriction on, those to whom we would give this. I cite this as an example. If our enemy is hungry because he is devoting all of his energies and resources to aggression and diverting his resources to the building up of implements of war and does not have either the time nor the desire to feed himself, you would not take that into consideration?

Mr. BEHRE. Our emphasis is that it is the people about whom we are primarily concerned, and not to allow people who may be the victims of the regime to suffer when we may be in a position to help them. I think that the question of discretion and the nature of the agreements with different countries would be one in which there would be a good deal of variation as the agreements were negotiated, and our administrative agencies have latitude in this respect. They are not compelled to negotiate an agreement with any country—they are not compelled to put any provision in there. An agreement with any country could be properly safeguarded. The main thing is, as we see it, not to have a law which creates division, creates enmities and acts in a way to prolong present dissension and difficulties in the world; rather to have the whole atmosphere of the food-for-peace program.

Mr. JONES of Missouri. The only exception I would take with you is that I think that we would be creating that situation by providing food to warring nations, nations of aggression, and we would enable them to expand that type of operation. And for that reason I cannot embrace your philosophy at all. In fact, I have been critical of the fact that we have not put some requirement on people, at least, to indicate the desire to help their people, to be a peaceful nation.

Mr. BEHRE. Well, I think that you will help them to be a peaceful nation by giving them means of their subsistence. There was a difference of opinion developed when the sale of wheat to Russia was approved, but it was our feeling, and it is our feeling, that the sentiment in favor of authorizing the sale of wheat to Russia is something

of a precedent to make the same opportunity available under Public Law 480.

Mr. JONES of Missouri. I might add that my reason for making the sale to Russia is because I would like to see them divert as much of their resources as possible to the procurement of food and to divert those resources from being expended for weapons of war and acts of aggression.

Mr. BEHRE. We would hope to be able to encourage that tendency also.

Mr. POAGE. Thank you.

Mr. MATTHEWS. Mr. Chairman, I just want to make an observation along the same lines that Mr. Jones did. I too can appreciate the humanitarian purposes of your suggestion that we take this out of the context of the cold war, but as you frankly stated we have differences of opinion, and this is an opinion that you and I do not share.

At the bottom of page 2, when you mention that the Communist part of the world, because of a lot of reasons, tends to be a food deficient area, I do not think that you mentioned the most important reason that Russia, for example, had to get food, and that is because they are still as a matter of fact manufacturing bombs to blow us into eternity. You must keep in mind that Mr. Khrushchev has never for one moment said that he has any other purpose in this world except to bury us.

And we must assume that Red China has the same purpose in mind. And although I subscribe to the New Testament like you do, the fact is that they do not even believe in God, and I for one would be very much opposed to putting any more emphasis on this idea of giving food to nations that are not friendly.

As Mr. Jones suggested, insofar as the wheat sales to Russia were concerned, I do not think that had a thing in the world to do with moral responsibility. That was a pragmatic decision, in my opinion. Other nations are selling wheat to Russia. We have millions of bushels of wheat. We have no use for it. If Russia has to buy the wheat from us and pay for it, they cannot use at least that amount of their resources to buy armaments.

I have great respect for the great organization that you represent, but I think that we must approach this problem on the basis of friendly nations. We are interested in human beings all over the world, yes, but I certainly would not hope we would be interested in such a way that we would undertake to provide them with food so that they could use more of their resources to build nuclear armaments. I would feel much better if we could really have some limitation in the production of nuclear armaments and that we would look into this matter on a different basis, such as you have suggested.

Let me say again that I know that you are sincere. I know that you have a very definite philosophy, but as I say, I think that I would be doing you a disservice if I did not say to you that I would oppose this with all my heart. I do not intend to be a part to what I think would be an effort to build up the nations that are not friendly, so that they can actually blow us off the face of the earth.

I think that the biggest safeguard we have now is in our armaments. You talk properly about the philosophy of Christ. In order to carry out some of the injunctions of the great Leader to which I subscribe, I think that we have to use great discretion.

Thank you very much. I just wanted to make that observation.

Mr. POAGE. Thank you very much, Mr. Matthews. I think that you can see that you have created considerable interest in your discussion.

If there are no further questions we are very much obliged to you.
Mr. BEHRE. Thank you.

STATEMENT OF IRVING R. M. PANZER, AMERICAN VETERANS COMMITTEE

Mr. POAGE. We will pass next to Mr. Irving R. M. Panzer, representing the American Veterans Committee.

We will be glad to hear from you now.

Mr. PANZER. Mr. Chairman and members of the committee, my full statement has been handed to the committee, and in line with the chairman's urging I am going to shorten it by omitting and paraphrasing it.

My name is Irving R. M. Panzer, and I am appearing here on behalf of the American Veterans Committee, an organization of veterans of the Second World War and the Korean war.

The American Veterans Committee favors legislative action that will assure for at least 5 more years the continuation of the food-for-peace program under Public Law 480. If there is one area in which the members of my organization, which is a veterans organization, are in wholehearted agreement it is on the need for eliminating for all time to come war veterans and organizations of war veterans. We believe this goal can be achieved only by constructing a peace that will survive through this generation and all of the generations that follow us.

Peace is not simply the absence of war, and there is no simple prescription for peace. We think that peace is many things: it is a summit conference; it is a glass of milk in the hands of a hungry child; or a bowl of soup for an aged man; a loaf of bread for a young fellow building a road or a schoolhouse where there had been no road or schoolhouse.

Our platform has strongly supported freedom from hunger as fundamental to peace. Now because food is basic to life itself, food is basic to peace. The popular description of the activities carried out under Public Law 480 as the food-for-peace program we think is an accurate as well as attractive label. Few of our contributions to world peace have been more dramatic or more constructive.

Now, because Americans are free and because we are articulate, because we accept criticism just as readily as rejecting it, and because even the most dedicated citizens among us tend to keep a very wary eye on government, the food-for-peace program has been punched as well as praised. Both processes are essential in the operation of an open society.

Certainly, it is the function of this committee and the Congress to spotlight failures in either the purpose or the administration of it and to correct them. But it is an older statement that the cure for a simple headache is not to amputate the head. And the remedy for flaws in a basically sound program is not to liquidate the program.

We think that the food-for-peace program is sound because it involves both the personal and psychological aspects of peace among men.

We have a somewhat unique experience. The American Veterans Committee is one of the American organizations associated in the World Veterans Federation which is an international association of more than 160 veteran organizations in nearly 51 countries with a membership of 20 million. Through our work in the world veterans we have visited many countries and have met with their veteran leaders and veteran members. From this association we know the importance of Public Law 480 and what it has meant to those nations. It is one of the activities of our Government which merits the greatest possible respect and recognition by those soldiers who fought alongside our men in World War II and the Korean war. Psychologically the movement of American food abroad upgrades the private enterprise system and downgrades the communistic way of responding to human needs. In areas where the most insistent dream of adults and children is the dream of a full belly, the scientific achievements of the Communists or the free world have very little impact. They could not care less about satellites or missiles or freeways or the winter olympics or whether a beetle is a singer or a bug. The way of life they can understand is the way of life that is destined to bring in the most food to the most people. No propaganda weapon, therefore, is greater than that which is being produced on the American farms, provided we are willing to use it.

The American Veterans Committee urges the continued maximum use of food-for-peace program through Public Law 480. We do believe that we are qualified and obligated to urge without reservation the extension of the principles involved in this law. The emergency feeding of the hungry, the use of food in self-help programs nationally, and the promotion of cash markets abroad for American agricultural economy.

Mr. Chairman and members, we appreciate this opportunity.

Mr. POAGE. We thank you very much, Mr. Panzer, for your contribution. Your statement will be made a part of the record at this point.

(The statement of Mr. Panzer referred to follows:)

TESTIMONY OF IRVING R. M. PANZER, MEMBER OF THE AMERICAN VETERANS COMMITTEE (AVC)

Mr. Chairman and members of the House Agriculture Committee, my name is Irving R. M. Panzer, I am an attorney in the District of Columbia and a member of the American Veterans Committee. I am appearing on behalf of the American Veterans Committee.

The American Veterans Committee is an organization of veterans of the Second World War and the Korean war.

Its members were citizen soldiers. They are now citizen veterans. And they are individuals, with the dignity and the dreams and the variety of opinions and philosophies attached to individuals.

It is ridiculous for a representative of any organization—groups of veterans, farmers, professional or businessmen—to say that every member of his organization shares an identical view of a specific public issue. Yet, there are basic needs, basic goals, basic principles that bring people together for the formation and operation of any organization.

Perhaps if there is one area in which the members of the American Veterans Committee are in wholehearted agreement it is on the need for eliminating—for all time to come—war veterans and organizations of war veterans. Our

1963-64 platform strongly emphasizes this goal. The goal can be achieved, of course, only by constructing a peace that will survive through this generation, and all the generations which follow our own.

Peace is not simply the absence of war. Like freedom, peace is not a privilege that can be transcribed for release at some convenient time. It has value only when it is a living, vital part of man's relationship to man and nation's relationship to nation in every hour of every day of every year.

Neither is there a single prescription for peace. It is a combination of ideas and ideals, thinking and doing, reasoning and reconciliation, and a constant matching of resources against needs. Success in peace requires more ingenuity, more initiative, more strength and perhaps even greater use of power than success in war.

The American Veterans Committee in the 21 years since its creation has pushed for peace on all the fronts in which men of good will throughout the world have found promise. We have supported in principle and purpose the United Nations. We gave our endorsement to the Test Ban Treaty, and efforts to expand the scope of weapons control leading to total disarmament have our aggressive support.

Peace is many things. It is an agreement reached in summit conferences by men of great prestige and authority. And it is a glass of milk in the hands of a hungry child, a bowl of soup before an aged man who can still live but no longer earn, a loaf of bread for a young fellow building a road or a schoolhouse where there had been no road and no schoolhouse.

The glass of milk, the bowl of soup, the loaf of bread can determine, in the final analysis, whether the summit conference has meaning. The conference is where the leaders are—the milk, the soup, the bread are where the people are and frequently give added meaning to the summit word. And the AVC platform has strongly supported "freedom from hunger" as fundamental to peace.

Because food is basic to life itself, food is basic to peace. The popular description of the activities carried out under Public Law 480 as the food-for-peace program is an accurate as well as attractive label. Few of our contributions to world peace have been more dramatic, more constructive.

The American Veterans Committee favors legislative action that will assure, for at least 5 more years, the continuation of the food-for-peace program under Public Law 480.

Because we are free, because we are articulate, because we accept criticism just as readily as projecting it, and because even the most dedicated citizens among us tend to keep a wary eye on government, the food-for-peace program has been punched as well as praised. Both processes are essential in the operation of an open society. Certainly it is the function of this committee, and the Congress, to spotlight failures in either purpose or administration, and correct them. But the cure for a simple headache is not amputation of the head, and the remedy for flaws in a basically sound program is not the liquidation of the program.

The food-for-peace program is sound because it involves both the personal and the psychological aspects of peace among men.

War veterans who have moved among war victims in foreign lands found that hungry babies cry the same language in every part of the world. In many American homes, the cry sometimes creates irritation because it calls for repetition of a task that seems to crop up all too often. But few American parents know the frustration, the total sense of failure, the complete loss of dignity that comes to parents who cannot answer the cries with food. In many areas of the world are parents who cannot provide the answer without help.

The American Veterans Committee is one of the American-associated organizations in the World Veterans Federation, an international association of more than 160 veterans organizations in nearly 51 countries with a membership of nearly 20 million. Through our work in the World Veterans Federation, we have visited many countries and met with their veterans leaders and their veterans members.

We know from this association the importance of Public Law 480 and what it has meant to these nations. It is one of the activities of our Government which merits the greatest possible respect and recognition by these soldiers who fought alongside our men in arms in World War II and the Korean war.

No one, not even the most ardent do-gooder, can believe that the resources of American farmers and American taxpayers are adequate to provide even one full meal a day to all the men and women and children of the world suffering from malnutrition.

But our resources are great enough to meet disaster-created needs. And they are great enough so that food can be used in part as a substitute for money in the development work essential in making underprivileged nations better fitted to care for themselves and their own. Both investments help in building peace. And both investments are self-serving in that the more they help the underprivileged nations become self-sustaining, the more they help create cash markets for the abundance which comes from our Nation's farms.

Psychologically, the movement of American food abroad upgrades the free enterprise system and downgrades the communistic way of responding to human needs.

In areas where the most consistent dream of adults and children is the dream of a full belly, the scientific achievements of either the Communists or the free world have little impact. They couldn't care less about satellites or missiles or freeways or chrome or the winter Olympics or whether a beetle is a singer or a bug.

The way of life they can understand, even if they are as short of experiencing it as they are of sending up a satellite, is the way of life that is best in bringing the most food to the most people.

No propaganda weapon is greater than that being produced on American farms, providing we are willing to use it.

The American Veterans Committee urges the continued maximum use of the food-for-peace program through Public Law 480.

The American Veterans Committee does believe itself not only qualified, but obligated, to urge without reservation the extension of the principles involved in this law—the emergency feeding of the hungry, the use of food in self-help programs of national development in underdeveloped countries, and the promotion of cash markets abroad for the American agricultural economy.

The American Veterans Committee appreciates the opportunity to appear before this distinguished committee of the U.S. House of Representatives on behalf of extending titles I and II of Public Law 480.

Thank you.

Mr. POAGE. If there are no further questions, we are very much obliged to you.

And we will next hear from the American Partners, Inc. This is represented by Mr. Tom Hall Miller.

STATEMENT OF TOM HALL MILLER, PRESIDENT, AMERICAN PARTNERS, INC.; ACCOMPANIED BY KALWAY H. JOHNSON, VICE PRESIDENT

Mr. MILLER. Mr. Chairman and members of the committee, I am Tom Hall Miller, president of American Partners, Inc. I was a Government employee for 12 years, much of which time was spent in India, Pakistan, Ceylon, and Afghanistan. I retired a year and a half ago to develop and promote this self-help plan which proposes to use Public Law 480 funds.

Seated with me is Mr. Kalway Johnson, vice president and treasurer of American Partners, Inc., who since 1963 has acted as a management consultant to industry on Government relations.

American Partners is incorporated as a District of Columbia non-profit corporation to promote the private enterprise concept at the grassroots level in developing countries by recruiting the interests of U.S. citizens and organizations in giving financial and technical help to establish and expand small business in countries requiring such assistance.

We will appreciate the committee's including the plan which we have submitted for the record.

Mr. POAGE. We will not include it in the record, but it will be placed in the files of the committee and will be available to the members of the committee.

Mr. MILLER. Thank you.

The American Partners plan proposes to enlist the participation of individual citizens, small and large business, and civic organizations throughout the United States in fostering small business starts abroad by extending loans, ranging from several hundred to several thousand dollars, to worthy and talented nationals of developing countries, who are unable to obtain necessary credit through established commercial lending sources.

The proposal is designed to combat Communist advances in these countries by dramatizing the benefits of the American private enterprise system at the grassroots level abroad, reaching directly to the man in the street to help him help himself. It is based on successful experiences of Americans stationed in foreign countries, and is endorsed by a number of Government and industry leaders.

American Partners proposes to implement the plan initially by establishing representatives in two countries to be selected with the cognizance of the U.S. Government. These resident representatives will enlist the voluntary help of Americans residing in these countries—active and retired—in locating worthy and talented individuals who appear to have the ability to successfully start small businesses, but who are unable to furnish the collateral required by commercial banks to obtain sufficient capital or must pay exorbitant interest. Each loan will be carefully scrutinized by a board composed of American and local businessmen of established integrity to judge the feasibility of the proposal.

The applications considered to be practical by this board will be forwarded to the United States and publicized throughout this country through civic and fraternal clubs, business and trade associations, labor unions and church groups to find individuals or organizations willing to provide the funds necessary. American Partners will act for the lenders in actually placing the loans and in receiving payments, as well as to provide a communications and reporting link between the lenders and the recipients in this economic people-to-people program.

To accomplish this, American Partners requires initially sufficient contract financing to cover administrative costs for 2 years of developmental operation. During this period the corporation will generate not only wide interest abroad but financial participation by American industry at home and abroad.

In connection with administrative expenses—though our proposal is not contingent upon such action—this committee may wish to consider new legislation which would permit matching funds, from reservoirs of local currencies in excess of foreseeable Government requirements, without specific appropriation with those moneys expended abroad by U.S. voluntary agencies and services abroad.

Government assistance and support may also be sought in favor forms such as help with problems of convertibility. However, the program envisions maximum utilization of local currencies held abroad. As an initial step in this direction, it would be helpful if this committee were to emphasize the intent of Congress to allow considerable executive discretion in promoting the broadest possible utilization of Public Law 480 funds consistent with national interests.

Thus, when American Partners begin operations in a country where such funds are available and where convertibility is a problem, the

corporation will apply for an interest-free loan of the equivalent of perhaps half a million dollars to be used as loan capital. Each individual loan made with these moneys will be secured by a guarantee deposit of dollars in escrow in the United States. In this manner the need to transfer dollars into a recipient country and later repatriate them will be minimized. Actual moneys will be transferred only if the loan recipient needs dollars to buy American machinery or equipment, or in the event of a business failure resulting in default.

American Partners, therefore, will receive funds both in the form of contributions, to be used for operating expenses or for business loans, and in the form of specific loans. Loan funds from individuals and organizations will be sought actively from the public from the beginning of oversea operations as this will permit far greater emphasis on the person-to-person objective of American Partners.

The program admittedly faces different problems in the relatively high overhead costs per loan dollar processed. The expense-loan ratio is inevitably going to be higher in a program emphasizing small loans administered abroad and where normal credit is not available. Though the problem cannot be eliminated, it can be ameliorated by holding down costs and by achieving large volumes of loans.

American Partners believes that its organizational structure, with foreign resident representatives operating through Americans already established in their communities abroad, is well designed to keep operating expenses at a minimum while achieving maximum effectiveness and impact. Further, we believe that the plan proposed meets most of the criteria specified by President Johnson to the special interdepartmental committee, chaired by Under Secretary of State George W. Ball, instructing the committee to conduct an "intensive review" of the foreign aid program.

1. The plan simplifies administrative procedures and enlists the aid of private business, labor, and private institutions.

2. It not only encourages, but is actually based upon, self-help in recipient nations.

3. By utilizing American businessmen and missionaries abroad on a voluntary basis, the plan effectively minimizes the number of aid personnel abroad.

4. The plan meets many of the recommendations developed during the recent hearings held by Congress.

Finally, the plan will work. It will dramatize at the very grass-roots level the benefits of the American private enterprise system by assisting development of private enterprise in developing countries. It will fill an acknowledged vacuum and will produce measurable economic and political dividends. It will provide a means for Americans everywhere to themselves participate in and thus identify with our foreign aid efforts. And the program accomplishes the intent of Congress by effectively utilizing Public Law 480 funds to achieve U.S. Government objectives abroad.

Thank you.

Mr. POAGE. Thank you very much for an interesting suggestion. If there are no questions, we are very much obliged to you, sir.

Mr. MILLER. Thank you.

Mr. POAGE. Thank you very much.

We will next hear from Mr. Joseph Parker.

Mr. HEIMBURGER. Mr. Parker is not with us.

Mr. POAGE. Has Mr. Graham come in?

Very well, we will next hear from Mr. Harry L. Graham, legislative assistant to the national master of the National Grange. We will be very pleased to hear from you now.

**STATEMENT OF HARRY L. GRAHAM, LEGISLATIVE ASSISTANT TO
THE NATIONAL MASTER, NATIONAL GRANGE**

Mr. GRAHAM. Mr. Chairman and members of the committee, let me abbreviate the first part of my statement. I will be glad to try to pull it in to the time you have suggested, sir. The reason that I was not here when you started was that I was guessing that you would take a little more time with the witnesses, and with my being fourth on the list, I would not be called quite so soon. I am sorry that I was not present.

Mr. POAGE. That is all right.

Mr. GRAHAM. Let me say first of all that we support the relief part of this program. We have always supported it. It has been a substantial amount of money that we have distributed and we are recognizing that, but, in general, it is about the only thing we thought that could be done in the light of the needs of the rest of the world and our ability to meet these needs.

Sometimes the return from this in terms of gratitude are real, substantial, and measurable. Sometimes, in the words of our late President, "a good conscience is our only sure reward." We had no other choice, in many instances, even as today, but to share of our exceedingly great abundance with people who are in need. It is unconscionable and unthinkable for us to sit behind a mountain of surplus foodstuffs and refuse to share these with the needy peoples of the world. This is not only a proper application of our Christian conscience and social ethics, but in many ways, it was the most hardheaded and practical kind of politics.

The propaganda value to Communist countries of our refusal to give away our surplus to people in dire need would be incalculable. The National Grange has consistently supported this program and continues to do so.

However important the relief and surplus food disposal aspects of the program may be, we would point out that the fundamental purpose and value of Public Law 480 has been that it has opened the door for the introduction of American agricultural commodities in the countries to which we never would have gained entrance otherwise, and that it has served to develop and expand substantially our dollar markets abroad. The largest single item in Public Law 480 expenditures so far has been sales for soft currency which account for a cumulative total of \$6.7 billion worth of commodities. This has been helpful both to the United States in reducing the dollar outflow and to the receiving country as well.

The provisions of this bill have been helpful to a number of countries which have moved from being Public Law 480 recipients to becoming purchasers of American agricultural products through regular commercial channels. These countries include Spain, Italy, Japan, United Kingdom, France, Netherlands, Germany, Argentina, and Mexico. The total average imports of these countries in the 1955-58 period was \$1,819.7 million including substantial amounts for

Public Law 480 sales. In 1962 these countries imported from America \$2.070 billion worth of American agricultural commodities of which only \$45.6 million was for soft currency.

I have a table in appendix No. 2 which will indicate the change between the two programs.

In the case of Japan and the market that was developed for milk, Japan is not importing as much milk from the United States as the demand was increased under this program but she is reducing the pressure on the American market that has been exerted by milk from Australia and New Zealand, and which now is supplying the Japanese market. This, of course, is not the kind of a result that we would like, but it certainly is not a complete loss.

Japan remains the largest consumer for American agricultural products. Her purchases from Australia and New Zealand enables these countries to also purchase American industrial products. In passing, it should be noted that Australia in 1962 purchased \$37.7 million worth of American agricultural products, up \$15.1 million from 1961.

The major concern of the delegates to the National Grange remains in the field of the use of these Public Law 480 funds. The delegates body last November urged that:

Congress make it clear that its intent is that this measure be administered for the maximum benefit of American agriculture and that the Secretary of Agriculture is to exercise the maximum determination both with respect to the making of commodities available and use of the proceeds generally. Such proceeds should not be used to develop foreign competition to the disadvantage of the American farmer, and any uses of such proceeds other than for the development of markets for American agricultural commodities should not be charged to agriculture.

And in the 1962-63 year the exports from America, basically, was the same value as the 1961-62, and there were no exports for soft currencies except 322 bales of cotton which were a part of the previous arrangements. These went to Spain.

I think an interesting development, a sidelight of this, has been as we develop other markets, that in Japan we spent a good deal developing a market for milk, then found that Australia and New Zealand supplied the Japanese market. This has not been a complete loss, in our estimation, because those of us who are familiar with the pressure on the American dairy farmers from New Zealand and Australia last summer will realize that this is reducing this pressure very much. It may be of a secondary, but it is of a substantial benefit. Japan is, however, the major purchaser of our commodities, and what we have done for her in developing this market, certainly, is being repaid to us many times over at the present time.

The National Grange's concern is mainly about the use to which Public Law 480 funds are being used in the countries that receive our products. And it urged in its resolutions last year, the following:

The provisions of title IV of Public Law 480 should be administered in such a way as will facilitate and maximize the sale of surplus agricultural commodities for dollars through the long-time supply agreements and to this end existing regulations should be reexamined so as to eliminate unrealistic, impractical, and crippling obstacles which serve to frustrate the intent of the law.

This, in our estimation, is very important, in that if we do not do this kind of thing the original purposes of the act are going to be lost and we simply will get a big bill for agriculture programs piled

on the ones that we already have, and agriculture does not receive the benefits commensurate with the costs that accrue to our account.

We were concerned that the title IV provision should be administered in such a way as will facilitate or maximize the sale of surplus agricultural commodities for dollars through the long-term supply agreements, and to this end existing regulations should be reexamined so as to eliminate unrealistic, impractical, and crippling obstacles which serve to frustrate the intent of this law.

In summary, the position of the Grange is that the relief features of Public Law 480 should be continued, that the soft currency sales should be continued with reservations as to the use of the proceeds so as not to develop competition to American agriculture, the barter and foreign donations provisions be continued and finally to give greater emphasis toward the long-term objectives of the development of markets overseas.

This means that some of the early emphasis on Public Law 480 as a means of simply getting rid of surplus American commodities should now be shifted to the long-term emphasis on dollar market development through the private trade. Even our relief and soft currency exports probably would have greater public relations value if they were not clothed in the garments of surplus disposal.

The Grange at this time does not foresee, in the near future, the time coming when we should dispense with this program. We believe that it has been one of the most valuable aids to agriculture. It has also served as an important instrument to further foreign policy objectives. We also believe that these functions can be continued and the larger function of market development can be fulfilled at the same time to the benefit of the importing countries of the world and to the long-term advantage of American agriculture.

The National Grange therefore urges that Public Law 480 should be extended and that Congress recognizes the need for long-term planning in this field by enacting the legislation for a period of 5 years.

(The statement of Mr. Graham follows:)

STATEMENT OF HARRY L. GRAHAM, LEGISLATIVE ASSISTANT TO THE NATIONAL MASTER, NATIONAL GRANGE

My name is Harry L. Graham. I am legislative assistant to the master of the National Grange.

During this week the church groups of our Nation through interdenominational programs as well as denominational and faith centered programs, are engaged in raising money to be used for the worldwide relief programs of the churches. This is an expression of the continuing concern of the religiously motivated peoples of the Nation for the welfare of the less privileged peoples around the world. This program is older than the Public Law 480 program, but since the beginning of the latter, religious and charitable groups of the Nation have channeled a very substantial amount of money into the distribution of foodstuffs which were made available under Public Law 480.

Thus, through June 30, 1963, \$1.387 million worth of American foodstuffs have been distributed free to needy people under title II. This has moved into famine areas, into perennial food deficient areas, into school lunch programs, war relief, disaster areas, and various other usages. The amount of the contributions indicates the widespread public support for this program.

Sometimes the return from this in terms of gratitude are real, substantial, and measurable. Sometimes, in the words of our late President, "a good conscience is our only sure reward." We had no other choice, in many instances even as today, but to share of our exceedingly great abundance with people who are in

need. It is unconscionable and unthinkable for us to sit behind a mountain of surplus foodstuffs and refuse to share these with the needy peoples of the world. This is not only a proper application of our Christian conscience and social ethics, but in many ways it was the most hardheaded and practical kind of politics.

The propaganda value to Communist countries of our refusal to give away our surplus to people in dire need would be incalculable. The National Grange has consistently supported this program and continues to do so.

However important the relief and surplus food disposal aspects of the program may be, however, we would point out that the fundamental purpose and value of Public Law 480 has been that it has opened the door for the introduction of American agricultural commodities in the countries to which we never would have gained entrance otherwise, and that it has served to develop and expand substantially our dollar markets abroad. The largest single item in Public Law 480 expenditures so far has been sales for soft currency which account for a cumulative total of \$6.7 billion worth of commodities. This has been helpful both to the United States in reducing the dollar outflow and to the receiving country as well.

The provisions of this bill have been helpful to a number of countries which have moved from being Public Law 480 recipients to becoming purchasers of American agricultural products through regular commercial channels. These countries include Spain, Italy, Japan, United Kingdom, France, Netherlands, Germany, Argentina, and Mexico. The total average imports of these countries in the 1955-59 period was \$1,819.7 billion including substantial amounts for Public Law 480 sales. In 1962, these countries imported from America \$2.070 billion worth of American agricultural commodities of which only \$45.6 million was for soft currency.

In the case of Japan and the market that was developed for milk, Japan is not importing as much milk from the United States as the demand was increased under this program but she is reducing the pressure on the American market that has been exerted by milk from Australia and New Zealand, and which now is supplying the Japanese market. This, of course, is not the kind of a result that we would like, but it certainly is not a complete loss.

Japan remains the largest customer for American agricultural products. Her purchases from Australia and New Zealand enable these countries to also purchase American industrial products. In passing, it should be noted that Australia in 1962 purchased \$37.7 million worth of American agricultural products, up \$15.1 million from 1961.

The major concern of the delegates to the National Grange remains in the field of the use of these Public Law 480 funds. The delegates body last November urged that:

"Congress makes it clear that its intent is that this measure be administered for the maximum benefit of American agriculture and that the Secretary of Agriculture is to exercise the maximum determination both with respect to the making of commodities available and use of the proceeds generally. Such proceeds should not be used to develop foreign competition to the disadvantage of the American farmer, and any uses of such proceeds other than for the development of markets for American agricultural commodities should not be charged to agriculture."

Title III provisions should be continued for both foreign donations and barter. In our judgment, the barter provision has resulted in the stockpiling of strategic materials without the expenditure of U.S. gold reserves. We recommend the continuation of this program with an emphasis on market development. In order to encourage the development of foreign markets through private trade, it is the judgment of the National Grange that:

"The provisions of title IV of Public Law 480 should be administered in such a way as will facilitate and maximize the sale of surplus agricultural commodities for dollars through the longtime supply agreements and to this end existing regulations should be reexamined so as to eliminate unrealistic, impractical and crippling obstacles which serve to frustrate the intent of this law."

In summary, the position of the Grange is that the relief features of Public Law 480 should be continued, that the soft currency sales should be continued with reservations as to the use of the proceeds so as not to develop competition to American agriculture, the barter and foreign donations provisions be continued and finally to give greater emphasis toward the long-term objectives of the development of markets overseas.

This means that some of the early emphasis on Public Law 480 as a means of simply getting rid of surplus American commodities should now be shifted to the long-term emphasis on dollar market development through the private trade. Even our relief and soft currency exports probably have greater public relations value if they were not clothed in the garments of surplus disposal.

The Grange at this time does not foresee in the near future the time coming when we should dispend with this program. We believe that it has been one of the most valuable aids to agriculture. It has also served as an important instrument to further foreign policy objectives. We also believe that these functions can be continued and the larger function of market development can be fulfilled at the same time to the benefit of the importing countries of the world and to the long-term advantage of American agriculture.

The National Grange therefore urges that Public Law 480 should be extended and that Congress recognizes the need for long-term planning in this field by enacting the legislation for a period of 5 years.

APPENDIX A

MARKET DEVELOPMENT

"We support the further extension of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480) but urge that in doing so Congress make it clear that its intent is that this measure be administered for the maximum benefit of American agriculture and the Secretary of Agriculture is to exercise maximum determination both with respect to the making of commodities available and use of the proceeds generated. Such proceeds should not be used to develop foreign competition to the disadvantage of the American farmer, and any uses of such proceeds other than for the development of markets for American agricultural commodities should not be charged to agriculture. The provisions of title IV of Public Law 480 should be administered in such a way as will facilitate and maximize the sale of surplus agricultural commodities for dollars through longtime supply agreements, and to this end existing regulations should be reexamined so as to eliminate unrealistic, impractical, and crippling obstacles which serve to frustrate the intent of this law." (From the report of the Committee on Agriculture, adopted by the National Grange, Nov. 19, 1963.)

APPENDIX B

U.S. agricultural exports

[In millions of dollars]

Country	Average	1962
Japan.....	385.4	481.4
United Kingdom.....	426.8	407.6
West Germany.....	321.9	391.1
Netherlands.....	255.5	365.8
Italy.....	145.3	175.7
Spain.....	118.7	¹ 98.7
Mexico.....	77.9	63.4
France.....	88.2	² 86.3
Total.....	1,819.7	2,070.0
Poland.....	41.0	³ 84.5

¹ Includes \$44,400,000 soft currency.

² Includes \$1,200,000 for tobacco for soft currency.

³ Includes \$51,000,000 for soft currency.

MR. POAGE. Thank you very much. We appreciate very much your statement.

MR. GRAHAM. Thank you.

MR. POAGE. Are there any questions?

If there are no questions we are very much obliged to you, Mr. Graham.

MR. GRAHAM. Thank you, sir.

Mr. POAGE. That concludes the list of witnesses we have scheduled for this morning. Are any of those who will probably appear tomorrow present at this time? If there is anyone here who is scheduled for tomorrow who would like to make a statement this morning we would be very delighted to have you do so, because we will have more time this morning than we will have tomorrow. Is there anybody here who is listed for tomorrow and wants to be heard today?

If there is not, the subcommittee stands adjourned until tomorrow morning at 10 o'clock.

Thank you very much.

(The following statement and supplemental material were also submitted to the subcommittee:)

STATEMENT OF HON. ROBERT W. KASTENMEIER, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF WISCONSIN

Mr. Chairman and members of the committee, I would like to offer for the committee's consideration an amendment to Public Law 480 which would provide a new and useful method of expanding oversea markets for U.S.-produced food-stuffs, increasing our dollar trade, and aiding in the economic development of recipient countries.

The proposal would add a new section, section 309, to title III of the act, to authorize long-term supply contracts for school lunch and welfare programs abroad. Under this section firm commitments for any period of up to 5 years could be made by the Secretary of Agriculture upon his determination that the commodity in question was reasonably likely to continue in surplus for that period. Great flexibility would be allowed in setting the terms and conditions of payment under the contract, including donations, sales at reduced prices, and export payments. The Secretary would be authorized to make contracts embodying a combination of these terms, permitting him to insist on increasing participation in the cost of the shipments by the recipient country over the course of a given contract.

The proposed section differs from the present present titles III and IV of the act in two material respects, and would fill a significant gap now existing between these two titles. Unlike title III it would allow sales as well as donations for school lunch and welfare programs, thus reducing costs to the United States. And it would permit firm commitments of up to 5 years without requiring, as title IV now does for long-term dollar credit sales, that the commodity be in surplus at the time of delivery.

This authority for firm commitments on the strength of estimated future supply conditions is the most significant innovation of the proposal. Because existing law requires a determination at the time of delivery that the commodity is then in surplus, recipient countries having informal commitments for periods longer than a year or two cannot be entirely sure that these later deliveries will be made.

Elimination of this uncertainty is highly desirable, not solely for the convenience of recipient nations, but, very importantly, for the U.S. producers, processors, and shippers. Without greater assurance that supplies of a commodity will be forthcoming in a predictable volume over a fairly long period, countries with a capital deficit are discouraged from investing in the storage, packaging, and distribution facilities needed to receive both intergovernment shipments and commercial sales through private channels. Where the commodities might be used for such politically sensitive purposes as welfare and school lunch distributions, there is an even greater disinclination to embark on a program which might have to be terminated because of supply conditions in the United States.

There is good reason to expect that adoption of this section would increase substantially the oversea markets for commodities now in surplus, providing both added outlets for Government-held supplies and a long-range market for dollar trade. I would cite our experience with milk exports to Japan as dramatic evidence of its potential effect.

We have been shipping milk to Japan for use in school lunch programs since 1947. During this time, these shipments have been given sufficiently high

priority to assure the Japanese that short-term commitments to deliver would be renewed when they expired. The result of this policy has been a 37-fold expansion of our milk shipments since 1947, with the Japanese Government now paying the United States two-thirds of the world market price for the milk it receives. The present level of Japanese milk purchases represents nine percent of total U.S. annual production of nonfat dry milk, and is equivalent to 37 percent of the output of this commodity by my own State of Wisconsin.

It is now fair to say that Japan has become, by virtue of this program, an assured and growing market for nonfat dry milk. Preferences for milk have been established in childhood and its nutritional value is reflected in the marked gains in height and weight of the average Japanese schoolchild. Quite apart from the additional outlets for milk among that 30 percent of the school-age population in Japan not now covered, it is clear that the demand for milk is strong among those who have grown beyond the school age. These milk-consuming adults constitute a market for private commercial exports from this country, a market which will in all likelihood expand over the years.

Japan represents only about one-twentieth of the untapped world market for nonfat dry milk alone. Although Japan is not typical of all countries with imbalanced or insufficient agricultural resources, the expansion of Japanese milk consumption provides a striking and instructive example of what can be achieved by the food-for-peace program. The proposed amendment would make one condition of the Japanese experience—predictability of supply—more generally available to recipient nations and those administering the program. I commend it to the committee's attention as a valuable supplement to the authority contained in existing law.

Mr. Chairman, I would like to note in closing that this proposal grew out of discussions at the food-for-peace conference, held on February 14 and 15, 1964, in Madison, Wis., and attended by Government, farm, and university leaders in the field of food distribution. I ask permission to include in the record at this point the remarks of Robert G. Lewis, Deputy Administrator of the ASCS, and Herbert J. Waters, Assistant Administrator for Material Resources, AID. I also request that the record contain an article on the Conference by Robert C. Bjorklund, farm editor of the Wisconsin State Journal.¹

Thank you, Mr. Chairman and members of the committee.

PROPOSED SECTION 309 OF TITLE III, PUBLIC LAW 480, 83D CONGRESS, SUBMITTED
BY REPRESENTATIVE ROBERT W. KASTENMEIER, OF WISCONSIN

Long-term food supply commitments

SEC. 309. Whenever the Secretary of Agriculture determines that a commodity is a surplus agricultural commodity as defined in section 106 of title I of this Act, and that there is a reasonable prospect for development of commercial export markets for such commodity through use in the assistance of needy persons and in nonprofit school lunch programs outside the United States, the Secretary may enter into contracts upon such terms and conditions as he deems appropriate with appropriate agencies of foreign governments, nonprofit voluntary agencies registered with the Agency for International Development or other appropriate department or agency of the Federal Government, and intergovernmental organizations to supply, for such period not to exceed five years as he determines the commodity is reasonably likely to continue to be a surplus agricultural commodity, specified quantities of such commodity for such use. The Secretary of Agriculture may supply such commodity through the Commodity Credit Corporation and other means available to him, by donations (subject to the limitations contained in (4) of section 416 of the Agricultural Adjustment Act of 1949), sales at reduced prices, export payments, and combinations thereof: *Provided, however*, That the Commodity Credit Corporation shall not bear any costs with respect to the handling of such commodity beyond United States ports except that it may pay ocean transportation charges on commodities to designated ports of entry abroad, and, in the case of landlocked countries, transportation charges to designated points of entry.

¹ The article on the conference by Robert C. Bjorklund, farm editor of the Wisconsin State Journal was also submitted and made a part of the committee files.

EXCERPTS FROM REMARKS OF ROBERT G. LEWIS, DEPUTY ADMINISTRATOR OF AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE AND VICE PRESIDENT, CCC, AT GOVERNOR'S CONFERENCE ON FOOD FOR PEACE, MADISON, WIS., FEBRUARY 14, 1964

Food for peace furnishes a substantial outlet for our United States and Wisconsin farm products, among them milk products. This outlet—it is a kind of "market" from the standpoint of the farmers and processors whose living is derived from it—is of great importance to the U.S. dairy industry as a whole. But it is of massive and vital importance to the Wisconsin dairy industry, because a large share of the total demand generated by the food-for-peace program is concentrated on the Wisconsin dairy industry.

About 80 percent of the milk sold by Wisconsin farmers in 1962 was used for manufacturing dairy products, principally butter, nonfat dry milk, and cheese. A massive share of the total national production of these products was acquired by CCC under the dairy price support program and made available for use in the food for peace and other concessional programs. CCC purchases (including subsidized exports), as a share of the total national production of the respective products, were—

Sixty-two percent in 1962 and fifty-seven percent in 1963 of all nonfat dry milk;

Twenty-six percent in 1962 and twenty-two percent in 1963 of all butter;

Twenty percent in 1962 and ten percent in 1963 of all American-type cheese.

If Wisconsin-manufactured milk products contributed only proportionately to the total purchases by CCC, approximately 9 percent of all Wisconsin milk sold in 1962 would have gone directly into products utilized by CCC for food for peace and other programs. The actual proportion of Wisconsin milk that was used for these programs was undoubtedly much greater, because Wisconsin dairy manufacturing plants are located farther than average from domestic commercial markets, and CCC purchases are concentrated in the Wisconsin-Minnesota area.

Without these massive purchases by the Commodity Credit Corporation, prices of manufactured dairy products likely would go down sharply.

At present, dairy farmers in New Zealand are receiving only about \$1.77 per hundredweight for milk used to supply the export market, in which Wisconsin milk products would have to compete if it were not for the market provided by food for peace and other Government-financed programs. This contrasts with the average price of \$3.25 per hundredweight actually received by Wisconsin dairy farmers during 1963 for milk used for manufacturing.

These are the indisputable economic facts of life for Wisconsin's dairy industry. The central fact of life that they spell out is that the market provided for Wisconsin's dairy industry by the food-for-peace program—and the closely related domestic distribution programs which use up most of the balance of the stocks purchased by CCC—is of nothing less than life-or-death importance for Wisconsin's dairy industry.

These economic facts of life underscore the importance of Wisconsin dairy leaders taking a realistic, practical, and, if necessary, hard-boiled interest in the food-for-peace program. And it testifies to the perceptive and farseeing leadership of your Governor, John Reynolds, in calling this conference to bring forth into the public consciousness an appreciation of Wisconsin's stake in this program.

Food for peace, during the past year, has been the largest single outlet for utilization of the huge quantities of dairy products purchased by CCC. During the current marketing year we estimated that the following quantities of the respective products are being utilized in food for peace:

Eight hundred and eighteen million pounds of nonfat dry milk, constituting 72 percent of total CCC purchases and subsidized exports of 1,380 million pounds;

Two hundred and twenty-nine million pounds of butter, constituting 79 percent of total CCC purchases of 290 million pounds;

Five million pounds of American-type cheese, constituting 4 percent of total CCC purchases of 125 million pounds.

True and indisputable as it is that Wisconsin's dairy industry could hardly survive without the market provided by food for peace. Wisconsin dairymen need not feel apologetic for that fact. Rather, they should be proud to contribute as importantly as they do to the success of a program which adds greatly to our national standing in the world and to the hopeful future of humankind.

But there is another great purpose served by our food-for-peace program—the practical purpose of improving the prospect for developing self-supporting new markets for tomorrow's generation of dairy farmers. It is to this purpose that I will direct my main attention in my remarks—not because I wish in any way to deprecate the humanitarian purposes of the food-for-peace program, but simply because this is the aspect that directly concerns my official responsibilities in the Commodity Credit Corporation.

Any evaluation of market development efforts—or results—should begin with an appraisal of the potential market.

Only about one-third of the people in the world are regular consumers of milk and dairy products at the present time. These are the people of Western Europe and its colonies—in North America, Australia, New Zealand, and parts of South America. In much of the world, milk and dairy products are not a traditional part of the diet. These people are not predisposed by their cultural background to accept milk and dairy products as important foods and, furthermore, most of them lack the buying power to buy dairy products.

When we look at these economic and cultural facts about the world population in terms of potential market opportunities, we are confronted with three dominant conclusions:

1. The present active market for dairy products is limited by cultural patterns and low consumer buying power to one-third of the world's population;
2. The one-third of the world's population that is now actively in the market for dairy products is already oversupplied—there are surpluses of milk and manufactured dairy products in almost every one of these countries individually, and as a group;
3. The two-thirds of the world's population that does not now consume substantial quantities of dairy products does have an acute need for the highly protective nutritional elements of milk and dairy products, but they lack sufficient buying power at the present time, and in some cases their cultural disinterest or outright resistance to use of dairy foods would need to be overcome also, before they can become important consumers of these products.

In short, there is terrible need among the hungry two-thirds of mankind for the nutritional components of milk but these people can't pay—and probably wouldn't buy milk if they could.

Governor Reynolds has commented publicly a number of times about his favorable impression of the school lunch program for Japanese schoolchildren carried out by the Government of Japan. This has been an outstandingly successful program, and it is one which has served both the humanitarian and the market development purposes. Through this program, we have taught a whole generation of Japanese children in their schools to drink and to like milk—and greatly strengthened their health in the process.

A school lunch program was initiated in Japan by the U.S. army of occupation authorities in 1947. And one of the major nutritional components in the Japanese school lunch program is milk—milk reconstituted from dried milk powder furnished by the Government of the United States, a large proportion of it originating on Wisconsin dairy farms.

The use of milk in the Japanese school lunch program was initiated in 1947 with a donation of about 5 million pounds of nonfat dry milk powder. By the current year, the use of milk has been increased to 37 times as much, and instead of the milk being donated by the U.S. Government, it is being purchased by the Government of Japan at 5 cents per pound, which is about two-thirds of the present world market price. In the current year, the total quantity of U.S. milk being purchased by the Government of Japan is 187 million pounds.

This year, milk will be made available to 70 percent of the children attending school in Japan. Next year, we are hopeful the Japanese Government will purchase an even larger quantity, and that it will press forward to extend its school lunch program to all children in Japanese schools.

I want to emphasize the magnitude of the market for our dried milk which the Japanese school lunch program represents. This year's purchases of 187 million pounds represents 9 percent of the total production of dried milk in the United States expected this marketing year. The Japanese purchases are equal to almost two-fifths—37 percent—of the total annual production of this product in Wisconsin.

The Japanese authorities are convinced that consumption of milk has improved the health of their children. In 1958, Professor Kondo of the major

Japanese university conducted large-scale physical examinations of sixth-grade children who had consumed milk in school for 6 years. He reported that boys averaged $1\frac{1}{4}$ inch taller and $4\frac{1}{2}$ pounds heavier than boys of the same age and grade level before World War II. Girls averaged $1\frac{3}{4}$ inch taller, and $6\frac{3}{4}$ pounds heavier than prewar girls of the same grade level. Professor Kondo reported that, in his opinion, the increase in weight and height is due primarily to the serving of milk in the school lunches.

This program has substantial long-range benefits of special interest to Wisconsin:

1. The Japanese Government is actively promoting the consumption of milk among its own people;
2. Japanese children are learning in school to like milk as a food, and adding their own particularly effective powers of persuasion to those of the Japanese Government to encourage the adult population to accept the use of milk as a suitable food for adults and growing children;
3. The school milk program itself is turning into a business proposition, beginning with milk donated by the U.S. Government, with the Japanese Government gradually increasing its total expenditures and the price per pound that it contributes to the cost of the milk;
4. Japan, in all probability, has by now become established as a permanent market for dairy products, whereas before the initiation of the school lunch program, the use of milk for food was considered appropriate only for babies before the age of weaning, and for invalids.

The experience with the Japanese school milk program suggests a number of promising prospects:

School milk programs equal in scale to that of Japan, in only six other countries, would absorb all the nonfat dry milk purchased in a year by CCC;

There are 20 times as many people in the world as there are in Japan, who like the Japanese before our market development school milk program, do not consume milk today because they can't afford it, or do not consider it a suitable item of diet for growing children and adults, or both;

The generation of demands for milk in other countries similar to that which we have developed in Japan would create a demand for more milk than we and the other milk-producing countries now produce;

Market developing programs such as that carried out in Japan would need to be underwritten by the U.S. Government for many years, but could become partially self-supporting fairly soon and give reasonable prospect eventually of becoming a self-supporting permanent market for dairy products.

Of course, food-for-peace school milk programs fall far short of offering a panacea for all the problems of the American dairy industry. One of the most obvious and biggest problems remaining is the dairy farmer's dependence on butterfat for a preponderant share of his income, in the face of the difficulty of finding satisfactory market outlets or uses for surplus butter.

The Government has been donating 12 pounds per year to needy families and welfare institutions in the United States. This is almost twice as much as the average quantity of butter purchased by cash customers. The "1 pound per month limit" has been lifted, and donations of butter now go as high as 4 pounds per person per month in some welfare institutions. Donations of butter for the food-for-peace program have been greatly increased during the current year. We estimate the total will reach 229 million pounds.

The high cost of butter is the principal disadvantage of using it for food for peace. It costs the Government about 80 cents per pound of milkfat to buy and process CCC-owned butter into butter oil, can it, and ship it to port for shipment overseas. The comparable cost for vegetable oil is only 15 cents per pound. The recipients generally prefer the vegetable oil, pound-for-pound, because it is considered to have better keeping qualities.

The problem of butter disposal is the weakest link from the standpoint of public support for the use of milk in the food-for-peace program. If we want more milk, for more school milk programs—we get more butter, too.

This and other problems confront us in developing out national agricultural policies, including our surplus utilization programs. Wisconsin dairy industry leaders have a special interest and a special responsibility to help us to find answers for them; for very substantially, the Nation as a whole must look to them for the ingenuity and adaptability that are needed to devise dairy programs fitted to the needs—and also to the opportunities—of the times. Wisconsin as a whole—because of the massive role of the dairy industry to its overall economy—has a similar interest.

Governor Reynold's vision in calling this conference, and the response it has engendered from farmers, industry leaders, and the public generally, signify that the people of Wisconsin will accept their particular responsibility in helping to find the answers we need.

FOREIGN AID—CHALLENGE AND OPPORTUNITY

(Remarks by Herbert J. Waters, Assistant Administrator for Material Resources, Agency for International Development, Department of State, before the Wisconsin Governor's Conference on Food For Peace, February 14, 1964)

It is a pleasure for me to appear on this platform with Dick Reuter and Bob Lewis. As Assistant Administrator for Material Reserves of the Agency for International Development, it is my responsibility—and great pleasure—to work closely with both USDA and the White House Food for Peace Office, for we are engaged in a team effort to enable food for peace to have the maximum impact in helping to attain our foreign assistance objectives.

In my discussion, I will describe briefly the reasons for the foreign assistance program—a program that has been vigorously supported by four national administrations—and demonstrate how food for peace contributes an important resource necessary to the achievement of economic, social, and political development in the emerging nations of the free world.

Ancient Seneca correctly observed that, "A hungry people listens not to reason, nor care for justice * * *."

With one-third of humanity hungry or undernourished, almost 1 billion people are becoming increasingly deaf to reason. Despairing of justice, fed by the frustrations of centuries, the people of the underdeveloped countries are erupting—some with volcanic fury—in their quest for a better life for themselves and their children.

Unless we tangibly demonstrate our concern, unless we aid them in their search for economic viability, social justice, and political freedom, we can only expect violence and chaos, an environment for communism, a breeding ground for war.

In this interdependent, troubled world—a world in which peace is a fragile commodity at best—we must present an alternative to the "get-rich-quick" blandishments of the Castros of the Soviet bloc. Our foreign assistance program is that alternative. In enables the peoples of the emerging nations to achieve their aspirations in an orderly manner—in freedom and peace—so that our freedom and prosperity may be more secure.

And so we proceed in our efforts to encourage the growth of modern economic, social, and political institutions in the developing nations—from agricultural improvement to educational opportunity, from the establishment of government infrastructure to the encouragement of private enterprise, from the building of roads to the founding of cooperatives.

Our ultimate objective—our guiding principle—in all these undertakings, is to assist the developing nations to achieve the capability required to sustain continued progress by their own efforts. And, we are having success in this. We are helping them to reach a stage of self-sustaining development which will eliminate the need for further outside assistance.

This is no idealistic dream. The necessity for aid to such countries as Greece, Israel, Mexico, and free China, is diminishing. Before too long economic assistance to these countries can cease—and others—with continued aid from us and the other developed nations of the West—will also eventually reach this goal.

Mr. Lewis has described some of the contributions to development made by the food-for-peace program as they relate to the responsibilities of the Department of Agriculture. Let me add some others—the ones for which AID has primary responsibility in this team effort to use our agricultural abundance for both humanitarian and economic development purposes.

One hundred million undernourished people shared in our agricultural abundance last fiscal year. They included refugees fleeing persecution and disaster victims uprooted by floods and earthquakes. Almost 4 million institutionalized people were nourished by our surplus foods while more than 26 million poverty-stricken families in areas of chronic hunger and malnutrition received direct food assistance during this same period.

Forty million school children—many of whom were too hungry to attend classes previously—received approximately 1.5 million tons of food in classrooms in Asia, Africa, and Latin America.

In Latin America—where AID administers the child-feeding program under the Alliance for Progress—one-quarter of the school age children—almost 10 million youngsters—are literally tasting the milk of human kindness. Brazilian children alone have consumed over a billion glasses of milk.

During the past year, the Latin American nations have spent the equivalent of more than \$13 million for administrative expenses. Our investment in food and transportation exceeded \$28 million.

And, because many of these impoverished people lack even rudimentary utensils—plates, spoons, and cups—some AID money is added to food-for-peace input to help get these programs started in new areas.

Feeding so many millions of children is a particularly noteworthy achievement. A whole new generation is growing up knowing that they have friends who not only care about their future but friends who show their concern in a very real way. These many million school children are eating daily—and regularly, for the first time, milk, butter, and cheese—the dairy products that form the essential building blocks for growth. And, they know it's you who are helping them. They know it's the generosity of the people of the United States that is providing them with a better opportunity for a brighter, healthier future.

At this point, I would like to bring to your attention the initiative and drive demonstrated by your own Lester Johnson in his unceasing efforts to improve and expand the use of dairy products through the food-for-peace program. Congressman Johnson's continuing interest and dedication to the welfare of the people of Wisconsin—coupled with his personal conviction of the merits of the food-for-peace program—have resulted in the introduction of a comparatively easy-to-operate milk reconstituting machine in areas where the voluntary agencies—such as CARE and Catholic Relief Service—are administering AID's larger child feeding programs. It is due to his dynamic, imaginative efforts that this machine is now undergoing pilot program testing in such places as Quito, Ecuador, and Rio and Recife, Brazil. If—as preliminary results indicate—simple, low-cost equipment—such as the reconstituting machine—can be economically introduced into backward areas—the eating habits of millions will change. This change can have profound impact on the farmers of Wisconsin. It can result in greater, more diverse use of Wisconsin's farm abundance. I think we can all be proud of Congressman Johnson's untiring efforts to contribute to the expansion of markets for his State's chief farm commodities.

The most famous food label in the world today is the one that reads, "Donated by the People of the United States of America"—the phrase that is being carried into millions of huts and hovels of the world in a score of languages.

Yet, this vast array of food aid is only a part of the food-for-peace story.

It covers only programs under titles II and III of Public Law 480—programs for which AID has direct responsibility—programs involving either direct government-to-government programs of our great voluntary agencies such as CARE, Church World Service, Catholic Relief Service, and similar groups registered with AID who cooperate in the food-for-peace effort.

But, an even larger food contribution is being made to our total assistance efforts around the world through the titles I and IV sales programs in which the food moves through regular commercial channels of trade.

During this past year, 32 new or amended sales agreements amounting to over \$586 million worth of U.S. agricultural products were concluded with 28 countries, involving movement of more than 5 million tons of farm products.

While it is impossible to estimate the millions of recipients aided by this huge input, these sales programs have prevented inflation-causing food shortages in many underdeveloped areas of the world. They have also generated more than \$350 million worth of local currencies made available to AID for granting or lending back to the purchasing countries for a vast array of economic development programs—and another \$30 million for military support to friendly allies.

Out of these calendar year 1963 food-for-peace agreements, have been generated an additional \$135 million for U.S. Government uses—including embassy costs abroad, market development promotion for American agriculture, financing of our cultural exchange program, translation of books and periodicals for the U.S. Information Service, and many other uses.

When these "U.S. use" funds are used by other departments of our Government, appropriated dollars are paid back into the Commodity Credit Corporation so that dollars remain here instead of going abroad.

Over the years you have heard a great deal of the title III donation programs administered through voluntary agencies cooperating with us.

But you haven't heard as much about the title II programs for economic development—for this is a newer area of our food-for-peace effort—an area in which we have made great strides forward in the past few years. The authority contained in this title of Public Law 480 has been used to stimulate and assist in desirable agricultural development and resettlement objectives—and even in the founding and financing of cooperatives—through the use of food and feed.

For example, where large segments of the population are unemployed and underfed, workers usually are willing to accept food as partial payment of wages for work on high labor component projects such as land clearing, reforestation, and the construction of roads, bridges, schools, dams, and irrigation and drainage ditches.

America's farm abundance is assisting in the implementation of such community development projects around the world. Gainful employment is being given to idle hands in a constructive economic development effort having a direct impact on the people in their own villages. In 19 countries, an estimated 585,000 laborers are earning food as part payment of wages. Including families, the total number of recipients of food under this program exceeds 3 million people.

This aspect of food for peace has worked remarkably well in Tunisia, where over 200,000 workers have completed 3,500 projects ranging from well digging to reforestation, and are, even now, at work on other land improvement and soil conservation projects.

On Formosa, some 5,000 persons are engaged in similar food-financed activities. In Ilan, a province of Formosa, I stood on an 8-mile earthen dyke as it was being completed by rice farmers to save their crops from typhoon flooding. Through interpreters, these Chinese farmers told me that it couldn't have been done without our food being supplied to their families, thus freeing them to contribute their labor for a project that has preserved the entire area's farm productivity.

In Bahia, Brazil, road construction has been a major project under the food-for-wages program. A typical example is a 12-kilometer farm-to-market shortcut, which actually shortens by 30 kilometers, the distance from the sisal producing area in Bahia to the regional marketing center.

Trouble-torn Algeria is another example, where, acting through the Church World Service rather than the Government, we have provided wheat, nonfat dry milk, and edible oil in sufficient quantity to permit putting 18,000 people to work on reforestation. They will set out 21 million trees on 28 sites, involving an estimated 53,000 acres of land.

These are but a few of many examples of how your food is being put to work—improving the possibility for people in other lands to become self-supporting in the years ahead.

We are also "grubstaking" agricultural resettlement and colonization projects in support of land reform—in Africa, in the Middle East, and in Latin America.

Illustrative of such undertakings is the recent food-for-peace agreement signed with Colombia to help grubstake displaced rural families under an Alliance for Progress pilot project.

Under its terms, food will be supplied to families in the process of settlement in new areas on land grants offered by the Colombian Federation of Coffee Growers. It also will be used in the preparation of cafeteria meals at rural school centers and as partial payment for work on access roads in the affected area.

By helping to establish cooperatives—substituting food and feed for dollars as "seed" capital—we hope to help build the very institutions that, under democracy, have enabled the American farmer to be a productive contributor to, as well as a participant in, the highest living standard the world has ever known.

As an example, American farm surpluses are about to be put to work to help build a livestock and poultry industry in the Philippines.

Under a 5-year operating agreement, American surplus feed grains, beginning with sorghum, are to be exported to Filipino cooperative exchanges which will receive and store the grains, contract for milling and mixture of additives by private feed companies, and sell the feed to farmers through approved cooperatives.

The funds generated are to be used for providing credit to help small farmers get on their feet in the Philippines.

The food-for-peace program also assists private investment in the developing countries. Under Cooley loan authority, so-called because the legislation was sponsored by Representative Cooley, of North Carolina, up to 25 percent of the local currency generated by the sale of American surplus foods and fibers may be lent to U.S. business firms or their affiliates for oversea investment opportunities contributing to economic development. Since the inception of this program late in 1957, more than 230 loans totalling almost \$150 million have been made for private enterprise in 22 countries—from Greece to Pakistan, from Turkey to free China.

Recently, we made the largest Cooley loan in the history of the program—\$17.5 million worth of local currency to help build a fertilizer plant in India. Together with an Export-Import Bank loan—to cover the dollar cost of some of the plant equipment—this project comprises the largest private financing of any project in India.

Perhaps these examples give you some idea of the vision and creative imagination being used to develop more effective uses abroad for our domestic food abundance.

But, we must view the food-for-peace program in its true perspective. Effective and important as it is, it is but one of the resources available to us. Food for peace can only achieve its objectives if it is considered as a part of an overall foreign economic assistance effort by the United States, an effort in which capital development and technical assistance are combined with food for peace to achieve a common objective.

For example, free China is reaching a point where its economy is becoming self-sustaining. Food for peace contributed greatly to this development, but it could not have done the job alone. Capital development and technical assistance, combined with food for peace, have made this dynamic achievement possible.

And, as free China approaches self-sustaining growth, not only is it becoming a stronger part of the free world, but it is also becoming a larger export market for American agricultural commodities. U.S. commercial exports to that country have more than tripled in the last 5 years.

Free China is not unique as an example of how food for peace has triggered a chain of events that has seen aid recipients become cash customers.

Thanks in part to a school-lunch program instituted with gift commodities from the United States, the Japanese have developed an enormous appetite for U.S. milk, wheat, and corn products. As a result, they now buy immense quantities of each of these commodities for dollars. Japan, a former beneficiary of food for peace, is now the largest single purchaser of American farm products.

Where food for peace has gone in other parts of the world, there now are developing dollar markets for more and more U.S. commodities. Spain, for example, has become a \$70 million a year cash market for U.S. farm products. Israel and Greece are also coming up rapidly as dollar purchasers.

It seems to me, therefore, that all Americans, and more particularly those who are engaged in raising, selling, and distributing food, have an enormous stake, not only in the food-for-peace program, but in the whole foreign assistance effort.

You may be skeptical of the success of this Nation's foreign assistance efforts.

You may be pessimistic over recent setbacks and be apprehensive lest there be future ones. But, let me say that final success or failure will not be determined by them.

It is a mistaken idea to measure success or failure of a long-range program in terms of short-range events.

We must bear in mind that the myriad of problems of development cannot be easily and readily solved. Progress which necessarily involves the stimulation to growth of institutions—which for us began with the Magna Carta 800 years ago—takes time and patience. We must not allow ourselves to weary of this burden, for—as the late President Kennedy warned, “* * * our adversaries will not.”

So long as the ultimate objectives of economic, social, and political growth is clearly and broadly based in a context of individual freedom and self-respect, we can be safely optimistic of the future.

Though the road to development is clouded in uncertainty—progress has been made—progress is being made.

To paraphrase an old saw, “Helpfulness is the best policy.”

We are helping others because it is the right thing to do—and the right thing to do in this instance—simultaneously serves our own vital interests.

We in the United States are faced with a flaming challenge—one which contains within itself a golden opportunity.

The challenge—which threatens the peace of the world and our own security—is posed by the revolution of rising expectations occurring in the developing nations of the free world.

To help these people achieve their aspirations presents us with a unique opportunity to serve our own vital interests—a more secure future and an expanded economy.

We dare not ignore this challenge—or we will surely lose the opportunity.

(Whereupon, at 11:15 a.m., the subcommittee was in recess, to reconvene at 10 a.m. Thursday, February 20, 1964.)

The following is a list of the names of the persons who have been appointed to the various offices of the General Land Office, and the date of their appointment. The names are given in alphabetical order, and the date of appointment is given in parentheses. The names of the persons who have been appointed to the offices of Surveyor-General, and of the various District Surveyors, are given in a separate list, and the date of their appointment is given in parentheses. The names of the persons who have been appointed to the offices of the various offices of the General Land Office, and the date of their appointment, are given in a separate list, and the date of their appointment is given in parentheses.

EXTENSION OF PUBLIC LAW 480—TITLES I AND II

THURSDAY, FEBRUARY 20, 1964

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON FOREIGN AGRICULTURAL OPERATIONS
OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10 a.m., in room 1310, Longworth House Office Building, Washington, D.C., Hon. W. R. Poage (chairman of the subcommittee) presiding.

Present: Representatives Poage, Jones of Missouri, Matthews, Harding, Matsunaga, Dague, and McIntire.

Also present: Representative Quie.

Christine S. Gallagher, clerk; Hyde H. Murray, assistant clerk; John J. Heimburger, counsel; and Robert Bruce, assistant counsel.

Mr. POAGE (presiding). The subcommittee will please come to order.

The National Academy of Sciences, National Research Council, have presented us with a statement which they ask to be inserted in the record in lieu of an oral presentation, and without objection it will be made a part of the record at this point.

STATEMENT OF THE FOOD AND NUTRITION BOARD OF THE NATIONAL ACADEMY OF SCIENCES-NATIONAL RESEARCH COUNCIL

The Food and Nutrition Board, established in 1940 under the division of Biology and Agriculture of the National Academy of Sciences-National Research Council, serves as an advisory body in the field of food and nutrition. It promotes needed research in the broad field and helps interpret nutritional science in the interests of the public welfare. The Board may act on its own initiative or on request from public or private agencies.

The members of the Board are appointed from among leaders in the sciences related to food and nutrition on the basis of their qualifications of experience and judgment to deal with the broad problems that come before the Board. Appropriate contact with Federal agencies, scientific societies, and other associations is maintained through liaison representatives appointed from their respective organizations. Specific activities of the Board are carried on by the committees composed of experts in each field. Members of the Board and its committees serve without compensation beyond their actual expenses.

Financial support for publications and meetings of the Board is primarily provided by foundations such as the Milbank Memorial Fund, the Nutrition Foundation, and the Williams-Waterman Fund of the Research Corporation. Funds for specific purposes may come through government contract or grants from industry.

INTERNATIONAL FOOD AND NUTRITION PROGRAMS

FUNDAMENTAL PRINCIPLES AND PROBLEMS

The Food and Nutrition Board recognizes the need for effective action programs to meet urgent food and nutrition deficiencies in many developing areas of the world. Consideration must be given both to the needs of resident populations and to achieving long-range objectives of mutual interest based on improvements in agriculture, food technology, nutrition practices, and public health. The recommendations developed in this statement have an obvious relationship to problems in international trade and in developing worldwide conditions that lessen the risks of war.

The quantities of food available for export from technologically advanced countries are far below the quantities needed for normal health and vigor in countries where population densities are high, agricultural practices are inefficient, and where trained personnel, equipment, arable land and transportation facilities are lacking. In many countries the rate of population increase tends to outrun or offset the slow increments in food production and improvements in economic or social structure.

Fortunately, in North America, Western Europe, Australia, Argentina and a few other sections of the world there is currently an abundance of foods for export both through regular channels of trade and on a humanitarian basis to areas where hunger and malnutrition are most severe. Although the most damaging deficiencies are in foods of high quality protein, such as milk, meat, poultry, and fish, there are many countries where caloric deficiencies are serious. The caloric (energy) needs can be met at relatively low cost with supplies of grains, legumes, and oil seeds, such as wheat, corn, rice, sorghum, and soybeans which are also useful sources of protein, fats, vitamins, and minerals. Adequate caloric intake is an important and immediate factor in maintaining morale and work output but often does not correct the most crucial forms of nutritional health impairment.

Unfortunately the fundamental manner in which an inadequate food supply—in terms of either quantity or nutritive quality—retards economic, social, and political development often goes unrecognized here and abroad. When malnutrition is endemic the low levels of vitality, poor resistance to disease, stunted physical and mental development, and limited time for constructive pursuits beyond mere survival all combine to restrict progress and to create political and economic instability. Such conditions in any part of the free world impose upon other nations economic hazards and risks to peaceful relations.

Policies and programs for the utilization of foods available for export should include provision for at least three major categories of use:

1. Commercial sales in world markets through normal channels of trade represent the major immediate and long-range goal, insofar as circumstances permit. Under present circumstances, this avenue of action, however, does not serve adequately in meeting the total situation.

2. Special negotiations are important in soft currency areas, including such arrangements as purchase credits at low interest rates, exchange for goods or materials for which there is a need in this country and crediting food as part of contract commitments for economic development. Agreements should include specific and liberal allowance of funds for advanced training programs in agriculture, food technology and nutrition, both here and abroad.

3. Organized and supervised programs of free distribution in disaster areas and for humanitarian purposes as in maternal and child health centers and school lunch programs are desirable, but only via well-organized national and international agencies that require joint responsibility by local agencies and provide enough surveillance to assure satisfactory programing.

There is no prospect that most of the newly developing countries will find it possible through their own resources to produce immediately enough of the foods needed for optimum health, and it is equally clear that the more advanced countries cannot produce enough to meet the entire world needs. However, our policies should vigorously and honestly encourage the development of food resources within the countries that have severe deficiencies beyond their present capacity to purchase or provide. Giveaway techniques or uneconomical merchandising of food commodities will not solve either their problem or ours. Start-and-stop programs are even more damaging, particularly in food, health, and educational activities.

Beyond the service of supplying foods on a normal economic basis, our greatest contribution in proportion to our resources can be in terms of careful and vigorous programs of education by demonstration and sustained personnel training, supplemented by financial credits and the advisory services of carefully selected experts to improve research and practices in agriculture, human nutrition, food technology, sanitation, and industrial management.

In shaping policies and in planning programs, there should be clear recognition that the segment of the population penalized most severely by malnutrition in nearly all of the developing countries is in the age range from weaning to 5 years. Reaching this group is extremely difficult. In many areas, up to 50 percent of the children fail to survive to school age, directly or indirectly as a result of poor nutrition. Among those that survive, permanent physical stunting is often equivalent to 2 to 3 years of their most rigid growth and the central nervous system may also be irreversibly injured in degree comparable to the suppression of early growth. In the light of requirements for achieving social and economic progress, the task of assuring an adequate food supply for mothers, infants, and growing children merits a much higher priority than it has had in the past. For example, it is shortsighted and tragic to go so far as to encourage increased use of land for production of cash crops for export from newly developing countries when the result of such a program is failure to adequately feed and protect the health of the population as a whole. Agricultural exports can be of immense economic advantage in establishing a favorable monetary exchange, but this goal should not cause neglect of available land, credits, and education to produce essential food for low-income segments in the population.

IMPORTANCE OF FOOD TECHNOLOGY

The vital importance of food technology to the development of countries whose economy is based largely on agriculture has not been clearly recognized. Food technology can make permanent contributions to the economy and health of developing countries in three broad fields:

1. In agriculture by providing improved crop selection, processing, and distribution, thus stabilizing and extending outlets for farm products on a year-round basis, and by preventing waste and spoilage of temporary crop surpluses. This role of the food technologist is a key to success in agricultural production.
2. In industry by providing employment at a higher level of production and income through an expansion of food processing and by developing products for export.
3. In public health by improving the nutritional value of foods and by modernizing sanitary practices in food handling. For example a very important contribution of food technology would be the development of high-quality protein foods in forms that are inexpensive and highly acceptable.

FEATURES OF AN ADEQUATE PROGRAM IN NUTRITION AND FOOD TECHNOLOGY

Although conditions vary from country to country, an adequate program in nutrition and food technology would include such features as:

1. Establish departments of nutrition in universities with specialists in clinical nutrition, biochemistry, physiology, dietetics and food management.
2. Organize and support teaching curriculums for training of medical students, nurses, dietitians, home demonstration agents, and public health educators in nutritional science.
3. Assist and support the conduct of dietary surveys, nutrition clinics, and research programs on problems of greatest local and national importance.
4. Establish food technology laboratories in one or more agricultural colleges, with specialists in bacteriology, food analysis, food engineering, and food management. The laboratory should include pilot plant equipment for developmental work on a semicommercial scale.
5. Organize and support training programs in food sanitation, quality control, research and demonstrations, emphasizing the production and processing of high-quality protein foods, and the shipment or canning and dehydration of local foods generally.
6. Organize councils on food and nutrition to coordinate programs and advise the secretaries or ministers of agriculture, health, education, commerce and economic development. One of the major goals in the work of

such councils should be the development of agricultural industrial programs to serve all segments of the public on a sound economic basis.

RECOMMENDATIONS

1. In view of the primary importance of nutrition and food technology to the health and economic welfare in developing countries, the Food and Nutrition Board recommends that a comprehensive program in nutrition and food technology be instituted and supported by the Agency for International Development or other Federal agency authorized to meet this critical need for a coordinated and sustained program. A top-level executive should be appointed with sufficient responsibility to insure coordination of the international activities of the several Government departments that have major interests in nutrition and food technology and in the related aspects of agriculture, industry, education and public health.

2. A small high-level advisory committee or commission should be established to assist the above executive in developing and maintaining a greater degree of coordination among Government, non-Government, and international agencies having major responsibilities in international food and nutrition programs. Members should be independent of other Government positions and should include chiefly persons with extensive training and experience in such areas as food production, distribution and technology, human and animal nutrition, education and public health. Executive sessions should be held regularly and on call by the chairman. Administrative responsibilities apparently should be in the Federal Council of Science and Technology.

3. Provision should be made for sustained and increased support of the Interdepartmental Committee on Nutrition for National Development and for follow-up programs to build on the opportunities created by their initial surveys. This group has completed surveys in 22 countries and has issued reports outlining both the nature of problems to be solved and programs for their solution. The surveys constitute a resource that should be developed for the mutual advantage of the countries served and the United States.

4. Because of the severity and worldwide scope of the problem and its significance for social and economic development, a primary objective of the U.S. foreign policy as it relates to foods and nutrition should be the prevention of serious malnutrition among children, with first consideration for the age range from weaning to 5 years. This program should be accomplished in a manner that will not create dependency, but instead will encourage individual initiative and responsibility within the areas served.

5. International food and nutrition programs should include a diligent regard for encouraging food production for domestic use or export, whichever is in the best interest of the total population in developing areas. Attainment of good nutrition practices within the cooperating countries should be the primary goal. This policy would encourage, rather than interfere with, a progressive development of markets in normal trade for products from the United States, but the marketing aspects should not have precedence over the protection of health and general economic progress in the developing countries.

6. Greater flexibility and coordination should be developed in the use of Public Law 480 funds, particularly in support of research that would facilitate action programs and training of personnel to serve within the newly developing areas. Training programs should include major emphasis on nutrition and food technology, and provision for broad training in agriculture and collateral training as in economics, statistics, public health, sanitation, and food distribution.

In areas where Public Law 480 funds are not available, support should be developed from other sources such as the Agency for International Development, the National Institutes of Health, the Office of International Scientific Affairs, the Food for Peace Council, the Freedom From Hunger Foundation, and the United Nations' agencies. Insofar as possible, the training of professional personnel should be developed on the basis of (a) careful selection and (b) commitments by cooperating governments or their respective institutions, for placing and supporting trained personnel in positions commensurate with their training and ability. Private foundations, State Department attachés, and National Academies of Science with experience in fellowship placement should be invited to assist in this type of service.

7. In virtually none of the newly developing countries is there a food processing and distribution industry adequate to serve the urgent year-round needs of the population. Neither do they have established programs of sanitation and

pure food control. Guidance in this area of agricultural and industrial development is essential to establishing healthful conditions and a stable economy.

Mr. POAGE. We will proceed on the same basis as yesterday. Each witness will be allotted 7 minutes for his basic statement, and we will try to limit the questioning to 5 minutes. We will proceed on that basis. It worked out very well yesterday and I trust that it will work out all right today.

Our first witness this morning is Mr. John C. Lynn, legislative director of the American Farm Bureau Federation, who is accompanied by Herbert E. Harris II, assistant legislative director, and Gustave Burmeister. We will be glad to hear from you now, Mr. Lynn.

STATEMENT OF JOHN C. LYNN, LEGISLATIVE DIRECTOR, AMERICAN FARM BUREAU FEDERATION; ACCOMPANIED BY HERBERT E. HARRIS II, ASSISTANT LEGISLATIVE DIRECTOR; AND GUSTAVE BURMEISTER, ASSISTANT LEGISLATIVE DIRECTOR, AMERICAN FARM BUREAU FEDERATION

Mr. LYNN. Mr. Chairman and members of the subcommittee, we will try to stay within our allotted time. In order that we might reserve some time for questioning, because we are making some recommended changes, I will highlight this statement, with your permission, and have the entire statement inserted in the record as if read.

Mr. POAGE. Without objection, that may be done.

Mr. LYNN. We try to make clear that the situation is different now than it was at the time that Public Law 480 was enacted. You will recall that we worked very closely together with you, Mr. Chairman, in developing some of the basic points in Public Law 480. At the time this loan was enacted there was a tremendous shortage of dollar exchange with which countries could buy our surplus agricultural commodities. Certainly, it is recognized that our balance-of-payments situation has greatly changed.

We had some \$6 billion worth of surplus commodities in the Commodity Credit Corporation hands at that time. Unfortunately, we still have \$7.2 billion or more surpluses in Commodity Credit Corporation hands.

This was designed as a temporary program, but it has turned out to be a rather permanent program. We are not unhappy at all with the results of Public Law 480 up to now. We think that it has furnished food to people who would not otherwise have been able to buy food, and we think to some extent it has created some new markets. However, as representatives of agriculture we feel concerned when such a great percentage of our export market is currently depending on Public Law 480.

On page 2 of our statement we outline the percentage of these various commodities that are currently being exported under Public Law 480. We do not think that this is a very solid basis for building the future of agriculture. Thus, we are making some recommendations for change.

I am sure that you are aware of the accumulation of foreign currencies and of the number of countries that are participating in Public Law 480 programs.

On page 5 of our statement, we are making some suggested changes in the legislation. We will be happy to work with your staff in de-

veloping language for this purpose. We have stated it fairly general, but we think that it is time that we require 25 percent of the purchases be in convertible currency. That is to say, if you were doing a \$100 million deal with a given country, that you would have \$75 million in local currency under title I, and a \$25 million requirements for convertible currency.

We think the recent agreement negotiated with Poland as outlined on page 6 of our statement is the kind of transaction that we would like to look forward to in future Public Law 480 agreements.

In the light of this recommendation we see no need for the mandatory set-aside of 5 percent for market development or the 2-percent convertibility requirement that is currently in the law. If you get 25 percent in convertible currency then the people who are engaged in market development will have adequate funds through appropriations. We are in no way trying to deemphasize real market development work in our recommendation here. The fact of the matter is that this would give it a boost.

We recommend that the title I authority be extended for 3 years. We believe that the Congress ought to take a look at an important law like this at least every 3 years.

In addition, we recommend that the authorization be for \$3 billion for these 3 years, with authority to commit up to \$1.5 billion in any one year. We recognize that you have to have some flexibility in this regard.

With regard to title II of this act, which is currently being administered, as you know, by the foreign aid program, or AID, this has long been charged up to the agricultural budget. Since it is administered as an AID program, we think that this ought to be removed from the agricultural budget and be a part of the foreign aid budget. We are so recommending.

Mr. Chairman, these are the principal recommended changes that we want to make in this law.

I thank you.

Mr. POAGE. Thank you very much for this presentation. I would like to ask you how you propose to make this title II expenditure come out of somebody else's budget. I thoroughly agree with your objective. It strikes me as something that ought to be done, but how can we practically do it?

Mr. LYNN. I think this committee has the authority to do this. In your report you could indicate this as your wish and intention, and then I think that we will have to use whatever persuasion we can with the Bureau of the Budget.

Mr. POAGE. Can this committee authorize an expenditure for certain social or relief programs apart from any agricultural connections?

Mr. LYNN. Yes.

Mr. POAGE. But we have done it, at least, under the cloak of an agricultural activity. This committee has not any jurisdiction over relief programs as such.

Mr. LYNN. I recognize that, sir. We propose to follow through with this and make a similar recommendation when we appear before the Foreign Affairs Committee. I think that with your indicating your approval of this, together with whatever push we can give over there it may be by next year—we recognize that this cannot be done for fiscal 1965—that we could get this done.

Mr. POAGE. These items are in the agricultural budget. I have always thought that they did not belong there. I do not see where the school lunch program belongs in the agricultural budget. I do not see where a number of these programs that are highly desirable—and I would not want to repeal them—and I do not want to repeal title II of this bill, either, but I do not know why they are charged up to agriculture.

Mr. LYNN. There were some good reasons for having this in Public Law 480.

Mr. POAGE. I know there were. It was put there as a part of a general program to move the commodities. This, as you pointed out, is working, and we recognize now that part of it is for relief of social or international programs, and that part is not an agricultural program as such. I am not finding fault with the program. I think it is a good program. I want to carry it on, but I do not think that it is fair to the public of the United States for them to feel that it was spent on behalf of the farmers of the Nation, because it was not spent any more to help the farmers of the Nation than it was spent to help the man who lives in the Waldorf Astoria Hotel all of his life.

Mr. LYNN. There is another recommendation that we make in our statement that I did not summarize. It is that we think that the program ought to be worked out at the time an agreement is developed with a country for the use of the local currencies. We think that this accumulation of vast amounts of local currencies to our account, deposited in banks in these countries, is beginning to prove embarrassing to us and to the recipient countries. And we see no reason why, as a part of this agreement, we should not negotiate or make plans as to how we will use the local currency accumulations under this sale.

Mr. POAGE. We will go off the record.

(Discussion off the record.)

Mr. POAGE. Back on the record.

Thank you very much.

Mr. LYNN. Mr. Chairman, these four amendments are very simple. And all we are asking is that you just adopt them as you report this out. And this is our story.

(The prepared statement of John C. Lynn, of the American Farm Bureau Federation, follows:)

STATEMENT OF THE AMERICAN FARM BUREAU FEDERATION, PRESENTED BY JOHN C. LYNN, LEGISLATIVE DIRECTOR, AND HERBERT E. HARRIS II, ASSISTANT LEGISLATIVE DIRECTOR, FEBRUARY 20, 1964

We appreciate this opportunity to present Farm Bureau's views with regard to Public Law 480, the Agricultural Trade Development Act. Under current law, title I (authority for sales of surplus farm products for foreign currency) and title II (authority for foreign grants of agricultural surpluses) expire December 31, 1964. Since there is no bill presently before the Congress, our comments of necessity are somewhat general and our recommendations are limited to these two titles of the law.

Farm Bureau is an organization of 1,628,295 farm and ranch families in 49 States and Puerto Rico. Our extensive policy development program provides every member, individually and through his elected representatives, an opportunity to study, discuss, and take action at thousands of meetings each year.

In 1954 Farm Bureau took a leading role in developing legislation, which became Public Law 480, authorizing an export program for surplus agricultural products designed to move them into consumption and establish the basis for long-term commercial sales in the future. You will recall that this was to be

a temporary program. At the time, international trade in farm products was being restricted because of several factors. One of the chief factors was a "dollar shortage" which was almost worldwide. Today that situation has changed dramatically. When Public Law 480 was being considered by Congress in 1954, it was looked upon as a means of moving surpluses out of storage and into consumption. Our agricultural surpluses at the time amounted to a little over \$6 billion. At the end of fiscal year 1963—and after 9 years of Public Law 480—our agricultural surpluses amount to some \$7.2 billion. So in light of the many changes that have occurred, we think it is appropriate that this program be reviewed at this time.

THE CURRENT SITUATION

To a very large degree, as is indicated by the continued buildup in Commodity Credit stocks, Public Law 480 shipments have come out of current production, and perhaps these export movements have given the impression that some of our domestic agricultural programs have been working better than they actually are.

The program has moved a tremendous amount of surplus agricultural products to many nations which would not have been able to obtain them through normal purchases. Agricultural products valued at over \$20 billion have moved since the enactment of this law.

Title I foreign currency sales have accounted for the export of \$14 billion worth of farm products. Title II donations have amounted to \$1.5 billion; foreign and domestic relief shipments under title III have exceeded \$3 billion; and barter contracts account for over \$1.5 billion. Less than \$200 million of farm products has been sold under the long-term credit arrangements of title IV.

Foreign currency sales under title I have accounted for nearly 2.8 billion bushels of wheat, 83 million bags of rice, 417 million bushels of feed grains, 7.6 billion pounds of fats and oils, 8.1 million bales of cotton, and large quantities of other farm products. Since U.S. agriculture has a vital stake in the export market, present and future, we must be concerned over the persistent percentage of our exports that moves under the Government programs of Public Law 480.

In fiscal year 1963—

Wheat exports represented 58 percent of U.S. production; 76 percent of these exports moved under Public Law 480.

Rice exports were 54 percent of U.S. production; 58 percent of these exports moved under Public Law 480.

Drastically reduced cotton exports still represented 25 percent of U.S. production; the percentage that moved under Public Law 480 increased to 33 percent.

Soybean oil and cottonseed oil exports represented over 40 percent of U.S. production of these oils; 40 percent of these exports moved under Public Law 480.

The above agricultural products represented 40 percent of our agricultural exports last year. On a total value basis, 60 percent of them moved under Public Law 480. Can any industry hope to build solid markets if it continues indefinitely to base such a substantial part of its marketing on Government programed exports for nonconvertible currency?

FOREIGN CURRENCY SALES

Farm Bureau 17964 policies in regard to Public Law 480 state:

"The law should be extended for not more than 3 years with authorization to use existing surpluses in a constructive manner, moving them into consumption where nations are unable to pay in dollars. These export movements should not replace dollar sales. It is not consistent with the purpose and intent of the law to embark on a program of encouraging production to expand Government-financed movements or to attempt to justify unrealistic domestic programs by citing the availability of foreign currency sales as a means of exporting the surplus production."

In our opinion, the purpose of title I foreign currency sales has been widely misunderstood. This program was not designed to be—it never has been—a direct relief program in which food was given to the people of the recipient country. Other titles of Public Law 480 and the foreign aid program were designed to serve that function. Under title I, the recipient country is supposed to make payment for the product received. The food and fiber is sold through normal commercial channels, and the individual consumers in the recipient

countries pay their local currency for these products. Such a program provides the recipient country with two direct benefits.

It (a) is a means of accumulating capital for economic development and (b) permits the importation of food in cases where foreign exchange is not available to pay for it. When Public Law 480 was enacted, and a dollar shortage existed throughout the world, foreign currency transactions were viewed as a transitional program which would lead to normal commercial trade as foreign exchange became available.

In the current situation, Public Law 480 appears to be operated primarily in the interest of the economic development of less developed countries. There have been instances in the past when this program was used to develop some solid markets for U.S. agricultural products; however, we question whether it is achieving this objective currently.

For example, wheat shipped to Japan under Public Law 480 has developed a continuing market which probably would not have reached its present magnitude without the program. Over 6 years ago, soybean oil sales to Spain were initiated under Public Law 480. Spain has now emerged as the largest U.S. cash market for edible oils. However, continued unrestricted programming to countries such as India, Pakistan, the United Arab Republic, et cetera, will not bring about commercial markets. It may very well prevent them from developing.

The international dollar shortage of 1954 has been reversed in 1964. The persistent balance-of-payments deficit of the United States has built up tremendous dollar and gold reserves outside of this country. With a deficit in our balance of payments which has averaged around \$3 billion over the past several years, a policy of programming \$1.5 billion worth of farm products for foreign currency should be subjected to the closest scrutiny.

The extent to which many underdeveloped countries can benefit from additional accumulation of local currency under Public Law 480 is subject to serious question. The billions of dollars' worth of foreign currency accumulated under Public Law 480 has become in many instances more of an embarrassment than an asset. The Budget Bureau has indicated that the United States today holds "excess currency in Poland, India, Burma, Israel, Pakistan, the United Arab Republic, and Yugoslavia." We have accumulated sufficient foreign currency in some countries to attain the unenviable position of being capable of wrecking the foreign country's economy. The fact is that some foreign countries have little motivation to "draw down" foreign currency generated by Public Law 480 for economic development projects. There is some indication that, given the choice, some foreign countries prefer to pay for projects with "new money" rather than to borrow foreign currency from the Public Law 480 account. The effect upon their economies is approximately the same if the United States agrees to continue to confine its hoard of foreign currency; and, in the case of "new money," there is no need to pay interest.

For example, the United States holds \$532 million worth of rupees in India. The Budget Bureau estimates that we will spend about \$21 million equivalent in India during the next fiscal year.

The foregoing facts indicate that, just as the conditions in 1954 called for a new program such as Public Law 480, current conditions in 1964 call for basic and fundamental changes in the program. This requires the enactment of new safeguards and the strict and vigorous implementation of them.

NEW SAFEGUARDS

The most important safeguard is to take those steps necessary to insure that foreign currency sales are limited to current agricultural surpluses. This means that our domestic agricultural programs should not encourage production in order to expand foreign currency movements under title I. This also means that we should not attempt to justify unrealistic domestic programs by citing the availability of foreign currency sales as a means of exporting the surplus production. We have a serious obligation, not only to ourselves but also to other exporting nations, to make basic changes in our domestic agricultural programs to prevent artificial incentives for production when such production is to be pushed into the world market through special programs such as Public Law 480.

Of course, the magnitude of the export movements of agricultural surpluses as carried out under Public Law 480 presents a constant danger of displacing normal commercial sales. In our opinion, some displacement has already occurred.

Any new legislation should require that "usual market provisions" be included in every agreement. In addition, we should require that all future foreign currency sales be made on the condition that at least 25 percent of the total purchase be paid for in dollars or freely convertible foreign exchange.

The recent export arrangement with Poland which included a \$30 million foreign sale, a \$30 million short-term credit sale, and a \$30 million sale on commercial terms is evidence that it is time, and that it is possible, to move toward more commercial sales arrangements with the countries which have been acquiring a major part of their food needs through title I type programing. We recommend that this 25-percent requirement be written into the law now.

After 9 years operation of this program, there is a growing attitude among many nations that farm products are not worthy of foreign exchange. To put it another way, many underdeveloped countries seem to feel that foreign exchange is something to be used for the importation of industrial goods since food import requirements can be met through Public Law 480-type transactions. This could have an extremely detrimental long-term effect upon potential dollar markets for farm products.

The excessive foreign currency balance indicates the necessity for a requirement in the law that a Public Law 480 agreement specify not only the general category to which the foreign currency is to be applied but also the projects for which those funds allocated to economic development will be used. Foreign currency should not be generated through title I sales unless there is real evidence that it can be used promptly and constructively. A foreign currency sale which results in such currency lying indefinitely in a U.S. account is not a sale, and is not serving the best interests of either country.

Since market development activities are being financed by appropriations even when foreign currencies are used, the mandatory set-aside of 5 percent for market development activities should be deleted. With the adoption of our recommendation of a 25-percent cash requirement, there should also be deleted the 2-percent convertibility requirement contained in section 104(a).

EXTENSION AND AUTHORIZATION

Adoption of the revisions recommended herein would enable farm bureau to support a 3-year extension of the authority to enter into foreign currency sales contained in title I of Public Law 480. We would recommend an increased authorization of \$3 billion with the additional limitation that not more than \$1.5 billion could be committed in any one year.

1. We believe it is essential for Congress to review and reassess a program of the magnitude and implications of Public Law 480 at least every 3 years.

2. We believe it is imperative that the United States not indicate to recipient countries or to other exporting countries that we intend to enter permanently into a program of noncommercial export movements of U.S. agricultural products. It is not in the best interest of the United States, the American farmer, or the underdeveloped nations of the world to indicate such an attitude. It would not build strength, it would sustain weakness; it would not generate gratitude, it would compound resentment. Our relationship with underdeveloped countries should be based on the principle of a partnership in trade, not on a donor-donee basis.

An additional \$3 billion authorization to cover this period should prove sufficient. The fact is that we already have "overprogramed" India and Pakistan. It certainly is an unhealthy situation when recipient nations must come to the United States to explain why they do not want to take as much as we have tried to give them.

TITLE II EMERGENCY RELIEF

Donations for emergency relief and so-called work-payment programs under title II of Public Law 480 are currently administered by the Agency for International Development. It seems appropriate that such activities be delegated to the foreign aid agency. Logically the cost should be borne by the foreign aid budget. Therefore, farm bureau recommends that title II authorizations be transferred to the foreign aid bill and be subject to appropriations for foreign aid.

As a temporary program, Public Law 480 can move surpluses into consumption to countries unable to pay dollars. However, the export movements should be used to expand future commercial trade, not as a substitute for such trade. It will defeat our purpose if we allow Public Law 480 to become a permanent program and if we permit recipient countries to become permanently dependent on U.S. Government programs for their food import needs.

Mr. POAGE. We will next hear from Mr. Joseph J. Palisi, chief of the food-for-peace branch of the American Institute for Free Labor Development's Social Projects Department.

STATEMENT OF JOSEPH J. PALISI, CHIEF, SOCIAL PROJECTS DEPARTMENT, FOOD-FOR-PEACE BRANCH, AMERICAN INSTITUTE FOR FREE LABOR DEVELOPMENT

Mr. PALISI. Mr. Chairman and members of the committee, I will not be able to present the brief in the time limit allowed; I ask that it be made a part of the record.

Mr. POAGE. We will be glad to hear whatever you have to say.

Mr. PALISI. I am Joseph J. Palisi, chief, food-for-peace branch of the American Institute for Free Labor Department's Social Projects Department.

This new voluntary agency was accepted for registration by the Advisory Committee on Voluntary Foreign Aid in the closing months of 1963. It has been established by the American labor movement (AFL-CIO) with the encouragement and cooperation of American industry.

The AIFLD fills a long-felt need of American labor for a more personalized participation in overseas social welfare activities. Because of the urgency of the Latin American situation, the AIFLD is addressing its efforts to the pressing needs of our neighbors to the south. You gentlemen, I am certain, all know that more than 25 percent of the AFL-CIO budget is presently dedicated to overseas activities in primarily underdeveloped areas.

Because of our primary thrust, my comments will be largely couched in terms of Latin American needs although they are equally applicable, in most cases, to any of the world's developing areas.

Of the approximately \$100 million worth of projects under development by the AIFLD in the field of workers' housing and workers' banks in Latin America as well as other social welfare activities, \$47 million have been tentatively approved. Roughly 50 percent of the approximately \$100 million represent AFL-CIO welfare funds. It is anticipated that at the present rate of building, construction on the most important AIFLD sponsored workers housing effort overseas (a \$10 million project in the heart of Mexico City) will terminate by the end of this year. Similar efforts have already been or are about to be launched in Honduras, El Salvador, Colombia, Argentina, and elsewhere.

The advent of a basically labor-oriented American voluntary agency—a specifically worker-to-worker program—was long overdue, notably, among other reasons, because of the presence of intensive efforts by antidemocratic forces to infiltrate this vital segment of society.

Looming large in the projected program of the AIFLD are the creation and stimulation along self-help lines of cooperatives, credit unions, and related efforts in community development aimed at improving the fundamental living standards of both urban and rural workers. Since food is regarded by the AIFLD as a factor of basic conditioning for sound development along the aforementioned lines, the extension and development of the provisions of Public Law 480

are deemed to be of the highest importance as we seek to do our share in helping to resolve some of the outstanding socioeconomic problems affecting the workingman in underdeveloped societies.

To graphically illustrate the function which a basically labor-oriented American voluntary agency such as the AIFLD seeks first to perform in Latin America, I submit for your examination a simple diagram of five concentric circles representing definable social groupings in relation to their concern for the needy and their welfare role under the applicable provisions of Public Law 480. The center core represents the needy of Latin America.

The five concentric rings are listed in outer radiating order as:

A. Voluntary organizations (such as CARE, Catholic Relief Services—N.C.W.C.—Church World Services, Inc.);

B. Mass membership secular association (such as trade unions, credit unions, cooperatives, et cetera);

C. Intellectual strata (broadly defined as including those possessing better-than-average qualities of leadership potential as well as by-products of higher education from university students to rectors);

D. The managerial group (which would include large industrialists, landowners, et cetera); and

E. Government services (which would include the central and sub-divisional bureaucracies, the Armed Forces, police apparatus, et cetera).

Of the five interrelated and overlapping social strata which act upon and in various ways influence the center core of population composed of the neediest social segments, most of them illiterate and unorganized workers and peasants, only social stratas A and E on the above diagram have, to date, been assigned a serious role under one or more of the four titles of Public Law 480 whose basic purposes, as defined by the Congress itself, was and remains that of improving U.S. foreign relations. With the recognition of the AIFLD as a registered voluntary agency, the stage has been set to allow the purposeful participation of such mass organizations as trade unions in the general food-for-peace effort. What is this expected to signify in the way of returns to the United States and directly or indirectly to the participating Latin American trade union structures themselves?

Mr. POAGE. May I interrupt you to say that your time is running out—you have used up your time. You will not have time to read all of the statement. If you care to summarize it, all right.

Mr. PALISI. I had no idea that I had run out of my 7 minutes, Mr. Chairman. Basically, we envisage AIFLD, which is labor's oriented organization, as one that will be able to do a great deal for the development of democratic free trade unions in Latin America, above and beyond the welfare purposes in which all agencies are involved in this type of work.

I do not think that I will have anything further to add relative to that, but I am open to any questions that you might have.

Mr. JONES of Missouri. I have one question. I cannot comprehend a statement that you make on your first page, "you gentlemen, I am certain, all know that more than 25 percent of the AFL-CIO budget is presently dedicated to oversea activities in primary underdeveloped areas." You mean that the whole budget of the AFL-CIO is encompassed within that statement?

Mr. PALISI. That is correct. The whole central budget of the AFL-CIO—25 percent of that is devoted to oversea activities.

Mr. JONES of Missouri. Where does that money in that budget come from?

Mr. PALISI. From the American workingmen, sir.

Mr. JONES of Missouri. The American workingman? None comes from foreigners. And you are taking 25 percent of the workingman's donation to the AFL-CIO, and spending it in foreign countries?

Mr. PALISI. That is correct, sir.

Mr. JONES of Missouri. Thank you.

Mr. POAGE. Thank you very much.

We will now hear from Dr. Flemmie P. Kittrell, who is appearing here on behalf of the Division of Peace and World Order of the General Board of Christian Social Concerns of the Methodist Church. Dr. Kittrell is serving as professional head of home economics department at Howard University; she has served with the AID in India and, also as a Fulbright professor in that country. She also has engaged in cultural exchange work in Africa for the State Department.

We will be glad to hear from you now.

STATEMENT OF DR. FLEMMIE P. KITTRELL, REPRESENTING THE DIVISION OF PEACE AND WORLD ORDER, GENERAL BOARD OF CHRISTIAN SOCIAL CONCERNS OF THE METHODIST CHURCH; ACCOMPANIED BY J. ELLIOTT CORBETT, ADMINISTRATIVE ASSISTANT, DIVISION OF PEACE AND WORLD ORDER, THE METHODIST CHURCH

Dr. KITTRELL. Mr. Chairman and members of the subcommittee, I am Flemmie P. Kittrell, of Washington, D.C., and am a member of the Board of Christian Social Concerns of the Baltimore Conference of the Methodist Church. Today I am representing the Division of Peace and World Order of the Methodist Church.

The General Conference of the Methodist Church stated in 1960: The desperate unmet needs of people in this world are of grave concern to Christians * * *.

We believe that economic assistance, which seeks to make the benefits of scientific advance and industrial progress available for the improvement of underdeveloped areas is an example of both Christian love and practical international brotherhood.

In view of this statement, we favor the extension, expansion, and where desirable, the amendment of Public Law 480 in order that even larger quantities of surplus foods may reach human beings in need through either governmental or nongovernmental channels. We would like to encourage a long-range program, even beyond the 5 years recommended by the administration, until the newly independent and developing countries are able to depend on their own efforts to provide adequate food and a decent standard of living.

While disposal of surplus food has been a benefit to the American farmer and the American taxpayer, we might well consider going further in our Christian concern and sharing some of the foods which have not become surplus, but which are sorely needed to overcome malnutrition in many parts of the world. We are aware of the fact

that this approach could call for a reorganization of production plans at home.

We would approve of an emphasis, either in the preamble or in the bill itself, upon the rationale of the program being one which primarily seeks to meet the world's hunger needs rather than being largely one of surplus disposal. This would tend to make more specific Secretary Freeman's excellent general statement when he recently referred to the program as an expression of "the high moral purpose of the people of the United States." We also wish to note our agreement with Church World Service in changing their slogan from "Share Our Surplus" to "Share Our Substance."

Our general conference further stated:

All programs of * * * economic aid should be designed to benefit the peoples of underdeveloped countries and their economies rather than to serve political * * * purposes.

Therefore, our interpretation of general conference action is that we would generally favor, under title II, the possible use of surplus food for the people of Communist countries where there may be a continuing hunger need as well as in emergency situations. On cases of sales of surplus food—under title I—to Communist countries in exchange for foreign currencies, such currencies might be permitted to be used for projects which would primarily help the local citizenry, such as the Children's Hospital at Krakow, Poland, for example. In other words, we would like to see food used, not as a weapon in the cold war, but as an instrument of good will for all peoples.

We would recommend that food for peace be used increasingly to strengthen multilateral programs, particularly those of U.N. agencies, rather than that it consist largely of bilateral programs.

Our general conference has declared:

We sincerely acknowledge the liberal contribution by the United States * * * of food * * * to benefit the underdeveloped areas of the world.

We take great pleasure in the knowledge that, as Secretary Freeman has pointed out:

We are now providing school lunches for 40 million children * * * in over a hundred countries * * *.

I personally have closely observed the food-for-peace school lunch program in southern India, and I am very enthusiastic about its achievements.

As Christians, we support the program basically because Christ said:

* * * for I was hungry and you gave me food * * * as you did it to one of the least of these my brethren, you did it to me.

Mr. POAGE. Thank you very much, Dr. Kittrell. I would simply want to raise the same question with you that I have raised with the other witnesses. Do you emphasize the importance of this program as a social program? If it is to be a program which involves, as you suggest, such social program and I am not finding fault with that either, but be it that type of program, where should the cost of it be charged?

Dr. KITTRELL. Well, I think, the American taxpayer.

Mr. POAGE. Yes, the taxpayer, but the American taxpayer understands today that he is having to pay out over \$6 billion for agricultural programs. He is told that it is for the benefit of the American farmer. He is told that day by day that the American farmer is on his back, and that he is taxed to the extent of \$6 billion for that program. The farmer should not be charged with that, should he?

Dr. KITTRELL. It seems to me that when we do this we are also really helping the farmers, because, as we sell food abroad, and food is produced—and if people are going to be fed and therefore be better human beings, it revolves back to us in good neighborly living.

Mr. POAGE. I agree with you, that is a fine thing, but all of us who participate in this realize and know that it is intended that the public is to understand that this is carried out for the benefit of the American farmer and that the taxpayer pays for it. Are we doing it to help the farmer or because we think that it is a sound program—as you have well expressed it, that it is something that Christ said that we should do?

Dr. KITTRELL. Yes.

Mr. POAGE. He did not say that the farmers should do it, any more than any of the rest of our population should do it, did he?

Dr. KITTRELL. Well, we are all involved with the farmers.

Mr. POAGE. I know that we are. The point I am making is where this appropriation should be charged, whether to the Department of Agriculture or to the Department of Health, Education, and Welfare.

Dr. KITTRELL. I think that with all of our international programs that we kind of share the charge.

Mr. POAGE. No, we make all of our foreign aid program admittedly as aid programs. It is that part of our foreign aid that is authorized by this committee in the eyes of the public, the eyes of a newspaper—it is all charged to the farmer. That is what I am speaking about. Do you not think that is a little unfair?

Dr. KITTRELL. What I had in mind, however, was that the Department of Agriculture is the administrative officer for these. I do not believe that the taxpayers particularly would be concerned as to who is the administrator, which department, so long as a good job is done in administrating this. And so far as school lunches are concerned, I think this is wonderful. And the Department of Agriculture has done a good job of administering it. And from the standpoint of the housekeeping end of it, we would leave that to the people who work in the foreign area.

Mr. POAGE. Thank you.

There are no further questions. We are very much obliged to you.

Dr. KITTRELL. Thank you.

Mr. POAGE. Our next witness will be Mr. Gaines of the Rice Millers Association, but I see that I am breaking into this arrangement and I think that we should complete our social agencies first before we get to our commercial activities. So therefore, let me first call the American Council of Voluntary Agencies for Foreign Service. It would be more appropriate, certainly, to hear from you now, and in that way we will keep a better order than if we take up the commercial activities in between.

We shall be glad to hear from you now, Mr. Farley.

STATEMENT OF HUGH D. FARLEY, CHAIRMAN, AMERICAN COUNCIL OF VOLUNTARY AGENCIES FOR FOREIGN SERVICE, INC.

Mr. FARLEY. Mr. Chairman and gentlemen of the committee, my name is Hugh D. Farley, of New York City. I am appearing here as chairman of the American Council of Voluntary Agencies for Foreign Service, and representing that organization. I happen to be also executive director of the Department of Church World Service of the National Council of Churches of Christ in the United States of America. I am accompanied by Rabbi Hugo Gryn of the American Jewish Joint Distribution Committee, Gordon Alderfer of CARE, Bishop Edward E. Swanstrom of Catholic Relief Services, Mrs. Raphael Tourover of Hadassah, Dr. Paul C. Empie of Lutheran World Relief, and Melvin Myers of Church World Service, members of the Food Resources Policy Committee of the American Council. And I am also accompanied by Mr. Eugene Shenefield, who is the new executive secretary, and Mrs. Elizabeth Reiss, a member of our food resources committee.

You might be interested to know that the American Council of Voluntary Agencies for Foreign Service is an organization comprising at the present 39 American voluntary agencies with oversea programs, representing the major American voluntary sectarian, nonsectarian, and nationality oversea social and welfare agencies, whose combined constituencies include tens of millions of U.S. citizens who through these agencies express their concern for fellow beings in need abroad. This voluntary, tangible expression of concern reflects the spirit of voluntarism which is traditional to the American people, and an integral part of American life and our democratic heritage.

I wish today to present testimony concerning Public Law 480. There are two major points which I propose to discuss—

1. Extension of titles I and II of the law for an additional period of 5 years, and
2. Certain shifts in the emphasis of voluntary agency programming of Public Law 480 commodities utilization which could be facilitated, we believe, by somewhat greater flexibility in the legislative provisions under which the agencies operate.

It has been nearly 5 years since members of this committee have met, on July 29, 1959, with members of your committee, Mr. Chairman, on the matter of Public Law 480.

The presentation which we made at that time had essentially the same purpose at the presentation which we propose to make today; the committee wished to bring you up to date on the trends and directions of voluntary agency programs involving the use of Public Law 480 funds; they presented an account of the need for these foods around the world as experienced in their programs and recorded in brief some changes in stress and emphasis relating to that need as reflected in their programs. They requested above all favorable consideration and action on further extension of those provisions in the law relating to the period of its validity and appropriations for its implication.

In 1959, in recommending favorable action to extend Public Law 480, we "strongly urged that legislation enacted * * * make adequate and definite provision for long-term planning." Public Law 480 was subsequently amended by Public Law 87-128, approved August 8,

1961, to extend the validity of the law for a period of 3 years. Today we again urge that the law, expiring December 31, 1964, be amended to extend for a 5-year period, with appropriate financing to assure its implementation.

As many times in the past, members of the American Council of Voluntary Agencies for Foreign Service express their appreciation to the American people through their Congressmen for the opportunity to share with their Government in the utilization of these valued foods in their programs of assistance overseas through the food-for-peace program. Since 1950 when they received the first agricultural commodities under provisions of the Agricultural Act of 1949, the voluntary agencies have shipped over 7.5 million tons of these precious foods overseas for distribution through their programs of relief, assistance to refugees, self-help, and health services. The American voluntary agencies in fiscal year 1963 shipped under Public Law 480, 1,451,800 tons of food to approximately 90 countries. Among the recipients were 1,318,000 refugees and an estimated 55 million children; of the latter, some 31 million were schoolchildren in school lunch programs operated by American voluntary agencies.

The need for these foods continues. It should be noted that voluntary agencies are increasingly emphasizing the use of this food resource to assist the recipient communities to enhance their social, agricultural, and economic potential to the end that they may become eventually self-sustaining in the provision of an adequate food supply.

The goal of the agencies is now, as expressed by one agency representative, "to use the food resources in such a way as to leave with the recipients something more than just another day of life"—though there is certainly nothing wrong with that—indeed, food into plowshares.

In a deeply thoughtful article which appeared in the November issue of the periodical *This Day*, Ove R. Nielsen, chairman of the Food Resources Policy Committee of the American Council, described his visit to such a project in Korea. I quote it here in excerpt as an example:

Recently I rode in a battered taxicab from Kwangju in South Korea to Dae Duk Township some 35 miles away. It was a dusty, jolting ride requiring 3 hours of traveling along a rocky trail. Carl Hult, a Lutheran World Relief representative in South Korea, was eager for me to see the Dae Duk project, where 1,000 refugee families had almost completed the herculean task of reclaiming 3,000 acres of land from the Yellow Sea.

The land reclamation task would have been a relatively simple undertaking for a giant agency such as the Port of New York Authority with its vast resources of men, money, and heavy machinery.

For the refugees who had fled North Korea, it was another matter. They were virtually without material means, but they had a momentous asset—a leader with magnificent vision, in the person of Kim Hyung Suh. Trained as an engineer, he was one of 6 million refugees from North Korea. Most of these could not find jobs in South Korea, where there are 27 million people and the unemployment rate is 30 percent. South Korea, roughly the size of Indiana, can grow crops on only 20 percent of its land. The rest is barren hillsides * * *.

When * * * (we) finally arrived at Dae Duk, I was awed. I felt a sense of deep admiration and respect as I heard dynamite explode and saw stubborn rock blasted from the hillsides. After each series of blasts, throngs of men, women, and children scurried forth to gather up the pieces and deposit them in the mining cars. Then the cars were pushed by running men out to the farthest reaches of the dam, and the contents were dumped into the Yellow Sea * * *.

These refugees from North Korea had already given 500,000 man-days of labor without pay. The clothing they wore had been sent by Lutheran World Relief—only 20,000 pounds of it, to be sure, but all that they had * * *.

The dam has now been completed. The U.S. Government (through Church World Service and CARE) gave some food to the workers from its surplus agricultural stocks. The Korean Government also provided a little assistance. Churches in England and New Zealand through the World Council of Churches gave money for necessary cement and steel * * *.

Now the refugees are building fresh-water reservoirs in the hills above the reclaimed land. The fresh water will first be used to flush away the salty silt that has accumulated on the sea floor through countless centuries. Then the water will be used to irrigate the land.

Each of the families who work upon the Dae Duk project will be given 3 acres of land. That land will grow food to sustain its occupants. There will be enough land for a thousand families for perhaps a thousand years.

* * * More and more we are recognizing that Lutheran World Relief, while continuing to assist hungry multitudes who rightfully look to us for food, clothing, and medical supplies, should, to the extent (agency) resources can be made available, also address more of its attention to the basic factors which underlie the problems of hunger, inadequate shelter, and disease.

Feeding, clothing, and giving medical supplies become more meaningful if at the same time people are helped to provide for their future needs * * *. Such projects do not mean elimination of direct relief programs where they are needed, but they would supplant them wherever feasible in the interest of relieving basic causes of human misery.

Mr. POAGE. If I may interrupt, it has been the thought of the chairman that there was to be one witness for this group, but I find that there are more than one, and I do not want to fix a specific time, but could we ask them to limit their time, or to put their statements into the record.

Mr. FARLEY. Very well. And I might add that I personally visited this dam—this Dae Duk project in Korea last December, and I commend this entire statement to your personal attention and the members of the committee.

I have quoted this moving report in such detail because it is a fine example of the universally accepted trends of our member agencies in the present use of Public Law 480 foods.

Church World Service, for example, has stated that they are working in Jordan toward a more complete nutritionally balanced feeding program. Under the direction of a trained nutritionist all available resources are being coordinated. With a base of U.S. Government donated resources, the program includes education on and the development of enrichment processes of locally produced foods, plus the longer range program of increasing domestic food production of more diversified character to the end that the need for free food donation programs can be eliminated. U.S. Government-donated foods are also used there by Church World Service in community development projects that seek to better health facilities and to develop certain small industries that will provide for more employment.

CARE has advised that one of the ways in which it is using title II foods most effectively in promoting economic development occurs in the southern coastal regions of Iran, one of the most isolated and underdeveloped areas of the world. CARE is distributing Public Law 480 foods in a works project involving the construction of a 1,200 kilometer gravel-surfaced road which when completed will constitute the primary communications link between this region and the industrial sectors of Iran. The completion of the road will provide the means for economic advancement of the area by providing markets for local

resources and by opening the way for the Government of Iran to introduce improvements in housing, educational facilities, farming techniques, health and sanitation procedures, and medical assistance.

For the American Jewish Joint Distribution Committee, Public Law 480 foods represent assistance to welfare and rehabilitation programs in eight countries on three continents. While sizable numbers of family food packages are distributed, the chief beneficiaries are infants, children, and young people. In Morocco, for example, feeding programs in well-baby clinics and child-care institutions have helped to cut mortality rates; daily hot lunches are given in kindergartens, schools, vocational training schools, and other institutions which prepare children and young people for a useful future.

Catholic Relief Services, in cooperation with the Ministry of Agriculture of the Government of Peru, is utilizing Public Law 480 foods in a reforestation program whose immediate and long-term objectives are, respectively, to provide gainful employment and increased food consumption for families whose living conditions are substandard and to promote economic development by putting into production through a tree planting program nonproductive areas owned by indigenous communities.

Approximately 6,250 acres of forest plantation will be established in two Peruvian departments by planting an estimated 12.5 million eucalyptus trees on nonagricultural land.

During the first phase of this program an estimated 1,200 workers will be engaged in establishing nurseries and collecting seed, and preparing and digging planting sites for the next planting period.

Representatives of voluntary agencies present here today are prepared to enlarge upon this aspect of their programs following this presentation. These brief comments describe a few of the hundreds of such projects supported throughout the world by these agencies.

This growing trend in voluntary agency programing with Public Law 480 food as an invaluable resource reflects the convictions of many Americans concerning the use of American agricultural abundance and productivity as a blessing rather than a burden. It reflects also the bold outlines of the worldwide freedom-from-hunger campaign and contributes to its goals.

Programs of direct food distribution such as the voluntary agencies carried on in the early years of Public Law 480 availability are relatively costly, in funds and in personnel. The new and more effective programs of food distribution with their added complements of education, rural development, and health building require far greater flexibility in the use of American resources under Public Law 480 than was necessary for earlier programs.

We urge that in addition to the 5-year extension already suggested, members of the House Committee on Agriculture will review Public Law 480 with the thought to provide the greatest possible facilitation to the voluntary agencies in pursuing these programs.

I cannot conclude, Mr. Chairman, without stating once again the gratitude which the member agencies of the American Council feel in being privileged to participate in this creative partnership of government and peoples on behalf of the worldwide struggle against hunger; a partnership between American voluntary agencies and their Government, between the people of the United States through their

agencies and the people in need overseas, and between the American voluntary agencies and their counterparts—voluntary groupings developing now in many oversea countries to contribute significantly to the goal of freedom from hunger.

Thank you.

Mr. POAGE. Thank you very much. I know that some of your other workers want to make statements.

Mr. FARLEY. Some of them, I think, do who are listed. Others are present only.

Mr. POAGE. We will be glad to hear from the others who care to make statements. Do you care to introduce the group? I have the names of Melvin Myers, Dr. Paul C. Empie, Mr. Gordon Alderfer, and Msgr. John McCarthy.

Mr. FARLEY. I would rather leave that discretion to you, Mr. Chairman.

Mr. POAGE. Do any of those care to make statements? We will be glad to hear from them now, if they do.

STATEMENT OF MELVIN MYERS, DIRECTOR, MATERIAL RESOURCES AND SERVICES, CHURCH WORLD SERVICE

Mr. MYERS. Mr. Chairman and members of the committee, I think that my statement will be brief enough, Mr. Chairman.

My name is Melvin Myers. I am the director of material resources and services of Church World Service, the oversea relief and rehabilitation agency of the National Council of Churches of Christ in the United States of America, with headquarters at 475 Riverside Drive, New York City. Church World Service is a facility of 34 constituent denominations comprising 35 million members whereby they express their Christian concern for those in need overseas, wherever and whoever they may be.

We have been grateful over the past decade for the opportunity of using Government food resources under Public Law 480 to expand the long existent relief programs of the churches. This has involved more than 2 billion pounds of commodities in these 10 years. In tonnage it has far overshadowed our own commodity collection facility which nevertheless supplements this larger program in two important ways: first by providing the nutrient values and high protein foods presently not available under Public Law 480, and, second, by providing food to those not eligible.

In 1963, Church World Service was involved in programs of relief and rehabilitation in 46 countries. In 28 of these, Public Law 480 commodities constituted a large part of the program, involving shipment of 147,000 tons having a commodity value of \$16.5 million. This represented 56.7 percent of the total value of relief and rehabilitation supplies shipped by Church World Service in the year.

Additionally, 62,000 tons of food-for-peace commodities, valued at \$5 million, was shipped by the Agency for International Development for distribution in Algeria by our counterpart agency in a title II food-for-work reforestation project.

These commodity distribution programs touch the lives of millions of individuals in these several ways:

In a major disaster our immediately available food, clothing, and medicaments often provide the first measures of relief to a stricken

people. These feeble efforts are almost instantly overshadowed by the prompt, welcome, and vast response of this and other governments. We continue our service by reaching those overlooked in these large-scale operations, and by remaining to help in rehabilitation. Today, teams of volunteers are helping Haitians rebuild villages shattered by recent hurricanes.

Because of these ongoing programs in many countries, we meet emergencies and disasters too small to move governmental machinery and which raise only passing notice in the press. With the aid of Public Law 480 commodities we are able to move in quickly with available supplies, diverting commodities from neighboring countries when necessary. In one African country where floods made thousands homeless, these foods were transported in cooperation with the Air Ministry even before existence of the floods was formally recognized.

A third way in which these commodities are used is in the regular ongoing program to meet hunger and malnutrition wherever it exists and more particularly among the children, the ill, the aged, and those made homeless and often friendless by manmade situations as in the tribal difficulties in Africa. Public Law 480 commodities form the bulk and the basis for this type of feeding.

Thousands find sustenance in these commodities while they seek their own self-sufficiency in rehabilitation projects, by building roads, planting trees, making fishing nets, or clearing wells. In the Algerian reforestation project 95,000 heads of families receive these commodities in part payment of their work.

This commodity program affords the people of the United States, especially those associated with our constituent denominations, a channel for the tangible expression of humanitarian concern. Their response to the SOS appeal supports the administrative machinery for the distribution of these commodities. It is significant that during the past year the meaning SOS was changed from share our surplus to share our substance.

The question in which all of us are interested, Mr. Chairman, is how we can do a better, more constructive, more effective job with the help of the U.S. Government.

First, a multiyear extension of titles I and II of Public Law 480 will permit all the parties concerned to do long-range planning and programing. Along with this extension is required sufficient funds to enable the U.S. Government agencies involved to accomplish the tasks in which we are mutually engaged.

Second, it has been suggested that charges—properly called contributions—for general average insurance arising out of the ocean transport of commodities should be assumed on title III commodities as is now the case of title II. These charges are now paid by Church World Service. They are not burdensome, but they are sizable; the funds so saved will be utilized in the commodity distribution program.

Third, increasing attention should be given to the use of mutual resources as this commodity program moves into more sophisticated areas of usefulness and hopefully away from a straight feeding program. These new areas, requiring hard programing of all resources, include the food-for-work projects, the use of local agricultural products and capabilities to upgrade the nutritional value of these basic commodities, and the education of our oversea brothers in the proper use of foods which in many cases are unfamiliar.

Finally, Mr. Chairman, these commodities are a most valuable resource. They are a means to an end. We use them, together with all the other resources at our command, to press forward our programs of rehabilitation and self-help. Until the need for food no longer exists, Public Law 480 will be the extinguisher of the raging fires of hunger.

I thank you.

Mr. POAGE. Thank you, Mr. Myers. Let me state that those who do not read their entire statements may have the complete statements made a part of the record.

We will now hear from Dr. Paul C. Empie, of Lutheran World Relief. We will be pleased to hear from you now, Dr. Empie.

STATEMENT OF PAUL C. EMPIE, EXECUTIVE DIRECTOR, NATIONAL LUTHERAN COUNCIL, REPRESENTING LUTHERAN WORLD RELIEF; ACCOMPANIED BY OVE R. NIELSEN, LUTHERAN WORLD RELIEF

Mr. EMPIE. My name is Paul C. Empie. My office is in New York City. I am the executive director of the National Lutheran Council which is a joint agency of the American Lutheran Church and the Lutheran Church in America. My appearance today, however, is as an officer of Lutheran World Relief, a corporation which gathers and distributes material oversea relief supplies and engages in other projects of social service and economic development. This organization is supported not only by the two church bodies mentioned before, but also by the Lutheran Church—Missouri Synod and other Lutheran groups in this country. The combined membership of these church bodies in the United States is in excess of 8½ million souls. Since its organization in 1945 Lutheran World Relief has shipped abroad to 41 countries commodities valued at more than \$152,500,000, about 54 percent of which have been donated by the U.S. Government.

My presence here today on behalf of my colleagues in Lutheran World Relief is related to the information that new legislation may be enacted with respect to the scope of and procedures for the distribution of U.S. surplus commodities under Public Law 480. Such a step seems to us to call for thoughtful study, looking at the total matter in long-range perspective. Since this hearing may be considered a contribution toward such a study we respectfully submit our point of view and concerns, which are based upon nearly 20 years of experience in this field.

Five years ago at a similar hearing I voiced some reservations of Lutheran World Relief about the trend which seems to be developing in the course of this operation, especially with regard to its implications for the role of voluntary agencies in their relationships to Government. I made it plain at that time, and wish to reiterate now, that we of Lutheran World Relief share with fellow Americans to the fullest extent a deep sympathy for the world's needy and the desire to help them. In emergency situations where human lives have been at stake Lutheran World Relief has opened up its channels for the shipment of supplies from sources other than its own constituencies when its services have been needed: in such circumstances it has per-

mitted the primary concern for saving lives to override its uneasiness over possible long-range effects of such involvements. This is its position today. However, in the course of the present study it is of central importance to underscore the fact that by and large the problems which confront us currently are not those of emergency situations but rather of long-range endemic need. Most persons now receiving Government surplus foods are not starving to death. Such commodities either supplement their subsistence rations, to help build up bodily vitality and health over longer periods of time, or are used in self-help projects. This type of assistance in areas of chronic need has been going on for a long time and will continue for many years to come. Voluntary agencies, and especially those of a religious character, recognize their obligations in situations of endemic need and are attempting to persuade their constituencies that they have as much a responsibility to help prevent suffering as they have to alleviate it after it has appeared. But in long-range perspective it seems to us that a satisfactory answer has not been given to the question: Is it best or even wise to increase the scope of the involvement of voluntary agencies in the use of Government resources for serving areas of endemic need?

We believe that it is especially urgent that concentrated attention be focused upon this issue since we have been informed that there is desire by some to write into this new legislation a provision whereby U.S. Government owned foreign currencies can be programed abroad by U.S. voluntary agencies much as food is being programed now, under title III of Public Law 480. Such a provision would have the effect of removing what we believe to be the healthy current limitation which exists by virtue of the necessity for voluntary agencies to draw upon their own resources for the cash requirements of distributing Government commodities overseas. We believe that this is a "healthy" limitation for the following reasons:

1. It is a temptation to any agency in its zeal for its goals to overreach itself and to undertake more than it can administer effectively. The use of "soft currencies" contributed by Government would enable voluntary agencies to mushroom their programs out of proportion to their own resources and beyond the point of manageability. Our experience has convinced us that the unique value of voluntary agencies reside in, and their reputation for integrity depends on, involvement of an adequate number of competent persons truly representing their constituencies, to witness by their presence and their responsible actions that spirit of constructive brotherhood which the organizations desire to demonstrate. To have available cash and commodities for large-scale programs in which this balance is upset not only can be harmful to the agencies themselves, but can result in a higher percentage of wastage in the use of the commodities. Some years ago Lutheran World Relief was the first agency to raise serious questions about one of the major areas overseas where voluntary agencies were distributing Government surplus commodities and to request a Government audit to ascertain whether or not these apprehensions were based in fact. We are under the impression that this and similar audits in other areas confirmed our fears all too well. This committee might find an examination of them useful in the course of its study.

2. We further believe that it is a wise limitation because it protects the "voluntary" character of the agencies, particularly those of a religious nature. Some of them may retort that this is a protection they neither need nor want. We cast no aspersions on their integrity; we simply assert that, when dealing with religious agencies, Government policy should take into account the fact that their overriding religious motivations and objectives encompass their "humanitarian" activities, and therefore such policy should not facilitate a mushrooming of situations in which the actual though not deliberate result of the distribution of relief commodities provided by the U.S. taxpayers is to build up the prestige and frequently to further the evangelistic efforts of religious groups.

It must be conceded that to some extent this effect is inevitable. When Lutheran World Relief distributes commodities in an area where Lutheran missions are at work it is both natural and unavoidable that grateful people will be influenced thereby when Lutheran mission personnel confront them with the gospel of Jesus Christ. To be scrupulously honest, we have made strong efforts to publicize locally the source of Government commodities and by publishing in open reports the amounts received from this source, for all to see. We had felt that Lutheran World Relief was not compromising its character as a religious agency as long as, in good faith, it could incorporate Government commodities, made available without political or other strings attached, in what would continue to be its own program. But when the proportion of receipts from Government sources exceeded 50 percent of the total, Lutheran World Relief began to question whether or not it could continue to claim the program as its own. One can't be sure just where to draw the line but there ought to be a border zone defined somewhere. Perhaps the character of religious and other voluntary agencies could best be protected if some kind of matching basis were established such as that which obtains with respect to grants and loans to denominational colleges and universities.

3. This limitation also seems healthy because it helps to underscore the necessity that voluntary agencies—and especially religious agencies—be neither in fact, nor in the estimate of the public, instruments of Government. At the hearing referred to above it was stated by a member of the committee that a motive for distributing Government surplus commodities through voluntary agencies was to save money for the taxpayers since the agencies could do the job more cheaply. It was further indicated, without being stated in these precise words, that Government could (1) capitalize on the goodwill which voluntary agencies have abroad (2) fulfill more effectively thereby its world peace objectives through the people-to-people concept, and (3) achieve its purposes in this manner without the necessity of dealing officially with Governments or organizations in the area concerned. In such matters, what may be good for Government may not be good for the agencies. We are convinced that the ever-closer identification of voluntary agencies with Government, which would seem to be the automatic outcome of deepening the involvement of voluntary agencies with Government by the use of U.S.-owned foreign currencies, may work to the eventual loss for both parties.

Agencies in the program of which the proportion of distributed goods from Government sources is already high are especially vulnerable. The committee might find it useful to take a closer look at this

particular point. We have not been able to secure complete statistics but have reason to believe that the 54 percent figure for Lutheran World Relief, cited above, is among the lower ones. We are under the impression that there are some of the smaller agencies which, without Government commodities or contracts, virtually would be out of business. A rejoinder might well be made that this is their affair, not ours. Yet it seems obvious that such organizations cannot but be regarded as thinly veiled instruments of Government; when anti-U.S. feelings erupt in various parts of the world all U.S. voluntary agencies get tarred with the same stick. This is neither in the interests of the U.S. Government nor in the interests of the agencies themselves. It ought to be unmistakably clear that no voluntary agency is an instrument of Government and the criteria according to which this statement can be affirmed should be known. The great virtue of voluntary agencies has been the confidence they have engendered because their resources result from the spontaneous generosity and sacrificial giving of individuals in their constituencies. Our country has been tremendously blessed by this tradition, and a thoughtful Government will take all possible measures to preserve it.

Permit me to state again that I am raising the issues of means, not ends. Lutheran World Relief yields to no agency in its concern for the end in view; namely, to alleviate human suffering and to help those in need to help themselves. In the hearing of 5 years ago, mentioned above, a colleague from another agency whispered to me at the conclusion of my testimony, "If you Lutherans have scruples about accepting large quantities of commodities from Government, you don't have to take them; but why do you want to prevent the rest of us from receiving them when we see no compromise of our principles by doing so?" We know that not all agree with our position and that we will be regarded by some as a "dog-in-the-manger" in stating it. But the matter is not that simple, especially where religious agencies are involved. To have each go his own way and undermine equitable relationships of government with all agencies would inevitably intensify sectarian tensions. A glance at the proportions Government resources bear to the total programs of some of the larger voluntary agencies as reported by them to the Advisory Committee on Voluntary Foreign Aid is illuminating in this connection:

Calendar year 1962

Agency	Agency cash expenditure	U.S. Government ocean freight reimbursements	U.S. Government surplus foods	Other relief supplies	Government resources (percent)
AJJDC.....	\$28,797,200	\$358,124	\$1,406,159		5.8
CRS.....	5,097,546	27,506,156	103,905,884	\$22,974,202	82
CWS.....	5,616,462	6,450,189	22,971,673	6,423,429	71
CARE.....	9,756,656	12,129,164	42,160,794	672,413	84
LWR.....	807,250	1,542,410	4,215,532	5,741,758	47

These five agencies shipped 98.15 percent of Government surplus foods received by all voluntary agencies in 1962. The breakdown is as follows:

	Percent		Percent
AJJDC.....	0.79	CARE.....	23.69
CRS.....	58.40	LWR.....	2.36
CWS.....	12.91		

From the stateside viewpoint, we do not suggest that the "equitable relationships of government" mentioned above require that grants to all agencies be cut back according to a "least common denominator" of terminating its support of a large family-feeding operation in a by itself cannot be the basis for Government policy. The facts of life are that at the local level overseas no U.S. agency is able to exert more than partial control over what transpires in the processes of distribution. Some time ago Lutheran World Relief declared its intention of terminating its support of a large family-feeding operation in a certain area overseas because of widespread abuses and violations of LWR as well as Government regulations for the distribution of surplus commodities. Some of our group who opposed this withdrawal were quick to point out that it would place Lutheran missions in that area at a great disadvantage. It was said that competitors could and would indicate that stoppage of relief distribution there by LWR proved that Lutherans were not really concerned about the suffering of others, while they—the competitors—demonstrated by their deeds how much more love they had for their fellow men than certain other people. Nevertheless, we terminated our support of the project, while other agencies continued.

Enlarging the scope of voluntary agency involvement by making available to them U.S.-owned foreign currencies would certainly aggravate this problem. One can put a label with the words "Gift of the American people" on food packages but such a label can hardly be pinned to the forehead of employees or be made prominent in the variety of uses in the distribution of commodities or in other projects toward which the funds would be applied. The prestige value to a religious agency of a large-scale relief program is enormous; it is naive not to recognize this or to suggest that it is a negligible or a trivial factor, so incidental as to be not worthy of consideration.

Nevertheless, in emergency situations where it is clear that government use of the channels of voluntary agencies for relief is an urgent requirement, we would waive this particular concern. At this hearing, however, we raise the question whether or not in fact another and a better way for making its surplus commodities available overseas in situations of endemic need, may be used by the U.S. Government. We believe that in the long run, responsibility for meeting the needs of its undernourished and ill-housed citizens rests primarily with each government, and that the United States should make every effort to assist governments in developing responsible procedures to cope with problems of endemic need.

The underlying assumption upon which the promotion of a wider role for voluntary agencies in this matter is based is that in most if not all of the lands concerned the governments are incapable of organizing effective relief distribution programs or that graft and corruption are so deeply ingrained in their national life that our Government could not be assured that the commodities would reach the persons who need them most. This allegation, which has been made frequently in our presence, Lutheran World Relief rejects as a generalization which is insulting to the peoples concerned, harmful to U.S. relations with their countries, not in the best interests of either donor or recipient land, and dangerously misleading as a guide to future policy. Of course, there is a certain amount of graft and corruption everywhere, including our own beloved country; there is also a small degree of

it in the programs of the voluntary agencies, though quite contrary to their wishes and beyond their control. Competent and responsible administrative procedures in this field is developed only in the course of experience, for which most receiving countries have had little if any opportunity in the past. We believe that the U.S. Government, which organized the brilliantly successful Peace Corps, would do well to engage here in long-range planning, making available to the governments concerned experts in social welfare who will help them to establish pilot projects for relief distribution and self-help projects. Such governments will then be better prepared to foster the development of indigenous voluntary agencies which can carry on the work effectively and responsibly in the future. Toward this end Lutheran World Relief and Church World Service cooperated with the Red Cross of Yugoslavia in a school-feeding pilot project and is currently bringing it to a successful conclusion.

Other governments are not stupid. They are aware of the allegations mentioned above and surely resent any step which our Government may seem to take in support of these charges. Furthermore, in some quarters at least there are questions raised about possible ulterior motives possessed by a country of a predominantly Christian tradition which chooses to use religious agencies in assisting lands where competing religious ideologies prevail.

Without criticizing anyone for the record of the past and, indeed, applauding both Government and the agencies for what has been accomplished in partnership, Lutheran World Relief steadfastly holds to the point of view that the trend toward increased identification of Government with the voluntary agency programs should be halted in the interest of bringing back into sharp focus the now blurred line of distinction between the respective roles of private and public agencies, and strengthening each in the process.

Mr. Chairman, to make it quite clear that this statement is intended to be constructive, not negative, permit me to summarize our position in the following three points:

(1) Lutheran World Relief joins wholeheartedly with its colleagues in the American Council of Voluntary Agencies for Foreign Service in expressing—

appreciation to the American people through their Congressmen for the opportunity to share with their Government in the utilization of these valued foods in their program of assistance overseas through the food-for-peace program.

Countless lives in many lands have been blessed thereby and the net results have been positive.

(2) Lutheran World Relief, while recognizing certain inevitable ambiguities inherent in use of Government commodities by voluntary agencies, is ready to continue such use on the present basis, as long as it does not result in an unbalanced program, but rather one which can honestly be termed its own as over against one in which it actually would be serving as an instrument of Government. It believes that the latter characterization would become virtually unavoidable should substantially more than half of its relief supplies come from Government sources. It would be even more vulnerable should Government funds, not easily identifiable, serve to make its outreach through food distribution and special projects mainly dependent upon such grants and thus identify it more closely with Government and its policies.

(3) Lutheran World Relief holds the strong conviction that the United States should intensify its food-for-peace program on a non-political basis; that Government should institute plans whereby recipient countries may be assisted in developing indigenous welfare agencies, public and private, which can effectively utilize local as well as U.S. gifts to meet emergency and endemic needs; and that U.S. voluntary agencies should continue to supplement such efforts by undertaking small-scale pilot projects where these are needed and desired, financing such projects in proper proportion with gifts from their respective constituencies.

Thank you.

Mr. POAGE. Thank you very much, Dr. Empie.

Dr. EMPIE. Thank you.

Mr. POAGE. And now we will hear from Gordon Alderfer.

STATEMENT OF E. G. ALDERFER, ASSISTANT EXECUTIVE DIRECTOR OF CARE

Mr. ALDERFER. My name is E. G. Alderfer, assistant executive director of CARE, representing on this occasion Frank L. Goffio, executive Director, and the CARE Board composed of representatives from 26 national member agencies of CARE.

In presenting our testimony concerning Public Law 480, the CARE organization is glad to concur in the testimony presented by Mr. Farley on behalf of the American Council of Voluntary Agencies for Foreign Service, with which CARE is affiliated.

CARE's experience in the oversea distribution of U.S. Government-owned foodstocks dates back to 1950. In that year, following congressional provisions made late in 1949, CARE first evolved its food crusade programs. The food crusade, which continues in operation in various poverty-stricken areas of the world today, is supported by literally millions of American voluntary donors whose contributions pay the costs of packing, processing, distributing, administering the use of Government-donated commodities, and occasionally purchasing additional commodities to fit local diet habits and needs. With the passage of Public Law 480 in 1954 a significant additional support for such programs came with the provision of ocean freight reimbursement by the U.S. Government through its oversea operating agency. Since then CARE has also been led to participate heavily in the development of major institutional and school feeding programs. These represent a second dimension of use of Public Law 480 commodities, known as CARE partnership programs, wherein host governments capable of doing so share in the local costs of administration and distribution and thus adopt an increasing load of responsibilities for the welfare of their own institutions. We believe this represents a significant step forward in the self-help process which uses American farm abundance for the creative development of local institutions in developing countries.

By July 1963 CARE had been the medium for distributing over 3 billion pounds of U.S. Government-owned commodities to 55 countries in very serious need of nutritional support. In fiscal year 1963 some 860 million pounds of these commodities under the provisions of title III of Public Law 480 and nearly 90 million pounds under title II reached about 27,500,000 hungry people in 36 developing

countries through the mechanism of CARE. Included among these recipients were more than 19 million schoolchildren—many of whom were able to enter or remain in school primarily because of this resource from the United States. CARE's current fiscal 1964 food program, the largest in its history, plans for a distribution of 1,250 million pounds of commodities to an estimated 35 million recipients in 38 countries around the world.

The CARE organization is honored to have been a part of this remarkably creative process—and it deeply appreciates the thoughtful cooperation of the several agencies of the U.S. Government in the assessment of such programs, the provision of ocean freight reimbursement, and the provision of the commodities themselves from the abundance of America. We believe that this law that has made such programs possible has been, and hopefully will continue to be, a keystone in the decade of development and a foundation stone of international good will.

It should be clearly understood, however, that CARE does not regard its role in the development process as completed with participation in Public Law 480 programs alone. It feels a responsibility for adding to that great resource other facilities and equipments, paid for by American donors, through its self-help and medico programs. Much of this assistance is designed to support, directly or indirectly, those communities and institutions that benefit from American farm productivity. This may take the form of providing food preparation and preservation equipment, the building of school kitchens, the provision of equipment to improve local water supplies and to safeguard public health, the development of projects and the supplying of tools for increasing local food production through school gardens and cooperative activity and for vocational training to broaden the base of local economic activity. These and other additional efforts and supplies are financed entirely by private voluntary contributions, with the exception of ocean freight reimbursement.

The main bulk of this work has been made possible by carefully planned use of commodities made available under title III. However, title II, section 202, which permits voluntary agencies to use commodities as payment of local labor wages on certain publicly useful and needed projects for the general welfare, has in our view greatly expanded and deepened the potential of Public Law 480. Since 1962 CARE has undertaken or is currently engaged in eight title II programs in Ecuador, Costa Rico, Iran, Hong Kong, Korea, and the Philippines. One of the two Iran programs, for example, involves the construction of what will become a 1,200 kilometer road that will link together one of the most neglected and poorest sections of the Middle East—the southern ports and Isles area—and give it access for the first time in history to major markets and industrial sectors. The other title II CARE Iran program is being applied to relief work projects in drought-stricken areas throughout the country, and is creating new roads, canals, schools, water supplies, et cetera. Such projects involve also a substantial investment by the host country in major equipment and administration. The partnership principle in such cases is clearly at work in significant ways.

The same principle is at work in those areas where CARE administers locally rural and urban community development projects for the U.S. Peace Corps, or otherwise supports the work of Peace Corps

volunteers. The new CARE-Peace Corps project in Guatemala, for example, is directly engaged in construction and other activities to improve the facilities of rural schools where CARE Public Law 480 distributions provide a base for development. The participation of Peace Corps volunteers in food-based school improvement programs is one more significant illustration of the productive interrelationships that can and do multiply the effect of Public Law 480.

Indeed, many dimensions of the whole development job which CARE and other agencies are endeavoring to undertake on the foundation provided by Public Law 480 are still to be more fully explored. In the years ahead efforts must be made to develop additional instruments for enriching and enlarging rural life in underdeveloped areas on which world food adequacy depends. In addition to further extension of title II projects and of interrelationships between local-level technical assistance such as the Peace Corps and the operation of food programs, CARE has a particular interest in deepening the character of oversea programs related to the Public Law 480 base in the following directions:

(1) Diet and health improvement through such instrumentalities as the medico branch of CARE, whose team operations are centered in hospitals, and through the additional programing of supplies for improving local health facilities. We should like to look forward to the day when local currencies earned from the sale of title I commodities can also be used in making professional medical and health services and equipment more available to schools and institutions using Public Law 480 commodities through voluntary agencies.

(1) Education services ranging from simple equipment and classroom supplies to more sophisticated services and vocational training equipment. As the development of major school feeding programs proceed, the upgrading of the local school as the principal institution for development could be aided significantly if local currencies accrued from the sale of Public Law 480 commodities could be applied through the voluntary agency to extending such service and equipment.

(3) Food program technology calling for the design and adaptation of simple but efficient devices for school and institutional food preparation, storage, and serving; preservation and canning of local food production; and the continued introduction of better tools, seeds, and small livestock for the small landholders. We regard such activities as an integral part of the larger pattern based upon Public Law 480 programs. CARE has encouraged and worked with several scientific and industry groups on special technological phases of these activities, and we should like to hope that Public Law 480, through the extension of the use of earned local currencies, could support such related activities of the nongovernmental agency at work in the field.

Two other suggestions to the committee occur to us which are based on practical experience in the operation of both title II and title III programs. In regard to title II and its dramatic stimulus to the development process in numerous areas, we suggest that the use of title II provisions could gain increased flexibility and applicability if the law could provide for the payment of local labor not only in food commodities but, under carefully controlled and modest circumstances, in money also where the laborer lives in an urban money economy. In regard to title III, significant and desperately needed feeding programs are sometimes limited by the capacity and ability

of the host government or the administering agency to provide the necessary local financial support. When such support is clearly not possible through the host government, we suggest that loan agreements under title I be extended to the host government if such feeding programs are vital to the stability and growth of that country.

In closing, we hope this testimony of the CARE organization may be useful, valid, and a further evidence of the outreach and high intent of the family of voluntary agencies participating with their Government in the kind of development that adds to the peace and security of our world.

Mr. POAGE. Thank you, Mr. Alderfer. Now we will hear from Monsignor John F. McCarthy, assistant executive director of the Catholic Relief Service-National Catholic Welfare Conference. We are running far beyond the time that we contemplated. I thought that this was one appearance. This list shows it as one appearance. Actually, it is developing that we are spending a good deal more time on this than on all the previous testimony. I do not blame anyone. It is vitally important, but we must recognize that there are those who are waiting to be heard, too, who feel that they should be heard. We will hear from you at this time, Monsignor McCarthy.

STATEMENT OF RT. REV. MSGR. JOHN F. McCARTHY, ASSISTANT EXECUTIVE DIRECTOR, CATHOLIC RELIEF SERVICES AND NATIONAL CATHOLIC WELFARE CONFERENCE; ACCOMPANIED BY EDWARD M. KINNEY, DIRECTOR OF PURCHASING AND SHIPPING; JAMES J. NORRIS, ASSISTANT TO THE EXECUTIVE DIRECTOR; AND MSGR. JOSEPH HARNETT, DIRECTOR, FAR EAST REGION

Monsignor McCARTHY. Mr. Chairman and members of the committee. I am Msgr. John F. McCarthy, assistant executive director of Catholic Relief Services and the National Catholic Welfare Conference, the oversea relief and assistance organization to which American Catholics yearly contribute millions of dollars and large quantities of materials to relieve suffering abroad among hungry, disease-ridden, and poverty-stricken people of whatever race, color, or creed.

The one and abiding purpose of Catholic Relief Services, National Catholic Welfare Conference, is the relief of need. This is its prime function, to seek out and serve the needy with every resource available.

I have several of my associates on the staff of the Catholic Relief Services with me. On my right is Msgr. Joseph Harnett, who is our director in Asia and the Far East, Mr. Edward M. Kinney and Mr. James J. Norris. Bishop Swannstrom is sorry that it was not possible for him to be present at the hearings today, and sends his regards and gratitude to this committee.

Currently, there is being distributed abroad annually through Catholic Relief Services-NCWC slightly in excess of 1 million tons of assistance material—food, clothing, medicines, and other supplies of every nature necessary to the carrying on of these programs, ranging in diversity from safety pins to delivery trucks.

Among the various types of programs which we carry on in conjunction with indigenous counterpart and other allied organizations abroad, are widespread individual food distributions, school feeding programs and self-help projects to improve housing, sanitation, health,

et cetera, among the vast numbers of the poverty stricken and underprivileged among whom we work.

We carried on in 1963 operations of relief and assistance in 70 countries. We reached approximately 40 million needy persons. In this work, we utilize the staff services of 691 persons, 165 in America, and 526 abroad. With your permission, I would like to leave with you a few copies of a pamphlet graphically setting forth the extent and scope of Catholic Relief Services-NCWC programs.

It shows as of September 30, 1963, more than 7½ million children being aided in school-lunch programs, and 17 million persons helped through family-feeding distributions of U.S. surplus foods. In addition, our agency, through clothing distributions, its medical programs and its self-help projects reaches an estimated additional 15½ million needy persons.

I am deeply grateful to this subcommittee for the opportunity today to present this testimony bearing upon the consideration of the revision and extension of Public Law 480, under which Catholic Relief Services-NCWC has been able, since 1954, to distribute abroad on behalf of all of the people of the United States, 10.3 billion pounds of food stuffs from the warehouses of American abundance.

In using the commodities and resources under this act, and all others available to us, we always have and always will seek to meet need wherever it exists, whether resulting from war, disaster, endemic poverty, disease or underprivilege.

We always have and always will work unceasingly to not only alleviate need, but to improve the situation of the needy without regard to race, color, and creed, in every way possible.

This is our purpose in being. Not only is this our responsibility as a voluntary agency with religious precepts, it is also the responsibility of every American, because need is the common enemy to everything Americans have achieved or hope to achieve. It is the enemy of democracy. It is the enemy of peace among men of good will. It is the enemy of health and hope and opportunity.

May I, at this time, as I have before, express the gratitude of Catholic Relief Services-NCWC and commend the Congress for having created and continued in force Public Law 480. Under it we have tried and will continue to try to make the widest and wisest possible use of the abundance of American agricultural production.

Through our food programs abroad, we utilize approximately 1½ billion pounds of American surplus commodities annually. In doing so, we believe that we carry out the highest ideals of our own organization and that we serve in great measure the overall interests of the American people. We are extremely proud that in this use we not only carry out our religious responsibility, but that—in perfect compatibility—we also serve our country.

The only limit to our use of these foods and resources so generously offered by the American people through their Government in support of the war against hunger, has been and will continue to be only the limit of our strength and resources.

An allwise providence, working through the efficiency of American agriculture, has created a great and continuing American abundance of the resource most essential to success in mankind's struggle against need. Our duty, therefore, all of us working together, is to make the

widest and best use of this resource. To do less, for whatever reason, would be unthinkable.

Year by year, as the opportunity for service in this field has continued, millions of American Catholics have generously and increasingly supported our work by their contributions. We are confident they will continue to do so in an ever expanding way.

Today I ask the gentleman of this subcommittee to help us further in discharging the stewardship of our abundance.

First, I urge that you recommend to the Congress that Public Law 480 be extended for as long a period as is consistent with good judgment. It is my understanding that the Secretary of Agriculture has suggested an extension of 5 years. Such an extension, in my opinion, would be extremely valuable in the interest of good programing and effective operation.

Second, we endorse the Secretary's recommendation for the increase of resources under section 203 from \$300 million to \$500 million annually. Through the years, many new needs have emerged and many new opportunities have arisen to more effectively use our American abundance in the common interest of peace and democracy. These extensions of service require extension of resources.

Third, and in similar regard, we strongly urge adoption of an amendment to section 203 to provide foreign currencies to meet costs of assuring that title II and title III commodities may more effectively carry out the purposes of the legislation and to promote community and other self-help activities designed to alleviate the causes of need. In order that they may be used in a palatable way in the areas where we are shipping them. Such an amendment, even with the proposed increase in section 203 funds, will be limited in scope of application, but it will mark a great step forward in the use of U.S. agricultural resources, particularly in pursuing and further exploring the definite relationship between food donation programs and economic and market development.

Because the underfed, the unhealthy and the unskilled can neither work well nor buy much, this relationship has long been obvious and has been clearly demonstrated by—

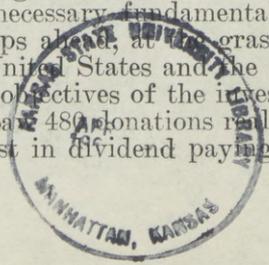
(a) School lunch programs that have brought more children into the classroom, kept them more alert and receptive to instruction, and increased their potential as productive adults;

(b) Food-for-work programs of community development that have created facilities for better agriculture and marketing, better housing, and health, and better utilization of natural resources.

Experience in these and other community operations by voluntary agencies, by the Peace Corps and by international organizations argues for greater use of Public Law 480 resources in community level economic development, particularly in the areas mentioned earlier and in basic nutrition, housing, health and sanitation, literacy, rural development, and simple vocational training.

With this amendment providing the necessary fundamental tools and services, we can take additional steps ahead, at the grassroots, in partnership with the people of the United States and the people of the recipient countries, to realize the objectives of the investment in human beings, which is what Public Law 480 donations really are.

Through such programs, we can invest in dividend paying work



capacity, in physical health, and in knowledge and skills without which no national economic development program can succeed.

To be sure, the total resources of Public Law 480 alone could not accomplish this all over the world, but we can, through widespread pilot projects demonstrated at the individual level, encourage and stimulate similar action by the recipient peoples.

We can cast upon the waters the bread that can return to us many-fold. I believe that in many cases national and local governments might be successfully persuaded to take increasing shares in the costs of such programs, particularly from the resources generated by Public Law 480 foods. Also, contributions be permitted from individual recipients, as now is the case in many school lunch programs. It is important that people be helped to help themselves to the greatest feasible extent.

Fourth, we urge amendments to section 203 that would apply general average insurance, financing to title III as well as title II shipments. Removal of this present limitation—and there is some considerable question as to whether the Congress intended it—would release some \$400,000 of voluntary agencies' funds annually.

This amount, in extended program work, could not only dispose of great additional quantities of our foods, but could also materially advance the interest of the United States as expressed in the purposes of the act.

Fifth, and lastly, I would suggest that means be found by the Congress to urge that administration officials in the field be allowed more flexibility in guidance of operations that they presently enjoy.

In 1954, we were administering a mass of surplus food to a mass of hungry people. Today, we deal not with a mass, but with a multiplicity of individual groups, each with its own new and varying national ambitions and dignities and with new and varying needs—social, political, and economic. To meet the precise requirements of today's programs, each adapted to each locale, we need wider discretion at the country level.

The world in which we work cannot well be approached with a package-deal view. As Thomas Mann, new Alliance for Progress chief, was recently quoted in *Time* magazine:

Cultures, conditions, and problems vary from country to country, and exact conformity (in approach) is neither practical nor desirable.

He spoke of Latin America, but the words are equally true of Europe, Asia, and Africa.

Let me say that while I speak here for Catholic Relief Services-NCWC, I know I echo the expressed feelings of the vast majority of other voluntary agencies engaged with all of us in the oversea stewardship of America's abundance.

I thank the gentlemen of this subcommittee for their patience and courtesy in allowing me such freedom of time and expression here today. And, in closing, I congratulate and give great thanks to you and your colleagues in the Congress and to the many hundreds of persons involved in Government and in voluntary agencies and among our friends abroad—all of whom, by their vision, their sincerity and their labor are helping America and the rest of the free world through Public Law 480 to build a world that none of us a few short years ago, could have dreamed.

I thank you.

Mr. POAGE. We have a statement submitted by Hadassah for inclusion in the record and without objection, it will be placed in the record at this point.

(The Hadassah statement follows:)

STATEMENT OF HADASSAH, THE WOMEN'S ZIONIST ORGANIZATION OF AMERICA, INC.

Hadassah, the Women's Zionist Organization of America, representing over 300,000 American Jewish women throughout the United States, associates itself with the statement of the American Council of Voluntary Agencies for Foreign Service, Inc., recognizing that the provisions of Public Law 480 provide a great opportunity for the development of an image of the United States as a country sharing its abundance, helping those in developing countries to enlarge their own self-development, and assisting in the provision of a background wherein all people may build their lives in dignity in a world wherein freedom includes freedom from hunger and want.

Mr. POAGE. Thank you very much, Monsignor McCarthy. That completes the statements of the voluntary agencies. I want to say with no criticism of anyone concerned that the committee through its own inadvertence has spent more than an hour on what I had listed as one witness. Obviously, this will disrupt our schedule. It is no fault of any of you who have been ready and are ready to appear. We listed this as only one appearance. Actually, it took us over an hour.

That will, of necessity, mean that we shall proceed without engaging in any questions. If it is all right with the committee we will proceed then with Mr. Gaines whom I called a while ago and whom we asked to make way for the voluntary organizations. We will ask you to make it as short as you can, Mr. Gaines. We will be glad to hear from you now.

**STATEMENT OF JAMES P. GAINES, EXECUTIVE VICE PRESIDENT,
THE RICE MILLERS' ASSOCIATION, WASHINGTON, D.C.**

Mr. GAINES. Mr. Chairman and members of the committee, my name is James P. Gaines. I am executive vice president of the Rice Millers' Association. Headquarters of the Rice Millers' Association is located at 425 13th Street NW., 1048 Pennsylvania Building, Washington, D.C. Branch offices are maintained in San Juan, Puerto Rico and in Brussels, Belgium. The Rice Millers' Association is a trade organization of the Nation's rice milling industry. Membership is composed of ricegrower cooperatives and independent rice mills. Approximately one-third of the business of the membership is handled by ricegrower cooperatives.

While I can speak only for the Rice Millers' Association, I am sure that all the rice industry is interested in the subject of this committee's deliberations; namely, extension of Public Law 480. We heartily agree with President Johnson's recommendations that the act be extended for an additional 5 years. Public Law 480 has been a success by almost any yardstick by which it is measured.

It has reduced surpluses of agricultural commodities. It has, in fact, enabled all the rice surplus to be wiped out. There is, at present, only a nominal amount of rice for CCC inventory. Rice is presently available only for title I and title IV of Public Law 480. There has been no rice available for title II and title III for the past 2 years because it has not been in CCC inventory.

Public Law 480 has strengthened farm income. In the case of rice, it has enabled growers to sell all their produce at levels exceeding the support price. The normal price they have been getting in recent years has been the support price. This would not be possible if there was a large surplus of rice hanging over the market.

It has been a stimulus to business and to the U.S. economy. It has made for thousands of jobs on farms, in processing plants, among transportation agencies, in export firms, in entire communities, and businesses all over the country that serve these farm communities. Like the Rice Belt and businesses all over the country that serve these communities.

Economists say that there is a great multiplier effect in any activity that stimulates business. It would be very interesting to determine the beneficial effect that Public Law 480 has had on the economy of this country. No doubt the Government has gotten back a large part of the cost of the farm program from the extra taxes generated through the stimulus of Public Law 480.

I believe there has been a very substantial benefit. I am not familiar with economic conditions in other farm areas, but I do know that the Rice Belt—southern Louisiana, southeastern Texas, eastern Arkansas, the Sacramento Valley in California, and the Delta of Mississippi—have been helped tremendously by Public Law 480 activity. Without it, some of these areas would experience adverse economic effects.

It has served to develop dollar markets for U.S. rice and other products by introducing our qualities in markets they have never been, by developing trade relationships that have previously not existed, and by allowing the use of some foreign currencies for direct promotional activities in dollar markets of the world. We do hope and recommend that the market development activities under Public Law 480 are allowed to be continued.

And last, but far from least, Public Law 480 has enabled millions of children in the world to go to bed with a stomach contented with rice and other foods instead of stabbed with hunger pains. This is a benefit that can't bear a dollar tag. In my opinion, Public Law 480 has been the most effective tool in the foreign relations program of our country. Public Law 480 can be justified for this purpose if for no other.

This program has been a good bargain for the United States, and we hope the Congress will extend it for 5 years without substantial change. It is strongly urged that the act not be weakened by attaching conditions that make negotiations overly difficult or that make Public Law 480 unattractive to countries that need it. It is a good act. It is operating smoothly and successfully.

If we should recommend any amendment, it would be to authorize the movement of agricultural commodities under titles II and III of the act directly from commercial stocks as well as CCC inventories. Present requirements that commodities for title II and title III come only from CCC inventory hampers the very beneficial operations of title II and title III.

In our opinion, it hampers some of the benefits that could be obtained by having these commodities available under titles II and III.

It is understood that some Members of Congress are opposed to this on grounds that the donations aspects under title II and title III

could eventually overshadow the commercial aspects of title I and title IV. It is believed that legislation could be drawn which would avoid such dangers. We recommend that you give consideration to it.

Thank you for your time and attention.

Mr. POAGE. Thank you, Mr. Gaines.

We will now hear from Mr. Ken Kendrick, of the National Association of Wheatgrowers.

STATEMENT OF KEN KENDRICK, VICE PRESIDENT, NATIONAL ASSOCIATION OF WHEATGROWERS

Mr. KENDRICK. Mr. Chairman and members, I have a statement by a grower, a very short statement that I want to enter into the record, please, sir, at the end of my statement.

Mr. POAGE. Without objection, that may be done.

Mr. KENDRICK. I have a short statement that I would like to present on behalf of the National Wheatgrowers Association. The other statement is from Mr. C. Allen Tom.

I am pleased to have this opportunity to appear before the subcommittee in behalf of the extension of titles I and II of the Agricultural Trade Development and Assistance Act of 1954.

The matter of the extension of Public Law 480 is of vital importance, not only to the economy of the United States but also for economic as well as social and political development of nations with whom we trade.

Not to extend the life of Public Law 480, or to phase it out too rapidly would be denying many nations the opportunity to grow and develop that we gave to Italy, Spain, Germany, Japan, and others when they so desperately needed help. These nations have become some of our strongest allies, as well as our best dollar customers.

The economy of the United States in general, and agriculture in particular, is becoming more and more dependent upon foreign trade. Public Law 480 was responsible to a large degree for the rapid post-war recovery of many nations. It is just as necessary at this time to fill the needs of the many emerging nations throughout the world.

American wheat producers have practiced considerable restraint in the planting and production of wheat during the past several years and without the use of Public Law 480, our wheat surpluses would have undoubtedly reached unmanageable proportions, thereby causing unduly low returns to wheat producers, and adversely effecting many other segments of our economy.

We must have a market for the things we produce. A great many of our markets have been developed through this instrument. Failure to extend Public Law 480 at this time would be disastrous to our agriculture, our balance of payments, and to millions of people throughout the world upon whom we depend and who depend upon us.

The National Association of Wheatgrowers feel that it is imperative to extend Public Law 480 for the following reasons:

(1) To continue to boost the expansion of markets for our agricultural products and by so doing, maintain a sound and healthy American agricultural economy as well as assist in our balance of payments.

(2) Strengthen the economy of less developed countries and provide them with the incentive to resist aggression.

(3) Create good will for the United States from the countries we are helping to feed and aid them in approaching economic stability.

(4) Showing uncommitted countries that free U.S. agriculture is more efficient than regimented Communist agriculture.

(The prepared statement of C. Allen Tom follows:)

STATEMENT BY C. ALLEN TOM, A WHEAT PRODUCER OF THE PACIFIC NORTHWEST AND VICE PRESIDENT OF THE NATIONAL ASSOCIATION OF WHEATGROWERS

As a wheat producer of the Northwest area of the United States I have become very conscious of the contribution that Public Law 480 has made to the economy of my operations, as well as to every other farmer in my area.

Since approximately 85 percent of all of the varieties of wheat we produce goes into export channels, it is imperative that we have this export market which was developed almost entirely through the use of Public Law 480.

The movement of wheat into Japan began 10 years ago under Public Law 480 when wheat consumption in that country was negligible. The carryover of the type of wheat I grow was extremely burdensome at that time. Today, Japan is one of the best dollar markets for our wheat. Wheat has become very important in supplying the nutritional needs of the Japanese people. This was made possible through the use of Public Law 480.

Public Law 480 needs to be extended to introduce our agricultural abundance to other areas and develop markets for our products. The use of this instrument also assists in the economic development of countries which, without this become easy prey for the Communists. Through the use of Public Law 480 these nations will not only develop into dollar markets for our products, but also become our friends which we so desperately need at this time.

Mr. POAGE. Thank you very much, Mr. Kendrick.

We will now hear from Mr. Howard Grow, of the American Soybean Association and the Soybean Council of America.

STATEMENT OF HOWARD GROW, ASSISTANT TO THE EXECUTIVE VICE PRESIDENT, THE AMERICAN SOYBEAN ASSOCIATION, ALSO REPRESENTING THE AMERICAN SOYBEAN COUNCIL OF AMERICA, INC.

Mr. Grow. My name is Howard Grow and I am assistant to the executive vice president of the American Soybean Association, with headquarters at Hudson, Iowa. This statement is presented in behalf of the American Soybean Association, which is the nationwide organization of soybean growers, and the Soybean Council of America, Inc., which has its headquarters at Waterloo, Iowa, and is the industrywide promotional organization.

Soybeans were the No. 1 dollar earner for the United States in world markets among all agricultural commodities last year. More dollars were returned to the United States from the sale of soybeans and soybean products than from any other agricultural commodity produce in the United States.

Soybeans are not in surplus, and have never been in surplus. All sales of soybeans and of soybean meal, both domestic and foreign, are for straight dollars. Last year we exported into world markets, for dollars, 180 million bushels of soybeans having a cash value to the farmers who produced them of \$421 million. We also exported 1.4 million tons of soybean meal into world markets, all for dollars. In addition, we exported into the markets of the world 1,195 million

pounds of soybean oil, 54 percent for dollars and 46 percent of it under Public Law 480 financing.

I should point out to you that all of these soybeans and soybean products have gone into markets which did not exist 15 years ago or even 10 years ago. At the end of World War II we produced only 200 million bushels of soybeans, while in 1963 we produced over 700 million bushels. Previous to World War II we were the world's largest net importers of fats and oils and oil-bearing materials, whereas today we are the world's largest net exporters of these same commodities, principally because of our greatly increased production of soybeans.

During the period since the war ended, the production of soybeans has absorbed nearly 18 million acres formerly used in the production of wheat, corn, cotton, and other crops which are today in surplus position. Where would we be in our farm programing today had soybeans not taken over this 18 million acres and had we not produced on these acres a crop which the world wants and will buy?

Except for the portion of soybean oil exported under Public Law 480 our industry has not benefited directly from Public Law 480 sales. Yet today we want to go on record as being thoroughly convinced of the value of the Public Law 480 program, and as heartily endorsing the renewal of the law and the continuation of the program on approximately the same basis as in recent years. With the administration of this law placed in the Department of Agriculture, under Foreign Agricultural Service, we feel that the maximum results are being obtained, with a minimum expenditure. The sale of commodities which are in surplus, and the usage in the various oversea feeding programs of some of the foodstuffs produced in American agriculture is adding immeasurably to the effectiveness of U.S. programs around the world. Some of the problems of surplus commodities are being solved or partially solved by the operations of the several phases under Public Law 480, and industries such as ours are also benefiting materially.

I would like to cite for you a few examples of the manner in which Public Law 480 has assisted the soybean industry. There are many more, but I cite these as examples of the many accomplishments to which we can point, and as being typical of what can be expected in other areas, other countries, and on other commodities.

The soybean crop came to the United States from the Orient. To Japan, China, Manchuria, and Korea we owe the origin of the crop and the foundation seed of many of our present-day soybean varieties. Japan must import foodstuffs, because on the small islands with high concentration of population she cannot possibly produce enough food for her people. Japan today has become our largest market for U.S. soybeans.

Total usage of soybeans in Japan during 1963 was approximately 60 million bushels. Of these a little over 12 million were produced in Japan and about 48 million bushels were imported from the United States. This large volume of soybean imports from the United States is a direct result of market development activities carried on cooperatively by the Japanese soybean industry groups, the American Soybean Association and the Foreign Agricultural Service.

Japan imported slightly over 20 million bushels of soybeans in 1955, the year prior to the initiation of the U.S. market development

program. After 7 years of market development activities, the volume of soybean imports into Japan from the United States totaled over 48 million bushels during the last marketing year. This is an increase of 240 percent during the 7 years. This increase has been developed at a cost of only seven-tenths of a cent per bushel or thirty-five one-hundredths of a cent for each increased dollar of sales. The total increased volume of soybean exports to Japan since the initiation of the market development activities financed partially with Public Law 480 funds, approximates 113.5 million bushels over the level of exports prior to the program. Over 4.5 million acres of U.S. cropland has been required to produce this increased volume of soybeans.

The per capita use of edible oil in Japan is very low. Consumption has increased from 4.5 pounds in 1956 to 13 pounds in 1963. This increase is a direct result of market development activities, but much more can and should be done to fully develop this market, as the per capita consumption of oils in Japan today only equals that of India, where the per capita income is only one-fifth of that of the Japanese wage earner. Total use of fats and oil in Japan for food and industry is only 22 pounds per person. In the United States we use about 70 pounds per person.

Soybeans are one of the major sources of protein in the Japanese diet. They do not have and cannot yet afford to buy meat, milk, or eggs in quantity. Market development activities have resulted in the use of 10-percent soy flour in noodles, which are a major Japanese food. School lunch programs now use 10-percent soy flour in the bread and rolls served to over 10 million schoolchildren every day. No satisfactory table spread is available in Japan and we feel a large market can be developed for soybean oil in margarine.

Japan is starting to develop an animal agriculture. They do not know very much about the use of soybean meal as a livestock and poultry feed. The Japanese industry and research people know very little about the quality products that can be produced efficiently with use of soybean meal as a protein feed. Testing and demonstrating the use of soybean meal together with proper promotion can develop a large market for U.S. soybeans.

Much progress has been made during the past 7 years in the increased use of U.S. soybeans in human food products in Japan. The continuation of market development activities for U.S. soybeans can develop a market at least double the present volume. This will come about by further increasing the use of soybeans in the human diet and by developing the potential use of soybean meal in animal agriculture.

Spain is another example of progress made in the merchandising of U.S. soybeans and soybean products. In 1956 the first sale of U.S. soybean oil was made to Spain under Public Law 480. Because the oil industry of Spain was accustomed to olive oil they tried to doctor the good quality of U.S. soybean oil with olive oil foots, and they placed on the markets a product totally unacceptable to the Spanish customer. U.S. soybean oil had a very bad reputation, was totally unacceptable, even became the butt of jokes in the Spanish press.

At that time there were many people in the United States who felt Spain could never become a dollar customer, and that Public Law 480 sales and market promotional work in that country were a waste of time and money. But our industry felt that Spain offered a good potential market, so we sent technical men to Spain to teach them

how to handle, store, and merchandise soybean oil. The Soybean Council has continued to work with the Spanish Government and the oil trade.

In 1962 Spain purchased 224,000 metric tons of U.S. soybean oil, all for dollars. Her average yearly imports have now reached the level of 200,000 to 250,000 metric tons, and every pound of it is paid with U.S. dollars. This is to a country that in 1956 many people felt could never be a dollar customer.

And in addition, during the 1962-63 marketing year Spain purchased 196,331 tons of soybean meal, all for dollars. Spain also buys soybeans, and her potential purchases now appear to be about 150,000 metric tons of soybeans per year, also all for dollars.

Spain constitutes a dollar market that was built by starting with Public Law 480 sales of oil, which led into a gradual transition to dollar sales of soybean oil, meal, and soybeans until today Spain, a basic producer of olive oil, is one of the U.S. soybean industry's largest dollar customers. We feel certain that without the introductory work done in acquainting the people of Spain with our products under Public Law 480 this large market for our commodities would not exist today.

In summarization I would like to again emphasize that soybeans is a crop which is not in surplus, has never been in surplus, and we sincerely hope they will never be in surplus. We have increased our crop by $3\frac{1}{2}$ times since the end of World War II, but we have been able to build markets as rapidly as we have expanded production. The market development work was made possible because Public Law 480 funds were available in countries which offered potential markets—and we have used them along with our own industry dollars.

Public Law 480 sales have been used as an introductory technique in many countries. Soybeans and soybean products have been known and used in only a very small portion of the world, and many people have never heard of the crop. Soybean oil placed in their hands, as was done in Spain through Public Law 480 sales, has acquainted them with the product, taught them that it is good and it is economical, and today dollar markets exist where people told us they could never be built.

As this job has been done the essential needs of people around the world have been met and the economic development of countries around the world has been accelerated so they are able to purchase more U.S. agricultural products. Facilities for bulk handling of our products have been installed, and the transition from small packages at high cost to large-scale bulk purchases has been instituted or accelerated. In doing so the quantity of product which can be purchased with a given number of dollars has been greatly increased.

I have quoted Japan and Spain as examples. There are many others. American agriculture needs new and expanded markets, and Public Law 480 is a means of introducing our products to those markets, gaining acceptance, building potential dollar sales far in excess of today's levels.

The American Soybean Association and the Soybean Council of America urge that your committee promptly report out a bill providing for the renewal of Public Law 480 in essentially its present form. The groundwork of huge market expansion in the soybean industry has been laid with the help and assistance of Public Law 480. We

hope your committee and the Congress will see fit to continue it in essentially the present form and with adequate financing for a period of years sufficient to provide the stability and continuity which will enable us to continue expanding markets for U.S. soybeans and for all products of American agriculture.

Mr. POAGE. Thank you, Mr. Grow.

Mr. GROW. Thank you.

Mr. POAGE. We will now hear from Mr. David Bartholomew, who represents the Great Plains Wheat, Inc., a growers association organization.

STATEMENT OF DAVID M. BARTHOLOMEW, ON BEHALF OF GREAT PLAINS WHEAT, INC.

Mr. BARTHOLOMEW. I am appearing on behalf of Great Plains Wheat, Inc., a market development organization, working with Foreign Agricultural Service in developing markets for wheat throughout the world. Great Plains Wheat is an effort on the part of wheat farmers to help themselves by expanding markets for their product. It is organized under the laws of the State of Colorado, and authorized to do business in the State of Kansas with its principal office located in Garden City, Kans. It has offices in Washington, D.C., and in all parts of the world where there are markets or potential markets for U.S. wheat. At present, it maintains offices in Lima, Peru; Bogotá, Colombia; Rio de Janeiro, Brazil; Rotterdam, Netherlands; Rome, Italy, and is cooperating jointly with Western Wheat Associates, a similar organization located in the Pacific Northwest in market development activities in Asia with offices in Tokyo, Japan; Manila, Philippines; New Delhi, India; and Karachi, Pakistan. This activity in Asia is carried out under the name of Wheat Associates. Financial contribution is shared by the two organizations, and the program is administered by Western Wheat Associates under policies established by a coordinating committee composed of representatives of each organization.

In carrying out the market development activities, Great Plains Wheat works closely with the Foreign Agricultural Service of the Department of Agriculture. Its programs are financed from two sources. The first is a small tax levied by law upon the first sale of wheat in the States of North Dakota, South Dakota, Nebraska, Kansas, and Colorado. The proceeds of this tax are appropriated to State wheat commissions in each of the five States. Each of the State commissions contracts with Great Plains Wheat to pay a part of the funds so collected to the latter organization for market development activities. The second source of funds comes from appropriations by Congress to the Foreign Agricultural Service for market development activities. These funds, while appropriated in dollars, are actually derived from converted currencies received from sales of agricultural commodities for foreign currencies under title I of the Agricultural Trade Development and Assistance Act of 1954, better known as Public Law 480.

Great Plains Wheat and Western Wheat Associates favor the extension of the Agricultural Trade Development and Assistance Act of 1954 for an additional period of 5 years. It believes that the law has been eminently successful and has resulted in carrying out the broad

objectives set out in section 2 of the act. These objectives are stated as follows:

SEC. 2. It is hereby declared to be the policy of Congress to expand international trade among the United States and friendly nations, to facilitate the convertibility of currency, to promote the economic stability of American agriculture and the National welfare, to make maximum efficient use of surplus agriculture commodities in furtherance of the foreign policy of the United States, and to stimulate and facilitate the expansion of foreign trade in agricultural commodities produced in the United States by providing a means whereby surplus agricultural commodities in excess of the usual marketings of such commodities may be sold through private trade channels, and foreign currencies accepted in payment therefor. It is further the policy to use foreign currencies which accrue to the United States under this Act to expand international trade, to encourage economic development, to purchase strategic materials, to pay United States obligations abroad, and to promote collective strength or further in other ways the foreign policy of the United States.

While section 2 outlines the objectives of the act in detail, I shall base my presentation upon what I regard as the two broad purposes of the law. First is the use of our agricultural abundance to relieve hunger and distress in the undeveloped countries of the world through the establishment of markets for agricultural commodities outside the normal channels of trade, including sales for local currency, grants, and barter. Second is the expansion of international trade in agricultural commodities by developing markets in the normal channels of trade.

With respect to the first purpose, we believe that it is important and indeed necessary at this time to continue the provisions for concessional sales as authorized in the act. In making this statement, I am referring especially to food and specifically to wheat, which is our principal food export and the most important food product in international trade. However, what I say may apply as well to several other agricultural commodities. In spite of increased exports of wheat for dollars, and notwithstanding farm programs having for the objective the reduction of wheat production, we are producing and will continue to produce, in the immediate future at least, more wheat than can be sold through normal trade channels.

At the same time, in the overall the world population is increasing faster than its food supply. While conditions vary from country to country, in general, food production is increasing faster than population only in the areas such as North America, Western Europe, Australia, and Argentina. The increase in food production is less than population growth in practically all other countries.

Since 1958, our total exports of wheat have increased and the marketing year July 1, 1963, to June 30, 1964, will see the greatest world movement of wheat in history and the greatest exports which this country has ever enjoyed.

Domestic consumption and exports this year will exceed our current production by a considerable amount, and the proportion of our wheat exports which will be sold for dollars in the marketing year is the highest for many years. However, as already indicated, our average production is considerably more than can be sold through normal trade channels. It is well also to keep in mind that the conditions which have brought about increased exports to all of Europe and Japan cannot be expected to normally recur to the same extent as is the case this year. It is my firm belief, however, that the continua-

tion of our present market development program for wheat will result in an increase in the average level of exports as time goes on.

Because it is sometimes felt that concessional sales are giveaway programs, I think it should be pointed out that this is not altogether the case. I have before me in preparing this statement the message of the President of the United States transmitting the 18th semi-annual report on activities carried out under Public Law 480, 83d Congress, and would call your attention to table 12 on page 82 which sets out the uses of foreign currency as provided in title I of Public Law 480 agreements signed from July 1, 1954, through June 30, 1963, a period of 9 years. These figures show that during that time 23.2 percent or \$2,186,685,000 in foreign currency, was devoted to direct U.S. uses. For the last 6-month period, January 1, 1963, through June 30, 1963, the amount which went into such U.S. uses was 29.9 percent. I want to call attention also to the fact that transactions carried out under the barter provisions included in title III have made it possible for our country to receive substantial quantities of goods and merchandise.

According to the 18th semiannual report on Public Law 480 activities, from which I have quoted earlier, the value of stockpile materials received during the period from 1954-55 through 1961-62 including both the strategic and supplemental stockpile was \$1,430.7 million; in addition, strategic and other materials, goods, and equipment for other Government agencies amounted to \$98.6 million, or a grand total of \$1,529.3 million. During the past year sales for credit under title IV have assumed increasing importance, and it is anticipated that the quantity of our agricultural commodities going out under this title will increase.

All of this points up the part that Public Law 480 transactions have played in improving our balance-of-payments situation during the years since 1954. Certainly the use of over \$2 billion from 1954 to 1963 in payment of obligations of the United States has played no small part in improving our balance-of-payments situation.

The entire question of the benefits which have come to this country through the use of title I, and other provisions of Public Law 480, must be considered in the light of the facts that we are in a new phase of agriculture. This is the age of science and technology. Nothing like it has ever happened in the history of mankind. Production has been revolutionized. Not two but several blades of grass are growing where one grew before. However, these benefits have come only to the developed countries. They have resulted in surpluses in those countries. The problem is to make the best use of these surpluses in the interest of both developed and underdeveloped countries. I know of no better way these twin problems of overproduction and underproduction could have been met than has been done through Public Law 480.

Something else which must be kept in mind is the fact that "aid" of the type provided under Public Law 480 is in many cases the beginning of "trade." That has been graphically illustrated during the past few years in cases of Italy, Spain, Greece, Israel, and especially Japan, which from being a recipient under Public Law 480 programs only a few years ago has now become our greatest cash customer for agricultural commodities. Similar changes may be expected from other recipient countries as their economic position improves.

Nor can we overlook the fact that programs carried out under title II of Public Law 480 have been exceedingly effective in improving our relations with the recipient countries. In its activities in South America, Great Plains Wheat has had an excellent opportunity to participate in and observe the effect which such simple programs as school lunches have had in bringing about a better understanding between our country and the people of countries like Peru, Chile, Colombia, and Brazil. It has been said that these comparatively inexpensive cooperative programs have done more good than many more elaborate activities under the Alliance for Progress programs.

From here let me proceed to discuss some of the benefits which have accrued to this country through the operation of the market development programs authorized under Public Law 480 and carried out by the large number of commodity organizations, in connection with the Foreign Agricultural Service. Every commodity has its problems and those of wheat are different in some details from some of the others. However, I believe that the activities which have been carried on by Great Plains Wheat are typical of most programs which have been carried out under the market development provisions of Public Law 480.

Our activities have been many and varied. I shall take time to call your attention to only a few. When Great Plains Wheat began operations on January 1, 1959, it started practically from scratch, although the Nebraska and Kansas Wheat Commissions had done some preliminary work by way of investigating market opportunities and bringing trade teams here from wheat-importing countries. We quickly discovered that developing and expanding foreign markets for wheat was going to be a long, tough job.

One of the things which we learned immediately was that until the beginning of the market development program there had been no organized and systematic efforts in this country to promote the sale of U.S. wheat abroad. We were exporting wheat, yes, and had been for many years but without definite program or objectives in mind. Our position had long been that of a residual supplier, taking whatever part of the world wheat market our competitors were unable or unwilling to supply. We soon found that we were confronted by aggressive and competent competitors such as Canada, Australia, and Argentina, and with other countries like Russia and France coming in and out of the market depending upon the amount of their production for any given year.

In these countries wheat exports were considered of great national importance because of their ability to produce needed foreign exchange. In all of them the exportation of wheat was a government function and existing markets were the result of many years of tireless effort not only in finding markets but in producing the types of wheat which were desired by importing countries. Every effort was made to deliver this wheat in the form and condition desired by buyers.

Among the first things brought to our attention were complaints from foreign buyers relative to the condition and quality of our wheat as it arrived in foreign ports. Another hurdle was trade barriers. Wheat importing countries are also wheat-producing countries and in practically all cases trade barriers of various types had been set up to protect domestic production.

Another handicap was transportation rates from the areas of wheat production to the ports. This was a particularly difficult situation for Great Plains wheat since most of the area is far from ocean ports.

We found, also, that we were lacking in market information and intelligence and knew little about how our competitors were operating.

Much of our work has been devoted to overcoming these obstacles. We early inaugurated a study of how our wheat compared with that of our competitors when it arrived in importing countries. This was done through sampling programs in Western Europe and South America. To carry out these programs we employed the Superintendence Co., an international firm, highly regarded by the grain trade. The most important part of this program was conducted in Western Europe. Samples were taken in the ports of London, Rotterdam, Antwerp, Hamburg, Bremen, and Emden. Cargoes from all the principal exporting countries, except Argentina, were sampled. As a result of this program we found that our wheat while meeting the grades and standards under which it was sold was inferior in most cases to wheat from our principal competitors, particularly Canada but including Australia, Russia, France, and minor exporting countries also. We found this to be true both as to physical characteristics and milling and baking qualities. Later, we further developed our study by taking samples of wheat as it came from the farms in the Plains States. We found this wheat compared favorably with wheat from any country as to cleanliness and physical characteristics and that much of it was of superior quality from the standpoint of milling and baking qualities. The root of the problem as to physical quality was that our grain standards had such great tolerances that they were almost meaningless. It was evident that a revision of the standards which would make them more meaningful and explicit was needed.

In the meantime the Agricultural Marketing Service of the Department of Agriculture had made a study of the standards and had reached the conclusion that they were inadequate. Last August the Department published a proposed revision of the standards. Hearings were held on these revisions and Great Plains Wheat, by reason of its sampling programs and other studies, was able to make a definite contribution to the four hearings which were held in wheat-growing areas during the month of October. Subsequently the matter was considered by the Secretary of Agriculture, and on January 22 he announced new standards which, with slight changes, were the ones previously proposed by the Department and supported by Great Plains Wheat. We believe that the new standards will definitely clear up many of our problems in the export market, especially in Western Europe.

Another problem we attacked was freight rates which were so high from the Great Plains to the west coast as to make it impossible for Hard Red Winter wheat to compete with Canadian wheat in the Japanese market. To meet this situation Great Plains Wheat filed applications with a number of transcontinental railroads for substantial reductions in rates to the west coast. After a series of hearings five railroads from the Central Plains area reduced their rates from Colorado, western Kansas, and western Nebraska to the west coast to 70 cents per hundredweight. This was sufficient to make our wheat

competitive and opened the Japanese market to Hard Red Winter wheat. Efforts are continuing to secure similar reductions on the part of the northern railroads from the States of North Dakota, South Dakota, and Montana to the west coast for export.

But rate reductions are only a part of the work which has been done in developing the Japanese market. Other activities conducted there by Wheat Associates involve nutrition programs involving the use of wheat, and school lunch programs using bread made from U.S. wheat. Technicians from the Department of Agriculture and Great Plains Wheat have held meetings with Japanese millers and bakers. Included also in this program were visits to this country by teams of Japanese millers, bakers, technicians, and representatives of the Japanese food agency which purchases all wheat imported into Japan.

Total U.S. wheat sales to Japan in 1963 are estimated to have been about 1.6 million tons—60,621,000 bushels—the largest in the history of the United States-Japan wheat trade. This makes the United States Japan's largest supplier of wheat. Of this estimated amount, 29,392,000 bushels were western White and 31,229,000 bushels were Hard Red Winter wheat.

A great deal of our time and effort has been devoted to the matter of trade barriers during the past 2 years. This work has centered in Western Europe, particularly in the Common Market countries. About a year and a half ago Great Plains Wheat sent Dr. Richard Goodman of North Dakota State University to Rotterdam for the purpose of keeping in touch with Common Market activities. Through his effort we have kept in close touch with this rapidly changing situation. On this side we are keeping in contact with the Department of Agriculture and with special representative for trade negotiations Christian A. Herter, in order to be of any possible assistance in solving the many difficult problems arising out of the Common Market situation and the GATT negotiations.

Another of our activities is in the field of market intelligence. This includes supplying foreign buyers, importers, and processors with information regarding the kinds, characteristics, and qualities of U.S. wheat. Starting in 1960 our organization secured quality data on the annual wheat harvest in the Great Plains Wheat area. This information which dealt with milling and baking quality as well as physical characteristics has been printed in several different languages and widely distributed abroad. A wheat sample display folder, also printed in several different languages, was developed. This identifies major production areas on a map of the United States and shows in plastic inserts actual wheat samples of the various kinds of U.S. wheat which are available for purchase. These sample cards now hang in offices and laboratories throughout the world as a constant reminder of the quality, variety, and value of U.S. wheat.

Mr. Chairman, American agriculture cannot stand still. Without serious injury to our entire economy we cannot reverse the forces of efficiency and technology which have been its hallmark in recent years. Our mistake during these years was in not giving the same consideration to marketing and distributing which we did to production.

The enactment of Public Law 480 and the market development program which have been set up under it mark the greatest step in foreign market development which has ever been taken in this country. For

this and other reasons already set out in this statement, Great Plains Wheat urges that this act be extended.

Mr. POAGE. Thank you very much. We will now hear from our next witness, Mr. William G. Lodwick, but before that, I should like to say that we have certainly appreciated your statement, Mr. Bartholomew.

We will now be pleased to hear from you, Mr. Lodwick.

STATEMENT OF WILLIAM G. LODWICK, REPRESENTING A GROUP OF MARKET DEVELOPMENT COOPERATIVES

Mr. LODWICK. Mr. Chairman and members of the committee, my name is William G. Lodwick and I live at 4000 Massachusetts Avenue NW., Washington, D.C. I am acting as spokesman for a group of agricultural commodity associations that are engaged in a joint effort with the Foreign Agricultural Service to expand foreign markets for U.S. agricultural products. These organizations are: Burley & Dark Leaf Tobacco Export Association; Cotton Council International; Dairy Society International; Millers' National Federation; National Renderers Association; Tobacco Associates; and U.S. Feed Grains Council.

These and other associations doing a similar work abroad, today, represent virtually every farm product capable of being sold in the export trade.

We operate under section 104(a) of the Agricultural Trade Development and Assistance Act of 1954, whereby certain funds under certain conditions are allotted to us to supplement our own funds in a worldwide effort to maintain and expand foreign markets for U.S. agricultural products.

Although we realize that many things affect the level of our exports, we believe the success of this venture is best attested by the increased export figures with which you are all familiar.

We believe that things don't just happen but are brought about and that much of this increased exportation of U.S. agricultural products is due to the joint efforts of our Government and private industry.

Because of the unqualified success of this operation, we urge the committee to recommend the continuation of the market development provision of the Agricultural Trade Development and Assistance Act of 1954, as it is now constituted, for such an additional period of time as the committee may deem fit and proper.

We are quite proud of our participation in this program and wish to assure the committee of our continued support and contributions to its success.

We thank the committee for this opportunity to present our views on one of the greatest pieces of agricultural legislation of the past 10 years.

Mr. POAGE. Thank you very much, Mr. Lodwick.

The committee will now hear from Mr. Murray D. Lincoln, president of the Cooperative League of the United States of America. Is Mr. Lincoln here?

Mr. Lincoln is not here.

Is there anyone else who desires to be heard on this subject this morning? This does not close the hearings, but is there anyone

with us this morning who desires to be heard? If not, we are very much obliged to our witnesses and to the members of the subcommittee for their fine cooperation, enabling us to hear as many witnesses as we did this morning. I think this is a good illustration of what can be done when you have the active cooperation of the witnesses and of the subcommittee.

Thank you all.

(The following communications and statements were also submitted to the subcommittee:)

NATIONAL COTTON COUNCIL OF AMERICA,
Washington, D.C., February 18, 1964.

HON. W. R. POAGE,

Chairman, Subcommittee on Foreign Agricultural Operations, House Committee on Agriculture, House of Representatives, Washington, D.C.

DEAR CONGRESSMAN POAGE: The National Cotton Council has supported the Agricultural Trade Development and Assistance Act of 1954, as amended, since its inception, as a temporary means of disposing of current agricultural surpluses and as a basis for aiding those countries which do not have sufficient dollar resources to finance their import requirements of cotton. At the council's last annual meeting in Biloxi, Miss., January 27-28, 1964, among other resolutions the delegate body of the council passed the following resolutions with respect to Public Law 480:

(a) That the council reiterate its belief that, in view of the continuing critical imbalance of foreign payments, U.S. foreign aid programs, especially Public Law 480, should be examined critically and, to the maximum extent possible, assistance to foreign countries should be extended through self-liquidating dollar credits, as in most cases exports for foreign currencies do not help our balance-of-payments situation to any significant degree.

(b) That the council reaffirm its previous decisions to stimulate exports of U.S. cotton * * * by supporting the use of a reasonable amount of Government funds for * * * market development programs abroad in accordance with current provisions of law.

The council considers that Cotton Council International's programs to promote the consumption of cotton and cotton products in foreign countries have been highly effective. These programs have been, and are being, undertaken in collaboration with the U.S. Department of Agriculture pursuant to a provision of Public Law 480. We hope that the cooperative cotton market development programs abroad can be continued. In view of this, we urge that the market development provisions of Public Law 480 be continued without impairment.

We respectfully request that this letter be included in the records of your committee, so that our views will be known by the other members of your committee. Favorable consideration of our position would be greatly appreciated.

Sincerely,

CARL C. CAMPBELL,
Assistant Director, Foreign Trade.

STATEMENT OF THE CHAMBER OF COMMERCE OF THE UNITED STATES

The Chamber of Commerce of the United States, in recent appearances before the Congress to testify on wheat and cotton legislation, has recommended that the Federal Government be phased out of farm commodity purchases and disposal. In keeping with this position, the national chamber recommends that Public Law 480, popularly known as the Surplus Disposal Act, be eliminated and that in its place there be instituted a new program, built on these criteria:

(1) Funds to provide famine relief and economic assistance to foreign nations should be authorized and appropriated directly by Congress. We believe the American people will continue to support, by this method, the humanitarian sharing of our agricultural abundance.

(2) Distribution of agricultural commodities to foreign nations should be programed on the basis of the food and fiber needs of these nations. This will eliminate the attitude now held by some recipient nations that they are doing the United States a favor by accepting surplus agricultural com-

modities and thus relieving us of the burden of acquiring and maintaining surplus stocks.

(3) Agricultural commodities aid to foreign nations under this program should be on the basis of purchase by the Federal Government of commodities on the domestic market at market prices. This would have a more salutary effect on farm income than the present program and would include commodities, other than those in surplus, needed to fulfill the requirements of recipient nations. Furthermore, this aspect of the program would eliminate the feeling that this part of our national policy is merely a subterfuge to get rid of surpluses which we can't use anyway, rather than a truly national concern for the welfare of others.

It should be noted that this new approach would remove from farmers the onus that Public Law 480 is "just another farm program," chargeable to farm program costs.

The national chamber recognizes that the existing program under titles I and II of Public Law 480 cannot be changed overnight. Therefore, we support temporary extension of titles I and II if amended to make the soft currencies accumulated under title I subject to specific appropriation by the Congress, such as is proposed in H.R. 9993.

STATEMENT OF J. PETER GRACE, PRESIDENT, W. R. GRACE & Co., CHAIRMAN, THE
INSTITUTE FOR HUMAN PROGRESS

The Institute for Human Progress, a private nonprofit agency in the foreign aid field, strongly supports continuation of Public Law 480 entitled "the Agricultural Trade Development and Assistance Act of 1954." The institute also urges increased employment of the country-use currencies, especially loans authorized under section 104(g) and grants under 104(e), in private sector development programs.

The Institute for Human Progress was organized in Washington, D.C., on October 2, 1962. Its board of directors represents the professional and business fields. The institute was formed to encourage private organizations in developing countries to take the initiative and implement programs to improve living standards and promote economic and social development.

While the development of a people is accomplished principally through self-help, they must be equipped through training with modern techniques necessary to fulfill their ambitions for a better standard of life. The Institute for Human Progress seeks to obtain support for education programs in Latin America which develop the available human and material resources. Examples of such programs are vocational, agricultural, and cooperative training, research and development surveys, professional formation, and adult education.

The institute encourages private organizations in Latin America of technical and administrative capacity to conceive and organize for maximum results projects of this nature, and when local resources are insufficient, to prepare in the most effective manner requests for assistance from governmental and private agencies in their own country as well as in the United States.

The institute believes that in the original enactment of Public Law 480 in 1954, Congress approved one of the most important and farsighted pieces of legislation of this type in the history of our country. The local currencies generated from the sales of American surplus farm commodities have become almost as significant as the U.S. dollars appropriated by Congress for our foreign aid programs. The country-use portion alone of title I sales proceeds since 1954 have amounted to more than \$6½ billion, according to the "18th Semiannual Food-for-Peace Report." Consequently, it is increasingly important to use these food-generated currencies in the most effective manner keeping in mind the reduction in the outward flow of American dollars.

We especially want to note that the loan portion of these currencies, approximately \$4.2 billion or 45 percent of the title I sales proceeds, is presently determined in government-to-government sales agreements. Loan decisions are then made at the country level. Although AID has the responsibility for administering this program, these loans do not undergo the same close scrutiny as do appropriated funds of the regular AID program. The result is that their effectiveness may be diminished, especially when the funds are simply channeled into some country's development budget. For increased development and productivity Congress should encourage AID to plan with the local governments the

insertion of a larger portion of the food generated currencies into the private economy, especially into private sector development programs.

The food-for-peace program is one of the major elements in the Alliance for Progress. While it has already done excellent work in this area, it is obvious that much more can be done particularly in the field of economic development. Furthermore, it is widely recognized that the tremendous task facing the Alliance for Progress cannot be accomplished by governments alone. Private individuals who are willing, intelligent, and organized for participation in this vital work are also essential.

It was encouraging to note the support that Congress gave to private enterprise in the Foreign Assistance Act of 1963. The Institute for Human Progress would like to stress the need for congressional support for another sphere of private initiative in developing countries. This is represented by private agencies which are actively engaged in improving the condition of the people. They, too, encourage personal responsibility and are educating the people by alerting them to the benefits of private initiative. Programs under private auspices are urgent in the fields of adult education, cooperative, vocational, and agricultural training as well as improved university education. Such programs are basic to the forming of self-sufficient and economically productive segments of societies in these countries. To complement these efforts, some lines of credit should be established which will permit the people to put to use their new-found knowledge and techniques. Food-generated currencies could partially fill that need.

A more imaginative and fuller use of the currencies would help supply the means to pay for additional food purchases through increased productivity. Limiting the use of food-generated currencies to supporting a local government's budget, as happens, is not a positive solution to the balance-of-payments problem.

The need for private institutions, as an instrument for expanding the responsibility and participation of the private sector under the Alliance for Progress, is acute and it is imperative that the U.S. support these organizations. Private organizations operate on a people-to-people basis and have great effectiveness among students, labor groups, slum dwellers as well as agrarian workers.

These institutions provide readymade cadres upon which efforts of the United States can be expanded many times with the least delay and, at the same time, in consonance with local cultural patterns. The imaginative use of food-generated currencies would help provide the means to make the maximum use for developmental purposes of such organizations which carry out programs of great impact in a wide variety of fields.

The Institute for Human Progress recommends that the authorizations for titles I and II be extended for the additional 5 years as requested by the Secretary of Agriculture to obtain continuity in planning and to carry out the program. The institute also recommends that congressional legislation encourage a more effective use by AID of food-generated currencies through assistance to private organizations active in promoting economic and social development in Latin America.

THE AMERICAN RESEARCH HOSPITAL IN POLAND, INC.,
New York, N.Y., February 18, 1964.

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

DEAR MR. CHAIRMAN: In connection with construction of the American research hospital for the Medical Academy of Krakow, Poland, I am compelled to leave for Poland earlier than at first anticipated. Being thus prevented from testifying personally at the hearings conducted by you and your committee on the subject of Public Law 480 operations, I respectfully request that a written statement prepared by me, and enclosed to this communication be accepted and incorporated into the testimony with regard to operations of the Public Law 480 program.

STATEMENT

My name is Wlad. O. Biernacki-Poray. My profession is architecture; I am a head of a firm bearing my name, located in Montclair, N.J., and in New York City. I am also a president of the American Research Hospital in Poland, Inc., a voluntary nonprofit organization.

Our committee has been organized in recognition of our desire to assist in development and building of a children's hospital, the first of its kind, for the Medical Academy of Krakow in Poland. We enclose, as part of this statement, a technical report by CARE to the U.S. Government on phase II—Technical Documents, prepared by W. O. Biernacki-Poray, AIA, architect, which report shows, on pages 1 through 6 the story of the development of the project; also, on pages 71 through 74 of the enclosed report description of the actual construction activities (as of the date of the report) is shown.

The enclosed report starts with a letter of transmittal from the executive director of CARE, Mr. Richard W. Reuter (presently the Director of the Food for Peace and the Special Assistant to the President), to Administrator of the Agency for International Development. We ask that this letter be also admitted as part of this statement, inasmuch as it contains a meaningful and lucid introduction of the project of the children's hospital.

The successful development of this hospital is based mainly on the willingness of the U.S. Congress to support the project through appropriation of funds for the construction and equipping of this medical institution.

The success of the project's development is also due to cooperation and guidance provided by the Agency for International Development, who in implementation of legislation enacted by the U.S. Congress executed grant agreements, reviewed periodically submitted reports, inspected the project under construction and continues its supervision from the point of view of general operations under the terms of the agreement. We are grateful for the degree of assistance and guidance provided by officials of the AID.

Our committee recognizes, and is thankful for continuous operation of the Public Law 480 program, through which most funds required for construction of the children's hospital were generated. Polish currency, accruing from sale of surplus agricultural commodities is being appropriated under the Foreign Assistance Appropriation Act, and under the terms of the grant agreement between AID and the American Research Hospital in Poland, Inc., is used to pay local construction and procurement cost. To date, a sum equivalent to \$8,250,000 has been appropriated, in Polish currency, for the project, from special local currency programs.

We believe that use of Public Law 480 accumulated funds for projects such as children's hospitals is the best example of the humanitarian objectives of U.S. foreign policy, indicating as it does, this country's basic concern for rights of the individual to live free from sickness, pain, and deformities.

This policy is recognized and understood in Poland by all those with whom we were able to meet—students, professors, workers, children, members of the engineering and other professions, common people. Much friendship and good will has been found by members of our committee from people of Poland at all stations of life, including officials of the Medical Academy, Government, labor unions, etc.

We respectfully ask that the program governing further operations of the Public Law 480 be continued, and extended with regard to development of projects such as the construction of hospitals in Poland, and certain other countries who are capable of providing adequate medical and technical services needed to maintain and operate modern hospital plants.

Respectfully submitted,

W. O. BIERNACKI-PORAY, A.I.A.,
President, American Research Hospital in Poland, Inc.

CARE, INC.,
New York, N.Y., June 29, 1962.

Hon. FOWLER HAMILTON,
*Administrator, Agency for International Development,
Department of State, Washington, D.C.*

DEAR MR. HAMILTON: Pursuant to the contract agreement between the International Cooperation Administration of the U.S. Government and the Cooperative for American Relief Everywhere, Inc., of November 1, 1960, as amended on March 27, 1961, I have the honor to transmit herewith the report and technical documents for the construction of the American Research Hospital for Children in Krakow, Poland.

This report and the technical documents are implementations of the survey report presented by CARE to the Department of State on May 4, 1960, in fulfillment of an agreement with the Government of the United States for an initial study and feasibility survey for the hospital. The grant to CARE grew out of prior studies and discussions between the officials of the U.S. Government and the Committee for the American Research Hospital for Children in Poland (ARHP) which asked CARE's assistance to instrumentalize the survey.

The U.S. Government approved the recommendation contained in the survey report and in August 1960 the Congress appropriated \$1,500,000 in foreign currencies for construction of the hospital; an equivalent of \$100,000 in Polish currency was set aside for starting engineering and working drawings.

Acting on the request of the Committee for the ARHP, CARE executed an agreement with the Government of the United States, and the presently submitted report and technical documents are in complete fulfillment of CARE's obligation under that agreement. The survey report submitted in May 1960, and the present report and technical documents have been prepared by Mr. W. O. Biernacki-Poray, AIA, architect for the hospital, who originated the idea of the hospital and who has contributed his services to this project.

The technical documents consist of final and fully detailed architectural and engineering drawings and specifications, and are listed in section 1 of the report. In accordance with provisions of the agreement, CARE has submitted, at designated intervals, drawings and specifications to AID, after securing approval of required documents by Polish authorities having appropriate jurisdiction.

On the basis of these documents which AID has approved, and under the provisions of a grant agreement executed between the U.S. Government and the ARHP Committee on August 16, 1961, construction activities were started in August 1961 in Krakow, and the hospital is now well advanced toward its completion scheduled for May 1964. Section 16 of the report describes in detail the progress of hospital's construction, including a rehearsal of the agreements, the building contract, and fund-raising efforts in the United States.

The report also discusses in solid detail the entire scope of the architectural and engineering solution of the hospital and examines the entire range of its elements and features. In transmitting the report as a highly technical document, I should also like to emphasize CARE's great satisfaction for the continuing support of the U.S. Government to the hospital, as evident in the special message of the President of the United States, who on June 13, 1962 asked Congress to appropriate \$2,800,000 for further stages of the project's construction.

From observations by our mission in Poland and from my personal discussions with high officials of the Polish Government in October 1961, CARE is convinced that the hospital as a concrete evidence of concern of the people of United States for the welfare of the people of Poland, and as an introduction of highly developed concepts of medical architecture, is being received in Poland with very high regard.

To cite one measure of the project's impact, it has been recently and in the past featured in the leading Polish newspapers, and its construction is attracting many visitors not only from Poland but from other countries as well.

CARE believes that successful developments with regard to the hospital to date could well point the way to a useful future pattern for utilizing foreign currencies which have been accruing from sales of agricultural supplies under Public Law 480 in Poland and in other countries.

As indicated in CARE's Survey Report of 1960, private contributions to the project cannot alone meet dollar requirements for the purchase of equipment and material not available with the use of Polish currency. We would therefore reemphasize our recommendations made in May 1960 that allocation of dollars by the U.S. Government as an earnest commitment to the completion of the hospital are necessary. The values already generated by the hospital demonstrate that it may well become one of the most significant visual evidences of the policy of peace and friendship on the part of the United States to the people of Poland.

Very sincerely yours,

RICHARD W. REUTER, *Executive Director.*

PENDLETON, OREG., *March 3, 1964.*

Congressman AL ULLMAN,
House Office Building,
Washington, D.C.:

The Oregon Wheat Growers League would appreciate your efforts in extending Public Law 480 for a 5-year period or as long as possible. It is very important to the Pacific Northwest in holding down our wheat surpluses.

JOHN WELBES,
Executive Vice President, Oregon Wheat Growers League.

Mr. POAGE. The committee will stand in recess until next Wednesday at 10 o'clock, when Mr. Cooley will preside.

(Whereupon, at 12 o'clock meridian, the subcommittee took a recess, to reconvene Wednesday, February 26, 1964, at 10 a.m.)

EXTENSION OF PUBLIC LAW 480—TITLES I AND II

FRIDAY, FEBRUARY 28, 1964

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON FOREIGN AGRICULTURAL OPERATIONS
OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to recess and subsequent to postponement, at 10:10 a.m., in room 1310, Longworth House Office Building, Washington, D.C., Hon. W. R. Poage (chairman of the subcommittee) presiding.

Present: Representatives Poage, Cooley, Jones of Missouri, Matthews, Stubblefield, Matsunaga, and Harvey of Indiana.

Also present: Representatives Purcell, Duncan, Hoeven, and Dole. Christine S. Gallagher, clerk; Hyde H. Murray, assistant clerk; John J. Heimbarger, counsel; Robert Bruce, assistant counsel; and Francis Le May, consultant.

Mr. POAGE (presiding). The subcommittee will please come to order.

We are very pleased to have with us Governor Harriman, the Under Secretary of State, and Mr. Bell, Administrator for the AID, with us this morning.

We will hear from the State Department first. We will be glad to hear from you now, Governor Harriman, in regard to Public Law 480.

STATEMENT OF HON. W. AVERELL HARRIMAN, UNDER SECRETARY OF STATE; ACCOMPANIED BY DAVID E. BELL, ADMINISTRATOR; HERBERT J. WATERS, ASSISTANT ADMINISTRATOR FOR MATERIAL RESOURCES, AID; AND JULIUS L. KATZ, DEPUTY DIRECTOR, OFFICE OF INTERNATIONAL TRADE, U.S. DEPARTMENT OF STATE

Mr. HARRIMAN. Mr. Chairman and members of the committee, may I first express to you my very warm congratulations on the wisdom and initiative that this subcommittee has had, the Committee on Agriculture, and the House generally, in developing this food-for-peace program under Public Law 480. In my travels around the world I feel that it has been one of the most effective programs we have in developing good will for the United States and in helping to combat the Communist menace which exists, as you know.

While some people used to think that the increase in our productivity in industry was a great American achievement, more and more people have begun to realize that it is in agriculture that we have made outstanding progress.

Our agricultural abundance is a great American asset. It is both a source of national strength and an indispensable support for an enlightened foreign policy.

The American farmer is one of the wonders of the world. He is few in number in comparison with the farm population in any other country having a major agricultural industry. Yet he is so prodigiously efficient that he produces more, with fewer hands, than any farmer anywhere. His skills and his competence make an immeasurable contribution to the face we present to our fellow men around the world. And this committee has had a great deal to do with making this achievement possible.

The contrast between American agriculture and Communist agriculture is a central political fact in the world. It is a fact that wherever the Communist methods have been applied to agriculture that there has been a dismal failure. In China we know that the 700 million people are living in misery and on very, very low diets because of that failure, and yet you see right across the Formosa Strait free China increasing its production through the development of a program which we helped in and which our farmers helped make more productive. And the same is true in Japan where rice is something like three times the production per acre as compared to what the experience is in mainland China.

After more than 40 years of trial, the agricultural system in the Soviet Union is an evident and utter failure. The Soviets have not been able to make farming a going concern. A farmer in the United States produces more than four times as much as a Russian farmer. We generate a surplus of farm output while the Soviet Union and other Communist states are in chronic and serious agricultural trouble.

The Soviet Union, before the revolution, used to be a substantial exporter of grain, and now they are, as you know, importers.

We should make no mistake about it. Our ability and our readiness to sell wheat to the Soviet Union out of our surpluses, to help to meet a large Soviet deficit, was considered around the world a political triumph for the United States, and for the free nations of the world. Nobody could fail to note that the American system of agriculture had continued to bring forth an enormous volume of production, while Soviet agriculture was in deep difficulty. It is true that there have been certain inclemencies in the last year or two, but basically it has been the failure of the system.

It was right for us to sell the wheat to the Soviets. It was right on humanitarian grounds, it was right as a business proposition, and it was right because it dramatized for the world the measure of our capability in the most basic and widespread industry known to man, the growing of food.

In the developing nations of primary importance is the improvement of their agricultural production, and the example of the United States as against that of the Communist countries is one of our most important assets in battling against Communist subversion, Communist false promises.

The productivity of American agriculture—the demonstrated workability of our system of privately owned farms—our technological and scientific leadership in farming—these factors help to make up the image that the United States can show, and proudly, to the world.

But they would be as nothing if they were not combined with a wise and generous use of our overflowing stocks of farm products.

That necessary wisdom and generosity are the hallmarks of Public Law 480, the Agricultural Trade Development and Assistance Act, which is now before the Congress for renewal and extension. Public Law 480 has given the legislative mandate and direction in a planned and rational way with other countries. It has reflected great credit on our legislative and our administrative systems that we could have devised and managed this policy so wisely and well. We should extend Public Law 480 as a basic expression of our national policy of using farm surpluses in support of the high ideals to which our Nation is committed.

Ever since World War II, we must remember, American foreign policy has had our agricultural strength as a supporting pillar. Our aid to Greece and Turkey, and then the Marshall plan, depend heavily upon the provision of food and other agricultural goods to the threatened nations and shaky economies of Europe. Over \$4.5 billion (out of some \$12 billion) of Marshall plan assistance was in the form of farm commodities. Our postwar aid to Germany and Japan, similarly, consisted in very large part of food and fibers from our farms.

I may say that in 1945 it was obvious that unless we helped the European countries get out of the chaotic conditions that existed there with working capital, to redevelop their production, there was no doubt in my mind that they would fall under the sway of communism. Stalin was turned back and frustrated in his aim to take over Western Europe, and I believe that we can do the same thing in other parts of the world, providing we continue to use our abundance as wisely as has been done in the past.

As we turned from the short-run recovery requirements of the Marshall plan and other postwar aid to the much more complex and long-term problems of the less-developed countries, we found again that the American farmer could provide an essential share of the means for the conduct of U.S. policy. I would not hesitate for a moment to say that the generosity of the American people in using our farm products in the Marshall plan has developed as you well know the largest market for our farm products and a permanent market, and I hope an expanding market in Western Europe. The same, I believe, would be true in other parts of the world as they recover or as they develop their economy.

We have learned that economic development can be fostered and hastened by providing agricultural goods as well as by providing industrial equipment. Our abiding national interest in the progress of the developing countries toward greater well-being and political health is now linked with the application of our surplus farm output to the development task.

Public Law 480 has been a large element in our ability to sustain the Republic of Korea against the ever-present threat to its very existence. The heartening success story of the Republic of China in Taiwan could not have been written without the agricultural supplies made available under Public Law 480. In Turkey, Greece, North Africa, in Latin America, in southeast Asia—wherever, in fact, we find economic development a proper matter for our national concern, Public Law 480 has made and continues to make a vital contribution.

Our policy of encouraging movement toward national independence among Communist countries of Eastern Europe has been strengthened by the availability of farm products under Public Law 480. Yugoslavia runs its own national policies today in considerable measure because we were able to meet some of its requirements for food. Poland accords its citizens more freedom in general and in particular maintains a free agricultural system than is the case in other Soviet bloc states and this is due, among other things, to the Public Law 480 goods we have provided the Polish people.

Also, there is inherent in the Public Law 480 program the danger that it will become a crutch on which governments come to lean. We do not wish our agricultural surpluses to become an excuse for not facing up to the need for better agricultural policies in the less developed countries. It will take wisdom and finesse to avoid this danger in some instances. And I think it has been remarkably successful in almost all places.

These problems bear out the truth that no method of carrying out foreign policy is free of imperfections. But the overwhelming advantage for our national interests and national objectives lies in the continued use of our agricultural commodities along the lines laid down in this statute.

May I say that in Yugoslavia and Poland, for example, the change from the original policies from 85 percent of the land in those countries under private ownership and now in private production, in exact reverse of what it had been in the original plan. Our Public Law 480 program has contributed to the ability to carry out this program and give the people greater freedom than they otherwise would have. I would like to quote from a statement that Secretary of State Rusk made in an address to the Farmers Union Grain Terminal Association in St. Paul. I quote from him:

Our food-for-peace programs are a mighty instrument of security, good will, and peace. They are saving human lives every day * * *.

Food-for-peace programs are not only saving lives, they are serving economic development. They have had a growing role in our programs of assistance to the less-developed nations of the world. Our interest in helping these nations to move forward into the modern world is not humanitarian alone. We want them to move forward because we want a peaceful world. Communism feeds on hunger and frustration; it encourages disruption and exploits chaos. We want orderly progress in freedom—not for ourselves alone but for all men.

Food for peace also serves to develop future markets for American farm products.

I have mentioned the case of Western Europe and other outstanding cases—that of Japan. I have not a breakdown between agricultural products and other products, but I do know that between the years 1956 and 1962 Japan almost tripled her purchases in the United States from some \$600 million to \$1.7 billion and this has been made possible by helping Japan to develop her economic production. Her success in her own production of food has led to her ability to buy more American farm products. And I now continue with the Secretary of State, Mr. Rusk's remarks:

And so, as Secretary of State, I find it very reassuring to have in support the great resources of American farm production. From my viewpoint, our agricultural abundance may be regarded as strategic reserves. In certain crises it can be as valuable as our military Reserve Forces.

The Secretary's eloquent words apply directly to the question now before the House Agriculture Committee. The Department of State

strongly supports the 5-year extension of Public Law 480 and the additional authority which will allow the continuation of title I and title II programs at the levels recommended in the administration bill.

Thank you, Mr. Chairman.

Mr. POAGE. Governor Harriman, we are very much obliged to you. We appreciate your statement.

I think that we will now hear from Mr. Bell, and then from Mr. Waters, if he wishes to be heard, before we go into questioning.

Mr. Bell, we will be glad to hear from you now.

Mr. HARRIMAN. I wonder whether it would be better to finish with me, and then Mr. Bell can go into more detail.

Mr. POAGE. We will be glad to do it any way that you would like, Governor, but my experience has been that we will save time, otherwise we may repeat the same questions. And it will take us twice as long to do it that way. But if you prefer to do it that way, all right.

Mr. HARRIMAN. Whatever the committee desires.

Mr. BELL. It is perfectly all right with us either way you would like to do it.

Mr. HARRIMAN. We are all colleagues, and so it is all right.

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

STATEMENT OF DAVID E. BELL, ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT, U.S. DEPARTMENT OF STATE

Mr. BELL. Thank you very much, Mr. Chairman, and members of the committee.

It is a pleasure for me to appear before you today to discuss the importance of Public Law 480, the Agricultural Trade Development and Assistance Act, in relation to overall U.S. foreign assistance as well as the role of the Agency for International Development in the administration of the program.

The wisdom of this committee and of the Congress in establishing the policies set forth in the preamble of this act, that surplus agricultural commodities shall be used “* * * to promote the economic stability of American agriculture and the national welfare” and “* * * in furtherance of the foreign policy of the United States * * *” has been clearly demonstrated in many ways in many countries.

I would like to start with three general points about this program.

First, Public Law 480 makes a vital contribution to American efforts to help build security and promote economic development in the less developed countries of the free world. Public Law 480 programs are today helping free people in many countries to fight Communist subversion, and to overcome the poverty and hunger on which communism thrives. The agency I have the honor to head, the Agency for International Development, counts on Public Law 480 as part of the resources that we can use to further U.S. interests in these countries. It is a major element in our overall foreign assistance planning. For example, Public Law 480 comprises half of the total U.S. assistance furnished to India; one-third of U.S. economic aid to Korea; and provides major support to Vietnam, the Congo, Bolivia, and many other countries. And, with the safeguards prescribed by the legislation to protect the commercial trade of the United States and friendly countries, the abundance of American farms can be used to meet expanding needs without adversely affecting normal trade revenue.

Second, Public Law 480 is basically an agricultural program. The amounts and kinds of commodities made available for Public Law 480 programming are limited to those which the Secretary of Agriculture determines are in surplus supply. The decisions on countries with which title I and title IV sales programs may be negotiated and the size of the programs are made by the Secretary of Agriculture after advising with other U.S. agencies. Close and continuing consultations are essential to assure that Public Law 480 programs meet the criteria for agricultural market development and the objectives of our foreign policy. These consultations are channeled through an interagency committee chaired and staffed by the Department of Agriculture. This committee is advisory to the Secretary of Agriculture on all Public Law 480 agreements.

Third (as Governor Harriman has already pointed out), foreign assistance in the long run builds agricultural export markets. Not only is Public Law 480 important to us in serving U.S. security and foreign policy goals, but nonagricultural aid, capital investment and technical assistance, is also important in building productive capacity abroad which will enable people to buy increasing amounts of American grain, cotton, fruit, and other farm products commercially.

To illustrate, Free China on Taiwan is on the threshold of becoming a self-sustaining economy. U.S. commercial exports to China rose from about \$4 million in 1958 to \$14 million last year and it is expected that our trade will continue to increase. Food-for-peace programs, combined with other U.S. aid, including capital investment and technical assistance supplied the vital ingredients to China in its drive for economic development. Food for peace would not have been sufficient but the combination of help which the United States could supply has enabled China to become a stronger part of the free world and a large market for commercial trade.

From these general points, I would like to proceed to a brief discussion of program administration and operations. AID, that I head, has heavy responsibilities in these areas. At the planning stage, when we are developing the proposed overall aid program, we invite representatives of the Department of Agriculture to participate in the advance review. At the operations stage, we make sure that proposals for Public Law 480 sales and donation programs for each country are reviewed by the U.S. country team, including the agricultural attaché and our AID mission. Final review is made of the proposals by the Interagency Staff Committee on which AID is represented, before final approval is given for the negotiation of sales agreements or donation programs.

In addition, AID is responsible for directing and controlling the use of title I currencies set aside for loans to purchasing countries and private enterprise and for grants for development and defense purposes. A large part of this responsibility is carried out by our AID missions abroad in cooperation with the host governments. In countries which do not have well-defined economic development plans, the AID mission must assume a large degree of responsibility in assuring that the loans are made for priority development purposes.

The systematic monitoring of the use of these funds by our mission controllers is supplemented by periodic audits and inspections by special teams sent out from Washington. The missions are required to

report periodically on the status of these projects, as well as on dollar-financed projects.

The point is that we take very seriously our responsibility for supervising and controlling the use of these currencies.

May I mention an illustration or two of projects which have been financed in whole or in part with these currencies.

For example, the local costs for harbor development in China (that is in Free China—that is in Taiwan) are being financed by a \$2.7 million equivalent made available by the Chinese. The foreign exchange costs are being provided by an AID development grant of \$1.5 million. The resulting expanded and improved harbor facilities will permit more expeditious, safe, and efficient handling of rapidly increasing international and domestic trade.

As another example, in Brazil we have loaned \$16.6 million of Public Law 480 cruzeiros to eight states in the northeast for the construction of schools and for the training of teachers and school administrators. This project is aimed at attacking the massive problem of illiteracy which is a major restraint on the future development of northeast Brazil. As I am sure many of the members of this committee know, the situation in northeast Brazil is a very serious one. There is strong local Communist efforts to achieve a greater position and to gain dominance locally, and efforts like this helped by Public Law 480 currencies are extremely important to the effort to achieve some progress in northeast Brazil through the normal free institutions there.

Title I currencies have made possible a nationwide sugar marketing program in Bolivia which has a revolving credit fund feature. This program has helped make Bolivia self-sufficient in sugar, ending a long-standing drain on foreign exchange. It has contributed to the development of pioneer areas in the eastern lowlands of the country, helping to diversify Bolivia's tin-dominated economy.

In addition to loans, AID administers most of the local currencies reserved for grants for common defense. These funds are an important adjunct to joint military programs in China, Korea, and Vietnam. Section 104(c) as it now stands now permits procurement of military equipment, materials, facilities, and services for the common defense. In order to make clear that this authority can be used to support counterinsurgency programs, such as the strategic hamlet program in Vietnam, and other activities vital to counteract Communist-inspired subversion and insurgency, we are requesting that the reference to military goods and services be deleted in order to permit procurement of any goods and services necessary for the common defense, including internal security programs within that concept.

Each title I agreement—as this committee knows very well—provides that a portion of the foreign currency sales proceeds be reserved for U.S. uses. These currencies are made available to U.S. agencies only for appropriated dollars. These dollars are turned over to the Commodity Credit Corporation. In almost all countries the U.S. use currencies are purchased within a short time after they are generated and little or no accumulation occurs.

Among the 47 countries with which title I agreements have been negotiated, however, there are seven in which there are at present sizable accumulations of currencies for U.S. use in excess of normal requirements. These are Burma, India, Israel, Pakistan, Poland, the United Arab Republic, and Yugoslavia.

Israeli pounds are being used for additional research and educational programs by various U.S. agencies, and a relatively small amount of these funds have been lent to private foundations which will repay the loans in dollars. A large part of the Yugoslav accumulation is being used to help in the reconstruction of Skipje following last summer's earthquake. The unused Polish currency is ultimately to be repurchased for dollars by the Polish Government. We have not yet found a solution, however, to the largest excess currency situation, that in India. We are working on this, and expect to have concrete proposals for putting the accumulation of excess Indian rupees to constructive use ready to lay before the Congress at a later time.

The Public Law 480 legislation wisely provides that in special cases the United States may grant local currencies to promote balanced economic development and multilateral trade. While it is clearly understood that primary emphasis is placed on loans, the grant authority should be preserved to afford some flexibility in meeting unusual situations.

As the committee knows, we have over the last year or so limited very sharply the use of the grant authority and we will continue to do so.

I want also to be frank in stating, however, that there are two countries, India and Pakistan, where we believe it is likely to prove to be in the best interest of the objectives of Public Law 480 to depart from the general policy of limiting grants when we face the necessity for renewing sales agreements with these countries.

Local currencies generated under title I sales agreements may also be used for loans to business firms, under the so-called Cooley loan program named for the chairman of this committee. These loans are very helpful in stimulating additional U.S. investment in developing countries. During the 2 years since AID took over the administration of this program, we have authorized 84 loans, totaling the equivalent of \$91 million in 17 countries. These loans were made for various purposes to U.S. companies and their affiliates and to foreign firms to increase consumption of U.S. farm products. For example, loans have been made recently to expand soap production in the Republic of China; for manufacturing plastics, aluminum products, and tires in Israel; and for pharmaceuticals and hotel construction in Pakistan. The largest Cooley loan authorized so far by AID totals the equivalent of \$17.5 million. This loan was made to a joint venture of two U.S. firms and an Indian company to finance the construction of a \$68 million private fertilizer plant in India.

We favor removing the present 25 percent restriction on the proportion of sales proceeds which can be set aside in each title I agreement for loans to American and foreign private enterprises. The demand for Cooley loan funds is of course much greater in some countries than in others. We believe there may be opportunities in a few countries to use a somewhat greater proportion of Public Law 480 funds to support our efforts to increase private investment abroad.

May I say a word here about our use of the barter authority under Public Law 480. In our efforts to reduce the outflow of dollars and thereby improve the U.S. balance-of-payments position, AID has been following a policy under which over 80 percent of our funds used for commodity procurement have been spent in the United States. This

creates problems in connection with financing the procurement of commodities of which the United States is a net importer but which are essential in the economic progress of developing countries. By using barter to procure those commodities, we have been able to decrease the dollar outflow and increase exports of agricultural commodities. When a decision is made to use the barter technique, AID transfers to the Department of Agriculture the amount of dollars necessary to cover the offshore commodity procurement. The Department of Agriculture handles the transaction from that point. Since last July AID has transferred approximately \$12 million to the Department for this purpose.

At this point I would like to discuss our activities under the important donation authorities of Public Law 480—titles II and III.

As this committee knows, the donation programs are directed toward combating hunger, assisting in emergencies, and helping economically needy people. Our objective in administering these programs is to do more than feed the hungry—it is to help eliminate the underlying causes of hunger. In working toward this goal, we are using American farm abundance not only to combat hunger but to accomplish worthwhile economic and community development objectives as well. As Secretary Freeman stated in his testimony, food for peace has become a capital investment in constructive community development projects. Through school lunch programs it is fostering education. It is truly an investment in human capital.

School feeding programs continue to have a very favorable impact throughout the world. Currently 56 million schoolchildren and preschoolchildren are being fed. And that startles me when we realize that that 56 million children around the world are being helped by our public law commodities.

In Peru reports indicate that attendance has nearly doubled since school-lunch programs were initiated. Furthermore, these programs help to bring about a change in the eating habits of children. We are convinced that as the economics of these countries improve, the children of today will be the customers of tomorrow for the kinds of commodities they are now receiving under Public Law 480.

As a part of the Alliance for Progress a special effort has been made to increase the number of children receiving this help. When this special operation was initiated in August 1962, less than 4 million Latin American children were participating. Now over 10 million children benefit from the program, and this number is expected to reach 12 million by 1965 as our partnership effort under the Alliance reaches its projected goal.

The Latin American governments are contributing annually the equivalent of over \$13 million in cash, food, and services, exclusive of the salaries of the many local people involved in running the programs.

The authority to use food as a direct self-help incentive was written into Public Law 480 in 1960 as section 202 of title II. Under this authority, food is being widely used as part payment of wages for work on projects such as land clearing, building earthen dams, and simple farm-to-market access roads. In addition, food is being provided to farmers and their families while they are bringing new land into production or changing existing land use; to grubstake colonists;

to combat juvenile delinquency and teenage unemployment through work camps, and for many other worthwhile purposes.

Although this program is relatively new, projects of this kind are now active in 22 countries, giving employment to an estimated 700,000 workers and providing food to more than 4 million persons. For example, in Tunisia and Morocco, previously unemployed workers are engaged in extensive reforestation and other public works projects, including building new schools and houses for teachers. About 40 percent of their wages is in food with the balance furnished in cash by their governments. In Bolivia and the Dominican Republic, new settlers are being given temporary assistance in the form of a grub-stake of food-for-peace commodities. Food is enabling these farmers to bring new lands into production and to achieve economic self-sufficiency.

In Bolivia and Ecuador, food is supporting the civil action programs under which local military forces, community leaders, and volunteer workers are cooperating in building schools, roads, airstrips, and in clearing land for resettlement.

In Korea, three U.S. voluntary agencies—CARE, Church World Service, and Seventh Day Adventists—which distribute commodities to relief recipients under title III, are undertaking 18 self-help work projects. These are designed to stimulate community development and take families off relief by transferring some of the former recipients of title III commodities to those work projects. The voluntary agencies handle distribution of food commodities and also provide materials such as cement, steel, and tools for building small dams and irrigation canals with their own resources. The Korean Government provides engineering services and funds for other expenses.

In cooperation with the Philippine Government and CARE, more than 6,000 young men are being put to work on a 1-year reforestation program patterned after our own Civilian Conservation Corps camps of the 1930's. There is widespread need and interest in expanding this program which involves needy and otherwise idle youth in constructive development projects supported by food for peace.

In addition, the United States is participating with other friendly countries in the world food program—a 60-nation attack on world hunger. The United States has pledged a contribution of \$40 million of agricultural commodities (at world market prices) and \$10 million in cash and services, to this \$100 million 3-year trial program. The U.S. commodity and transportation commitments are made under title II and the cash contribution is made with AID funds. The world food program organization began operations in January 1963 and although a number of significant emergency relief and economic development programs have already been undertaken, the bulk of programing of the U.S. commitment should fall in the next calendar year.

We are currently operating title II programs at about the \$300 million level, at CCC cost, but many projects have been undertaken thus far on a pilot basis and are now ready to be expanded. The program has proven its merit and the need and potential for continued effective programing are great.

Therefore, we urge approval of the increase from the \$300 million per year level to \$450 million per year. This amount, plus the carry-over from prior authorizations, will permit an expansion of the self-

help and food-for-work concepts and will facilitate the shift away from the relief approach.

Under the donation provision of title III, American voluntary agencies and intergovernmental organizations furnish in cooperation with foreign governments food assistance to 77 million people. In conducting these programs, the closest possible collaboration has been fostered and maintained with these agencies, which include CARE and the church-related groups and intergovernmental organizations such as UNICEF.

The agencies provide other necessary supplies made possible by cash contributions of U.S. citizens, as well as citizens of other countries abroad, amounting to more than \$65 million last year. In addition, these U.S. private agencies are now maintaining overseas more than 700 U.S. citizens as field representatives—trained and paid by the voluntary agencies—to develop and supervise operations. They also employ more than 4,000 local personnel and are supported by more than a million volunteers helping with the distribution of the food and other resources.

The Agency for International Development is seeking to assure effective use of these food-for-peace resources. There are currently 38 food-for-peace officers or assistants working in 23 countries. In each of the other countries or territories in which titles II or III programs are conducted, an employee of the U.S. AID mission or the U.S. diplomatic mission has been designated as acting food-for-peace officer.

In addition to the work of the food-for-peace officers, comprehensive field audits of Public Law 480 titles II and III programs are made periodically by AID auditors attached to the oversea mission controller staff. Our objective is to audit these programs once a year. The audits are made to ascertain that programs are operated in accordance with agreements, U.S. government regulations and sound business practices. Voluntary agency staffs and foreign governments also make periodic observations and checks of the programs.

As I conclude this statement, I would like if I may—I want to underscore the fact that while Public Law 480 plays a major role in the U.S. effort to assist developing countries establish and maintain free economic and social institutions, it is basically an agricultural program. At the same time I also wish to emphasize the benefits that accrue to the United States and to the developing countries when we combine agricultural and nonagricultural resources—an essential combination if the developing countries are to maintain their place in the community of free nations.

I appreciate very much this opportunity to discuss our role and activities in the administration of Public Law 480, and I would be glad to respond to any questions the committee may have.

Thank you.

Mr. POAGE. We are very much obliged to you for your statement, Mr. Bell.

Mr. Waters, do you want to make a statement?

Mr. WATERS. No, Mr. Chairman, thank you.

Mr. POAGE. I take it that probably the best way would be to let the subcommittee members direct questions to the panel rather than to personalities. I would like to ask Chairman Cooley, who is with us this morning, if he has any questions?

Mr. COOLEY. I thank you very much, Mr. Chairman, but I prefer for you to go ahead first. I may ask a few questions later on.

Mr. POAGE. Thank you.

Mr. Hoeven, our ranking minority member, is with us this morning. You might want to ask some questions, Mr. Hoeven.

Mr. HOEVEN. Thank you, Mr. Chairman.

I note that you recommend a 5-year extension and that Mr. Bell makes no recommendation. What is your position, Mr. Bell?

Mr. BELL. I join in that recommendation, sir.

Mr. HOEVEN. Why should it be extended for 5 years, instead of a 3-year period?

Mr. HARRIMAN. Congressman Hoeven, we feel that in these programs it is wiser to plan ahead. I think that the Department of Agriculture can explain why it is important, for the Department itself should know what the policy of the Congress will be in regard to this legislation. It is a more orderly planning that should be carried on in a more orderly fashion within our own country and also in connection with the programs abroad.

Mr. HOEVEN. Governor Harriman, you expressed some concern about the intent of Public Law 480. On page 4 of your statement you say, and I quote:

Also, there is inherent in the Public Law 480 program the danger that it will become a crutch on which governments come to lean. We do not wish our agricultural surpluses to become an excuse for not facing up to the need for better agricultural policies in the less developed countries. It will take wisdom and finesse to avoid this danger in some instances.

In the light of your statement, do you not think that Congress should be permitted to periodically survey this entire program and not extend it for too long a period?

Mr. HARRIMAN. I think it has been administered very well. And I think that this subject has been before those who are administering the law constantly. And here, again, it is better to have the longer term program. It will be phased out as the countries expand their own resources in order not to be over a longer period of time—dependent upon the assistance that is given under this program. I think a shorter program would be more difficult to administer—would be more difficult for other countries to make their plans in order to become less dependent and, eventually, not at all dependent upon our assistance.

Mr. BELL. Could I add one word to that?

Mr. HOEVEN. Yes.

Mr. BELL. Speaking for my agency—and I am sure also speaking for the executive branch—we would be delighted to review the situation and the progress under the Public Law 480 program at any intervals that this committee would like. We would be delighted to have an annual review or any other periodic discussion of exactly how things are going, what the commitments have been, what the progress is, what our problems are, and so on, so that the length of time for which the program is authorized, it seems to me, can be distinguished from the possibility of congressional review at shorter intervals.

Mr. HOEVEN. Mr. Bell, I think it would be fair for me to say that the Committee on Agriculture is rather jealous of its rights and prerogatives.

Mr. BELL. I am sure that it is, sir.

Mr. HOEVEN. Public Law 480 after all, was written in this committee.

Mr. BELL. That is correct.

Mr. HOEVEN. When Public Law 480 first came into being it was a program to get rid of surplus agricultural commodities. Now we seem to be getting far away from the original intent of the law and are now converting the program into a worldwide welfare operation.

I note in your statement, Mr. Bell, that you say that Public Law 480 is basically an agricultural program, and as far as I am concerned it should stay that way.

Mr. BELL. Yes, sir.

Mr. HOEVEN. And for that reason it would be the better part of wisdom for the committee to keep a careful watch on the program and not extend the law for too long a period. A law once placed on the statute books means that we may have to struggle to get changes which we may deem necessary.

Mr. BELL. I simply wanted to make clear, sir, that we are prepared and available to the committee at any interval that the committee may wish.

Mr. HOEVEN. I understand. It is much easier to review the law periodically than to grant a long extension of time.

Mr. BELL. Yes.

Mr. HOEVEN. Thank you.

Mr. POAGE. Thank you, Mr. Hoeven.

Mr. HARRIMAN. May I say that I think that the Secretary of Agriculture is in a better position than we are to explain, from his standpoint, why the longer period is important to the program.

Mr. POAGE. The Secretary did appear and expressed his desire for a 5-year program. He did appear and suggested the 5-year program.

I want to ask Mr. Bell a question on a collateral matter. You mentioned that large Yugoslavian accumulations are being used in reconstruction in Skopje in relation to last summer's earthquake damage.

It happened that several of our members were in Skopje last fall. We had discussions with various agencies after we got back in this room. I wonder just what you can tell us about what is actually being done at the moment.

Mr. BELL. Yes, sir. There was a very substantial emergency program. You and the others who visited Skopje, and were on that special committee will recall that help was extended, which included the Army medical unit that was flown in immediately and did such a remarkable and constructive job, and plus that we flew in various other items for tiding the people of Skopje over the winter—tents and blankets and that sort of thing. As the fall and winter went along we also found it possible to ship down there and erect a group of demountable buildings, Butler buildings, they are called, which our military forces had in Germany I think it was—anyway, they are now in Skopje and are either all erected or in the last stages of being erected to provide emergency housing for some of the people who lost their homes in the earthquake.

Mr. POAGE. Can you tell us how many people were housed in that way?

Mr. BELL. I am sorry that I do not have the figure in mind.

Do you, Mr. Waters?

Mr. WATERS. I do not have it.

Mr. BELL. It is several thousand, however, Mr. Chairman. We will supply the exact figure if we may for the record.

Looking beyond the immediate tiding of those people over the winter we have been working with the Yugoslav authorities as they have prepared longer term plans for rebuilding the community, rebuilding the schools and the public buildings with sewers, water supply, and so on, as well as houses, and it is in that connection that the bulk of the dinars will be made available from the United States, so that the bulk of our funds will contribute to the permanent re-establishment of a community there with public buildings and schools and other facilities probably being the main specific items which we will help to pay for.

Mr. POAGE. That envisions other work for the dinars?

Mr. BELL. Yes.

Mr. POAGE. Do you have any idea exactly how much has been transferred?

Mr. BELL. I do not have that in my head. I will supply it, sir, for the record, if I may.

Mr. POAGE. I would appreciate it if you would.

Mr. BELL. Yes. I would doubt very much if they have yet been transferred.

Mr. POAGE. I would, too.

Mr. BELL. Because they are to be devoted to the permanent work of reconstruction.

Mr. POAGE. On the permanent work of reconstruction, it was the feeling of the members of the committee that there should be something done of a nature that would tie that in with the United States.

Mr. BELL. Yes.

Mr. POAGE. That is, in the eyes of the public.

Mr. BELL. Right.

Mr. POAGE. What has been done to achieve that—anything?

Mr. BELL. This was a point which we took very much to heart following our discussion with this committee. We had engineers in Yugoslavia and I believe an architect also, working with the Yugoslav authorities who are laying out the general plans for reconstruction. It was our hope—and it is our expectation—that a way will be found. One suggestion made by this committee which is under study was to build, as I recall it, apartment buildings which would be identified with various American States. This is one alternative.

We also have thought about the possibility of schools being especially selected and identified as the major recipients of the U.S. assistance. In answer to your question, the decision on this point has not as yet been taken, but I will be glad to give you any more details of the status reports. And I can assure you that we have this matter very much in our mind.

Mr. POAGE. We would like to have whatever the decision is.

Mr. BELL. Yes.

Mr. POAGE. I would like to point out to you that you are not going to spend \$50 million worth of dinars to build schools and the like. We do not have \$50 million worth of school buildings in many towns which are as large as Skopje, here at home.

Mr. BELL. That is right.

Mr. POAGE. We are not going to build \$50 million worth of school buildings in Skopje, Yugoslavia.

Mr. BELL. That is right.

Mr. POAGE. We are going to have to spend that money for something else.

Mr. BELL. Yes.

Mr. POAGE. That is a lot of money.

Mr. BELL. Yes, sir.

Mr. POAGE. For that kind of purpose.

Mr. BELL. Yes, sir.

Mr. POAGE. I would suggest again as we suggested last fall, that we think that we are probably putting up too much money too late, using less money promptly would, in my judgment, create a great deal better feeling toward the United States. Next year the emergency is no longer there, and the attitude then is going to be simply what can we get from Uncle Sam. Last fall and early winter it was what can Uncle Sam do for us or what is he doing for us. The people then were grateful. We should not wait until next summer to make the decision. I think that you had better make a bad decision rather than wait around until a year has passed.

Mr. BELL. May I add that the immediate effect of the work that we did last winter with the hospital, with the tents and blankets, with the food that we put in there, with the Butler buildings, was done rapidly.

Mr. POAGE. It did help.

Mr. BELL. It had the effect it should have.

Mr. POAGE. It did help. You have got \$50 million worth of dinars. It does not seem to have any relationship to the catastrophe in the eyes of the public when we cannot make our minds up whether we will rebuild these apartment houses or what we will put there. We do not have to be exact about it. I am perfectly willing to name it Abraham Lincoln. He was not the greatest hero down in my part of the country, but I am perfectly willing to have you use the name of Eisenhower, and he was a most popular politician in my area, but we can use any names associated with the United States, and I am sure that my colleagues over here are willing to use the name of John Kennedy in connection with it, but let us put a name on there, whether it be Alexander Hamilton or Thomas Jefferson—you have room to use them all—put their names on there.

Mr. BELL. Right.

Mr. COOLEY. Will you yield?

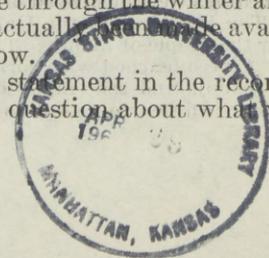
Mr. POAGE. Yes.

Mr. COOLEY. When we came back from Skopje last fall we had a meeting here.

Mr. BELL. Right.

Mr. COOLEY. At that time our Government had gone on record that we were giving \$50 million. There was a lot of talk—we flew down medical units from Germany in a very short time, and we flew down American nurses. There were people living and sleeping on the ground and winter was coming on. However, when we came back we had not done anything except to send the medical unit there. I would like for this record to show what we have done through the winter and up to now—how much of the \$50 million has actually been made available. I think this committee has a right to know.

Mr. BELL. I will be delighted to put a full statement in the record, including a direct response to the chairman's question about what we are going to identify with this.



Mr. COOLEY. You should have moved in there the moment this thing happened. It was one of the greatest opportunities for us to show compassion for suffering humans. All of the world's eyes were on Skopje and yet you were talking. We authorized \$50 million worth of dinars, and up to that time not a single dinar had been spent. Now we want to know what we have done since then.

Mr. BELL. We have done a good deal, sir. We put in a large quantity of tents, blankets, and other relief goods.

Mr. COOLEY. How about food? These people did not have food.

Mr. BELL. We put in a lot of food over the winter and fed a good portion of the people who needed help through this bad winter. We also put in other things. And in response to the strong feelings expressed by this committee we cut a fair amount of redtape and put these Butler buildings down there which came from Germany, we put them up so that there would be actually better shelter than they would have with tents against the winter weather. I do not mean to claim perfection by any means, but we have moved a good bit, and I think we share the feeling of the committee that we should move to have an impact in Skopje over the winter.

Mr. COOLEY. Will you provide the information to us?

Mr. BELL. We will do that, sir.

Mr. POAGE. Mr. Hoeven?

Mr. HOEVEN. I had the privilege of visiting Skopje last September, along with other members who have spoken. Winter was then approaching and many people were homeless. They were definitely in need of permanent housing. We visited one tent city in Skopje where there were 10,000 people living in tents, and some of them were pup tents. Have they disappeared or are they still there?

Mr. BELL. I assume they are still there, Mr. Hoeven. I will have to check the point.

Mr. HOEVEN. Have you built a single permanent dormitory to take care of these homeless people?

Mr. BELL. Yes, sir; we have.

Mr. HOEVEN. What have you done?

Mr. BELL. We brought these demountable so-called Butler buildings down. They are rather like a square quonset hut. We put up several hundred of them, as I recall.

Mr. HOEVEN. How many of the 10,000 homeless in tents have you put into more or less permanent housing?

Mr. BELL. I will submit that for the record, the exact details on that. I apologize for not being better prepared. I will get that for you.

(The information referred to follows:)

U.S. GOVERNMENT ASSISTANCE FOR SKOPJE

On Friday, July 26, 1963, an earthquake of disaster proportions struck the city of Skopje, Yugoslavia. Reports there indicated almost the entire population of 220,000 was left homeless and that approximately 80 percent of the city's buildings were destroyed or rendered unfit for use.

The President of the United States sent a message to President Tito, July 27, for the people of Skopje. The message said:

"I have learned with sorrow and concern of the earthquake disaster in the city of Skopje and the tragic loss of life that has occurred. The sympathies of the American people go out to those who have suffered from this catastrophe. The

American Government and people stand ready to help. I have accordingly instructed our Ambassador to establish close communication with the Yugoslav authorities in order that every appropriate means of assistance from this country may be utilized to alleviate the suffering and hardship in Skopje. I have also asked the Secretary of Defense to notify our military authorities in Europe to offer whatever assistance is possible and practicable."

The U.S. action to carry out the President's instruction has had three principal features, corresponding to the three time phases in which assistance to Skopje is needed (a) immediate emergency relief for the earthquake victims; (b) measures to help house the refugees through the winter months; and (c) longer run reconstruction of the city itself. The U.S. assistance to the immediate relief problem was in the form of food, hospital facilities and medical supplies, and blankets and tents. The help to the winter housing problem was provided through the supply and erection of 253 Butler buildings. Assistance for long-range reconstruction was offered by a pledge of \$50 million equivalent from Public Law 480—generated dinars by Secretary Freeman during his visit to Yugoslavia in August 1963.

Yugoslavia has expressed its sincere appreciation for the U.S. contributions to Skopje disaster assistance. The emergency relief help and the Butler buildings for winter housing have constituted an appropriate U.S. share of the international assistance to Skopje's immediate needs. According to latest information, no citizens have been living in tents since January 1, 1964. Many are still living in overcrowded conditions, but this situation will be alleviated as current Yugoslav plans for semipermanent housing construction are completed.

(a) *Emergency relief*

Within 60 hours after the earthquake, a Department of Defense 120-bed field hospital, with 19 doctors, 30 nurses, and 138 technicians was on the scene caring for the most serious casualties.

On July 27, the U.S. Government, in cooperation with CARE, Church World Service and Lutheran World Relief, began the movement to Skopje of some 11 million pounds of foodstuffs, made available under Public Law 480, including 1,838 pounds of milk, 7,787,000 pounds of flour, 268,000 pounds of beans, 250,000 pounds of shortening, 819,000 pounds of butter oil. This was sufficient to feed 175,000 people for a month and 40,000 schoolchildren for 8 months and insured that there was no hunger in Skopje this winter.

In addition to the U.S. Government donations of food, medical supplies, blankets, and tent-type shelters, substantial nongovernmental help was given by numerous U.S. voluntary agencies and private citizens.

(b) *Winter housing*

Representatives of AID, USDA, and DOD appeared before this committee on September 26 to discuss activities associated with the Skopje earthquake. We assured the committee that we would reexamine the possibilities for additional assistance to the earthquake victims, especially for winter housing before the full reconstruction could be accomplished.

On November 22, 1963, following this review, the 150-man U.S. Army 39th Engineer group began erection of 253 Butler-type buildings in Skopje to be used for housing about 5,000 persons and for schools, nurseries, and orphanages. About 60 days later, the last of the 253 buildings was completed. The ceremony, on February 10, 1964, transferring the buildings to Skopje city authorities was given wide coverage in Yugoslavia through radio, TV, and newspapers. Mr. Vilko Vinterhalter, Secretary of the Federal Secretariat of Information, in a speech before the departing U.S. detachment and other United States and Yugoslav representatives during another ceremony at the Belgrade railroad station said:

"I wish to thank you for everything you have done for the people of Skopje, for the people of Macedonia, for the people of Yugoslavia * * *. We saw on television here, we heard on the radio, and we could read in the newspapers how wonderful was your work in Skopje. The hundreds of buildings you erected in Skopje * * * will be a lasting testimony to your work * * *. We will look upon the buildings you have left behind in Skopje as a memorial of the American willingness to help the Yugoslav people * * *."

The Voice of America, which since the emergency began has given top coverage to U.S. assistance efforts in Skopje, played back the Vinterhalter speech to the Yugoslav people over a 24-hour period in both the Slovene and Serb-Croatian languages.

(c) *Reconstruction of Skopje City*

Secretary of Agriculture Freeman visited Skopje on August 9 and reported as following:

"I visited Skopje on August 9. I was dismayed at the damage and saw for myself that most of the buildings still standing are not usable or repairable. There are more than 100,000 people homeless. It became very clear to me that the tasks of sheltering the people and almost completely rebuilding the capital of the Macedonia Republic—an important commercial, industrial, administrative, cultural, and educational center—will be staggering and this new burden will have very serious effect on the entire Yugoslav economy and its development program.

"The United States has been privileged to help during the emergency phases with medical assistance, food, and temporary shelter.

"It was dramatically clear to me that the brave and resourceful people of Skopje already are beginning the difficult task of rebuilding their fine city. I was glad therefore to be able to inform President Tito that following urgent consultation with my colleagues in Washington, I have been authorized to offer Yugoslavia additional financial resources to the value of \$50 million toward relieving the economic burden of the disaster. The additional resources are derived from dinar funds owned by the United States as the result of sales during recent years to Yugoslavia of our surplus agricultural commodities under our food-for-peace program (Public Law 480). These dinars originally had been set aside under sales agreements for the exclusive use of the United States. They will be made available on this basis: \$25 million (equivalent) as a grant and \$25 million (equivalent) as a long-term loan. These funds will be used for the relief and rehabilitation and reconstruction of Skopje.

"President Tito has asked me to express to the President and to the Government and people of the United States the appreciation of the Yugoslav Government and people for our contribution to the relief of Skopje."

In the initial planning last fall it was contemplated that these U.S. dinars would be used for the long-range reconstruction of Skopje, which would require a completed plan for the systematic rebuilding of the city and allocation of the U.S. funds to a specific segment of the rebuilding plan. The plan itself was to be drawn up during 1964, and the construction activities would stretch over a period of 3 or 5 years. The United Nations Special Fund is assisting the Yugoslavs in the preparation of the long-range planning and an American expert has been selected as the head of the United Nations advisory group. Negotiations on specific uses of the U.S. dinar funds for this reconstruction effort were opened with the newly appointed Yugoslav coordinator of Skopje's finances during the November visit to Skopje of an AID Washington official.

However, in late January our Embassy recommended acceptance of a Yugoslav suggestion that the \$50 million of U.S. funds not be applied to the longer range reconstruction but be used instead during 1964 for semipermanent prefabricated structures, now being built or to be started shortly by Yugoslav contractors. These would meet the needs of the Skopje population during the reconstruction period and would include family housing units, schools, nurseries, libraries, and other community facilities for which architectural and engineering planning are underway by Yugoslav agencies. We have agreed to this shift in purpose in the belief that meeting these interim requirements is fully as necessary and important as the longer range full reconstruction and will enable earlier effective use of the U.S. contribution. We have asked our Embassy in Belgrade to submit urgently specific proposals for the structures to be thus financed and the measures to show U.S. identification with the financing of these structures. These will be incorporated in one or more project agreements to insure that the funds are used as intended.

We do not now contemplate any additional U.S.-financed engineering or technical services other than that previously provided by the U.S. Army Engineers in connection with the Butler building erection. It is estimated that total outlays will reach about \$200 million by December 1964 for both expenses of rehabilitation and the costs of semipermanent buildings, toward which it is anticipated that most of the \$50 million in U.S. dinar funds will be committed before June 30, 1964, to buildings identified with this U.S. contribution to Skopje relief and reconstruction.

The actual transfer of these dinar funds awaits only the following: (a) Yugoslav Government agreement on the necessary amendments to prior year title I sales agreements and the loan agreement required for the \$25 million loan portion, (b) allocation of funds to specific building projects as mutually agreed

upon by both Governments, and (c) agreement on the appropriate method for demonstrating U.S. identification with the building projects thus financed.

Mr. HOEVEN. There were all kinds of tents. I was amazed to find one old couple living in an American pup tent with the bare ground as a floor. Our Government apparently has done very little about taking care of that situation. I hoped that you would have accomplished a great deal by now so I am rather disappointed in your progress report, may I say.

Mr. POAGE. May I pass on to another matter that I would like to clarify. I appreciate Mr. Bell's very frank statement about this matter of making advance. It seems to me that Public Law 480 provides for whatever is necessary or desirable for the making of gifts or grants or donations. I think that you read it correctly. I distinguish between grants and donations. I appreciate the way you approached it. I think it is one of the fairest talks we have had presented to us, but I would like for you, Governor Harriman, Mr. Bell, or any of you who feel that you care to answer, to explain just how you reconcile the making of grants under these title I arrangements and how you feel that it affects the economics of the thing. I may be completely wrong. I suppose that I am, but it seems to me that any time you make a grant in connection with the purchase of a commodity at world prices—you, in effect, have lowered the world price.

Mr. HARRIMAN. I wish that you would answer that.

Mr. BELL. I believe, sir, that the conclusion of the Department of Agriculture has uniformly been that we have not in any of the cases where grants have been made had the effect on world prices that you speak of, that you fear. The commodities are sold to the consumers in these countries or to the importers first, and then on to the consumers at the world prices. Those are normally private traders. And the commodities move in private trade. The total amount that is imported under Public Law 480 arrangements, whether there is a grant or a loan involved in the use of the local currencies—the total has to be in addition to the normal market and it has to be ascertained to be in such manner as not to affect the ordinary market that would otherwise exist. So that the Department of Agriculture, sir, as I understand it considers that that part of the transaction does not affect the world price.

Mr. POAGE. It seems to me—and again I may be completely erroneous—that you are telling us that you cannot sell at the world prices when you are dealing with India who never bought any wheat from the United States before. And now, I suppose, that she is the largest buyer from us in the world.

Mr. BELL. Probably is.

Mr. POAGE. And never paid for a bushel of wheat with dollars that I know of. So that when we talk about normal markets when we talk about that transaction it means nothing, because before they purchased about 29 or 30 million bushels of wheat from Australia and they are now purchasing 1 or 2 million. So we certainly are not protecting Australia's normal markets. We are not protecting America's normal markets, because we do not have any. So it is utterly meaningless to tell us that you are protecting the normal markets. That is utterly meaningless in this case. I understand that there are some cases where we have done that with smaller countries, but India accounts for what,

a third of our total wheat movement? It is something on that order, is it not, sir?

Mr. BELL. I thought that it was perhaps one-quarter.

Mr. POAGE. Whatever it is, it is a tremendous transaction.

Mr. BELL. Yes.

Mr. POAGE. And there is nothing to this normal marketing in the case of India or Pakistan. They were not buying any from us before. Consequently, you are protecting nothing. And when we sell them this wheat and the world market is \$1.50, and we sell it to them for \$1.50, and then tell them that they will give them back 50 percent of the price, we are actually selling it to them for 80 cents or 80 cents a bushel; are we not?

Mr. BELL. The wheat moves in India and Pakistan at the world market price. The consumers buy it at the world price.

Then the currency that is received is in the case of the current agreements with India and Pakistan—a substantial part of it—as you said, is granted to the Government as a contribution to their economic development, so that it is quite accurate if you wish to say it that way, that the Government is not paying us \$1.50—it is paying whatever it is, 85 cents, but I thought that your question, sir, was directed to whether the net effect of that was to reduce the price of wheat in India.

Mr. POAGE. It is.

Mr. BELL. Not to the consumer, sir.

Mr. POAGE. The Indian Government buys the wheat.

Mr. BELL. Right.

Mr. POAGE. It is not buying privately. They do not have a Cargill or a Continental or any of those companies. They have a Government buying agency, do they not?

Mr. BELL. Yes, sir.

Mr. POAGE. The Government buys the wheat?

Mr. BELL. Yes.

Mr. POAGE. If the Government can get the wheat for 85 cents from the United States, it may be perfectly true that the Government would be able to exact a greater profit out of their people by reason of our concession, but they handle that wheat the same as if they were getting it for 85 cents, do they not?

Mr. BELL. No, sir.

Mr. POAGE. They do not buy a bit of Australian wheat, and once they bought about 30 million bushels. They have ceased to buy Australian wheat. If they had to pay \$1.50 for the Australian wheat, they would buy the wheat that is the cheapest for them. And we would do the same thing. I am not condemning the Indian Government for doing that. I would do the same thing. They buy wheat where it costs them only 85 cents a bushel, and that is from the American Government, and it means that we take over that trade at a tremendous loss. And the prices that the Indian Government charges, that it must in order to get back enough for their purchase, is not based upon \$1.50—it is necessarily based upon 85 cents. They may actually get back more than that. They may actually gouge their consumers. They may exact an unconscionable profit from their own people, but they only have to get back the 85 cents, which is all that they have to pay out—that is all they have to get back.

Mr. BELL. I think that under our statute and regulations, sir, they have to get back \$1.50 at the world market price, assuming that is what

it is at the Indian ports. The disposition of the currency that they receive and that they pay us at the rate of \$1.50 is then a question for us to decide with the Indian Government. Some of it we lend to them. Some of it goes directly to U.S. users, and some of it under the current agreement, a substantial part, is granted, but the price in India of wheat is \$1.50. It is not 85 cents. And if you and I were a consumer we would be paying \$1.50. The U.S. Government is maintaining the world price of wheat in India, not undercutting it by this transaction.

I repeat that you are entirely correct that the net cost to the Indian Government, insofar as we have agreed that soft currency should be granted to other budget purposes, development purposes in India, can be calculated at whatever it is; 85 cents, say, but the price level of wheat at the Indian ports and in the Indian internal markets is not undercut. That is the only point I am trying to make.

Mr. POAGE. I think that I understand your point. I am not finding fault with it. Is that a part of the sales agreement with the Indian Government?

Mr. BELL. Yes, sir; they deposit the full market price, U.S. f.o.b. plus the freight.

Mr. POAGE. And that is \$1.50?

Mr. BELL. That is right. They deposit all of that to an account in Indian financial institutions that we jointly control with the Indian Government.

Mr. POAGE. And then we turn it back and give them a check for 42 percent?

Mr. BELL. We have been doing that under the current agreement, right. It was signed in 1960.

Mr. POAGE. What I want to know now is, does the agreement, the trade agreement with the Indian Government set forth the price at which that wheat moves into the private trade in India? I do not know at what point it moves. I do not know whether the Indian Government operates the mills, or whether it moves at the time of the baking of the bread. At the time that it moves into private trade does the agreement provide the price level at which it moves?

Mr. BELL. I thought that it did. My colleague, who is an expert on this, says that it does not. The agreement does provide the price at which the Government purchasing agent pays for it to the U.S. Government.

Mr. POAGE. I understand that, but that means nothing if they get a rebate. In the United States it would be an unfair business practice to give that rebate.

Mr. BELL. The grant is not made to the Government purchasing agent. So far as we make grants with the currency that is deposited into this joint account we make the grants to the Indian Public Works Agency for building an irrigation project. We may make a grant to the Indian Educational Department in connection with their school system. We do not make a grant to the Indian grain purchasing agency. If, as I assume, they are operating and are required to operate by the Indian Government without loss, our grants to some other Indian Government agency does not help them at all.

Mr. POAGE. The Humble Pipeline Co. and the Humble Refining Co. are different agencies, of course, but so far as I am concerned it is just the same kind of rebate if I pay it to the pipeline company as if I pay it to the finance company or to Esso.

Mr. BELL. Yes.

Mr. POAGE. So far as the effect on the market is concerned it seems to me that it is just the same whether we pay it to the Indian Department of Commerce or the Indian Department of Agriculture.

Mr. BELL. I do not think so, Mr. Chairman. I am not at all arguing that there is no benefit to the Indian Government from our grant. Obviously, there is a very substantial benefit. All I am arguing is that, as I understand the way the system works, there is no reduction in the Indian grain price which results from this.

Mr. POAGE. You do not have any agreement that there will not be. Why is there no such agreement?

Mr. BELL. I believe that the situation is that such an agreement is not necessary, because the purchasing agency, which is a unit of the Indian Government, has to pay into this joint account. This is specified in the agreement. They have to pay the f.o.b. price plus the freight. And that purchasing agency in turn is not subsidized, but operates on a no loss, no profit basis; and, therefore, they must charge to their buyers who are private purchasers of one kind or another, the mills and the wholesalers and so on—they must charge a sufficient price to recover the amount that they have to pay out; and, therefore, that string of transactions is a clear and definite transaction all the way at the world market price.

Mr. POAGE. I hope that you are right.

Mr. BELL. I would like to doublecheck this and nail it down tight in the record, if I may, sir, but I believe that this is the way it works.

(The information referred to follows:)

I have rechecked my testimony on the question of the price at which imported wheat is sold in India and, in line with my request to the committee, would like to submit the following supplemental statement:

Wheat imported into India, including that imported under Public Law 480, is sold at prices fixed by the Government of India as part of its national policy of supporting prices to producers and stabilizing prices to consumers rather than at actual cost. The relationship of the fixed price to the cost of the imported wheat varies from time to time depending upon wheat prices and ocean freight costs. Currently the fixed price is \$2.14 per bushel compared with the landed cost of Public Law 480 wheat of \$2.07 per bushel and about \$1.90 per bushel for Australian wheat.

Mr. POAGE. You may do that, but I hope that you see our concern here. We passed a bill which specifically contemplated that we were not going to affect the world price.

Mr. BELL. Right.

Mr. POAGE. That we were going to maintain the world price.

Mr. BELL. Right.

Mr. POAGE. And I think that it is extremely desirable not only for the United States but for every underdeveloped country in the world to do business at the world price and that it is more important to them than all of the aid that we can give them.

Mr. BELL. I entirely agree.

Mr. COOLEY. I understood you to say that these grants do not demoralize.

Mr. POAGE. I thought that he said that, too.

Mr. COOLEY. Maybe he is right. It does not demoralize world prices, because if the ultimate recipient purchaser pays the world price, the recipient does benefit, because he gets a lower price.

Mr. BELL. That is right. That is my understanding.

Mr. POAGE. I think all of that is true if we are certain all of those steps are followed one after the other as he says. I am suggesting that it was the original purpose of this committee to tie it down, so that they would have to do that, so that there could not be any leakage.

Mr. BELL. Right.

Mr. POAGE. I am not suggesting that they are trying to demoralize the world prices, but I am suggesting that this procedure is not in line with the formula that this committee set up to protect world prices, that it is the opposite. And it seems to me to be a very dangerous thing to do. We thought that we had locked the door. Nobody has opened the door. They have not opened that door, but they certainly can open it. And if I want to keep people out I want a locked door. That is all I am talking about, Mr. Chairman. And the further fact that this thing, although you tell us in good faith that you try to circumscribe the extent of this practice, I have been reading the summaries of these arrangements that have been made with various countries week by week, and I have noticed that every one of them in recent months has had some kind of grant in it. Generally, they are small. It has been 5, 10, 15 percent as against the 42 percent the Indian Government got, but they have been in here consistently with a part of the money. Of course, that means horse trading the world over. That means that when Pakistan finds that India is getting 42 percent, they say that, "We should get 42 percent." You cannot answer that, Mr. Bell, nor Mr. Harriman. You have got to deal generously with Bolivia as you have with Pakistan. Of course, you have to.

Mr. BELL. No, sir, Mr. Chairman. I am in this business, and every day in the week I am telling a country, "No, your situation is different from the next fellow's situation." We do it on our ordinary economic assistance business. We set different terms for loans, depending on which countries are stronger and which are weaker. In this particular situation we are restricting the amount of the grants very tightly and we have no hesitation whatever in saying to one country, "No, sir, you are not entitled to any grant," and to another country, "It will be a little bit," and only in India's case and in the Pakistan case at the present time are there substantial grants.

The reason there are some grants, sir, in many of the agreements is in large part because, as you know, we are engaged in a number of countries in military relationships with them. In Korea, and in Vietnam, in various other countries, the military common defense element comes in. That, of course, is something else.

Mr. POAGE. I am not contending that you cannot trade and get something in return. Unfortunately, you do not get the things in return. In too many cases it seems that you do not want to get something in return. I cite to you the recently negotiated Australian meat situation. We gave little and we got little. We got exactly what we paid for and we did not pay much of anything, so we got nothing much. We simply guaranteed to Australia and to New Zealand the right to import as much meat as they had been importing for the last several years, and they in turn said, "We will not send any more in than we have been sending. We will just freeze things right where they are."

We did not roll anything back. We could not have rolled anything back without giving any concessions. We could very well have made concessions. It would not have cost us anything in the world to give

them some sugar quota but I was told that we did not want to put it on a trading basis. We did not want it to be on the basis of trading with people. Why should we not trade with people?

Mr. BELL. Australia fortunately is not a country which has received any assistance.

Mr. POAGE. I know that.

Mr. BELL. Therefore, I do not know about that.

Mr. POAGE. But it does go to the point that you do not want to trade with these people who say, "We will give you something in return for your giving us something."

Mr. BELL. I would like, if I might respond briefly to that sir, because we have tried—and I have personally participated in this—and we have obtained substantial gains for what we are trying to accomplish under Public Law 480 programs. For illustration, you will recall that in Iran—about a year ago—the Shah undertook a very major land reform program. One of the things all of us in the United States who were watching this situation felt would be important to make land reform effective and to make the new owners of the land, the small owners, able to conduct viable farm operations, would be to establish a good agricultural credit system. We were able to persuade them to set up a good and effective agricultural credit system in part because we said, "We will help you under the latest or then latest Public Law 480 agreement, with some of the initial capitalization." And we were able to show our very strong support of the land reform effort by his means. I take it that was the intent of the Congress in enacting Public Law 480.

Mr. POAGE. I think so. And I want to commend you for making that kind of a trade. I think it is exactly the kind of trade that we should make.

Mr. BELL. Right.

Mr. POAGE. I go back to an experience that the chairman and I had, which was many years ago, when this aid program was first moving into the Middle East. We sat in the capital of a Middle Eastern country. We had three ministers of the country's cabinet tell us, "If you give us aid put strings on it—do not give us money without strings on it." That is what they told us, was it not, Mr. Chairman?

Mr. COOLEY. That is right.

Mr. POAGE. And lately, as late as a month ago, at the interparliamentary meeting, I sat in a group of South Americans on all sides and one of them said, "I wish that you would follow every dollar of aid that you give us—follow it until it is spent." And they all sat around there, and not one of them seemed to have a different opinion. They all seemed to agree that that was sound.

Mr. BELL. So do I. That is exactly what we try to do.

Mr. POAGE. I am glad to hear that. I hope that we will hear more of that.

Mr. Jones?

Mr. JONES of Missouri. Is that not a new policy that you have just recently adopted, if you have adopted it?

Mr. BELL. A policy of following the dollars?

Mr. JONES of Missouri. Following the dollars; yes.

Mr. BELL. Not new as far as I am aware.

Mr. JONES of Missouri. You have only been there for a few months.

Mr. BELL. A little over a year.

Mr. JONES of Missouri. Well, let me ask you this. I want first to pursue the point that Mr. Poage made. I think that I can point up and confirm what his contention is. Why would India want to buy wheat from any other country that does not offer a grant equal to that of the United States when we make a contract, and if they do, with what other country could they carry on such a trade?

Mr. BELL. I do not want to dodge your question, but you are asking me a question which is really the responsibility of the Secretary of Agriculture. He decides how much Public Law 480 wheat can be sold to India under title I without disrupting normal markets. I assume that he has found that he is not disrupting normal markets. You are entirely right, I am sure, that the Indians would like to get all of their wheat from us if we were prepared to make it available under these terms.

Mr. JONES of Missouri. I think that maybe somebody on the panel knows how much or what percentage of the wheat that India is buying from other countries amounts to, and what percentage of India's total wheat consumption comes from the United States.

Mr. BELL. I am not sure that any of us here have that information, sir. Does anyone from the Department of Agriculture have it?

STATEMENT OF RICHARD H. ROBERTS, DEPUTY ASSISTANT ADMINISTRATOR FOR EXPORT PROGRAMS, FOREIGN AGRICULTURAL SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Mr. ROBERTS. 400,000 tons a year. That is the amount originally set up per year, but in 1963 and 1964 it has been reduced to 200,000 tons each year because of India's further financial problems.

Mr. JONES of Missouri. From the United States?

Mr. ROBERTS. From all of the free world.

Mr. POAGE. From whom else are they buying?

Mr. HARRIMAN. It comes from countries other than the United States.

Mr. ROBERTS. Primarily from Australia.

Mr. POAGE. How much are they buying from Australia today—is it less than a million bushels?

Mr. ROBERTS. Between 10 and 15 million bushels. That is the maximum from Australia in 1 year. They have gone down to a much lower figure in other years.

Mr. BELL. Could you hear, Mr. Chairman?

Mr. POAGE. Yes.

Mr. JONES of Missouri. Of course, my objection to the way that we have been operating these programs is the fact that it appears that we have permitted the recipient country to dictate the terms, and then we agree to them.

Mr. BELL. That is certainly, Mr. Jones, not my conception of what we are doing or what we should do.

Mr. JONES of Missouri. You said earlier, on page two of your statement, the fact:

The decision on countries with which titles I and IV sales programs may be negotiated and the size of the programs are made by the Secretary of Agriculture after advising with other U.S. agencies.

Mr. BELL. Yes, sir.

Mr. JONES of Missouri. In the past the experience of this committee has been that the Department of Agriculture makes its recommendations, but on practically every occasion they have been overruled by the Department of State because it did not conform with their policies. I am not going to review all of this. You know the sugar and wheat deal with Brazil, and I will never forget that. I will not go into that. We are going to forget that now, but that is the thing that overrides this committee all of the time as to what has happened in that respect.

Mr. BELL. Could I say a word on that—not on the wheat and sugar in Brazil—I do not know anything about that, but in the last 14 months, since I have been in this job I have been, necessarily, in a lot of the discussions of these problems with Secretary Freeman. In that time we settled a lot of agreements and in all of that time what I have said here on page two has been exactly right. He has taken into account what I have said or what people from the State Department have said, but it had been his decision. I do not remember a single time in that period that we have asked him to join us to discuss a particularly difficult case with the President. I do not recall that we have ever taken an issue up, in other words, where we differed with him all the way to the President.

Mr. COOLEY. Ask him who makes the decision. I do not know.

Mr. JONES of Missouri. I will be glad to ask the gentleman. I want to know who makes the final decision—is it in AID or in the Department of State, or in some other agency of the Federal Government—where?

Mr. BELL. On title I sales?

Mr. JONES of Missouri. Yes.

Mr. BELL. On title I and title IV sales, Secretary Freeman makes the final decision. And if any of us wishes to take him to the President we may, but that has not happened in the period that I have been there. We have no right or authority to overrule him.

Mr. JONES of Missouri. Let me ask you one other question. This is a rumor that I want to ask you about. I want to state that it is a rumor. And I want to find out if there is any basis for the rumor. In one of these wheat transactions with India the same foreign company got the commission for the sale from the United States and they also got the commission from the Indian Government; in other words, the same foreign company got the commission at both ends of the line. Do you know anything about this?

Mr. BELL. I do not know anything about it. The Department of Agriculture would, perhaps, be able to respond to that.

Mr. ROBERTS. I believe that our regulations would prevent that from happening. And if we had any rumor or suspicion that it did happen we would have to investigate it and get the money back.

Mr. JONES of Missouri. Let me ask you this—are all of the—are not all of these sales made through a private concern, sir?

Mr. ROBERTS. Yes, sir.

Mr. JONES of Missouri. They are made through a private concern at this end of the line. Are they made through a private concern at the other end of the line?

Mr. ROBERTS. The Indian Government has its own Indian Supply Commission here in Washington that does the buying as a Government

purchasing agent. The sellers in the United States are U.S. private trade exporters.

Mr. JONES of Missouri. Let me ask you this, this is a thing that has occurred. I am all for private industry, but when we get into the field of charity, and that is what this program is, and the U.S. Government owns this wheat, why can it not be a sale from Government to Government?

Mr. ROBERTS. These sales are being made by U.S. private traders and financed by the Commodity Credit Corporation with an export subsidy arrangement by which the difference between the U.S. domestic price and the world price, so as to make it competitive with the foreign countries, is paid for in bushels out of Commodity Credit Corporation stocks.

Mr. JONES of Missouri. None of those are made out of Commodity Credit Corporation stocks, but rather they are out of private stocks?

Mr. ROBERTS. The actual sales under title I and title IV are made from private trade stocks with this export payment in kind from the Commodity Credit Corporation stocks going to make up the difference between the domestic price and the foreign market price, but that export payment goes to the U.S. private trade exporter who has to jiggle his price in order to be competitive with the foreign suppliers or other American suppliers.

Mr. JONES of Missouri. Thank you, sir.

Now, Mr. Bell, you mentioned on page 7 of your statement:

As the committee knows, we have over the last year or so limited very sharply the use of the grant authority, and we will continue to do so.

To what extent have you limited that grant authority?

Mr. BELL. I believe, sir—

Mr. JONES of Missouri. Let us take India, for instance.

Mr. BELL. There has been no agreement signed with India since 1960, I think. The basic agreement was a 4-year agreement signed at that time.

Mr. JONES of Missouri. In other words, they are still getting the same as before—there has been no change in the case of India?

Mr. BELL. That is right, but the new agreements which have been signed during the last 2 years, I believe, that the grant proportion has dropped to around 8 or 9 percent overall, and there have been a number of them with no grant components at all. Each of these, as you know, sir, are reported to the committees here.

Mr. JONES of Missouri. They are reported to the committees, I know. What changes, if any, are you contemplating for expanding the use that the United States may make of the currency they have received from these grants?

Mr. BELL. Are you referring, sir, to India?

Mr. JONES of Missouri. Let us refer to India.

Mr. BELL. All right, we have in the past several years been increasing the uses we make to substitute for dollar appropriations for such items as the air travel of our own American Government employees, the purchase of furniture for American quarters in India, and this sort of thing. They are helpful, but they are relatively small in total value. We are trying to consider whether there are ways to make use of the relatively substantial accumulations there.

And the idea that we are investigating right now is whether it might be feasible and desirable to use a substantial proportion of those rupees as a downpayment for a major foundation in India devoted to educational and scientific work, more or less like the Ford Foundation or Rockefeller Foundation here which would be a permanent foundation intended to contribute to the improvement of educational institutions, in the education of Indians, and there could be a lot of joint scientific research and cultural connections between such an institution and the United States. It could be, as I have indicated, a permanent contribution of major dimensions to the development of higher skills and competence and education and scientific research in India.

Mr. JONES of Missouri. Is the Ford and Rockefeller Foundations, any of those operating in India at the present time?

Mr. BELL. They are, sir, but on a scale which would be quite different from what it would be possible under this sort of an alternative. They have not so far as I know contributed to endow a foundation out there. One of the questions we are looking at is whether this does seem like an attractive notion, and should we not therefore have the Ford and Rockefeller Foundations join with us in helping to establish it on a sound footing.

Mr. JONES of Missouri. What progress have you made, if any, toward bringing about the availability of these rupees for tourists, other than for education?

Mr. BELL. There are not many American tourists in India, as you know. There are some.

Mr. JONES of Missouri. A considerable number of them go over there every year.

Mr. BELL. There are some. We have felt up to now that the Indian needs for earning foreign exchange through exports and through services, including services to tourists, were so great and of importance to the United States and our interests in the Indians becoming more economically independent as rapidly as possible, the situations argued strongly that we should let them earn those dollars rather than requiring them to pay the expenses of our tourists in India.

Mr. JONES of Missouri. At the present time, as I understand it, through the grants and the loans we make to them that we have control of something like, what, 15 percent of the total amount of those sales?

Mr. BELL. The initial proportion that goes immediately in to U.S. uses is 13 percent. Of course, as the loans are repaid—

Mr. JONES of Missouri. When are they going to repay them?

Mr. BELL. They are repaying them currently, steadily.

Mr. JONES of Missouri. With what?

Mr. BELL. With rupees.

Mr. JONES of Missouri. They are paying them with rupees. When are we going to get any dollars back?

Mr. COOLEY. We are not getting any dollars back.

Mr. JONES of Missouri. I want to know about that.

Mr. BELL. No, no, as they are repaid those rupees are available for U.S. uses. They become U.S. money.

Mr. JONES of Missouri. We do not have any use of them. You said that it is such a limited amount that we will never get any dollars back.

Mr. BELL. We have major amounts of rupees in India for which I would expect that we would not get dollars back.

Mr. JONES of Missouri. Under this new agreement that you are entering into do you expect that the total amount of funds available to the United States will be increased over what it has been in the last 4-year contract?

Mr. BELL. I am not sure that I follow your question.

Mr. JONES of Missouri. You said you had a 4-year contract.

Mr. BELL. Yes.

Mr. JONES of Missouri. Will the new contract be any different in principle to make available to the U.S. Government any funds that we could use?

Mr. BELL. I simply do not know, Mr. Jones. I do not know whether the work on that new contract has gone far—very far as yet. I can check the point for you if you would like and put it in the record.

Mr. JONES of Missouri. You had better start work on it, because you will have to have it in operation by 1965, will you not, and this is 1964?

Mr. BELL. As I understand it, yes, presumably it will be negotiated later this year.

Mr. JONES of Missouri. Will the Department of Agriculture be in on that negotiation?

Mr. BELL. They are in charge of it. I mean, in charge of determining the basis on which the negotiation will be carried out.

Mr. JONES of Missouri. Thank you.

Mr. COOLEY. I would like to ask one further question with reference to something that you brought up before we came into the committee room this morning. Who pays for unloading the commodities that we have sent to India and to other places?

Mr. BELL. As I responded to Mr. Poage, sir, on the way in, this is a question that I do not know the answer to. The Department of Agriculture handles the shipping of these commodities. Perhaps the gentleman here from the Department could respond to that.

Mr. ROBERTS. The actual unloading, of course, is a matter of stevedoring costs and that sort of thing which is a matter that is paid for by the Indian Government purchasing agency that takes possession of the commodity.

Mr. COOLEY. It is paid for with whose money?

Mr. ROBERTS. They pay for this with their own currency. I want to go on and say that there are many port costs which have to be paid by the U.S. vessel which are not actually unloading costs as such. There are many other costs, such as port taxes, wharfage, and tying up to the dock, many other costs that have to be paid for by either the foreign vessel or the U.S. vessel that ties up there to be unloaded. And at the present time they are making those payments in the normal commercial manner. When a U.S. vessel ties up to the dock they write a dollar check to the Indian bank.

Mr. COOLEY. Who writes the dollar check?

Mr. ROBERTS. The vessel operator.

Mr. COOLEY. It comes out of American money?

Mr. ROBERTS. Yes, sir.

Mr. COOLEY. And not rupees?

Mr. ROBERTS. They buy rupees with American dollars, yes, sir, and they make—

Mr. COOLEY. Do you not think that if we send them a shipload of goods that they should be willing to pay for the unloading?

Mr. ROBERTS. That is the purpose of it.

Mr. COOLEY. And all of the other costs?

Mr. ROBERTS. That is the purpose of one of the proposed amendments to the act, that it would facilitate the negotiations with the Indian Government by which we would pay those foreign port charges in Indian rupees, rather than paying in dollars; that is, the U.S. vessel having to pay in dollars.

Mr. COOLEY. That is what I had in mind. You remember that we had that in mind, Mr. Poage.

Mr. POAGE. That is exactly correct. What I had in mind was going further. I never did believe that if somebody would bring me fish to eat that they ought to have to fry them before they gave them to me. I do not understand why these people cannot pay for these things themselves. I cannot understand why if we are assisting those people why they would have to charge us for that. I know that our allies did that during the war. I understand that. But that did not make for good relations. But why do they not pay that bill themselves?

Mr. ROBERTS. We are trying to make progress in that direction, sir. We got caught in attempting to utilize normal private trade commercial practices to the maximum extent practical, as required in the act, and we went a little farther than necessary in that respect.

Mr. POAGE. Mr. Harvey?

Mr. HARVEY of Indiana. As I recall and this is a question concerning the deal with India, although it may be subject to renegotiation during the interim, was there not originally the thought that it would be a sort of 10-year program with India?

Mr. BELL. I could not say, Mr. Harvey. You mean that it was a 4-year agreement, but conceived of a part of a long-term one?

Mr. HARVEY of Indiana. That is right.

Mr. BELL. It might be. We can check the records on it. The gentlemen here think not, Mr. Harvey.

Mr. HARVEY of Indiana. It was my understanding that it was presumed to be a long-range program in which we would gradually taper off supplying wheat from the United States.

Mr. BELL. Right.

Mr. HARVEY of Indiana. And that they themselves would gradually increase their productivity, so that at the end of the 10-year period they would be much more nearly self-sufficient, and that this would simply be a program designed for that purpose.

Mr. BELL. That I suspect is right there, that it was conceived to be part of something that would eventually end up with the Indians being self-sufficient.

Mr. HARVEY of Indiana. Now, the reports that come to me from what I would say are fairly reliable sources are to the effect that this will be recorded as a most massive undertaking of our Government in this area, and that it has not been achieving the results in India that we certainly had a right to anticipate. What is your estimate of the progress in this area?

Mr. BELL. I think an honest answer, Mr. Harvey—

Mr. HARVEY of Indiana. That is what I hoped to get.

Mr. BELL (continuing). Would support much of what you have said. The rate of progress in Indian agriculture has been disappoint-

ing to us and it has been disappointing to the Indian Government and to the Indian agricultural community. We have recently been concerning ourselves with this. And Secretary Freeman, as a matter of fact, is just now laying out a trip, a special personal trip to India later this spring. He is going to have a personal look at it, because we regard the matter in exactly the light you have put it. This is a most significant and important aspect—the most significant and important aspect of the economic problem of the Indian subcontinent. They do have large agricultural resources. They are basically an agricultural society and if they do not make headway on the agricultural side they cannot achieve the kind of economic progress or independence that we all want to help them make.

I was going to say that we think that in logic the answers are in sight and they consist of the same kind of improvements in agricultural productivity which have done so much in this country. And the most important of all is the provision and use of much more fertilizer than they have been using up to now, but the problems of getting increased supplies and getting them to the farmers and getting them used sensibly, and all of the associated adjustments of education and markets and all of the rest are problems which have not been moving as rapidly as any of us would like to have them.

Mr. HARVEY of Indiana. I just want to add in connection with this particular area of questioning that I happen to have had the opportunity to visit some of the officials of the Ford Foundation yesterday and I have also on prior occasions visited with officials of the Rockefeller Foundation and have questioned them concerning the proposition that this is really a substantial program.

Mr. BELL. It is a very large program.

Mr. HARVEY of Indiana. And their report to me yesterday was to the effect that on the basis of their evaluation—and they have many people in the area at work, principally in India—that they believe that is the right spot in trying to help the Indian agriculture to improve its productivity—

Mr. BELL. Right.

Mr. HARVEY of Indiana. And I would strongly suggest that all of the agencies of Government that are also involved give every cooperation possible to this joint Rockefeller-Ford Foundation effort that I think holds a great deal of promise. I am just sorry that it was not inaugurated at the same time that we inaugurated our massive wheat supply effort. I think that if we are able to coordinate all of the good educational efforts it would be much more effective. They insisted to me that they think that they can come up with enough short-term efforts to vastly improve the productivity there.

Mr. BELL. I quite agree with you, sir. And I personally know Mr. Hill and the other gentlemen of the Ford Foundation very well, and we have been following their lead, so to speak, and using their advice very extensively.

Mr. JONES of Missouri. I would also suggest that if you do proceed with this idea of establishing a foundation over there in India with the facilities that are presently being held in more or less a frozen condition that you follow their leadership.

Mr. BELL. Right.

Mr. JONES of Missouri. Yes.

Mr. HARVEY of Indiana. They have had a great many years of profitable experience.

Mr. BELL. That is right.

Mr. HARVEY of Indiana. I certainly think that would be most helpful. Thank you very much, Mr. Bell.

Mr. BELL. Thank you.

Mr. HARVEY of Indiana. Now, Mr. Harriman, I do not want to hold you longer, because it is already past 12 o'clock, the normal time to adjourn the hearings, but I was particularly interested in your testimony on page 4, the first paragraph, beginning with the third line, in which you say:

Yugoslavia runs its own national policies today in considerable measure because we were able to meet some of its requirements for food.

I read that two or three times before the full significance began to sink in on me. I was just wondering just exactly what do you mean by that statement, Mr. Harriman?

Mr. HARRIMAN. Well, in 1948 Yugoslavia broke with Stalin.

Mr. HARVEY of Indiana. May I interject?

Mr. HARRIMAN. And since that time they have been pursuing an independent policy from the Soviet Union.

Mr. HARVEY of Indiana. If I may interject—

Mr. HARRIMAN. They could not have done that if they had not been able—they were cut off from trade with the East—if they had not been able to turn to us, to the West—if they had not been able to carry forward a very heavy military program to protect against possible military action against them—they would not have been able to have survived and remained independent.

More recently their relations with the Soviet Union have improved, but entirely on Yugoslavia's terms. They are now independent, militarily, politically independent, and economically and sociologically, ideologically from the Soviet Union.

The food that was given or, rather, sold under Public Law 480 terms has been one of the reasons why Yugoslavia has been able to stand up against the Soviet Union under Stalin.

Mr. HARVEY of Indiana. I just want to say that I was in Yugoslavia in 1949 and was briefed by Mr. Cannon who was the Ambassador in Yugoslavia at the time and who was largely responsible for having persuaded Tito to defect and I am sure that some of the subsequent contributions that we have made to Yugoslavia were inherent in the understanding that was had then. It was my understanding at the time—and I am sure that it was that of our Government as well, that pending the outcome of our part of the agreement Yugoslavia would consider herself as a dependable ally of the United States. I think, Mr. Harriman, you will have to concede that in the last several years there is no evidence that Yugoslavia is a dependable ally.

Mr. HARRIMAN. No, no—they have taken the position of being non-aligned, a position of neutrality. We have never come to an understanding with Yugoslavia of being an ally. I think that I was there in 1951 and Tito was very much concerned with the possibility of attack and suggested the possibility of it, but it was discussed but never has there been an agreement for an alliance between Tito, Yugoslavia, and the United States or the western alliance. They are neutral. They have maintained the position of neutrality in their own

terms. They are a Communist society, but they have established an independence from the dictates of Moscow.

Mr. HARVEY of Indiana. I know. Let me say that is why the line that the State Department has taken and has insisted upon, but certainly I do not want to presume to be an expert in this field and to say that my judgment supersedes that of the State Department, but as an observer and one who has had a great deal of interest and has followed this very closely, I think that the State Department is wrong in assuming that Tito is a dependable ally of ours.

Mr. HARRIMAN. I am sorry, Tito has never indicated that he was an ally of ours. He has stated repeatedly that he is nonaligned and he has never indicated that he was an ally of ours. There has never been any suggestion—there has never been any understanding of an alliance between us.

Mr. HARVEY of Indiana. That does not quite fit with the understanding that I have of the State Department's understanding of our relationship.

Mr. HARRIMAN. Well, sir, there has never been—if anyone made a statement of that kind to you they were incorrect.

Mr. HOEVEN. Will the gentleman yield for a question?

Mr. HARVEY of Indiana. Yes.

Mr. HOEVEN. Is it not true that Yugoslavia consistently votes against us in the United Nations?

Mr. HARRIMAN. Frequently, but not always.

Mr. HOEVEN. What is the percentage of concurrence?

Mr. HARRIMAN. I have not the figures before me. I will be glad to supply them if you wish to have them.

(The information referred to above follows:)

*Summary of the voting record of Yugoslavia on selected rollcall votes at the 14th through 18th sessions of the United Nations General Assembly*¹

14th United Nations General Assembly (1959):	16th United Nations General Assembly—Continued
Coincided with United States... 4	Coincided with neither..... 6
Coincided with U.S.S.R..... 9	Coincided with both..... 6
Coincided with neither..... 2	17th United Nations General Assembly (1962):
Coincided with both..... 10	Coincided with United States... 4
15th United Nations General Assembly (1960):	Coincided with U.S.S.R..... 12
Coincided with United States... 0	Coincided with neither..... 6
Coincided with U.S.S.R..... 14	Coincided with both..... 7
Coincided with neither..... 5	18th United Nations General Assembly (1963):
Coincided with both..... 1	Coincided with United States... 4
16th United Nations General Assembly (1961):	Coincided with U.S.S.R..... 9
Coincided with United States... 6	Coincided with neither..... 5
Coincided with U.S.S.R..... 25	Coincided with both..... 4

¹ The most important rollcall votes at each assembly session on a representative variety of issues, such as East-West items, disarmament and nuclear testing, colonialism, and United Nations administration and financing, were selected.

Mr. HARVEY of Indiana. I just want to say that I think that in the original diplomatic coup that was executed the U.S. State Department showed great leadership and I think a good deal of ability. It was an intelligent effort on their part. Then we went right ahead and we made sizable contributions to Yugoslavia during the intervening years, but it seems to me that the longer we dealt on the basis of the 1948 defection the stronger the evidence is that Tito is definitely not even a neutral, that Tito is definitely allied with the Soviets.

Mr. HARRIMAN. Yugoslavia is not a member of the Warsaw pact and has maintained a position of nonalignment. There was a complete rupture between Belgrade and Moscow in 1948. In more recent years, rather recently, there has been the reestablishment of better relations between Moscow and Belgrade, but entirely on the basis of independence of Yugoslavia, nonmembership in the Warsaw pact, and non-dictation on the part of Moscow of any of the policies of the Yugoslavian Government. It is a fact that Yugoslavia has a Communist type of economic organization which is most distasteful to us, but they have maintained their independence. They were the first ones to break away from Moscow's domination.

Mr. HARVEY of Indiana. Do we expect as a matter of policy to continue to pour aid into Yugoslavia?

Mr. HARRIMAN. We gave Yugoslavia a very considerable amount of military assistance at a time when there was a military threat—when Stalin threatened to invade Yugoslavia. I was there in 1951. At that time there was a very real threat that Stalin would launch a military attack and we did give Yugoslavia military assistance. That has petered out. How much is involved now I have not the figures before me.

Mr. BELL. There is no economic assistance remaining to Yugoslavia at all, Mr. Harvey.

Mr. HARVEY of Indiana. How about Public Law 480?

Mr. BELL. Public Law 480 sales are continuing, but we make no loans or grants under the Foreign Assistance Act any more. The military assistance has been reduced in this past year. The only assistance that is left—it is called assistance under the act—actually would permit the Yugoslavs to buy for cash some spare parts for planes and other equipment which we provided earlier, under the military assistance program some years ago. The previous kinds of military and economic assistance programs to Yugoslavia have essentially come to an end. The Public Law 480 sales for local currencies have continued. And so far as I am aware are expected to continue.

Mr. HARRIMAN. My colleague says that there has been no grants of military assistance since 1957. The recent sales have been for cash.

Mr. BELL. The terms of the Public Law 480 agreements are being hardened.

Mr. HARRIMAN. I can assure that if it had not been for this assistance Yugoslavia received from the West she would not have been able to break away from Moscow.

Mr. HARVEY of Indiana. Please believe me, Mr. Harriman, I am not belaboring that point at all. I am in complete agreement with that.

Mr. HARRIMAN. Surely.

Mr. HARVEY of Indiana. I am not arguing that point.

Mr. HARRIMAN. I do want to say—

Mr. HARVEY of Indiana. I do want to indicate that we made a good move there. I do question the capability of our continuing relationships insofar as giving them anything is concerned.

Mr. HARRIMAN. I must tell you very frankly that I have never approved her internal policies. She has become somewhat less rigid in her Communist methods. She has over 85 percent of her farms owned and operated by independent farmers, but her philosophy and ideology is the Communist ideology which is very distasteful to us,

but he was the one that broke the monolithic structure of Eastern Europe, and I am very glad to vouch for the fact that other countries in Eastern Europe are beginning to follow that example, so that the effect of Yugoslavia has been contagious and the national spirit of these other countries, Poland and others, is beginning to rise more and more. I think it is safe to say that this trend is developing and will continue to develop, but at the same time the internal structure of the social and ideological, religious life of these countries is not as we would like to see it, but it is improving, sir. That is all that we can say. I think the policy has been right; it has not been alone the State Department's policy—it is a policy of Presidents Truman and Eisenhower to carry out these policies and in recent years of President Kennedy and carried forward by President Johnson. It is not just the State Department, but it is the policy of the administration which has had the approval of Congress in all of the transactions which we have been engaged in.

Mr. HARVEY of Indiana. I do not want to take more time. I just want to say in closing that at the meeting last fall between Khrushchev and Tito, in the press release statements that were made by them at that time, if I am in a position of trying to evaluate them and to say where we are with regard to them, I would have to conclude that we had certainly lost ground in this particular area, and I think that as an observing delegate at the FAO Conference in Rome that that was a pretty common consensus of opinion among many of the so-called neutral nations of the world.

Mr. POAGE. Thank you, Mr. Harriman.

Mr. HARRIMAN. May I comment on that, sir, because it is a very important matter. Certainly, Yugoslavia is closer to Moscow today than she was a few years ago, but the change has been in Moscow, not in Yugoslavia. That is the important factor in this situation. The relationship of Moscow with all of the countries of Eastern Europe has been more in the direction of independence and it is for that reason that better relations have been able to be developed on Yugoslavia's terms, not on Moscow's terms.

Mr. POAGE. Thank you, Mr. Harriman.

There is one gentleman who was here first before all the rest of us—the rest of us came in late and he has been waiting all morning and he has wanted to go into a matter he has before him.

Mr. Matthews wants to discuss a matter with Mr. Harriman.

Mr. MATTHEWS. Thank you, Mr. Chairman. I will not take very much time to present this matter, but you will recall that we did not have a chance to discuss this with the other witnesses and I would like to get the opinion of Mr. Harriman and Mr. Bell about the amendment that I have proposed to Public Law 480. Let me say in advance I have enjoyed the testimony of you gentlemen this morning very much. Particularly I was impressed, Mr. Bell, with the detailed, forthright answers you have given to some of these very perplexing questions, and I for one want to say that I appreciate the way you have taken charge of this very important and complex program for which you have the responsibility.

The amendment that I have proposed to Public Law 480 is a very brief one. It is H.R. 10165 which was introduced on February 27,

1964, by myself, so you can see the reason why I want to get your reaction now. I will read this very brief amendment. It is:

To amend title II of Public Law 480, Eighty-third Congress, to authorize the use of foreign currencies by the President to carry out more effectively programs undertaken under titles II and III.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 203 of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480, Eighty-third Congress), as amended, is amended as follows:

(1) After the third sentence insert the following new sentence: "In addition to other funds available for such purposes under any other Act, funds made available under this title may be used to purchase foreign currencies accruing under title I in order to meet costs (except the personnel and administrative costs of cooperating sponsors, distributing agencies, and recipient agencies) designed to assure that commodities made available under this title or under title III are used to carry out more effectively the purposes for which such commodities made available or to promote community and other self-help activities designed to alleviate the causes of the need for such assistance: *Provided, however,* That such funds shall be used only to supplement, and not substitute for, funds normally available for such purposes from other non-United States government sources."

(2) In the last sentence after "costs" insert "or for the purchase of foreign currencies."

May I say that this amendment is partly the result of testimony that was given before us by the various voluntary organizations. I might say, frankly, that although it had almost the unanimous support of the agencies, I think that the Lutheran World Relief did have some reservations. The purpose of the amendment is to get funds for such purposes as local needs and transportation, tools and equipment for the use of projects, supplementation of donated foods, local and normal personnel, and so forth and the amount of money I would estimate would not be more than \$5 or \$10 million a year.

Mr. Harriman, would you please, if I have given you enough information, tell us whether or not you would be in favor of this amendment?

Mr. HARRIMAN. This amendment has come to my attention, Mr. Matthews, and I have analyzed it, and I can say that the State Department fully endorses the amendment as written and its objectives. It is not only humane, but also will further the objectives of these voluntary organizations and also further our objectives, our worldwide objectives.

Mr. MATTHEWS. Thank you very much.

Mr. COOLEY. How about a representative from the Department of Agriculture, can we get a comment from the Department? If you do not have some representative of Agriculture here who can tell us, will the representative who is here take it to the Department and get an answer?

Mr. MATTHEWS. If you do not mind, I will call on the representative of the Department of Agriculture to see if they endorse it.

Mr. Bell, would you please express your sentiments?

Mr. BELL. I would, sir, thank you very much. We strongly support this proposal. We concur that the currencies should be made available in addition to and not substituted for non-Government resources that these voluntary agencies are prepared themselves to put up. We concur with the provision that the currencies be used for material and transportation and not for paying personnel costs which, I believe, reconciles the points of view most if not perhaps all of the

voluntary agencies. We think that it may be possible in some instances to use this authority in conjunction with section 104(d) to acquire goods and services in third countries. For example, it may be possible to use Indian rupees to help community development projects in Nepal, for example, which would be an added benefit of this provision. And we would also concur with your expectation about the probable range of expenditures.

We would expect to use the authority only for high priority, solid, extremely valuable projects. And under those circumstances we would think that \$5 to \$10 million a year would be a reasonable estimate of the effective use of the authority you are proposing, so that we think it is a very constructive step forward and would like strongly to support it.

Mr. MATTHEWS. Thank you very much, Mr. Chairman.

Mr. HARRIMAN. May I say this? This is not dollars. These are the local currencies.

Mr. BELL. Yes.

Mr. HARRIMAN. It is the equivalent of dollars. And in the Indian case it is using the rupees which possibly there will be no other use for.

Mr. MATTHEWS. Thank you.

May I ask if someone is here from the Department of Agriculture? We have had informal talks with the Department of Agriculture. If I may ask, could someone make a statement for the Department of Agriculture?

Mr. ROBERTS. I only got a little ways with checking this out this morning, Mr. Chairman, before coming up here. I am sorry I do not have that information.

Mr. MATTHEWS. If at this point in the record you would get us a statement from the Department of Agriculture, we would appreciate it.

Mr. ROBERTS. Yes, sir.

Mr. MATTHEWS. Thank you very much.

(The information referred to follows:)

The Department of Agriculture favors enactment of the amendment. We understand that the objective of the amendment is to make use of foreign currencies not needed for U.S. Government costs currently provided for in the act. Increases in reimbursement to the Commodity Credit Corporation under title II of the act by reason of these purchases of foreign currencies will be offset by decreased reimbursements under title I of the act to the extent that these sales of currencies are additional to those otherwise possible.

Mr. POAGE. Thank you, Mr. Matthews.

Mr. STUBBLEFIELD?

Mr. STUBBLEFIELD. I notice that you mentioned in your statement the danger of the Public Law 480 program becoming a crutch for foreign governments. In your opinion would a longer period—I think that 5 years has been talked about—be more or less conducive to Public Law 480 being a crutch for these nations?

Mr. HARRIMAN. We believe that 5 years is the better term. The Secretary of Agriculture will explain why it is easier from the standpoint of our own problems here at home, from the standpoint of dealing abroad, that with the longer term one can plan these programs more effectively, and that there is a better chance to phase them out. Mr. Bell, would you care to comment on that?

Mr. BELL. I would refer to the point Mr. Harvey was making earlier in the case of India, that the job of increasing the productivity of Indian agriculture is a long, tough, complicated job, and it involves establishing institutions, supply systems for fertilizer and tools, extension services for advice to the Indian farmers. It is important that the Indian Government commit itself and embark on that route on a large term basis and if we are able under a relatively long-term agreement with the Indian Government to say that we are prepared, if you really put your backs into this to support you in the meantime with a margin of food, that you will need to take care of your people's requirements, then we are on a time scale which is appropriate to the nature of the problem. Whereas if we try to do it or to operate with them on a 1 year at a time basis it is very difficult for them to know just what kind of a foundation is under their feet. This is why I think from the standpoint of effective results in the underdeveloped countries, having the opportunity in appropriate cases to make longer term agreements as would be feasible under a 5-year statute, that it would be very beneficial.

Mr. STUBBLEFIELD. Thank you. That is all.

Mr. POAGE. Mr. Matsunaga?

Mr. MATSUNAGA. Thank you, Mr. Chairman. In the area of foreign aid I have found that there are two programs which have obtained bipartisan support, the Peace Corps and the Public Law 480 program. However, there is a growing sentiment against the Public Law 480 programs, principally on the objections suggested here by our chairman this morning, that while we may give fish, that while we donate fish, should we go to the extent of frying the fish? Is it not a fact that we are now forced to fry the fish, because the donees do not have frying pans?

Mr. BELL. Insofar as we do any fish frying I would say, yes. I would answer the question a little more broadly, if I might. We regard the whole process of giving assistance to the less-developed countries as one which necessarily rests on their doing the maximum they can for themselves. And, frequently, we have to bargain with them and insist that they do the maximum that they can for themselves. This is as true of Public Law 480 programs as it is of any other resources that we make available to them, so that my full answer to your point is that in some cases where they are really desperately off and have extremely low resources at their disposal we may do a lot for them, but as they are able to do more and more for themselves we must keep insisting that they do that, to get on their own feet and to walk as soon as they can, and that our assistance, Mr. Stubblefield was pointing out, should not become in any sense a crutch or a substitute for their own efforts, but should be a supplement and a goad and an incentive for them to do more for themselves.

Mr. MATSUNAGA. In your future agreements with the various nations I would suggest, if it is not provided in your present agreements, that a broad enough discretion be given the Secretary to determine what nations shall have to pay for their own transportation, docking fees, and the like.

Mr. BELL. That is a good point.

Mr. MATSUNAGA. This is an area, I believe, that you ought to look into very seriously in order to continue obtaining bipartisan support.

Mr. BELL. Right. I accept the point, Mr. Matsunaga.

Mr. MATSUNAGA. Thank you.

Mr. POAGE. Mr. Doyle?

Mr. DOLE. I want to commend Mr. Matthews in getting assent from the State Department.

I have been interested in Mr. Harriman's statement, on page 2 concerning wheat sales to Russia. First of all, to use the term "sell" I assumed from that we will be paid for the wheat?

Mr. HARRIMAN. They will pay the world market prices for the wheat.

Mr. DOLE. In what?

Mr. HARRIMAN. Dollars.

Mr. DOLE. In gold?

Mr. HARRIMAN. In dollars. So far as I know they have not asked for a loan. Some of the Canadian wheat was sold on terms up to 18 months.

Mr. BELL. Yes.

Mr. HARRIMAN. They received commercial credits for that length of time. That might be extended that long, but not longer. It will be dollar payment—the payment will be in dollars.

Mr. DOLE. You say it is right, this sale, on humanitarian grounds. Is there some basis for that statement?

Mr. HARRIMAN. They are very short of wheat this year. The crop seems to be very, very bad. And if they are not able to buy wheat from abroad, to purchase it from us and only a part of the wheat that they are getting is from abroad, they would have to go on a very, very strict ration on the basis of bread which would probably cause some debilitation of the people.

Mr. DOLE. Is the basis for that statement that people are starving in Russia?

Mr. HARRIMAN. No, they are not starving. I think that, roughly, the wheat they are buying from abroad may be about 20 percent of normal production, so that there would have to be a substantial reduction in the normal intake of food from bread.

Mr. DOLE. For example, do you know what they are going to do with the wheat they buy—are they going to stockpile it or to use it for their export commitments?

Mr. HARRIMAN. No, it is their wheat. They have agreed not—I have forgotten just what the agreements are—but they are to take it to their own country.

Mr. DOLE. They have already shipped some of the Canadian wheat to Cuba, I understand. So they will replace it with some of ours? You also stated the sale is a good business proposition.

Mr. HARRIMAN. Yes.

Mr. DOLE. Do we operate on different standards? We condemn certain countries for trading with Communist Cuba, but it is all right for us to trade with Communist Russia.

Mr. HARRIMAN. When I was Secretary of Commerce I established the first controls after the postwar period with Russia, and we only established controls on strategic items, and that has been the agreement within the Western industrial nations. There was never any contemplated thought to cut out the sale of food or consumer goods.

Mr. DOLE. Well, we are objecting now to England and others.

Mr. HARRIMAN. But it never occurred to me in all of the years that I have dealt with East-West trade that we should prevent the Soviet Union from buying consumer goods. It seems to us to eat up what gold they have, and their foreign exchange, rather than to use it for military purposes or to develop their heavy industry.

The situation in Cuba is an entirely different situation. There is a regime that was established in Cuba that we believe is distasteful to our objectives. We are not trying to pull down the Soviet Union's Government, and we do not think that trade is going to have any bearing on it.

The European countries have large trade with the Soviet Union and Eastern European countries. It would not make very much sense for us alone to try to isolate ourselves from this important economic market.

Mr. DOLE. Is not the Cuban Government being supported largely by the Soviet Union?

Mr. HARRIMAN. Yes, to a very considerable extent. The sale of sugar from Cuba is one that keeps Castro's government alive. There have been some shipments from the Soviet Union on credit. I have not the details with me. I will be glad to supply such information as you may wish, but Cuba is dependent on getting the things she needs at the present time from the Communist bloc. We have declined to sell to Cuba and we have urged other free countries to do so likewise, but with only partial success.

Mr. DOLE. There has been some discussion they might make alcohol from the wheat and use it in certain munitions—is there any evidence of this that you know of?

Mr. HARRIMAN. I do not know what she does with her sugar.

Mr. DOLE. I was talking about wheat.

Mr. HARRIMAN. About wheat—yes, I do not know—we do not know what they are going to do with it. They make vodka out of wheat, but it would be rather expensive to make commercial alcohol. As I say, they make vodka out of wheat. And they make it from potatoes.

Mr. DOLE. Do you think that we should limit our trade with Russia to agricultural commodities—you said consumer goods—would you include buses or anything of that kind?

Mr. HARRIMAN. Our trade with Russia is on a very strict licensing basis. It is not adhered to by the European industrial countries, that is, the Western countries. This policy has been developed over a period of years, but so far as I am concerned I think it ought to be loosened up. I think it would be of interest—to our interest to do so, but not in what is called strategic items, those items in the list that it has been agreed to between ourselves and our European allies, but it should not, in my opinion, be limited only to food. I simply said that it never occurred to me when we established these controls that it would ever apply to food.

As far as the Soviet Union is concerned this Government has been in existence for 47 years and it has been accepted as a trading relationship with practically all countries of the world.

Mr. DOLE. Would the same be true with Red China?

Mr. HARRIMAN. No, I think that our present relations with Red China, China being unwilling to carry out the terms of the agreement that was made with Korea and in other ways their showing of an

aggressive attitude, I believe that our policy of restricting all trade with China is right. China is in a quite different position. She is in an extremely difficult economic position and I think it is very important for us to continue our policy of nontrade.

Mr. DOLE. Thank you.

Mr. POAGE. The Chair wants to comment that we try to be as liberal as we can with the questions here, but we are here for the purpose of discussing Public Law 480. Public Law 480 does not refer either to Russia or to China. Neither one of them are subject to receiving anything under Public Law 480. I do not want to cut you off, Mr. Dole, but we are not discussing that. I want you to discuss the subject as fully as possible, but I wonder if we could not stick to the subject matter that is before this committee. We are not asking Mr. Harriman for just anything that he knows. Mr. Harriman has had vast experience in a great many fields, but that does not make it germane to the purpose of this hearing. This hearing is on Public Law 480. Trade with Russia and Red China is not before us. They are specifically excepted.

Mr. HOEVEN. Will the gentleman yield?

Mr. POAGE. Yes.

Mr. HOEVEN. Perhaps we have had enough discussion, but I think that in all fairness, Mr. Dole should be permitted to proceed.

Mr. POAGE. I let them discuss it for quite some time.

Mr. HOEVEN. Mr. Harriman, in your statement, among other things, you say that it is right for us to sell wheat to the Soviet Union. Is that not a proper subject for interrogation by committee members as long as you brought up the subject?

Mr. HARRIMAN. If anyone is at fault, I am at fault for having made that statement.

Mr. POAGE. I think it is a principle of law not to discuss a subject matter which is entirely foreign to the subject we are here for. If Mr. Dole wants to go ahead and discuss the subject, all right.

Mr. HARRIMAN. I apologize for bringing the subject in.

Mr. DOLE. I read the statement which was on page 2, and I was interested in Public Law 480 and also interested in anything else that he might have to say, and I was reading the statement on page 2 and I was very much interested in the discussion on India and the sales and so forth. I agree with many of the comments that Mr. Bell made and those made by Mr. Harriman. I do not want to take the chairman's time or to embarrass the witness, but since the statement was here and since Mr. Harriman has had this wide experience, I felt that I would find out more about the problem that I cannot find out from anybody else.

Mr. POAGE. I do not want you to feel that I am inclined to rule you out of order because you are not a member of this subcommittee. This subcommittee is here for the purpose of considering Public Law 480. Interesting as a general discussion of philosophy may be, or interesting as, or as important as, a discussion may be to the Committee on Agriculture to discuss the sale of wheat, the purpose of this meeting today is to discuss Public Law 480, and it does seem to me that we have to apply some rules of relevancy here. I know that some bodies do not do that, but this committee attempts to do so.

Mr. DOLE. I am through.

Mr. POAGE. Mr. Purcell is with us. We are glad to have you here. If there are any questions that relate to Public Law 480, you may pursue that subject.

Mr. PURCELL. Mr. Chairman, I thank you for this opportunity. I will only state that I have no questions. I have learned a great deal about Public Law 480 by attending this meeting and a few things about some other subjects for which I am also grateful.

I will conclude my remarks with those statements.

Mr. POAGE. Thank you, gentlemen, from the State Department.

Mr. HARRIMAN. Thank you.

Mr. BELL. Thank you.

Mr. POAGE. We have before us now Mr. Dwight Townsend, director of the Washington Office of the Cooperative League of the United States of America, who will present a statement of Murray D. Lincoln, who is president of the Cooperative League of the United States of America.

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

STATEMENT OF DWIGHT D. TOWNSEND, DIRECTOR, WASHINGTON OFFICE, COOPERATIVE LEAGUE OF THE UNITED STATES, ON BEHALF OF MURRAY D. LINCOLN, PRESIDENT, COOPERATIVE LEAGUE OF THE UNITED STATES OF AMERICA

Mr. TOWNSEND. I am here to present the statement of Mr. Murray D. Lincoln, who is president of the Cooperative League of the United States of America and also president of Nationwide Insurance Cos. and a rather prominent citizen interested in Public Law 480.

We are very much obliged for this opportunity to present his statement and to have it made a part of the record. Because of the lateness of the hour, I think that you would appreciate, possibly my briefing this statement, so that it will only take about 5 minutes.

Mr. POAGE. May I suggest that not one single member of the minority side is present, and only the chairman and another member of the majority side is present so that I just wonder if you would not want to just insert this statement into the record.

Mr. TOWNSEND. I am coming to that right now. I would like to suggest that with the report there is a statement of the food-for-peace program that Mr. Lincoln had a part in and I would like to ask the committee to consider inserting it.

Mr. POAGE. We will be delighted to do so.

(The documents referred to follow:)

STATEMENT OF MURRAY D. LINCOLN, PRESIDENT OF NATIONWIDE INSURANCE COS.

For the committee record, my name is Murray D. Lincoln. I am president of Nationwide Insurance Cos. with headquarters in Columbus, Ohio, and also president of the Cooperative League of the United States of America.

It may be a bit unusual for the head of a major insurance company to ask for time before your committee to talk about food for peace and the extension of Public Law 480. I have made this request because, in my judgment, the work which has been done under Public Law 480 and which can be done under its extension has a double impact for America. First, the use of our agricultural abundance overseas can be an important factor in easing our domestic farm problem and, second, food for peace has become a major instrument in foreign policy and in the winning of the cold war.

Over the years I have taken a strong personal interest in this matter of food and its production and use. It may be of interest to the committee to know

that I was raised on a rocky New England farm. I studied agriculture at Massachusetts State College. After that I became the first agriculture county agent in Connecticut, and later worked with a Massachusetts bank. I moved to Cleveland, Ohio, to be in charge of what they called the "cow and pig department" of the Society for Savings, a great financial institution run then by the late Myron Herrick.

For a quarter of a century, I served as the executive officer of an important farm organization, the Ohio Farm Bureau Federation, and helped to found and run its various cooperative enterprises. My work as president of Farm Bureau Insurance and now Nationwide Insurance, grew out of that experience. For years I fought all comers on the importance of abundant production of foodstuffs to serve as the basis for what I then believed was possible—an economy of abundance.

At the close of World War II, I helped organize and became the first president of the Cooperative for American Remittances to Europe, which you now know as CARE. For 12 years I served as its president and then moved to the position as chairman of the board, which I now hold. During this period of 17 years, I have had an opportunity to see hunger and poverty overseas, as well as at home. I have seen the impact of American foodstuffs when it is used intelligently overseas as part of our voluntary foreign aid program. You may be interested to know that to date we in CARE have distributed well over \$500 million worth of foodstuffs, self-help materials, and other supplies to people in 60 countries.

CARE pioneered in the use of agricultural surplus when we made an arrangement in 1950 for CARE to secure foodstuffs from the Commodity Credit Corporation, and then used our own funds and our own machinery of distribution for using very effectively these foodstuffs overseas. Predating the passage of Public Law 480, CARE evolved its now famous Food Crusade, whereby voluntary donations paid the costs of packing, processing, purchasing additional commodities to fit local diet habits and needs, programing, distributing, and administering the use of Government-donated bulk commodities.

With the passage of Public Law 480 in 1954, a significant additional support came with the provision that the U.S. Government could reimburse the voluntary agencies, including CARE, for the ocean freight costs in these relief operations.

I think you will be interested to know that by July 1963, CARE had distributed 3 billion pounds of commodities made available under Public Law 480 to 55 countries of the world. In fiscal year 1963 alone, some 860 million pounds of these commodities were distributed to 27½ million hungry people in 36 developing countries.

Of particular importance, in my own judgment, was the fact that of these people, more than 19 million were schoolchildren.

Next year we hope to distribute 1¼ billion pounds of commodities to 35 million people in 38 countries of Latin America, Africa, the Middle East, Europe, and Asia.

You will be particularly interested that CARE has been able to secure very substantial assistance from the host governments overseas, which makes it possible to handle many more commodities than our limited private funds in CARE would permit. You will also be interested in knowing, I am sure, that many hundreds of thousands of people in the recipient countries help in the distribution of these commodities either as teachers who take responsibility for the preparation of school lunches, committees of local citizens who work with these teachers, groups of men who have volunteered to help build special facilities to handle the school lunches and, in many cases, have gone ahead to build small, simple schoolhouses, to dig wells for better water supplies, and to do hundreds of things that facilitate CARE's school lunch programs.

The reason I speak about CARE with such enthusiasm is that I know personally of its operations. Many of these same things could be said about the other great voluntary organizations who have demonstrated again and again the tremendous job that American citizens, organized in their voluntary associations, are willing to do and can do to supplement American foreign policy.

During the last few days, you have undoubtedly heard a great deal about the overall food-for-peace program. During the last 3 years more than \$4½ billion worth of farm commodities have gone overseas. Roughly 75 percent of this was handled under the sales features of Public Law 480; that is, the sales for foreign currencies or for dollars on long-term credit. Incidentally, through this arrangement, \$665 million was reserved for U.S. Government uses overseas, including costs of embassies, military staffs, development, and technical assistance programs. These costs would otherwise have been paid in dollars appropriated

by the Congress so food for peace has actually become an important factor in benefiting our balance-of-payments position. One other factor is important, and that is that our Government would be facing tremendous costs for storage of these commodities if they were not moved overseas.

Approximately one-fourth of the total commodities moved have represented donations. These food relief programs have reached an estimated 100 million economically needy people in free countries. We are particularly pleased at the growth of this program in Latin America where today 9.4 million schoolchildren are getting school lunches every day under this program.

The members of this committee who know me best, are acquainted with my philosophy. I believe strongly in self-help, and feel that the world food problem is so great that it will never be solved by just using American agricultural surplus (I prefer to call it abundance) to feed hungry people. A survey by the U.N. Food and Agriculture Organization a couple of years ago, indicated that if all of the then existing U.S. surplus, some \$9 billion worth, were fed to hungry people in the free world, our surplus would last about 3½ weeks. Obviously the problem will be solved only when we can stimulate people to help themselves and provide them with the tools of self-help so they can tackle their own problems.

CARE never goes into a new country with a relief program without tying in a self-help program as well. In this way we have distributed many millions of dollars worth of agricultural equipment, hand tools, educational materials, medical supplies, pumps and pipes for better sources of water, cinva-ram machines for making construction blocks for building simple schools and houses.

I hope our example has been important in the great work that the Agency for International Development (AID) is now doing in the use of food for self-help. Although the program in AID is only 2 years old, donated foods have played an important part in paying the wages to build schools and roads, land reclamation, irrigation, reforestation, and other projects. Already such projects are underway in 22 countries, giving employment to an estimated 700,000 workers and providing supplemental food for 4.1 million persons.

Here again CARE has taken substantial leadership in the use of food for wages and food for capital in the development of projects. We have programs now in Ecuador, Costa Rica, Iran, Hong Kong, Korea, and the Philippines. One of the two projects in Iran is building 90 kilometers of road with local labor reimbursed with food commodities. This road will open up one of the most neglected sections of southern Iran and create an important avenue to wider markets, incoming and outgoing. The other project in Iran is to create irrigation, canals, roads, schools, and water supplies. There is a close partnership between the host government and local agencies providing equipment and other resources to make the project successful.

Public Law 480 can undergird the work of the Peace Corps and vice versa. In Guatemala, for example, CARE and the Peace Corps are working closely on improving facilities in rural schools where a CARE Public Law 480 school lunch program is already underway. We have reason to believe that a much closer cooperation between the Peace Corps and AID and the voluntary agencies can do a great deal to make even more important use of agricultural abundance overseas.

As you know, MEDICO is now a branch of CARE. It is possible to use food supplies along with the clinics and public health programs, which MEDICO is carrying on with doctors chosen and supported by CARE, in another dramatic people-to-people program.

Incidentally, I would strongly urge that this committee give consideration to incorporating a strong program for more nutritional food use as part of this food-for-peace program, in order to provide more energy and prevent diseases as these people become more and more self-sufficient.

The impact on education, of course, is tremendously important. The millions of youngsters who get their lunches through CARE and other voluntary agencies, are in better shape to get a better education because they are better fed than ever before. In many cases, this lunch is the only real meal the children get in the day.

We would urge that as Public Law 480 reaches its maximum effectiveness, food can be used as a device to stimulate food technology in these developing countries. Our food can help pay the wages or help provide the capital for more nutritional food, food preparation, storage, better facilities for serving, and so forth. This can be supplemented by canning of local food production.

CARE, of course, has stimulated production with better tools and seed. It is also possible that cooperatives in these host countries can use feed grains in poultry and pork and cattle projects to provide the additional proteins to round out the diets of people.

The Cooperative League of the U.S.A., of which I have served as president for the last 20 years, is keenly interested in this program. We have in our 15 million family membership, a very large part of the total farm population of America, so we're interested in food production and distribution. We also include cooperatives with a primary interest in food distribution, as well as processing. The Cooperative League is anxious to do anything it can, through its contacts and representatives overseas, to increase the effective use of our food abundance.

One of the important steps which could be taken to make this possible is to authorize the use of local currencies generated by sale of title I commodities to: (a) improve the technology and equipment of institutional and school lunch programs, and (b) provide professional medical services and modest local public health improvement for communities where the school lunch and other institutional feeding programs are underway.

We have learned, through our experience in both the Cooperative League and in CARE, that it may be important to help people (this is a moral responsibility). It is even more important, however, to help people to help themselves. The ultimate is to help people to help each other. The simple forms of cooperative enterprise, particularly in agricultural and newly developing regions, should, therefore, be encouraged to the utmost.

Immediately after his election, President Kennedy appointed me as chairman of a Task Force on Food for Peace. The other members were Senator Hubert Humphrey, Mary W. Lasker, the Honorable William Benton, Donald Murphy, and Rev. George Powell. Our task force report was presented to the President January 19, 1961. In that report we declared that our most important recommendation was a change of policy emphasis from "surplus disposal" to "world food needs." We said, and I quote:

"A new approach is needed, an approach which will emphasize the fact that two-thirds of the world population is suffering from inadequate diet, malnutrition and, in some cases, from outright starvation—that the United States is the greatest producer of agricultural commodities in world history—that adequate diet is essential to the prompt stabilization of new governments and new nations, and a necessary foundation stone for their future economic development—in short, that America's agricultural productivity, properly used, is of basic importance to our whole foreign policy."

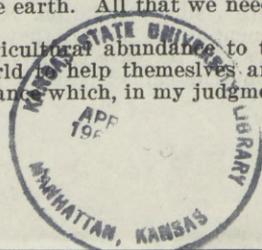
I am very happy to report that there has been a great change in attitude, and that the program for food for peace is moving forward rapidly and effectively. In this connection, it is not generally known that the food-for-peace program, administered by the Director of Food for Peace in the President's Office, the Department of Agriculture and AID, in very effective teamwork, has provided nearly \$1½ billion a year as part of our foreign aid program and is, therefore, probably the largest single factor in our foreign aid program.

Our food-for-peace task force made a series of recommendations for improvements in the administration of the food-for-peace program. It urged the expansion of operations of the voluntary agencies, it suggested certain legislative changes to strengthen the program, and urged that, where possible, food distribution be channeled through the United Nations. It is encouraging to note that important progress has been made on each of these points.

Very little known is the fact that the United Nations and its specialized agency, the Food and Agriculture Organization, have launched a world food program. Its initial goal of \$100 million in food supplies and capital, has almost been achieved in full. We are providing \$40 million worth of agriculture surplus and \$10 million in U.S. dollars. Already 26 projects have been approved and many of the programs are well underway. Through the world food program we are stimulating other countries to join us in this worldwide food-for-peace effort, thereby cutting our costs and stimulating the self-help policy worldwide.

At the World Food Congress in Washington last year, President Kennedy declared that for the first time in world history we have the resources and the know-how to banish hunger from the face of the earth. All that we need is the will.

This job can be done only if we use our agricultural abundance to the full and also stimulate all of the people in the world to help themselves and help each other toward an achievable world of abundance which, in my judgment, can also be a world of democracy and peace.



LETTER OF TRANSMITTAL

JANUARY 19, 1961.

HON. JOHN F. KENNEDY,
U.S. Senate,
Washington, D.C.

DEAR SENATOR KENNEDY: Pursuant to your statement of October 31, 1960, we have the honor to present to you, herewith, a report containing our specific recommendations for implementing your six-point program for food for peace.

In preparing this document we have had the assistance of officials of the Department of Agriculture, the ICA, and the State Department, as well as the advice and experience of many citizens familiar with the operations and objectives of our surplus food programs.

It is our conclusion that tremendous opportunities exist for transforming our present surplus disposal operations into a constructive effort to use our abundance of food and fiber in building lasting foundations for durable peace and for the development of the emerging countries of the world.

Our study indicates that the quantities of food and fiber going overseas at the present are substantial and do much good in the world, but that the program should be given a new orientation and that many important changes are required on the part of the executive agencies of the Government and in legislation. These changes are outlined both in the report and our recommendations.

Respectfully submitted.

MURRAY D. LINCOLN, *Chairman*.
HUBERT H. HUMPHREY,
MARY W. LASKER,
WILLIAM BENTON,
DONALD MURPHY,
GEORGE FORELL.

THE FOOD-FOR-PEACE PROGRAM

(A report of the Food-for-Peace Committee appointed by Senator Kennedy, October 31, 1960, submitted by the Committee to the President-elect, January 19, 1961)

MEMBERS OF THE COMMITTEE

Murray D. Lincoln, Chairman; president of CARE and president of Nationwide Mutual Insurance Cos., Columbus, Ohio.
Hon. Hubert H. Humphrey, U.S. Senator from Minnesota, and sponsor of the International Food-for-Peace Act in the 86th Congress.
Donald Murphy, director of editorial research, Wallace's Farmer, Des Moines, Iowa, and former chairman, Agriculture Committee, National Planning Association.
George W. Forell, professor of systematic theology, Chicago Lutheran Theological Seminary, Maywood, Ill.
William Benton, Southport, Conn., former Member of the U.S. Senate.
Mrs. Mary Lasker, New York City, N.Y., active supporter of medical and health research, and nationally known leader in public health, cancer, heart, and mental health organizations.

FACTUAL SURVEY

WORLD FOOD NEEDS

The average daily calorie consumption is adequate in European countries, and more than adequate in some of them; but calorie intake throughout the Far East is well below the necessary level, and not up to acceptable standards in western Asia, Africa, and Latin America.

Moreover, serious dietary deficiencies exist even in some countries where the daily average calorie intake is substantial. Hundreds of millions of people subsist on diets short of energy value, lacking in proteins, and fats and oils.

Per capita food production in the underdeveloped countries has fallen since the years before World War II. Agricultural output in these countries is in a grim race with rising population. Over the next 10 years, it is estimated by the Department of Agriculture that food production per capita in the underdeveloped countries will increase by only one-third of 1 percent a year. This means that these countries cannot possibly feed their people adequately by their own efforts alone.

IMPORTANCE OF U.S. FARM EXPORTS

Exports of farm products in 1960 were about 11 percent of the total value to the farmer of all his sales, domestic and foreign. Compared to farmer net income (\$11.6 billion in 1960) exports were of course much greater. Exports in fiscal 1960 were equivalent to about 65 percent of the total value of farm surpluses held by the CCC on June 30, 1960.

Cash value to farmer of all sales in 1960, \$34 billion.

Dollar value of all U.S. farm exports, fiscal 1960, \$4.5 billion.

Dollar value of CCC holdings, June 30, 1960, \$7.2 billion.

HOW U.S. FARM EXPORTS ARE FINANCED

U.S. agricultural exports valued at a total of \$4.5 billion in fiscal 1960 were the second highest annual total on record :

(a) Dollar sales

Of this total, \$3.1 billion went for a dollar return. The greater part of our dollar sales are straight commercial transactions, without Government aid; a lesser part, ranging from 30 to 40 percent in recent years, is sold with Government assistance in the form of Government credit or Government subsidies. Such subsidies, either in cash or payment in kind, are provided to the exporter to enable him to offer certain of our products at competitive prices in the world market.

(b) Special export programs

Of total U.S. exports of \$4.5 billion in fiscal 1960, \$1.4 billion, or 31 percent, was financed through special programs, mostly under Public Law 480 and the Mutual Security Act. For this \$1.4 billion we did not get dollars in return. Some of it was sold for inconvertible currencies, and some of it was in the form of grants. The local currencies acquired by the United States from these transactions are expendable only in the country of issue and only in ways authorized by U.S. law and agreed to between the United States and the foreign government concerned.

The various special programs that went to make up this \$1.4 billion total in fiscal 1960 are as follows :

1. *Foreign currency sales under title I of Public Law 480.*—This is the largest of the special programs, accounting in fiscal 1960 for 18 percent of total U.S. farm exports. Sales agreements specify, among other things, what is to be done with the local currency proceeds. Most of these agreements are for no more than a year's duration, although the agreement with India, signed on May 4, 1960, was for 4 years. By and large, these sales do not interfere with commercial exports of the United States or other countries.

2. *Foreign currency sales under the Mutual Security Act.*—This act requires that a certain amount (currently \$175 million) of the Mutual Security Act appropriation be used to buy U.S. farm surpluses and sell them to foreign countries for local currencies which are then used, by agreement, to further mutual security programs. In spite of precautions, a certain portion of these sales inevitably replace commercial U.S. exports.

In fiscal 1960, disposals under the Mutual Security Act accounted for 4 percent of total U.S. farm exports.

3. *Emergency relief operations—Title II of Public Law 480.*—These are not sales but grants or donations of CCC stocks to meet emergencies, such as famines or disasters, and to provide supplies for institutions and school lunch programs.

In fiscal 1960, these grants totaled 2 percent of total farm exports.

4. *Donations—Title III of Public Law 480.*—CCC stocks are donated to voluntary U.S. relief, welfare, or religious agencies operating abroad, or to intergovernmental relief organizations such as UNICEF, for feeding needy people in foreign lands. Shipments under these programs went to 92 countries last year.

In fiscal 1960, these shipments represented 2 percent of total farm exports.

5. *Barter—title III of Public Law 480.*—Under the barter program the CCC swaps its stocks, acting through private traders, for the value equivalent in strategic materials for the U.S. stockpile, or for materials needed in offshore defense construction or military assistance. This program is heavily criticized, at the bartered farm products often interfere with regular dollar markets, and U.S. stockpiles of strategic materials have just about reached the limits of conceivable usefulness.

Total exchanges under this program in fiscal 1960 were 3 percent of all farm exports.

6. *Long-term credit sales—title IV of Public Law 480.*—Under this provision the United States may sell farm surplus for dollars on a long-term credit basis with a period of up to 20 years for repayment. No sales have yet been made under this authority, which has existed for a year and a half.

WHAT IS THE VOLUME OF OUR EXPORTS UNDER THE SPECIAL PROGRAMS?

In the 5-year period ending June 30, 1959, exports under these special programs accounted for 35 percent of our total farm exports; 1960 was the first year since 1956 that they fell below a third.

In terms of specific commodities, over the past 6 years ending June 30, 1959, these programs accounted for 75 percent of our total exports of wheat, 59 percent of our total exports of rice, 57 percent of our total exports of vegetable oils, and 36 percent of our total exports of feed grains and 35 percent of our exports of cotton.

WHERE ARE OUR EXPORTS GOING?

Dollar exports

In 1958-59 eight countries took three-fourths of our dollar exports. These countries were: United Kingdom, Canada, Belgium-Luxembourg, West Germany, Netherlands, Japan, Venezuela, and Cuba.

Latin America, in that year, got \$417 million, or about 17 percent of our dollar exports; Europe got \$1.2 billion or about half; all of Asia, including the Near East, \$450 million or about 19 percent; and all of Africa got the least, \$45 million, about 2 percent.

Special exports

Europe as a whole still takes about 40 percent of our special program exports, with Asia taking another 40 percent, and Latin America and Africa together taking only a little better than 10 percent. The big recipients in Europe are Spain, Yugoslavia, Italy, Poland, and France. In Asia they are India, Korea, Pakistan, and Taiwan.

WHAT IS BEING DONE WITH THE LOCAL CURRENCY PROCEEDS UNDER THE SPECIAL PROGRAMS?

The CCC is reimbursed in dollars by congressional appropriations for the value of the commodities sold for local currencies, plus the value of shipping costs. Under Public Law 480, the local currency received from sales is placed in a U.S. account in the foreign country to be disbursed in accordance with the agreements. Various agencies of the U.S. Government are responsible for various kinds of expenditure; the Department of Defense for military purchases, the ICA and DLF for loans to the local government, etc. The Bureau of the Budget has to approve any use of these funds for U.S. agencies' expenditures—such as embassies, etc. Local currencies collected under the Mutual Security Act—a small percentage of the total—are handled differently, as counterpart funds.

Out of \$3.5 billion worth of local currencies collected under Public Law 480 by April 1, 1960, only \$1.4 billion has been disbursed. Collections, of course, run well behind shipments. Total shipments on that date were \$4.8 billion.

The two major uses of the local currencies are economic development loans to the foreign country and military procurement.

As of April 1, 1960, \$293 million of local currency proceeds had been allocated to military procurement for the common defense, mostly in the countries of Korea, Pakistan, and Turkey, with Taiwan a poor fourth. To this should be added \$115 million for the housing of military families overseas. On the same date, \$741 million of local currencies had been disbursed to foreign governments under loan agreements for economic development. The ICA administers these loan agreements.

Of this \$741 million, the Far East got \$112 million; the Near East and south Asia, \$234 million; Europe, \$275 million; Latin America, \$120 million; Africa, nothing. The biggest country recipients—all over \$50 million—were Japan, India, Israel, Italy, Spain, Yugoslavia, and Brazil.

The largest share of these disbursements (\$315 million) goes for development of industry and mining, including sizable disbursements in Yugoslavia, Israel, and India for power generation and distribution. Agricultural development projects, including irrigation, account for \$171 million. Health and sanitation purposes claim the smallest amount, \$10.8 million, and educational pur-

poses claim little more—\$15 million—with substantial expenditures for education only in Yugoslavia and Spain. Transportation, community development, and miscellaneous purposes account for the rest, \$230 million.

Other purposes for which the local currencies are used account for relatively minor sums. They are (1) activities for developing export markets for U.S. agriculture, \$27 million; (2) purchases of goods for other friendly countries—three-way deals—\$54 million; (3) grants for economic development purposes, \$68 million (in five countries only—Ceylon, Greece, India, Pakistan, and Yugoslavia); (4) loans to private businesses, mostly American firms, \$66 million. (All figures as of April 1, 1960.) The balance is used for the payment of the expenses of U.S. agencies abroad, and the CCC is reimbursed from the appropriations of the agency concerned.

THINGS THAT CAN BE DONE NOW BY ADMINISTRATIVE ACTION UNDER EXISTING LAW TO IMPROVE THE PROGRAM

I. Change in conception and philosophy

The conception, the philosophy, and the nomenclature of "surplus disposal"—disposal of unwanted food, feed, and fiber—to this day underlies and permeates U.S. legislation and the outlook and activities of the Department of Agriculture, imposing limitations upon full use of our agricultural capacity to meet human need, as well as conscious or subconscious feelings of guilt and frustrations upon the Government, and, indeed, all Americans. It is of fundamental importance to work toward a national food policy which recognizes the following:

Food, to satisfy hunger, and fiber to clothe the needy, are the most elementary necessities, without which man is incapable of moving on to higher forms of satisfaction and fulfillment.

U.S. agricultural productive capacity is the Nation's most precious treasure, the result of favorable climate, the industry of our farmers, the achievements of our science and technology. The production of food and fiber is what we do best in the world.

It is the aim of the United States to put this agricultural capacity to the fullest use to meet human need, and promote human advancement and development, both at home and abroad.

In adopting this conception, we will be concerned about nutrition and the fact that we are not producing enough of certain agricultural commodities (oils and fats, meats, butter, nonfat milk, soybeans, peas, etc.) as are needed to sustain adequate diets either for our needy in the United States or for the needy abroad.

To realize the aim of the United States, as stated above, and at the same time secure a fair return to the farmer, it will be necessary to bring about shifts in production from wheat and corn into the oils and fats and protein foods needed for a nutritional diet.

II. Increasing the food available to the needy in the United States

Any consideration of food for peace must be prefaced with the emphatic statement that all steps possible should be taken to improve and extend the feeding and clothing of the needy in the United States, for law, justice, and public opinion give these clear priority.

The special task force named by President-elect Kennedy to draw up a program of action to assist people in economically distressed areas of the United States has recommended, in part I, section 1, of its report, certain specific actions. Virtually all of these things may be done by administrative action under existing law, although in some cases new interpretation of the law may be required. We urge that these recommendations be implemented without delay.

III. Increasing the use of food for peace abroad

1. *Shipment under long-term loans, repayable in dollars over 20 years with low interest rate.*—The 86th Congress added in the summer of 1959 a new title IV to Public Law 480 authorizing such loans (in addition to local currency sales under title I and grants under titles II and III). Not a single agreement has been concluded under this provision owing chiefly to two things:

(a) The Bureau of the Budget has refused to authorize the Department of Agriculture to seek from Congress reimbursement to the Commodity Credit Corporation for funds committed long-term under title IV even though requests for reimbursement are invited in the law itself. This being the case, loans under title IV would only tie up and reduce CCC funds for 20 years.

(b) The National Advisory Council has looked with disfavor on long-terms loans on consumer goods and obstructs such loans on agricultural commodities under title IV.

It is not certain how eager foreign countries are or would be to contract dollar loans under title IV; but inasmuch as there are in some countries mounting objections to further local currency purchases under title I and grants under title II, it could be that operations under title IV would become important if obstructions were removed.

It is recommended, in connection with the revision and extension of Public Law 480 which must occur this year, that title IV be amended to extend the repayment period to 40 years, specify an interest rate of 2 percent, and to accept payment in dollars, goods, or services.

2. *Food in direct payment for labor on public works or economic development projects.*—Economic experts have long urged that surplus foods be granted to the governments of underdeveloped countries for direct payment in kind to labor working on dams, roads, ports, and other public works projects contributing to the development of these countries.

The 86th Congress authorized this in the summer of 1959 as an amendment to Public Law 480, but it remains a dead letter for several reasons:

(a) The provision was limited in point of time, and expires on June 30, 1961. This time limitation makes operations under the provision unattractive to some governments who are understandably reluctant to embark upon programs of doubtful continuation. Assurance that the new Administration will seek removal of this time limitation might encourage expanded operations at once. Removal of the time limitation in subsequent legislation could very well result in an enormously useful program.

(b) The Administration has issued instructions to the field, regarding the use of this provision, which were so stringent and constricting as to assure its nonuse. New instructions to the field are necessary.

(c) Under the law the International Cooperation Administration may not use its dollar funds in connection with public works projects, although it may sell some food or fiber for local currency to acquire simple tools and implements. This should be changed in a revision of Public Law 480.

(d) Apparently no effort has been made by our Government to combine food payments under this provision with economic development projects financed by the Development Loan Fund, or the International Development Association. Some effort and coordination here might produce spectacular results.

(e) What is needed here is strong top level encouragement, dedicated enthusiastic people down the line, and proper Government organization and coordination.

3. *Government-to-government food grants for school lunch programs.*—Such programs have been enormously successful in Italy and Japan (these are being phased out), Tunisia, and (through CARE) in Egypt, yielding not only great human benefits but political benefits as well. The International Cooperation Administration has declined to extend these programs to other countries on the following grounds:

(a) The minimum requirements for school lunch programs are bread and nonfat dried milk. Cheese, soybean oil, dried peas, and the like are, of course, desirable additions, and any one of them might in case of necessity substitute for nonfat milk. Under existing agricultural policies we are not certain that any of these commodities except wheat (for bread) will be in official surplus and available. Even a continuous surplus of nonfat milk is uncertain. There is, therefore, a legitimate reluctance to initiate programs without being certain of being able to follow through on them. This obstacle to expansion of the school lunch programs abroad can, of course, be removed by policies and arrangements which will assure sufficient quantities of the necessary commodities on the shelf to supply the prospective needs.

(b) Another obstacle is the fear that countries aided in school lunch programs will take them for granted as a permanent handout without effort to take them over and continue them with their own resources. The Administration has declined to initiate programs without hard and fast phaseout arrangements. Phaseout and takeover arrangements are ultimately important, but they have been given such undue emphasis by the Administration as to stunt the program.

There is no question that the school lunch program could be expanded with great human and political benefits. Here, again, top-level directives and enthusiastic, competent, dedicated staff down the line are the essence of the problem. Note: It should be emphasized here that both with regard to the

school lunch program and the public works program (see No. 2, above), there is considerable opportunity for the proposed Youth Peace Corps. Simple problems such as steady delivery or operating simple machinery, mixing powdered milk or opening cans or assuring sanitation on school sites assume enormous significance in many backward countries. A Youth Peace Corps might be exceedingly useful.

4. *Expanding the operations of the voluntary agencies.*—Simply through administrative action the relief and welfare programs carried on in foreign countries could be considerably expanded. These operations are at present greatly restricted by phaseout and other requirements. At the present time 20 U.S. voluntary agencies plus UNICEF and the U.N. Relief and Works Administration distribute foodstuffs in 99 countries and dependent areas. Largest distributors are Catholic Relief Services, CARE, Church World Service, Lutheran World Relief and the American Jewish Joint Distribution Committee. These 22 agencies of nearly \$200 million. This could be increased substantially with simple have handled nearly 2 billion pounds of foodstuffs per year with a dollar value changes in regulations. It is estimated the agencies could handle in the neighborhood of 5 billions pounds per year by relaxing the phaseout restrictions laid down by the Francis Committee.

These food programs yield enormous returns not only in strong and healthy bodies but also in friendship for the United States.

5. *National food reserves.*—In 1957, Senator Humphrey introduced a resolution into the 1957 session of the United Nations General Assembly, calling for international cooperation to help food-deficit countries establish and maintain national food reserves and to build the necessary storage facilities, and it was passed. Since then, however, the Administration has made no move to provide U.S. action which is essential to implement it.

It is generally recognized that because of lack of foreign exchange the food deficit countries most in need are unable to build national food reserves from purchases, and that if these are to be established, it will have to be done by means of food grants from the surplus producing countries.

There are, of course, many advantages to minimum national food reserves in chronically food-deficit countries (especially India, Pakistan, Korea, Turkey, Egypt, and Brazil). Without reserves, markets in these countries are frequently upset by the operations of speculators who drive up prices mercilessly, causing great hardship and starvation. Also, in case of famine or other disaster, there are great delays in bringing in relief stocks from thousands of miles away.

From the point of view of the United States it would be of advantage to help food-deficit countries create and maintain national food reserves because of the high storage charges in the United States. Grants for national food reserves would, of course, be largely a one-shot operation, but it might help at once to relieve the storage position and reduce storage costs in the United States.

There is no specific provision in Public Law 480 for grants to foreign countries for the purpose of building up national food reserves. Nevertheless, the President possesses adequate authority under existing law to help a number of countries make a good start toward building adequate food reserves. Subsequently it will be desirable to acquire specific authority in a revision of Public Law 480.

NEW LEGISLATION REQUIRED

1. *Immediate*

Immediate additional authorization is needed for local currency sales of surplus agricultural products during the calendar year 1961 under title I of Public Law 480, and these funds should be requested independently of the thorough revision of Public Law 480 which should be requested of Congress later in the session.

The last extension of Public Law 480 authorized \$1.5 billion a year for title I sales for the 2 calendar years 1960 and 1961. The program has moved along rapidly, however, and of the total authorization only a small amount is now uncommitted. Remaining funds will be committed or in negotiation before the end of February, and unless additional authorization is enacted before that time, negotiation of some programs of substantial size will probably have to be delayed.

Secretary Benson has sent to Congress a request for an additional \$1.1 billion authorization for 1961. This figure, however, should be carefully reconsidered; it may very well be too small to accommodate transactions even now in prospect, much less those which might appear as a consequence of new administration. Upon evidence available, it appears the supplementary figure should be at least \$2 billion for the remainder of calendar 1961.

2. *Some time during the current session of Congress*

Public Law 480 will necessarily come before the Congress for extension at the current session. Some of its most important financial authorizations (including that under title I) expire on December 31, 1961. A thorough revision of Public Law 480 to transform it from a Surplus Disposal Act to a Food-for-Peace Act is recommended. The revised Public Law 480 should make provision, among other things, for the following:

(a) A new statement of purpose which will transform what is now a Surplus Disposal Act into a Food-for-Peace Act designed to use American agricultural capacity to the fullest practicable extent to meet human need the world over and to promote world economic development.

(b) Centralized coordination and direction of the food-for-peace program.

(c) Authorization for a 5-year program. This is imperative if we are to have an effective food-for-peace program. Foreign governments must know several years in advance what they can count on from us if they are to plan ahead their own economic development; and it is also imperative if the United States is to bring about the necessary shifts in domestic production so it will have the right kinds of stocks on its shelves to meet the needs of the program.

(d) Authorization for title I sales at the rate of \$3 billion a year. During the calendar years 1960 and 1961 title I sales are running at the rate of between \$2 and \$2.5 billion per year, and there are considerable potentialities for expansion.

(e) Authorization of emergency assistance under title II, through grants of surplus agricultural commodities, over a period of 5 years, at a rate not exceeding \$500 million a year, to friendly peoples in meeting famine or other emergency relief requirements. Authorization should also be added to make grants of such commodities to assist friendly nations in establishing, expanding, or carrying out programs for the relief of chronic hunger and malnutrition.

(f) Title IV should be revised to extend the repayment period for long-term supply contracts to 40 years, and the interest rate should be specified as not exceeding 2 percent per year, repayment to be accepted in dollars, goods, or services.

(g) Grants of surplus agricultural commodities over a period of 5 years to help food deficit countries, under agreements, build up and maintain minimum national food reserves (in accordance with the U.S. sponsored resolution adopted by the United Nations on February 20, 1957).

(h) The negotiations of agreements with friendly countries to establish in such countries binational, nonprofit foundations to foster and promote research, education, health, and public welfare and to grant to such foundations unexpended local currencies which accrue to the United States as repayments of principal or payments of interest on local currency loans heretofore made by the United States under Public Law 480 or made hereafter under the Food for Peace Act.

(i) General authorization to the President, without restriction, to use or dispose of foreign inconvertible local currencies accruing to the United States under Public Law 480 operations in order to accomplish the following:

(1) Maximum savings in U.S. dollar expenditures abroad;

(2) Maximum practicable support of programs in foreign countries agreed to by the United States; and

(3) Fullest support of the foreign policy objectives of the United States.

The steady accumulation of large amounts of inconvertible foreign currencies is placing great and increasing burdens upon U.S. foreign relations and holds potentialities which are highly dangerous. The numerous restrictions imposed by Congress upon the use or disposition of these currencies prevents their most effective use either for saving dollar exchange or for promoting U.S. objectives abroad. A number of highly competent surveys of the problem of local currencies have been made in recent years, and they all reached the conclusion that great executive latitude is required. It is important for the Government, the Congress, and the American people to recognize that these local currencies are assets that are usable only in the countries of issue, with the agreement of the countries of issue; that they are not substitutes for dollars; and that they should not be subjected to the appropriations process.

U.S. POLICY TOWARD FOOD DISTRIBUTION BY THE UNITED NATIONS AND THE FOOD AND AGRICULTURE ORGANIZATION

The U.S. delegation to the United Nations submitted a resolution to the General Assembly in the fall of 1960, subsequently passed, which (1) requires the FAO to consider methods by which present programs for moving surplus food

can be improved, and (2) calls on the FAO to study what new techniques can be developed to add to the uses of surpluses. The FAO findings and recommendations are to be reported to the United Nations Economic and Social Council in June 1961.

The FAO Council has already taken action to gather a small group of independent experts to assist in the task, to arrange for consultations with other groups, and has established an advisory committee of 13 FAO member nations, including the United States, to advise the Director General on his report to Ecosoc. This group of independent experts is to meet in late January of this year, and the advisory committee in late March or early April.

The United States, having initiated this activity, has no policy. It is necessary to develop one without delay.

There are two possibilities: (1) To make the FAO merely a clearinghouse with regard both to surpluses and the needs of other countries, or (2) to launch the FAO on a positive action program in certain countries, such as the Congo, where bilateral operations are difficult or impossible.

The clearinghouse approach

Under the clearinghouse approach, FAO would become a focal point for (1) advising recipient countries of the different programs under which commodities are available from recipient countries, (2) helping recipient countries frame program requests, (3) advising supplying countries of changes needed in program policies or operations to make them more effective, (4) a continuing analysis of surplus availability and needs, and (5) supplying technical assistance to recipient countries with respect to transportation, storage, and distribution problems. One of the major considerations in the activity would be to insure that special programs did not encroach on established commercial trade. This is purely an advisory function.

The positive action approach

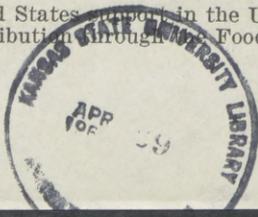
Supplying countries would notify the FAO of the amounts and kinds of commodities they were prepared to deliver for stated forward periods. These stocks would remain in supplying countries under their control. Recipient countries having emergency food needs resulting from such events as crop failures, earthquakes, civil disturbances, or having severe, chronic malnutrition problems, and preferring to deal with a multilateral system, would apply to FAO. Agreements would be negotiated between the FAO and the recipient countries, and would include such terms as commodities, amounts, delivery schedules, etc. FAO would match these needs against supply commitments and decide which supplying country or countries should fill the needs. Upon order from FAO, the supplying country would be responsible for shipping commodities to the recipient country. Thus the supplying country would not only donate the commodities, but would pay costs of transportation. The commodities would be donated free of charge to recipients. FAO would provide supervision and end-use checks in the receiving countries. Other supplying countries would be invited to commit supplies for use under this program, but participation by other countries should not necessarily be a condition for the United States supporting the FAO approach.

At an early date the United States could make known that it is prepared to furnish a fixed amount of commodities, for example, \$100 million worth for a 3-year forward period. Commodities which the United States could make available regularly during this period would include wheat, wheat flour, corn, cornmeal, and intermittently, depending upon CCC inventory conditions, non-fat dry milk, butter, cheese, rice, and vegetable oils.

These operations would be the responsibility of a new Commission within FAO. The Commission would require staff help in Rome and in the field. The head of the Commission would report only to the Director General on high policy matters. The Director General and the Commissioner would be advised by an advisory committee of FAO member countries representing both supplying and receiving countries.

The FAO approach would supplement present food distribution efforts. It would give a relatively simple action role to FAO which, if handled successfully, can be supplemented with other activities at a later date. Third, it would not lay down a cost-share rule for other supplying countries. The surest way to kill any FAO action role is to fix a percentage contribution required of other countries of the world.

We strongly recommend that the United States support in the United Nations the positive-action approach to food distribution through the Food and Agriculture Organization.



RECOMMENDATIONS

Our recommendations are of two kinds: First, those having to do with changes in policy, administration, and legislation to improve the existing programs, most of which are explored at length in the body of our report; and, second, those suggesting additional measures to support and enlarge the food-for-peace concept in a national and international context.

I

1. Change policy emphasis from surplus disposal to world food needs

The present food-for-peace program remains, in its basic philosophy, a program for the disposal of unwanted U.S. surpluses. Consequently, the achievements of the food-for-peace program have been obscured and its possibilities have not been fully exploited. A new approach is needed—an approach which will emphasize that two-thirds of the world's population is suffering from inadequate diet, malnutrition and, in some cases, from outright starvation—that the United States is the greatest producer of agricultural commodities in world history—that adequate diet is essential to the prompt stabilization of new governments and new nations and a necessary foundation stone for their future economic development—in short, that America's agricultural productivity properly used is of basic importance to our whole foreign policy.

Such a new approach will not only help to solve the problem of our present surpluses but also will demonstrate that in many foodstuffs, particularly proteins, we have deficits rather than surpluses.

The most important single recommendation of our committee is that our Government should make this deliberate change in the emphasis and direction of our food-for-peace program. Inevitably this will require adjustment in production and marketing policies. Ultimately, however, such adjustments may well have the effect of expanding commercial markets overseas for a wider range of American agricultural products.

2. Improvements in the administration of food-for-peace programs

We recommend the following administrative measures to increase the outflow of agricultural products under the food-for-peace program. These measures can be undertaken without additional legislative authority or without changes in existing authority.

(a) The Government should utilize the authority vested in it by title IV of Public Law 480, adopted in 1959, authorizing transfers of surplus agricultural commodities under long-term loans repayable in dollars with low-interest rates for periods up to 20 years. Present obstacles to the exercise of this authority should be overcome, and the program should be initiated as soon as possible.

(b) The Government should exercise the authority conferred by an amendment to Public Law 480 in 1959 to make grants of surplus commodities to underdeveloped countries for direct payment in kind to labor engaged on public works projects within the countries. This authority has hitherto not been exercised. It might very well stimulate, through the use of our food, major improvements in the local countries such as dams, roads, and ports, which would contribute materially to their economic growth.

(c) The Government should extend school lunch programs overseas. The feeding of schoolchildren at their schools is one of the most efficient ways to supplement inadequate diets and to improve health in the underdeveloped countries.

(d) The Government should help establish minimum national food reserves in countries suffering from chronic food shortage, as recommended by the United Nations General Assembly. Even in the absence of authority to provide food on a grant basis for the establishment of food reserves, much can be done under existing authority to help create such reserves.

3. Expanding the operations of the voluntary agencies

American voluntary agencies have played a great part in the distribution of agricultural commodities overseas. The Government should remove all unnecessary obstacles to their operations. In particular:

(a) The Government should make firm supply commitments to the voluntary agencies for longer time periods.

(b) The Government should modify present restrictions requiring programs to be planned so that they will terminate in a specific and limited period of

time. In areas of the greatest need phaseout restrictions are a handicap to setting up and carrying on useful programs.

(c) The Government should process certain agricultural commodities to permit their more efficient use by the voluntary agencies. Particularly, we would recommend the processing of soybeans to provide fats and oils for voluntary distribution, and the processing of cotton into textiles for use as sheets, pillowcases, and other items in hospitals and charitable institutions overseas. Furthermore, open market purchases should be made where necessary in support of voluntary programs.

4. *Legislative measures*

We recommend the following legislative measures:

(a) Immediate authorization of at least \$2 billion for the balance of calendar 1961 under title I of Public Law 480.

(b) Public Law 480 should be extended for a 5-year period. It will expire, at least in its most important provisions, on December 31, 1961. Total authorization under title I of the extended act should be at least \$3 billion a year instead of the present \$1.5, and under title II, \$500 million a year.

(c) Public Law 480 should be revised not only to include larger authorizations, but to improve the concept and the administration of the program. In particular, the bill should expand the loan authority to permit 40-year loans for the purchase of agricultural commodities; it should provide specific authority to grant agricultural commodities to establish national food reserves; and it should confer authority to create binational foundations for the use of local currencies in health, educational, and other activities; and it should contain full authorization to the President, without restriction, to use, manage, and dispose of local currencies accumulating under the program in order to save dollars and make the fullest contribution to the foreign policies of the United States.

5. *Food distribution through the United Nations*

We recommend that the United States seek the establishment under the FAO of a food distribution agency to operate in areas where bilateral approaches are difficult or impossible. Such an agency could draw supplies from surplus countries and direct them to deficit areas. It should not, of course, duplicate or interfere with satisfactory national operations in the field. At the outset its concern would be primarily with areas which are particularly the responsibility of the United Nations, such as the Congo. Later on its activities might be expanded to fill any obvious gaps in the nation-to-nation programs.

In addition, the FAO should continue to expand its present function as a clearinghouse for statistical information on food needs and food surpluses.

6. *The Food-for-Peace Director*

The food-for-peace program necessarily involves both the Agriculture Department and the State Department, the former being responsible for the food supply, and the latter for international relationships. It would be unwise in our opinion to attempt to place entire responsibility for the food-for-peace program in either of these two major departments. In addition to State and Agriculture, other departments and agencies are involved in the program including the Bureau of the Budget and the Treasury Department.

To insure that the program functions vigorously, therefore, it is necessary to have a central point of responsibility and initiative. We are pleased to note that the President-elect has recognized this in the appointment of a Food-for-Peace Director. In our opinion this officer should continue to be responsible to the President and serve as his principal adviser and agent in connection with the food-for-peace program. The Food-for-Peace Director should be responsible for establishing policies, for determining the requirements in oversea areas for food and fiber under the program, for expediting the fulfilling of these requirements, for coordinating the operations of the program, for collecting and publishing information and data on the program, and for reporting on it to the President. The Food-for-Peace Director should have sufficient staff to carry out these functions, and direct access to the President when required.

It will be appropriate to consider the reallocation of statutory powers and authorities only after some experience of the program under the new Director. At the present time we are not prepared to make recommendations on the rearrangement of statutory powers and responsibilities.

II

1. National Advisory Committee on Food for Peace

We recommend that the President appoint a National Advisory Committee on Food for Peace. This would be a Committee of citizens representing the major voluntary organizations in the areas of education, oversea distribution, and technical assistance, labor, religion, business, agriculture, and the cooperative movement. It would be the function of this Committee to review the program from time to time, to make recommendations of policy to the President, and to enlarge public understanding of the importance of the program.

2. World Food Conference

There is great need for world education and world understanding of nutritional needs and food production problems. It is particularly important that the newly developing areas do not neglect the agricultural side of their economic programs and at the same time that they lift their sights on the nutritional levels of their countries. Furthermore, systems of emergency feeding and distribution to the needy are rudimentary or nonexistent in many countries, and local voluntary organizations need to be created or motivated to take part in these activities.

To stimulate a great international effort in this whole area of food, fibers, and nutrition, we recommend that a World Food Conference be called, bringing together from each participating country not only government representation but also delegates from farm cooperatives and voluntary distribution organizations. This conference might be called by the FAO, and in any case it should be held under its leadership. The initiative for calling such Conference might well come from the President.

3. Food-for-peace missions: Africa

We recommend that special missions be sent to a number of countries and regions to explore with governments in these areas the possibility of raising nutritional standards through the use of our agricultural products, expanding their own agricultural production, and improving food distribution. In our opinion, much is to be gained through well-staffed, high-level intergovernmental surveys of this character. A few areas might well be chosen as pilot areas.

In particular, the food needs of Africa, which seem to have been neglected under the current food-for-peace program, demand immediate attention. In India, where a massive food-for-peace program has already been set on foot, a survey of nutritional needs might be useful for forward planning.

Such missions should have their commission and instructions from the President. They might well be selected and organized by the Food for Peace Director, and include prominent American citizens not in government, as well as appropriate governmental officials.

Mr. TOWNSEND. As you may know, some of the recommendations have come to pass, and are a compliment to this committee for the things that took place back in 1961. I think that you would find it of interest, particularly pages 23 to 29 which were submitted to the then President-elect, Mr. Kennedy, on January 19, 1961.

Mr. POAGE. Without objection it will be inserted into the record.

Mr. TOWNSEND. That is all I propose to suggest in connection with the eight-page statement. I recommend that the committee members would find it interesting reading and if you take the time to read it I am sure that you will find Mr. Lincoln has put a good deal of thought and energy into this program.

Mr. POAGE. We are aware that he has had a big part in this.

Mr. TOWNSEND. Very well.

Mr. POAGE. We do appreciate your appearance.

Mr. TOWNSEND. Thank you, sir.

Mr. POAGE. With that the subcommittee stands adjourned.

Thank you.

(Whereupon, at 12:50 p.m., the subcommittee was adjourned.)

