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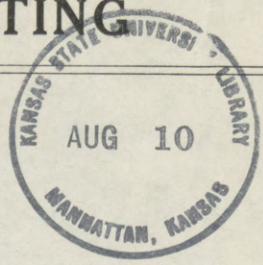
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NATIONAL COMMISSION ON FOOD MARKETING

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HEARINGS BEFORE THE COMMITTEE ON AGRICULTURE HOUSE OF REPRESENTATIVES EIGHTY-EIGHTH CONGRESS

SECOND SESSION

ON

H.J. Res. 977

MAY 5, 6, AND 7, 1964

Serial SS



Printed for the use of the Committee on Agriculture



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NATIONAL COMMISSION ON
FOOD MARKETING



HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE

COMMITTEE ON AGRICULTURE

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NATIONAL COMMISSION ON FOOD MARKETING

TUESDAY, MAY 5, 1964

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to notice, at 10:10 a.m. in room 1310, Longworth House Office Building, Washington, D.C., Hon. Harold D. Cooley (chairman) presiding.

Present: Representatives Cooley, Poage, Gathings, Abernethy, Jones of Missouri, Johnson of Wisconsin, Matthews, Stubblefield, Harding, Purcell, Morrison, Rosenthal, Olson, Leggett, Matsunaga, Hoeven, Dague, Belcher, McIntire, Teague of California, Quie, Short, Latta, Findley, Dole, Beermann, and Hutchinson.

Also present: Martha Hannah, staff; Hyde H. Murray, assistant clerk; John J. Heimburger, general counsel; Robert Bruce, assistant counsel; and Francis LeMay, consultant.

The CHAIRMAN. The committee will please be in order.

We are delighted to have the Honorable Orville L. Freeman, Secretary of Agriculture, here this morning. We will be glad to hear from you now, Mr. Secretary.

(H.J. Res. 977, together with the letter dated April 1, 1964, from the President, and a letter dated March 24, 1964, from the Secretary of Agriculture, Mr. Freeman, and attachment follow:)

[H.J. Res. 977, 88th Cong., 2d sess.]

JOINT RESOLUTION To establish a National Commission on Food Marketing to study the food industry from the farm to the consumer

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That there is hereby established a bipartisan National Commission on Food Marketing (hereinafter referred to as the "Commission").

SEC. 2. ORGANIZATION OF THE COMMISSION.—(a) The Commission shall be composed of fifteen members, including (1) five Members of the Senate, to be appointed by the President of the Senate; (2) five Members of the House of Representatives, to be appointed by the Speaker of the House of Representatives; and (3) five members to be appointed by the President from outside the Federal Government.

(b) Any vacancy in the Commission shall not affect its powers and shall be filled in the same manner as the original position.

(c) Eight members of the Commission shall constitute a quorum.

SEC. 3. COMPENSATION OF MEMBERS.—(a) Members of Congress who are members of the Commission shall serve without compensation in addition to that received for their services as Members of Congress; but they shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Commission.

(b) Each member of the Commission who is appointed by the President may receive compensation at the rate of \$100 for each day such member is engaged upon work of the Commission, and shall be reimbursed for travel expenses, in-

cluding per diem in lieu of subsistence as authorized by law (5 U.S.C. 73b-2) for persons in the Government service employed intermittently.

SEC. 4. DUTIES OF THE COMMISSION.—(a) The Commission shall study and appraise the marketing structure of the food industry, including the following:

(1) The actual changes, principally in the past two decades, in the various segments of the food industry;

(2) The changes likely to materialize if present trends continue;

(3) The kind of food industry that would assure efficiency of production, assembly, processing, and distribution, provide appropriate services to consumers, and yet maintain acceptable competitive alternatives of procurement and sale in all segments of the industry from producer to consumer;

(4) The changes in statutes or public policy, the organization of farming and of food assembly, processing, and distribution, and the interrelationships between segments of the food industry which would be appropriate to achieve a desired distribution of power as well as desired levels of efficiency; and

(5) The effectiveness of the services and regulatory activities of the Federal Government in terms of present and probable developments in the industry.

(b) The Commission shall recommend such actions by Government or by private enterprise and individuals as it deems appropriate.

(c) The Commission shall make such interim reports as it deems advisable, and it shall make a final report to the President and to the Congress by July 1, 1966.

SEC. 5. POWERS OF THE COMMISSION.—(a) The Commission, or any member thereof as authorized by the Commission, may conduct hearings anywhere in the United States, or otherwise secure data and expressions of opinions. In connection therewith the Commission is authorized—

(1) to require, by special or general orders, corporations, business firms, and individuals to submit in writing such reports and answers to questions as the Commission may prescribe; such submission shall be made within such reasonable period and under oath or otherwise as the Commission may determine;

(2) to administer oaths;

(3) to require by subpoena the attendance and testimony of witnesses and the production of all documentary evidence relating to the execution of its duties;

(4) in the case of disobedience to a subpoena or order issued under paragraph (a) of this section to invoke the aid of any district court of the United States in requiring compliance with such subpoena or order;

(5) in any proceeding or investigation to order testimony to be taken by deposition before any person who is designated by the Commission and has the power to administer oaths, and in such instances to compel testimony and the production of evidence in the same manner as authorized under subparagraph (3) and (4) above; and

(6) to pay witnesses the same fees and mileage as are paid in like circumstances in the courts of the United States.

(b) Any district court of the United States within the jurisdiction of which an inquiry is carried on may, in case of refusal to obey a subpoena or order of the Commission issued under paragraph (a) of this section, issue an order requiring compliance therewith; and any failure to obey the order of the court may be punished by the court as a contempt thereof.

(c) The Commission is authorized to request directly from the head of any Federal executive department or independent agency available information deemed useful in the discharge of its duties. All departments and independent agencies of the Government are hereby authorized to cooperate with the Commission and to furnish all information requested by the Commission to the extent permitted by law.

(d) The Commission is authorized to enter into contracts with Federal or State agencies, private firms, institutions, and individuals for the conducting of research or surveys, the preparation of reports, and other activities necessary to the discharge of its duties.

(e) When the Commission finds that publication of any information obtained by it is in the public interest and would not give an unfair competitive advantage to any person, it is authorized to publish such information in the form and manner deemed best adapted for public use, except that data and information which would separately disclose the business transactions of any person, trade secrets, or names of customers shall be held confidential and shall not be disclosed by

the Commission or its staff: *Provided, however,* That the Commission shall permit business firms or individuals reasonable access to documents furnished by them for the purpose of obtaining or copying such documents as need may arise.

(f) The Commission is authorized to delegate any of its functions to individual members of the Commission or to designated individuals on its staff and to make such rules and regulations as it deems necessary for the conduct of its business.

SEC. 6. ADMINISTRATIVE ARRANGEMENTS.—(a) The Chairman of the Commission is authorized, without regard to the civil service laws and regulations or the Classification Act of 1949, as amended, to appoint and fix the compensation of an executive director and such additional personnel as may be necessary to carry out the functions of the Commission, but no individual so appointed shall receive compensation in excess of the rate authorized for GS-18 under the Classification Act of 1949, as amended.

(b) The Chairman is authorized to obtain services in accordance with the provisions of section 15 of the Act of August 2, 1946 (5 U.S.C. 55a), but at rates for individuals not to exceed \$100 per diem.

(c) The head of any executive department or independent agency of the Federal Government is authorized to detail, on a reimbursable basis, any of its personnel to assist the Commission in carrying out its work.

(d) Financial and administrative services (including those related to budgeting and accounting, financial reporting, personnel, and procurement) shall be provided the Commission by the General Services Administration, for which payment shall be made in advance, or by reimbursement, from funds of the Commission in such amounts as may be agreed upon by the Chairman of the Commission and the Administrator of General Services: *Provided,* That the regulations of the General Services Administration for the collection of indebtedness of personnel resulting from erroneous payments (5 U.S.C. 46c) shall apply to the collection of erroneous payments made to or on behalf of a Commission employee, and regulations of said Administrator for the administrative control of funds (31 U.S.C. 665(g)) shall apply to appropriations of the Commission: *Provided further,* That the Commission shall not be required to prescribe such regulations.

(e) Ninety days after submission of its final report, as provided in section 4(c), the Commission shall cease to exist.

SEC. 7. AUTHORIZATION OF APPROPRIATIONS. There is hereby authorized to be appropriated such sums not in excess of \$2,500,000 as may be necessary to carry out the provisions of this joint resolution. Any money appropriated pursuant hereto shall remain available to the Commission until the date of its expiration, as fixed by section 6(e).

(The President today sent the following letter to the President pro tempore of the Senate and the Speaker of the House of Representatives)

THE WHITE HOUSE,
OFFICE OF THE WHITE HOUSE PRESS SECRETARY,
April 1, 1964.

HON. CARL HAYDEN,
President pro tempore of the Senate,
Washington, D.C.

HON. JOHN W. MCCORMACK,
Speaker of the House of Representatives,
Washington, D.C.

DEAR MR. PRESIDENT: (DEAR MR. SPEAKER:) I recommend that the Congress enact legislation establishing the bipartisan Commission to study and appraise the changes taking place in the American food industry. Enclosed is a draft bill which will accomplish this.

The growth and stability of our entire economy depends, to a large extent, upon the food industry. Its vitality and strength are important to the farmers, processors, distributors, and retailers who depend upon it for their livelihood. Its practices affect all of us as consumers.

Information is not now available to permit an informed judgment concerning the effect of the recent changes in the food industry. We do not know whether the benefits of advanced technology are being fairly distributed among farmers, processors, distributors, retailers, and consumers. We do not know whether shifts

in bargaining power require new laws. We do not know enough about the new character of the industry to determine the extent of the benefits and the need for any relief from hardship which may be necessary.

The Commission would gather the necessary information and report to the Congress, the President, and the public.

In addition to the draft bill, there is also enclosed a memorandum from the Secretary of Agriculture explaining the need for the legislation in more detail.

Sincerely,

LYNDON B. JOHNSON.

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, March 24, 1964.

Memorandum to : The President, The White House.

From : Orville L. Freeman, Secretary of Agriculture.

Our economy is constantly changing, and we know little about the effects of change, particularly in the food industry. The farmer produces food more successfully than ever before, yet success has not been rewarded as we expect industriousness and efficiency to be rewarded. The food processor has grown large and efficient, yet he is fighting hard to maintain his corporate identity. The housewife has available a greater variety of food products than ever before, but she is less able to distinguish fact from fancy in food advertising than ever before. The food retailer, once the tail end of the food marketing chain, is rapidly becoming the dominant influence in the food industry.

All these developments indicate that a revolution in food marketing as far-reaching as the revolution in production has taken place. It points to the need for a comprehensive study of our food marketing system, and I am, therefore, transmitting a proposed joint resolution to establish a National Commission on Food Marketing. The bipartisan commission could be composed of 15 members, 5 from the Senate, 5 from the House, and 5 appointed by the President from private life.

It would investigate and document the changing structure of the marketing system for farm and food products, identify the problems raised for various segments of our society by those changes, and recommend such actions by Government, private enterprise, or individuals as it deems appropriate to facilitate adjustments or to improve the marketing structure.

Business relationships among segments of the marketing structure have undergone the greatest change. For some products the central market for buying and selling has at least in part been replaced by direct trading between individual farmers and processors or retailers, with trading itself giving way sometimes to contractual relationships. Shifts in market power, and in formal and informal corporate organizations appear to be taking place. In consequence, many farm groups throughout the country are undertaking measures to strengthen the farmer's bargaining position in selling his products.

There are many examples of these changes in marketing practices, but I will cite only two :

(1) Beef is a lead item at retail. Per capita consumption has risen sharply and quality and service have improved greatly. Some packers, big and little, contend that retailers impose and enforce stringent specifications for product and delivery; that there is price leadership; that retail sales are planned as much as 3 months ahead, setting proportions of beef, pork, provisions, and poultry; that loss of one or a few retail customers may be crippling and, therefore, threat of loss becomes a power instrument. It is alleged that shortrun retail price bears little immediate relation to carcass or to live prices and that returns have fallen to mere survival levels. Similar complaints are made by stockyards and older markets and marketing agencies that have been partly bypassed. Feeders and growers allege that pressures impinging on packers are quite harsh on them also.

(2) Canners, freezers, and dehydrators allege that 10 years ago there were firm and actionable purchase contracts by retailers who took inventory costs and risks and bought at a firm advance price. Now they contend that there are merely statements of intent to buy instead of contracts; that they carry the product in inventory with all costs and risks; that often they must pack precisely to customer specifications, buy and affix retailer labels, and sell on a market-price-at-time-of-shipment basis with little real or usable alternative sales outlets.

No segment or product line of the food industry appears to be unaffected. The traditional marketing system had many built-in protections. It was competitive and dispersed. It was a visible system whose workings were exposed to easy view by both buyer and seller.

The current system is much less patterned and uniform. It is a mosaic of the big and small, of central markets and decentralized trading. Traditional trading remains alongside of telescoped integration that often eliminates trading.

The scope and nature of these changes are by no means fully known. Their effects on farmers, distributors, and consumers are even less well known and understood. The present market structure is not necessarily suspect, either generally or in particular cases. But to the extent that a traditionally open market organization may have disappeared there may well exist a potential threat of grave abuses.

At issue here is not merely what has happened to the food industry of this country. At issue also is the kind of food industry the Nation needs two decades from now. We need to know what we should do to meet our needs and what the proper role of Government is in seeking our goals. In summary, we deal not only with the food industry, but with the shape of the American economy and the kind of a nation in which our children will live.

Involved in these matters are annual retail food sales of \$70 billion, employment for about 11 million wage earners, and operations that daily touch the life of every American and significantly affect the growth and stability of the economy.

I believe that the proposed Commission, with appropriate staff and full cooperation from other Federal agencies which are able to contribute to its work, can develop the required information, and it can help to chart desirable courses of action by Government and by the industries involved in these rapid and far-reaching changes.

I would hope for prompt enactment of this legislative proposal in order that the Commission may start its important work at an early date.

ORVILLE L. FREEMAN.

JOINT RESOLUTION To establish a National Commission on Food Marketing to study the food industry from the farm to the consumer

Whereas the food industry of the United States (herein used to refer to animal and human foods of farm origin) is an important sector of the total economy which involves expenditures of about 70 billion dollars per year at retail, employs about eleven million wage earners, daily touches the life of every American consumer, and significantly affects the stability and growth of the American economy; and

Whereas in the past two decades, significant changes have occurred in the relationships among components of the food industry and in market organization, production, processing, and distribution of food and food products; and

Whereas these changes involve the nature and extent of integration and diversification, supply sources and relationships, and prices and other terms of sale at the several stages of production, processing, and distribution of food and food products; and

Whereas Government, industry and the public urgently need information to sustain informed judgments on the nature, causes, and effects of these changes; and

Whereas it is clearly essential that a comprehensive and objective inquiry be made into the nature, causes, and effects of changes in the food industry to determine desirable objectives in the public interest: Therefore, be it

Resolved by the Senate and the House of Representatives of the United States of America in Congress assembled, That there is hereby established a bipartisan National Commission on Food Marketing (hereinafter referred to as the "Commission").

SEC. 2. Organization of the Commission. (a) The Commission shall be composed of fifteen members, including (1) five Members of the Senate, to be appointed by the President of the Senate; (2) five members of the House of Representatives, to be appointed by the Speaker of the House of Representatives; and (3) five members to be appointed by the President from outside the Federal Government.

(b) Any vacancy in the Commission shall not affect its powers and shall be filled in the same manner as the original position.

(c) Eight members of the Commission shall constitute a quorum.

SEC. 3. Compensation of Members. (a) Members of Congress who are members of the Commission shall serve without compensation in addition to that received for their services as Members of Congress; but they shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Commission.

(b) Each member of the Commission who is appointed by the President may receive compensation at the rate of \$100 for each day such member is engaged upon work of the Commission, and shall be reimbursed for travel expenses, including per diem in lieu of subsistence as authorized by law (5 U.S.C. 73b-2) for persons in the Government service employed intermittently.

SEC. 4. Duties of the Commission. (a) The Commission shall study and appraise the marketing structure of the food industry, including the following:

(1) The actual changes, principally in the past two decades, in the various segments of the food industry;

(2) The changes likely to materialize if present trends continue;

(3) The kind of food industry that would assure efficiency of production, assembly, processing and distribution, provide appropriate services to consumers, and yet maintain acceptable competitive alternatives of procurement and sale in all segments of the industry from producer to consumer;

(4) The changes in statutes or public policy, the organization of farming and of food assembly, processing, and distribution, and the interrelationships between segments of the food industry which would be appropriate to achieve a desired distribution of power as well as desired levels of efficiency; and

(5) The effectiveness of the services and regulatory activities of the Federal Government in terms of present and probable developments in the industry.

(b) The Commission shall recommend such actions by Government or by private enterprise and individuals as it deems appropriate.

(c) The Commission shall make such interim reports as it deems advisable, and it shall make a final report to the President and to the Congress by July 1, 1966.

SEC. 5. Powers of the Commission. (a) The Commission, or any member thereof as authorized by the Commission, may conduct hearings anywhere in the United States or otherwise secure data and expressions of opinions. In connection therewith the Commission is authorized—

(1) To require, by special or general orders, corporations, business firms, and individuals to submit in writing such reports and answers to questions as the Commission may prescribe; such submissions shall be made within such reasonable period and under oath or otherwise as the Commission may determine;

(2) To administer oaths;

(3) To require by subpoena the attendance and testimony of witnesses and the production of all documentary evidence relating to the execution of its duties;

(4) In the case of disobedience to a subpoena or order issued under paragraph (a) of this section to invoke the aid of any district court of the United States in requiring compliance with such subpoena or order;

(5) In any proceeding or investigation to order testimony to be taken by deposition before any person who is designated by the Commission and has the power to administer oaths, and in such instances to compel testimony and the production of evidence in the same manner as authorized under subparagraphs (3) and (4) above; and

(6) To pay witnesses the same fees and mileage as are paid in like circumstances in the courts of the United States.

(b) Any district court of the United States within the jurisdiction of which an inquiry is carried on may, in case of refusal to obey a subpoena or order of the Commission issued under paragraph (a) of this section, issue an order requiring compliance therewith; and any failure to obey the order of the court may be punished by the court as a contempt thereof.

(c) The Commission is authorized to request directly from the head of any Federal executive department or independent agency available information deemed useful in the discharge of its duties. All departments and independent agencies of the Government are hereby authorized to cooperate with the Commission and to furnish all information requested by the Commission to the extent permitted by law.

(d) The Commission is authorized to enter into contracts with Federal or State agencies, private firms, institutions, and individuals for the conducting of research or surveys, the preparation of reports, and other activities necessary to the discharge of its duties.

(e) When the Commission finds that publication of any information obtained by it is in the public interest and would not give an unfair competitive advantage to any person, it is authorized to publish such information in the form and manner deemed best adapted for public use, except that data and information which would separately disclose the business transactions of any person, trade secrets, or names of customers shall be held confidential and shall not be disclosed by the Commission or its staff: *Provided, however,* That the Commission shall permit business firms or individuals reasonable access to documents furnished by them for the purpose of obtaining or copying such documents as need may arise.

(f) The Commission is authorized to delegate any of its functions to individual members of the Commission or to designated individuals on its staff and to make such rules and regulations as it deems necessary for the conduct of its business.

SEC. 6. Administrative Arrangements. (a) The Chairman of the Commission is authorized, without regard to the civil service laws and regulations or the Classification Act of 1949, as amended, to appoint and fix the compensation of an Executive Director and such additional personnel as may be necessary to carry out the functions of the Commission, but no individual so appointed shall receive compensation in excess of the rate authorized for GS-18 under the Classification Act of 1949, as amended.

(b) The Chairman is authorized to obtain services in accordance with the provisions of section 15 of the Act of August 2, 1946 (5 U.S.C. 55a), but at rates for individuals not to exceed \$100 per diem.

(c) The head of any executive department or independent agency of the Federal Government is authorized to detail, on a reimbursable basis, any of its personnel to assist the Commission in carrying out its work.

(d) Financial and administrative services (including those related to budgeting and accounting, financial reporting, personnel, and procurement) shall be provided the Commission by the General Services Administration, for which payment shall be made in advance, or by reimbursement, from funds of the Commission in such amounts as may be agreed upon by the Chairman of the Commission and the Administrator of General Services: *Provided,* That the regulations of the General Services Administration for the collection of indebtedness of personnel resulting from erroneous payments (5 U.S.C. 46c) shall apply to the collection of erroneous payments made to or on behalf of a Commission employee, and regulations of said Administrator for the administrative control of funds (31 U.S.C. 665(g)) shall apply to appropriations of the Commission: *Provided further,* That the Commission shall not be required to prescribe such regulations.

(e) Ninety days after submission of its final report, as provided in section 4(c), the Commission shall cease to exist.

SEC. 7. Authorization of Appropriations. There is hereby authorized to be appropriated such sums not in excess of \$2,500,000 as may be necessary to carry out the provisions of this Joint Resolution. Any money appropriated pursuant hereto shall remain available to the Commission until the date of its expiration, as fixed by section 6(a).

STATEMENT OF HON. ORVILLE FREEMAN, SECRETARY OF AGRICULTURE, U.S. DEPARTMENT OF AGRICULTURE

Secretary FREEMAN. Thank you very much, Mr. Chairman and members of the committee.

Almost a year ago I appeared before the Family Farm Subcommittee of this parent committee and suggested the need for a deep and penetrating inquiry into the new forces at work in the marketplace for food. I described then my growing concern that the family farm and the consumer, so far as he or she benefits from abundance, were being threatened by two revolutionary forces—the production revolu-

tion and the marketing revolution—both of which are the source of great change in the fabric of American life.

Both revolutions carry within them concealed time bombs which threaten today to explode, to tear and distort the economic and social patterns of our society. We have sought for more than 10 years to experiment with the techniques which will let us live with the production revolution. And I am here today to ask your help in defusing the time bomb which is ticking away in the marketing revolution.

My concern rests on the simple fact that a family farm system of agriculture is vital to the strength of our domestic economy, both as it stimulates the economy directly and as it sustains the ability of the consumer to enjoy abundance at relatively low cost. Food prices today are the lowest—less than 19 percent of take-home pay—in relation to consumer income in our history; and I might add in the history of the world.

The reason is that the family farm has developed as the most effective and efficient system for producing food ever devised. Thus, I am concerned with anything which can endanger this system.

We have witnessed in the past 15 years in this country a miracle in the production of food, a miracle which man could only dream about for centuries. Today, less than 8 percent of our population produces food and fiber for all of us, including a billion dollars' worth of food distributed to needy persons, to schoolchildren, and for disaster relief.

In addition, we are sharing \$2 billion worth each year through food for peace with persons in friendly nations overseas, and we are exporting some \$4 billion more for dollars. We are doing all this, and we still have an excess capacity in agriculture of about 25 percent.

The productivity per man-hour in farming has increased twice as fast as in other segments of our economy in the past decade. Output per acre for crops since 1950 has jumped nearly 40 percent, and production of livestock has increased nearly as much.

These successes have not brought the family farmer the income and the security that such a record of achievement would and should normally bring. His share of the food dollar spent by the consumer has declined steadily. In 1950, 47 cents out of every food dollar went to the farmer. Today he receives 37 cents. The income of the farmer today averages only 60 percent of the income of those who enjoy the abundance he produces.

For the past 10 years, an era of relative peace and growing prosperity, we have attempted to deal with the problems of agriculture mainly through commodity programs. This has been a decade of experiment. We have sought to help farmers adjust their production to the technological revolution on the land so that the human and social costs of that revolution would not be greater than the Nation could afford to pay.

And I believe we are learning from our experiences. It is more obvious today than it was 10 years ago that commodity programs are instruments primarily to deal with the problems of overproduction. It is equally obvious that additional instruments of public policy will be needed for the human and social problems of abundance in rural America.

This was the basis for President Kennedy's food and agriculture program for the sixties, and it is the basis for the policies carried on by President Johnson to broaden the scope of farm programs.

In addition to commodity programs, he has proposed, and the Congress has approved, community programs designed to diversify the rural economy, to provide alternative job and income opportunities for the young people growing up in rural America and who wish to make it their home. His call for a war on poverty also is a bold measure of great value to the rural community, for nearly half of those who live in poverty today reside in rural America.

We have learned further, from our experience, that commodity and community programs are not enough. Farm policy today must include food programs as well. Surpluses result as much from a lack of adequate outlets as from overproduction. Programs such as food stamps enable us to expand domestic markets. Programs of trade and aid enable us to expand commercial markets abroad while we assist developing nations along the road to freedom and commercial stability at the same time.

The administration's program for rural America is a coherent food and agriculture policy which demonstrates that "farm" policy is vital to all citizens, both city and rural. A strong rural economy—a strong family farm system—provide strong markets for much that is produced in urban areas; and strong markets mean more jobs for city wage earners. A strong family farm system of agriculture is the best guarantee that our present food abundance will not become an isolated historical incident, but will always be a part of the American way of life.

I am more optimistic today than I was 4 years ago that we can make progress in solving the problems of abundance, particularly since there is an increasing consensus on the need for a broadly based food and agriculture policy. Yet I fear that even if we are able to make peace with the production revolution, we still will not assure ourselves of an agricultural economy which provides adequate rewards to the farmer.

This committee, in its recent report on "Food Costs, Farm Prices," touched this point when it noted that prices received by farmers have "dropped 12 percent, while the prices paid by consumers for farm-produced food have increased by 29 percent" in the past 16 years.

While this trend is related to the production revolution, it is more directly related to the revolution in marketing which has been going on concurrently, but which has received far less attention. The time has come to begin defusing the time bomb in this revolution as well.

I believe we would be misleading ourselves and the American people if we and they should take for granted, or consider inevitable, the continuance of the family farm and the continuance of the food bargains enjoyed by consumers today. If the time bomb in the marketing revolution explodes, it carries away the family farm and with it our access to abundance at bargain prices.

Until recently, our food and fiber was marketed through an open system of markets, usually free of widespread or continued domination. The operations of the market were impersonal, visible, and often largely self-regulating. It was a system that developed in order

to channel the output of many farms through the processing segment into a retail system with many thousands of small, independent stores.

Today, about 10 percent of the stores do two-thirds of the business. Now there are far fewer buyers at the retail level and they are vastly larger. It is estimated that today fewer than 2,000 persons make the buying decisions for 90 percent of all retail grocery outlets. The merchandising requirements of these retailers are being met, to a large extent, by an almost completely new system. The rise of mass buyers has given birth to new methods and techniques of procurement and production that are much less open to the public eye.

Some of these new techniques are familiar to you, and they are all characterized by an overwhelming disparity of bargaining power. They include vertical integration of farm production with food processing or distribution, or both; by contract or captive farming; and by rigidly standardized marketing systems that make it impossible to fit the efficiently produced output of family farms into the narrow requirements of big processing and distributing companies.

The growth of a food industry which would be closely integrated from production to the retail outlet could virtually eliminate open trading altogether. Carried to the ultimate, it could reduce the farmer to the status of a hired employee, and in many cases an employee without any of the benefits found in the normal employer-employee relationship.

The consumer should take note of these dangers, as well. It has been expressed many times that "good management, marketing oriented—strong enough and big enough—will not contribute to its own price demoralization." This means that if our food were produced largely, or entirely, by big farm corporations closely related to big processing or distributing corporations, there would be supply management of our food by private corporations, for private gain. Should that happen, let the consumer beware.

I do not know how close we are to a danger point. We know that the family farm remains the dominant form of agricultural production, and that it is growing in relation to other forms of food production.

Farms hiring fewer than 1.5 man-years of labor—or less than the farm family itself provides—accounted for 95.7 percent of all farms in 1959 as compared with 94.5 percent in 1944. These farms accounted for over 70 percent of all marketings in 1959 compared with only 66.5 percent 15 years earlier. Farm census figures which will be gathered this year will provide us with information as to what has happened over the past 5 years. We will know better then whether we are approaching a danger point.

There are signs of change which concern me—both as a person dedicated to the welfare of the farmer and as a person aware of consumer needs. There are signs of a lessening of competition—of an increasing fog descending between the public and the marketplace.

The distinction between the retailer and wholesaler is becoming less obvious, and in many cases indistinguishable. There is some evidence that terminal markets for livestock producers are being replaced by other forms. Processors, such as canners and meatpackers, complain today that they are being forced to assume inventory risks which 10 years ago were shared by retailers. And the leaders of the canning

industry have publicly stated that market practices today place "almost the entire risk of capital with the canner."

Practically all the broilers sold in the United States today come from poultry factories selling 8,000 or more birds a year—and it wasn't too long ago when farm flocks provided most of the birds, and pin money for the farmer's wife. Egg factories, completely mechanized and integrated production units, are the common form of production, rather than the exception. In some areas of the Nation, vertically integrated beef cattle feeding operations conducted by packers or chainstores account for a fourth of the total marketings of fed cattle.

Nor can any satisfactory answer be found to explain the sharp increase in spread between what farmers get for what they sell and what the consumer pays for food in the supermarket. This is particularly true in the case of bread and beef.

The retail price of bread has increased from about 14 cents to about 22 cents in the past 15 years, yet the amount the farmer receives out of the sale price of each loaf of bread has declined slightly. The marketing spread has increased by about 80 percent. A recent study of the baking industry identified part of the increase in cost as the inefficient use of resources by the industry.

There is no comparable study for beef, but the farm-retail price spread has increased sharply—from about 22 cents a pound to 36 cents a pound in the past 15 years. There is evidence that the increase is largely at the retail level. The farm-retail spread for pork over the same period is much smaller than for beef, and we do not know why. It indicates that pricing policies may have more to do with the beef price spread than changes in cost.

I would like to emphasize very strongly and emphatically I am not here today to point fingers, however. I am here to ask questions and to ask your help in setting up the machinery to get information not now available. The National Commission on Food Marketing is needed to answer questions for farmers, processors, wholesalers, retailers, and by consumers.

We need answers to such questions as:

1. What changes actually have occurred in the size, concentration, and business relationships of food marketing firms?
2. What will the food industry be like in the future if present trends continue?
3. Will this food industry structure be consistent with the national longrun interest? What will be the effect of this structure on the family farm—on the consumer?
4. What kind of food marketing system do we want?

Many agencies of Government are concerned with the questions posed by this inquiry. In Agriculture, we currently are involved in investigations and litigation affecting a number of areas of food marketing. Under the Packers and Stockyards Act, which requires that we maintain fair trade practices in the livestock and poultry industry, we have instituted proceedings against several retail chains and packers for allegedly manipulating or controlling dressed lamb prices. A companion case involving anticompetitive practices in live lamb buying is currently pending a decision by the Department hearing examiner.

There also is underway a similar investigation into trade practices in the broiler industry which followed a series of complaints by producers. I cite these by way of example without any attempt to discuss the merits of the cases.

Other cases in other agencies also affect the food marketing system. Only last week the Justice Department announced grand jury indictments of a dozen major flour-milling concerns and a half dozen company officers for conspiracy to fix flour prices. Many agencies—Interior; Health, Education, and Welfare; the Federal Trade Commission; State health and agriculture departments, and the committees of the Congress have responsibilities relating to food marketing.

The work of the Commission will encompass the interests of all and transcend the interest of any single one. Its function, its purpose, its objective are different from those of the departments and agencies at the State and Federal level. It will gather and evaluate facts which can help bring understanding to all.

It is essential that the inquiry be carried out by an independent factfinding agency unencumbered by regulatory or other program responsibilities. The success of the study depends on the objectivity and lack of identification with a particular interest—industry, government, or any other. An independent bipartisan commission composed of public and private members of outstanding stature, with a competent professional staff, is the most promising means of achieving this goal.

The Commission should be empowered to obtain whatever information it needs wherever it may exist. The proposed legislation provides for formal and informal procedures, hearings, subpoena power, and access to public and private records. Information available from all Government agencies would be available to the Commission, and the work already done by other agencies would be used to the maximum by the Commission.

Authorized activities of other agencies would not be impaired by the Commission. We expect in Agriculture, for example, to continue the investigations and litigations required by law. Our programs of marketing economic research would be continued. We shall, of course, coordinate these activities wherever possible with the Commission. Other agencies of the Government will do the same.

Within this framework, the National Commission on Food Marketing will be of service to all—will draw strength from many—and will hamper the work of none.

The job of the Commission is large and vital. Its task is not directly concerned with surpluses or price supports or other such farm matters but the answers we seek bear importantly on these issues. Nor is the job the classical task of containing fraud, deceit, collusion, or similar abuses.

It is not a matter of enforcement of present laws or of the adequacy of present services, although these are issues of importance. The critical issue here is a pattern of drastic change in a vitally important industry—changes as yet not fully described or analyzed, and therefore not fully understood.

The basic question we must answer is the kind of economy in which we want to live. The rapidity of change underlines the need for prompt action to obtain the best possible information we need to give the best possible answer to this question.

I urge, therefore, that this committee act promptly and favorably on the legislation to create a National Commission on Food Marketing.

Thank you for your kind attention.

The CHAIRMAN. Thank you very much, Mr. Secretary.

Are there any questions? Mr. Hoeven.

Mr. HOEVEN. Mr. Secretary, I favor the objective of this legislation, but I am wondering what you really hope to achieve. I ask this because during my service on this committee we have from time to time made investigations and have always wound up with a finding showing no one to be getting the gravy. It seems that everything was accounted for, including labor costs, transportation, advertising, marketing, the retailer, the wholesaler, and others. When we got all through with our investigations we never were able to come up with a definite conclusion.

Mr. Secretary, it has been reported that chainstores in this country actually set the price of consumer goods. I would appreciate your comments.

Secretary FREEMAN. I think the question that you have asked is one for which this study would provide the background for an answer. I have heard this allegation. I have seen evidence that appeared to give some support for it. I have seen some studies which clearly and seemingly factually contradicted that. And I, frankly, do not know; and I think that we need to know in the broader scope. I think that we need to have some projections of the road that we are traveling in these various broad and sweeping changes that are taking place, so that we can make some judgments and weigh both the economics of some of these changes and the efficiency or the absence of efficiency and the equity of some of these changes as well. Very frankly, Mr. Hoeven, while there have been some splendid studies made by this committee over the years, I do not believe anything quite as comprehensive as is contemplated here has been made. I would liken this study, really, to the economic reports of the O'Mahoney committee as to the total evaluation of our national economy and the direction in which it was moving. This was a monumental work, completed, as you will recall, shortly before World War II, and it was never actually followed up because of the advent of the war. I envision something of that magnitude here.

Mr. HOEVEN. Mr. Secretary, I think that the Commission must consider the selective demands of the consuming public. For example, the housewife today goes into a large supermarket and finds pork chops and various other cuts of meat are nicely trimmed and wrapped up in cellophane. Of course, the customer is paying for that added luxury. The farmer gets no part of it at all. And as long as we have that kind of consumer demand for such niceties, the consumers will have to pay for such added luxuries.

I do not know how we will ever bridge that gap.

Secretary FREEMAN. I would say only this. I have asked the same question, Mr. Hoeven. For example, I hope that this Commission would help us to be able to answer this question. I am not at all sure that some of the modern, fancy packaging and handling reflects more cost to the consumer and less return to the farmer.

For example, if vegetables are washed, if the tops of carrots or some other vegetable have been cut off—if they are packaged efficiently, one-half of the bulk in weight no longer has to be transported from

California to New York or from Florida to New York. If this happens, it may very well be the case that it is really more efficient and ought to cost the consumer less instead of more and the farmer ought to have a greater share in light of the fact that a wasteful process has been eliminated and at the same time there is a more convenient end product.

We need to know what commodities this sort of thing applies to, and I, frankly, do not know. We have done some work on this in the Department and we have come up with some different answers.

Mr. HOEVEN. The consuming public usually blames the high prices of beef on the farmer, when this is unjustified. They do not take into consideration the fact that they are making some demands which increase the price of food products.

Secretary FREEMAN. I thank you.

The CHAIRMAN. Mr. Poage.

Mr. POAGE. I do not think that I want to ask any questions. I just want to state clearly that this is an effort to get at information that every agency has recognized we need to know and every administration has recognized we need and this committee has continually recognized that we need, but none of us are equipped to do more than our immediate job, and the result is that we never do get to the roots of the matter.

I think this resolution provides a means of going to the fundamentals and doing what the scientists call basic research without apparent immediate practical application, but we all know that you cannot make any sustained advance in science without this basic research. In other words, you have to have the facts before you know how to use those facts.

While I do not know just how we are going to use the facts presented here, I do know that we need those facts and need them desperately. We do need a good deal more information than we have. I do not know any way that we can get it except to set someone up with the special duty to get the information and to get it without any regard to any immediate question confronting us.

So it seems to me that the purpose of this resolution is a very sound one. And while it is one that affects everybody in the country, it should be of special interest to this committee, because it is in the subject both of production and distribution and the consumption of agricultural products, because while we are prone to think that in any single market the costs are always passed on to the producer, that is never true in the case of a shortage of a commodity—where there is a short supply those additional costs are always passed on to the consumer.

It is true that we have had a rather long period of ample supply, as the Secretary has pointed out, but it is equally true that we are, certainly, in a great many instances finding ourselves with a short supply and will in years to come on a great many and various commodities and on those the consumer is going to pay the extra cost. I think that the consumers should recognize that they have just as much at stake in this as the producers have. It seems to me, this is a program in which everybody in the United States should be interested.

The CHAIRMAN. Mr. Latta.

Mr. Latta. Thank you, Mr. Chairman. I am very much pleased with the objectives of such a study, Mr. Secretary. Some years back, the price of hogs fell to about 11 cents, and the price of pork chops was still around 89 cents a pound. It was suggested at that time that our committee investigate this matter. I am wondering whether we really need a new commission to do the job that you feel needs to be done. Can't the existing committees of the Congress do the job?

I am for economy myself, and the amount requested for the new commission looks like a lot of money.

Why couldn't the Agricultural Committees of the House and Senate do the job that needs to be done with the staffs that are now available?

Secretary FREEMAN. Well, I would not presume to pass judgment on a joint committee from the legislative branch of Government. I am sure that an effective one could be set up. But I think that a broadened dimension of participation from the public at large would strengthen it and that is why the President has recommended a commission that would include representatives from both the House and the Senate, plus members from the public.

Mr. Latta. We are supposed to be representing everybody. We have had a lot of investigations conducted by the Congress that have been quite fruitful.

In reading over the objectives of this bill, and, also, your statement, I do not find anything that could not be accomplished in such a fashion. I feel that a lot of the things you have pointed out need to be investigated. Certainly, your Department has information on some of these items.

Here, for example, on page 2 of this bill it says:

The Commission shall study and appraise the marketing structure of the food industry, including the following: (1) The actual changes, principally in the past two decades in the various segments of the food industry—

and so forth.

I am certain that your Department has kept pace with what has been going on during the past two decades in this field. Am I right or wrong?

Secretary FREEMAN. With the research facilities available to us, we have done our best, but as I said earlier, there are a number of questions that are far reaching in their scope and implication and we do not have either all of the facts or the foundation upon which to reach judgments or to make recommendations on them. I thought that Congressman Poage stated it rather well a moment ago in connection with some of the struggles of this committee to get more information and I would share his judgment that there was not adequate information available in a number of these areas.

Mr. Latta. I share the same feeling that we do not have all of the information, but the question that I am raising is whether or not this Congress should not on its own initiative, with the aid of the Department of Agriculture, go into this matter and investigate these things. The Senate and the House can do this job before July 1, 1966, as called for in this bill. I think it needs to be done before July 1, 1966, and that is 2 years away.

Secretary FREEMAN. I think that you would agree that there is nothing in the resolution that says that the report could not be filed before that time. It sets that as the time limit so that it would, cer-

tainly, be completed by that time. I am sure that the members designated from the Congress, as well as the public members designated by the President, would be anxious to expedite such a study as rapidly as possible and hopefully it would not require the full 2 years.

I am sure this would be because of the urgency which your question implies.

Mr. LATTI. I have just a few questions here about page 10 of your statement, where you say:

Only last week the Justice Department announced indictments of a dozen major flour milling concerns and a half dozen company officers for conspiracy to fix flour prices.

I do not know which companies were indicted. I presume, perhaps, the big ones. I would like to know how many of these that were indicted by the Justice Department last week were in support of the administration's certificate plan that passed the Congress recently and how many were not.

Secretary FREEMAN. I think that is a highly inappropriate and improper question. The inference from it is highly improper and uncalled for. I do not know the answer and I would have no way of finding out. I prefer not to respond to the question unless the chairman instructs that I should.

Mr. LATTI. I do not think it is an improper question. I think it is something that we ought to know about.

The CHAIRMAN. What was the question?

Mr. LATTI. How many of these companies supported the administration's certificate plan for wheat and how many did not?

The CHAIRMAN. How would he know that?

Mr. LATTI. He is the Secretary—he should know it.

The CHAIRMAN. Do you know who voted for the wheat program in your district? I certainly, do not. I do not suppose he knows.

Mr. LATTI. I want the question answered.

The CHAIRMAN. I think that you should withdraw the question.

Mr. LATTI. I want the question in the record. I will not withdraw it.

The CHAIRMAN. He has answered it as best he can under the circumstances.

Mr. Abernethy.

Mr. ABERNETHY. Mr. Secretary, I think that there are many areas in which a commission of this kind could render a service and I believe it would render a service that would be good. At the same time our present system of food marketing is in most respects very good and generally satisfactory.

I am not clear as to what the food handlers are doing that would encourage the establishment of a commission to inquire into their marketing secrets. The resolution makes reference to such.

What I am getting at is this, there are already so many instances of subpoena power in this Government that I have some hesitancy in adding to such. What is it that the markets are doing that on investigation would warrant use of the subpoena power?

Secretary FREEMAN. I will answer this question with some caution because I am not here to point the finger of blame at anyone.

The purpose of this Commission is to make a completely objective appraisal and—

Mr. ABERNETHY. Appraisal of what?

Secretary FREEMAN. An appraisal of the changes that are taking place which are placing very significantly increased power in certain areas of marketing.

Mr. ABERNETHY. What do you mean by "power"?

Secretary FREEMAN. The fact that, as I stated in the testimony, an estimated 2,000 people do the procurement of 90 percent of the food that is retailed. Obviously, this means that a determination of the price is being made or potentially can be made by these 2,000 people who are buying 90 percent of the food that reaches the consumers as a product of this system.

Mr. ABERNETHY. Do you mean that these buyers for the large marketing food chains who do their buying—it could not be anyone else?

Secretary FREEMAN. The food chains, associations of all kinds, groups who have joined together to pool their respective business practices in order to bring about greater efficiencies. As I tried to relate here, there are complaints which reach us from the packers as to some of the standards that they are required to meet. Is this good or is it bad? Certainly in the fruit and vegetable field many of the producers feel that they are called on to produce to certain specifications, sometimes as to packages, sometimes to the label; often without any kind of contract, but with just a general understanding that if these specifications are met there is a likelihood that significant purchases will be made.

Quite a number have complained of the change in the carrying of the inventories. Where previously the wholesalers, or in some instances the retailers, would carry the inventories, today the producers or the producer organizations are literally carrying these inventories. A whole host of such changes have occupied where formerly the usual play of millions of interlocking forces in the marketplace set the price. And today fewer are bringing about the end result.

As Congressman Poage said, the implications from this are not clear. It would seem that the consumer, by and large, has benefited, because the price of food in relation to other things has been low and because the percentage of take-home pay spent for food has steadily dropped.

On the other hand, whether the producer has or has not, it would seem, as I tried to relate, that the producer certainly has not benefited; but there are other factors involved in this, too, and where all of these changes carry us, we do not know.

The fact that today we have feedlots that are turning out hundreds of thousands of fed animals and the effect this has on the cattle cycle adjustments which we have gone through periodically in this country, is another question, and no one really knows the answer to it. Are these large feedlots a good thing? Are they economic? And are they efficient? Or do they wield power without necessarily being more efficient?

Mr. ABERNETHY. Yes.

Secretary FREEMAN. There are all kinds of questions of this kind, such as vertical integration and contract relationships. In some instances when I personally discussed this, the results seemed to be good and in others they seemed to be highly questionable in terms of both the economics and the equities. So I think that there is a host of

unanswered questions, ungathered facts that we need to know a great deal more about.

Mr. ABERNETHY. I have no interest, substantial or otherwise in the food industry. In looking over pages 5 and 6 of this resolution, we are called upon to place some mighty strong power in the hands of a commission. There is anticipation on the part of some. I do not know who, that the power of subpoena will be needed to get somebody, I know not who, before the Commission, requiring them to bring their records, books, and so forth.

And then on page 6 we assume that the Commission would learn who some of their associates are, who they trade with, what their business transactions amount to, and would gain information about their trade secrets, the names of their customers, et cetera, and then it goes on to say that the Commission shall hold in confidence and not disclose any of this information.

That just leads me to suggest that where you have a commission of 15 people with a professional staff of 8 or 10, plus many investigators, that I do not think it will be possible to keep secret the things they learn about a particular business. What is there about their businesses they do not disclose now that we need this Commission to look into?

Secretary FREEMAN. From all indications, there is support for this Commission and the objectives from all segments of the food industry that would be making available information which the Commission would treat on a confidential basis, information secured by way of subpoena. We get a good deal of information in the Department of Agriculture on a number of things that we do not make publicly available for the reasons you have just related. And hopefully, there would never be any need for the subpoena power.

Mr. ABERNETHY. Is there opinion that there would be a need for the subpoena power?

Secretary FREEMAN. I think that the subpoena power would be essential to make sure that critical information which might conceivably be withheld, for reasons of self-protection, would be made available. Otherwise, there would tend to be the concern which you expressed that information from one might be made available and not information from another and I think that you could say in this instance that the subpoena power is a kind of instrument of equality to be sure that everybody participates.

Mr. ABERNETHY. I think you are familiar with the fact that every time we have any sort of a resolution conferring subpoena power upon any commission or upon a committee of the Congress, it is always questioned rather meticulously and granted only after the most careful consideration and then very guardedly.

Secretary FREEMAN. Yes, and properly so. I would certainly agree.

Mr. ABERNETHY. I think so. And that is my only reason for raising the question here.

That is all, Mr. Chairman. Thank you.

The CHAIRMAN. Mr. Quie.

Mr. QUIE. Mr. Secretary, the five appointees by the President, what type of individual is envisioned would be appointed?

Secretary FREEMAN. The President, obviously, would make that decision, but I have reason to believe that what he contemplates is people of great public respect and maturity and experience in public

affairs. And, certainly, no one who had any kind of personal interest, or any kind of preconceptions. As I say, a person publicly accepted, a person of integrity and high moral standards and experience, with a broad base in both public and private affairs.

We do not contemplate balancing off various segments of the food industry that might be competitive with one another, but rather, having people who could cut across all areas.

Mr. QUIE. In other words, would it be unlikely that anyone connected with any food industry at the retail or the wholesale level or at the packer level would be on it?

Secretary FREEMAN. That is not contemplated.

Mr. QUIE. What about the employees of the Commission—would it be expected that some of these employees would be employees of the Federal Government prior to this time, such as contained on page 7, subsection (c), "the head of any executive department or independent agency of the Federal Government is authorized to detail, on a reimbursable basis, any of his personnel to assist the Commission in carrying out its work."

Secretary FREEMAN. I think this would be a matter of discretion on the part of the Commission as to the resources they wished to draw on, but it is made clear that we do not feel that any department or any agency of Government involved in enforcement as such and the personnel involved in enforcement should play prominent parts, because the purpose here is not enforcement, the purpose of this is to develop information. We would not want this information from prejudiced sources and we would want to avoid alarm that would in any way obstruct the effort to get a completely good picture.

Mr. QUIE. Why would it be necessary for any Federal employee to be employed by the Commission?

Secretary FREEMAN. I do not think that it would be absolutely necessary at all.

Mr. QUIE. If there was any concern on our part about it, you would not have any real objection to removing this authority?

Secretary FREEMAN. I believe not. I believe in other places throughout the country that competent and effective people could be obtained if it was felt by this committee and the Congress desirable to do so.

The CHAIRMAN. Will the gentleman yield?

Mr. QUIE. Yes.

The CHAIRMAN. I think that the resolution contemplates that the Commission could use other agencies of the Government and it authorizes other agencies of the Government to cooperate with the Commission.

Secretary FREEMAN. Yes, it does. And the question of whether the Commission ought to draw on personnel in the Government as a part of their staff is a question that I really think the Commission ought to determine in relation to their needs and their objectives. I, personally, believe that it ought to be within their discretion.

The CHAIRMAN. You would not want to eliminate all Federal employees because they have a lot of capable people who could furnish very vital information to this Commission. The recent report which this committee made on food costs and farm prices was made possible by considerable help from the Department of Agriculture and the Library of Congress, and without that we could never have prepared

the report. And furthermore, I do not think that the Members of the Congress would have had the time to do it, nor will this Commission, so I think that they will have to use Federal employees and we have many fine people in Government who could work on this.

Mr. QUIE. The Commission could get all of the information they needed from the Federal agencies. They could say that we want this and that. As to this hiring of the people for a period of time, will they be employed by the Commission and then go back to the Department of Agriculture, for example? Not only to the Department of Agriculture, but to the other departments that have been mentioned? And, they will feel a loyalty toward the agency from whence they came. So far as that is concerned, there are capable people outside of the Federal departments who could be hired.

Also I want to mention, in subsection (b) it states that "the Chairman is authorized to obtain services in accordance with provision 15 of the act of August 2, 1946."

And it states that rates for individuals not to exceed \$100 per diem.

Secretary FREEMAN. This refers to the obtaining of service as provided for by Federal law, such as consultants and specialists, who might be brought in by the Commission to do particular kinds of research and to bring to bear special skills they might have.

Mr. QUIE. And the regular employees of the Commission would be hired under subsection (a) where you say that it would be at salaries no higher than GS-18?

Secretary FREEMAN. Yes.

Mr. QUIE. And then you feel that there are some people that might well be hired, we will say, for a week?

Secretary FREEMAN. This the statute provides for, that kind of special consulting service that most of the executive branches of the Government currently can do and do do, and the Commission would have comparable authority.

Mr. QUIE. Would you expect any Federal employees to be involved in this?

Secretary FREEMAN. Very frankly, I have not thought about it. I think that would be a matter for the Commission. I would think not, but again, the Federal employees would be hired on a reimbursable basis. Their agency would be reimbursed if they were detailed to do a particular job, rather than on any other basis.

Mr. QUIE. Would the members from the Senate and the House be on a political basis, three Democrats and three Republicans, or what? I do not see that in the bill. Is this contemplated?

Secretary FREEMAN. I do not know.

Mr. QUIE. The Speaker and the President of the Senate would appoint these people.

Secretary FREEMAN. I have really not thought much about it except that it is made very clear that this is nonpartisan. I think the word "bipartisan" instead of the use of the word "nonpartisan" might be better. Maybe it would work out that way and maybe it would not. I would not presume to say.

Mr. QUIE. Would you expect that the five members appointed by the President would be nonpartisan rather than bipartisan?

Secretary FREEMAN. Yes; I prefer to use the word "nonpartisan." I am sure that every effort would be made so that no one who has any possible political motivation would be selected any more than anyone

who had any particular interest in a commodity group or a special segment of the agribusiness complex would be selected.

Mr. QUIE. Why do you have such a high representation here from the Congress, 10 out of the 15 from the Congress? That is quite high. You might as well have a committee of Congress do it. Mr. Latta thought that it should be the committee of Congress. I am wondering if there are not too many from the Congress on this Commission. If you tell me that there are too many Senators rather than Representatives from the House, all right.

Secretary FREEMAN. Thank you. [Laughter.]

Mr. QUIE. I am just wondering about this. I am wondering about the reason for having that many members from the legislative branch.

Secretary FREEMAN. It is a matter of judgment, but I think that this is the usual balance. Any course of action that such a Commission might recommend would need to come before the Congress. To the extent that Members of both Houses have had the experience of participating in this, a nonpartisan or bipartisan action, I think that we would be in a better position to carry it through on legislation, and so I think that involvement would be useful as we look down the road to some results. Sometimes our committee reports and commission recommendations go into a cubbyhole somewhere and I think that is often true with congressional ones and is certainly true of those that we make in the executive branch. I think that we have a reasonable mixture here and that we can get some action on this.

The CHAIRMAN. I would like to see all five House Members come from this committee—we have some very devoted men on this committee.

Mr. QUIE. I have one more question, Mr. Chairman.

On page 2 of your testimony you say, "And we still have an excess capacity in agriculture of about 25 percent." I have never seen that figure before. I wish you would give a little explanation on that to us. Does this mean that we have an excess capacity above our domestic use, or does it mean that we could greatly increase our production capacity in agriculture from the land that we have? What does that mean? "And we still have an excess capacity in agriculture of about 25 percent."

Secretary FREEMAN. This is, of course, a calculation based on a study that was made some time ago in the Department by a task force on the assumption that we had 90 percent of parity or better prices and price supports on that basis, and we said, "Go to it and produce all that we can produce." Assuming that the acres presently out of production were in production, and the full capacity of our agricultural plant was moving at 100-percent output, it was calculated that our output would increase in the neighborhood of 25 percent more on the total basis.

Mr. QUIE. In other words, we now overproduce by what, 6 percent?

Secretary FREEMAN. What we are really struggling with is 6 to 8 percent.

Mr. QUIE. In other words, if we had 90 percent of parity or above, with no restrictions at all, that would jump up 25 percent?

Secretary FREEMAN. Yes, that is right, based pretty much on the experience of the sharp upturn, when we went into World War II when the whole emphasis was on producing all that we could, instead

of the counterproblem which we are fortunate in a sense to have, but which distinguishes us from a great part of the rest of the world.

Mr. QUIE. The other question on your statement that I have is on page 8, at the top, where you say, "In some areas of the Nation vertically integrated beef cattle feeding operations conducted by packers or chainstores account for a fourth of the total marketings of fed cattle."

I was wondering what kind of region you are picking. Perhaps it would be better if you would put in the record what statistics you have for the Nation, because the movement of cattle is quite widespread. I would like to know the percentage of feeder cattle which are being fed by the packers and the percentage which are being fed by the chainstores.

Secretary FREEMAN. All right. I have some figures on that here. Let me put them in the record by some of the primary feeding States, showing the total number of cattle fed out—the number fed by packers; that is, the percentage fed by the packers, by States. I would be happy to put that in the record.

Mr. QUIE. All right.

(The information requested above follows, except that individual data by States was not available:)

Livestock fed by meatpackers for 30 days or more with comparisons, 1957-62¹

Type of packer and year	Cattle			Calves			Cattle and calves, percent of fed marketings	
	Number of firms	1,000 head	Percent of commercial slaughter	Number of firms	1,000 head	Percent of commercial slaughter	13 States ²	28 States ³
10 major packers:								
1957-----	8	157.1	0.6	2	1.9	(4)	1.7	-----
1958-----	7	208.2	.9	3	9.4	0.1	2.2	-----
1959-----	6	144.5	.6	2	13.6	.2	1.5	-----
1960-----	8	239.8	1.0	3	22.7	.3	2.4	-----
1961-----	8	294.5	1.2	2	19.1	.3	2.6	-----
1962-----	8	296.4	1.1	2	19.8	.3	2.6	2.2
Retail food chains:								
1957-----	3	25.6	.1	-----	-----	-----	.3	-----
1958-----	3	19.5	.1	-----	-----	-----	.2	-----
1959-----	3	30.0	.1	1	.7	(4)	.3	-----
1960-----	4	27.1	.1	1	.1	(4)	.3	-----
1961-----	4	39.0	.2	-----	-----	-----	.3	-----
1962-----	2	25.5	.1	-----	-----	-----	.2	.2
Other packers:								
1957-----	135	361.6	1.4	25	11.4	.1	4.0	-----
1958-----	161	461.0	2.0	36	31.0	.3	5.1	-----
1959-----	143	418.6	1.8	31	9.7	.1	4.1	-----
1960-----	148	548.3	2.2	26	18.7	.2	5.1	-----
1961-----	191	532.0	2.1	39	34.6	.5	4.8	-----
1962-----	197	614.4	2.4	47	25.3	.3	5.2	4.5
Total:								
1957-----	146	544.3	2.1	27	13.3	.1	5.9	-----
1958-----	171	688.7	2.9	39	40.4	.4	7.5	-----
1959-----	152	593.0	2.6	34	24.0	.3	5.9	-----
1960-----	160	815.2	3.2	30	41.5	.5	7.8	-----
1961-----	203	865.5	3.4	41	53.7	.7	7.7	-----
1962-----	207	936.3	3.6	49	45.1	.6	8.0	6.9

¹ Summarized from annual reports of packers filed with the Packers and Stockyards Division, AMS. Livestock fed separately by owners, directors, officers, and employees of packer or nonreporting subsidiaries and affiliates are not included.

² The 13-State fed cattle marketing data when published by the Statistical Reporting Service, USDA, included Ohio, Indiana, Illinois, Minnesota, Iowa, Missouri, South Dakota, Nebraska, Kansas, Texas, Colorado, Arizona, and California.

³ Prior to 1960, the 28-State fed cattle marketing data were not tabulated by the Statistical Reporting Service. Includes 13 States listed in footnote 2 and Pennsylvania, Michigan, Wisconsin, North Dakota, Georgia, Alabama, Oklahoma, Montana, Idaho, Utah, Wyoming, New Mexico, Nevada, Washington and Oregon.

⁴ Less than 0.05 percent.

The CHAIRMAN. Mr. Teague of California.

Mr. TEAGUE of California. I am a little concerned about your answer to Mr. Quie's question concerning the probable makeup of the public members of the Commission—and if I understand you correctly it would seem to me that you would rule out some of the best qualified people. For example, Sunkist growers is, probably, as large a marketer of farm products as there is—it is a cooperative, as you know, and my understanding is that cooperatives market sometimes to brokers, sometimes by direct sales to the chainstores, sometimes to auction markets—in every way possible, and it would seem to me that possibly the manager of Sunkist might be in a position to be a very valuable member of this Commission.

I understand that a man with that close relationship to the marketing of farm products would not be considered by you to be a proper member of the Commission.

Secretary FREEMAN. I would feel that it would be preferable not to have a person who has operating responsibilities and is a part of the agri-business complex serving actually as a member of the Commission.

It has been my experience that once you have one special interest represented, you match it with another, and you are kind of off to the races. In other words, you have the question of what are the interests of this particular person because of his operating responsibilities. Such a person would be invaluable by way of testimony, advice, consultation, but it would be my feeling that a commission would be sounder and the results would be better if it did not have anyone who was actively engaged in the agri-business field at this time.

Mr. TEAGUE of California. I can see some merit to that, but you would be reduced to college professors and people like that if you do not want to have anyone who has any connection with business.

Secretary FREEMAN. I do not think that is necessarily the case. There are a number of people who have operated—I do not have any names in mind, believe me—in a number of areas, have served with a variety of kinds of organizations and commodity groups who no longer are doing so and have not for some time—people who have been conceivably in Congress at one time and had exposure to this who are now in private life, and not related directly to it—people in other professions, the sciences, law, others not directly related to it. I am sure that in a nation of 190 million people we can find 5 who will be top flight and will bring to this the right kind of know-how and background and balance of judgment.

What we are really seeking here is some balanced judgment rather than expertise. Expertise can be hired. People can be called in to consult. We really want someone with a balanced judgment, with public confidence and of bedrock integrity and sense of values.

Mr. TEAGUE of California. Then you would, by your definition, rule out, for instance, the president of the Farmers Union?

Secretary FREEMAN. I do not think that any top officer of a farm organization ought to be on it.

Mr. QUIE. One last thing which I think you may supply for the record. I wonder how you will spend \$2 million, et cetera. You must have something in mind. If you will provide that information for the record.

Secretary FREEMAN. I will be happy to do so.

(The information follows:)

Preliminary estimate of obligations for the National Commission on Food Marketing

[In thousands of dollars]

	Fiscal years	
	1965	1966
Salaries and related benefits (provides for 74 permanent positions).....	730	\$740
Travel.....	110	110
Supplies, equipment, printing.....	100	90
Automatic data processing services.....	125	125
Other expenses (rent, utilities, services of other agencies, miscellaneous support).....	185	185
Total.....	1,250	1,250

Note.—The above reflects the Department's preliminary estimates as to how these funds would be used. After establishment, the Commission itself would develop more detailed estimates which may vary from the above.

The CHAIRMAN. Mr. Belcher.

Mr. BELCHER. If this Commission is really to accomplish anything worth while it must be in the nature of a jury to determine the facts unbiasedly by and have the confidence of the public, because if there is anything to be accomplished it will have to create public sentiment.

Secretary FREEMAN. Correct.

Mr. BELCHER. For the solution of the problem you are attempting to solve. That being true, on this Commission five members should be members outside the House and the Senate—it should be five members who have no bias, nor interest—the Commission should be in the nature of a jury, a fact-finding body to submit the facts for the action of the Congress and if we have that kind of a Commission, whether Republicans or Democrats, then I think that the Commission would serve a purpose, because when they do file the report it will have the confidence of the public—it will have the confidence of the departments—it will have the confidence of the Congress.

If we establish that kind of a Commission I think that you will accomplish something.

If, for any reason any reflection is cast upon the Commission either in the appointment of individuals or in its actions, that will lead the public to believe that it was either a whitewash committee or a crusading committee attempting to punish somebody, then I think that we will have destroyed the entire value of this.

Do you not agree with that?

Secretary FREEMAN. Yes, sir. I think you have stated it very well, and I agree with you completely.

The CHAIRMAN. Mr. McIntire.

Mr. MCINTIRE. On Page 2 of your statement, Mr. Secretary, in the third paragraph, you refer to this, and I quote, "In 1950, 47 cents out of every food dollar went to the farmer. Today he receives 37 cents."

Is it the purpose of this to try to determine why this decline in the farmer's share of the food dollar?

Secretary FREEMAN. This is one of the questions that I would hope the facts gathered by the Commission would shed light on, yes.

Mr. McINTIRE. Of course, we could participate without drawing any conclusions in that respect. It seems to many of us that this is a lack of bargaining power on the part of the farmer in relation to marketing his production.

Secretary FREEMAN. I have been known to say that on several occasions. I would agree.

Mr. McINTIRE. Thank you very kindly.

The CHAIRMAN. Mr. Short.

Mr. SHORT. Mr. Secretary, I know this is the committee's responsibility, but I think that we ought to take some real objective looks at the merits and the demerits of how many Members of Congress are members of this committee.

In the first place, the chairman has pointed out that the Members of Congress are very busy; unless the hearings and most of the deliberations of this Commission were held in Washington where most of the Members of the Congress are they would not be present for hearings. Maybe this would be good and maybe bad. The Members of Congress, after all, are people in politics who are elected to office by the people of their district. The more influence you have on this Commission by these Members, it seems to me, the more you have a partisan situation and the converse of this, I think, is, probably, that the people in Congress, the people of the agriculture committees, perhaps in a broad sense with their background of experience in this general problem is a good argument as to why they should not be members on this Commission. I think the very reason that our congressional committees have not gone into this is the simple practical reason that we just do not have the time. I do not think these Members of Congress will have very much more time to devote to the efforts of this Commission.

I am not saying this critically. This is one facet of this thing that I would like to get your observations on.

In reading the bill I do not know whether or not it can be interpreted as extending to this Commission the authority to look into the question of imports, the effect of imports on the supply of food products in this country.

Is it your interpretation that the bill provides that this Commission can look into this facet of this subject?

Secretary FREEMAN. I have not thought about it. This was not the primary purpose and focus. It was rather to review what was taking place in our own marketing procedures. But the effects of price on imports of various commodities and the effect on our position vis-a-vis trade as an importer and exporter—and we are the greatest of both in the world—might very well be a pertinent factor in this inquiry. I do not see anything to preclude it.

Mr. SHORT. I think the problem focuses at this time, Mr. Secretary, on this question of imports. As we have proposed in the beef industry we think a moderate vehicle that can be used; namely, that when prices are depressed because of our production, we restrain imports. We have had a recent experience in eggs coming into this country from Denmark when egg prices were depressed.

What should be our policy? Should we have the means of restraining the importation of some products, not necessarily a farm products? This Commission would be dealing with farm products, but should

we have the discretion of restricting imports at a time when the price of that particular product was severely depressed because of a cyclical increase in production here in the United States?

Secretary FREEMAN. There would be nothing in the bill that I see that would preclude that and it might lead to judgments on that.

Mr. SHORT. I am just wondering about the authority of the Commission. Section 4 at the bottom of page 2, where it sets out the duties of the Commission, says, "The Commission shall study and appraise the marketing structure of the food industry."

Putting a broad interpretation on that, maybe it would authorize them to look into the subject of imports.

This brings me to the question that I was primarily interested in asking. If we start delving into this matter of imports from foreign countries—and I just appeared before the Tariff Commission this last week—and I was somewhat amazed when I was down there to find that representatives, legal counsel for the foreign packers were down there before the Commission engaging in some very extensive questioning of the people who were appearing before the Commission, advocating that the industry was justified in asking for some relief from excessive imports.

Would it be your thinking that this Commission could go to a foreign country to look into how the balance of trade was working and the origin of food being exported to the United States.

You pointed out in your statement that the purpose of this Commission was to protect the family farm. And in the process of protecting the family farm structure in the United States should we give some thought to the kind of farm structures we are dealing with in foreign countries that provide a portion of our market?

Should the Commission go into this, also?

Secretary FREEMAN. I think so, yes.

Mr. SHORT. Do you think they should?

Secretary FREEMAN. I would not presume to tell you what the Commission ought to do or ought not to do. It will be, as it now stands, composed of Members of Congress and people of very high public stature given the guidelines set down by the Congress. And I think that will pretty well determine where the trail leads. The main thrust here is to take a look at what is going on in terms of internal changes and to evaluate them. The question that you posed might very well call for an answer in order to evaluate them. If so, they may very well do some investigating and make some recommendations in that field.

Mr. SHORT. If we attempt to compete with some of these foreign countries, particularly in the field of importation of beef, and I am not one of those who says that we should shut it out completely, I think that we should be aware of the kind of operations in these foreign countries that we are attempting to compete with.

The CHAIRMAN. Will the gentleman yield?

Mr. SHORT. Yes.

The CHAIRMAN. The Common Market is restrictive, and it is governed by what is going on in that area.

Secretary FREEMAN. Yes, sir.

Mr. SHORT. I think, Mr. Chairman, Mr. Secretary, it is important for us to understand the kinds of farming operations; that is, livestock operations, for example, that we are trying to compete with

in a country like Australia. Australia is our good friend and has been our good friend through two World Wars. They have never been the recipient of any foreign aid. I think we have somewhat of an obligation to them as much as we have a favorable balance of trade. I would not cut them off, but in the context of fair competition I think we have to recognize that we are attempting here to preserve the family farm structure in the United States, and we are attempting, also, to compete with the production of some operations in Australia that run an extremely large number of livestock.

Secretary FREEMAN. I am sure that you will be glad to know that I have called in the advisory committee which has been appointed from all areas of the beef industry to meet within the next few weeks to review the very extensive actions that have been taken by the Department because of the drop in fed steer prices with which we are gravely concerned. And this question has been discussed with representative people from the cattle industry who have been in Australia and have studied their operations. We are giving very careful analysis not only to Australia's productivity in this field, but that of New Zealand and other nations, and the overall world markets. One of the things that is taking place now is a rapidly growing market for beef in Western Europe as their standard of living rises, but a rather restrictive policy by much of Western Europe in terms of imports.

We have been meeting and cooperating with the Australian and New Zealand meat study group looking toward opening some of these markets so that they can live as well as ourselves; and at the same time we are keeping close track of their operations and potential in relation to ours.

Mr. SHORT. I am quite aware of all of this that has been going on, Mr. Secretary. I commend the Department for making such efforts as it has.

May I ask this simple question? In the context of the possibilities of selling meat to Europe, are you at the present time as the demand for beef in France and Italy increases, attempting to secure relaxation of restrictions on importation of products that they produce within the EEC?

Secretary FREEMAN. This is one of the things that our negotiators are pushing very, very strongly.

Mr. SHORT. That is why I asked the question. In this Kennedy round of negotiations that is going on at Geneva, we are over there with the proposition that we will reduce tariffs on their commodities as much as 50 percent in return for some corresponding reduction.

We start out with the lowest level of almost any country in the world, I believe, on almost every agricultural product, do we not? That is, certainly, true of beef.

Secretary FREEMAN. That would be true of beef. We do not sell any beef at this point of any consequence in Western Europe but the reason we have not had access so far to that market is the price.

Mr. SHORT. That was the point that I was getting to. What are the possibilities of their price level on beef reaching a level of our price level? In the first place, you are dealing with a different quality of meat.

Secretary FREEMAN. That is correct.

Mr. SHORT. It is not the quality—we are dealing with a different grade of beef.

Secretary FREEMAN. This is something that we are giving a great deal of thought and study. For one thing, I, personally think, and work has gone forward on this, that in the high-quality-fed-steer category there is a potential market over there in the red meat, so called, that has not been fed out but is range grazed, which is the kind they now use. They do not have the same quality meat generally, and there is another question there, but it is true that their economy is growing rapidly, their standard of living and their per capita consumption have risen, as has our annual per capita consumption which has risen to the phenomenal figure of 95 pounds.

Mr. SHORT. That is what we produce?

Secretary FREEMAN. In Western Europe consumption is, I think, only one-half of that but it has been rising very rapidly. And what we are trying to insure is that we have a ready access to those markets.

We also run into a problem in some of these countries; we run into this on poultry and we run into it on meat—restrictions because of some of our production practices. For example, the use of various kinds of chemicals for various reasons, and the quarantine. That is another thing that we will try to negotiate, but to the extent that the markets are available, to that same extent we will have access to them, and those who have been exporting heavily to the United States will have access to them, too.

So it is pretty well all tied together. We have been working with the Australians and the New Zealanders in the meat study group of GATT and we are very conscious and keenly aware of both this problem and the potential.

Mr. SHORT. Would they not raise the import levies on beef as they have already on poultry and pork products?

Secretary FREEMAN. Our basic position in these negotiations is that we insist that there should be fair and reasonable competitive access to the markets there. We believe that this, basically, is the position which is sound. And we seek to protect those markets. We are not a substantial exporter to Western Europe. They import relatively small amounts of agricultural commodities.

The CHAIRMAN. What is the present stage of the negotiations that we have heard so much about?

Secretary FREEMAN. They have officially opened this week, Mr. Chairman, and the preliminaries are now underway. There have been a number of public statements made by various countries, the import of which we have not yet fully analyzed. The various committees will get down to cases in bargaining in the weeks ahead. This will not be a short process. It will, probably, be a fairly prolonged negotiation.

The CHAIRMAN. Has there been any further action regarding New Zealand and Australia?

Secretary FREEMAN. First of all, the voluntary agreements provided for a cutback in the number of imports.

The CHAIRMAN. But you rolled them back 3 years instead of 5 years?

Secretary FREEMAN. Subsequent to that.

The CHAIRMAN. Is that right?

Secretary FREEMAN. It was on a 2-year basis. It was based on a 2-year basis and subsequent to that we have been working with Australia and New Zealand and they have been cooperative, recognizing that we are at a difficult time in our cattle cycle. I do not want to make any definitive estimates at this point but it looks very likely that the amount of meat imports will be cut back quite significantly over that of last year and that they will not be much in excess of the 5-year average which is called for in some legislation, but that is just a guesstimate at this point.

The CHAIRMAN. It will be much more than that.

Secretary FREEMAN. That would be my estimate at this point.

Mr. JONES of Missouri. Would you yield for a second?

Mr. SHORT. I will yield the floor, Mr. Chairman. Thank you.

The CHAIRMAN. We will first hear from Mr. Olson.

Mr. OLSON. I just want to say, Mr. Secretary, that I appreciate, and I know that this committee does very much, the excellent statement you have made on behalf of this Commission. I believe the questioning has brought out the questions that we have in our minds.

The amount of time we have spent in dealing with these subjects has been brought out. I believe this investigation will save us a lot of time in the future. As Mr. Poage stated, this committee has concerned itself in the vertical integration field, we have studied that in this committee and many other things, and in view of this I am quite convinced that it will save your Department and this committee's time and this Congress a lot of time to find out exactly, if we can, what is going on in this field. It has changed rapidly. We do need these questions answered for our own benefit to better represent family farmers.

The CHAIRMAN. Mr. Findley.

Mr. FINDLEY. Mr. Chairman and Mr. Secretary, House Joint Resolution 1009 that I introduced is a similar bill to this and I agree with the objectives. There are several differences in my resolution. And apropos of the remarks by Mr. Short, there is one item in my proposal which would establish as one of the duties of the Commission to study and make an appraisal of the effects of imports on U.S. producers.

Would you have any objections to having that as one of the stated objectives of the Commission?

Secretary FREEMAN. No.

Mr. FINDLEY. Another addition that I made to the list of duties was to study the effects of Government programs on the cost and quality of food to processors and consumers.

Do you see any objection to that?

Secretary FREEMAN. No.

Mr. FINDLEY. The reason is that we do have extensive programs.

You made reference to price-fixing charges against millers and we will all acknowledge that you, as Secretary, have extensive price-fixing authority yourself?

Secretary FREEMAN. Yes.

Mr. FINDLEY. It would be proper for the Commission to look into that situation while dealing with other facets of the industry.

Another change that I recommended was in line with the comments by Mr. Teague, in which he pointed up the advantages of having people knowledgeable in the food industry sit on the Commission.

We would have a good balance of objectivity and detachment among the congressional Members, and there would be merit to having people knowledgeable in the food industry filling the other five seats on the Commission.

With that in mind I have suggested that two of the non-Congress seats be filled by one member each from the two largest general farm organizations in the country, one member from the food processing industry, one member from the food retailing industry and one member from organized labor, seeking to achieve a balance of people who do have a self-interest but who, also, have the knowledge and expertise to lead this Commission forward without a lot of delays needed to get some understanding of the mechanics of the food industry.

What harm do you see in a balance like that?

Secretary FREEMAN. I have already stated my thought. Mr. Belcher stated it better than I did, that the main requisite here ought to be one of overall public and congressional competence. I do not suggest that we should not have people who would command the confidence of those who are actually involved, but I think the question of self-interest would be present with such a group as you suggest. I think that we would be better able to approach this on a completely factual basis by having people involved who did not have any direct self-interest in connection with it, and I feel confident that people of balanced judgment and knowledge and background can be had without having to take on people who could be considered a deterrent to the objectives.

Mr. FINDLEY. If you try to keep out people who do have a working knowledge or a personal interest in the food industry are you not apt to wind up with five members who are apt to represent the consumer viewpoint to the exclusion of the industry generally?

Secretary FREEMAN. I think not. I think that the caliber of the men and the nature of this study is such that it would be quite clear that you cannot separate basically the consumer interest, in the long run, and the public interest and the producer interest and the rest. What is good for the Nation is good for all of them. If what is good for any of them is at the expense of the rest of the Nation, it will not be good for any segment. And what we really want to have is a balanced approach and public confidence in terms of impartiality. This is really the prime requisite for an effective job.

Mr. FINDLEY. Another proposed change that I have in my resolution was to exclude the authority for making contracts with private individuals and concerns for the gathering of data.

The authority in my resolution would still permit the Commission to get the services of various State universities and all of the vast research facilities of the Federal, State, and local governments as well.

To me it seems that this field would be adequate without giving the Commission the authority to spend a lot of money to hire private organizations to dig into the research problem.

Secretary FREEMAN. I would feel, generally, that the Commission ought to have jurisdiction and to use its discretion in terms of how it will go about gathering this information. It might well be that there is some special research group that operates on a private basis that could do some particular part more effectively and more economically than could otherwise be done. It would be a matter of the Commis-

sion's judgment. I would hope that the Commission's hands would not be too severely tied in regard to how it would go about its business.

Mr. FINDLEY. Can you think, offhand, of any matter which a State university or USDA research staff could not take care of?

Secretary FREEMAN. Not offhand, but there are a number of private researchers, some of them nonprofit groups which are set up to move very quickly into certain specialized areas. And our Government has had occasion to use them.

A Kansas City group comes to my mind. And I think there is another group related to the University of California. There are a number of such groups that are quite efficient and effective. They may not fit into the pattern that the Commission determines should be followed, but, again, this might be the most efficient way to go about it.

I will just repeat that I think it ought to be left to the Commission's discretion.

Mr. FINDLEY. Your Department announced over the weekend, I believe, that the parity ratio on April 15 was 75 percent, which is the lowest April 15 parity ratio on record.

Secretary FREEMAN. I am very concerned with that. I only would respond that net farm income is about \$600 million a year higher than it was prior to 1961. I am happy to say that we have made that much progress. I would agree with you that we have got to do better.

Mr. FINDLEY. One curious thing is that in each of the years that you have been in office, the parity ratio has declined. The prices the farmer has to pay have gone up, while the prices the farmers receive have gone down each of the years that you have been in office. In those same years the cost of the farm programs have risen and so has the general price level.

Secretary FREEMAN. Happily, the net income of agriculture has increased over what it was before. And what you pay your bills with is not parity, but net income and net earnings.

Mr. FINDLEY. But what the farmer is concerned about is the relationship between what he gets and what he has to spend. And that has been worsening every year.

Secretary FREEMAN. Quite the contrary, as measured in terms of parity prices for incidental commodities, which is one of the indications of where the farmer's net income position ends up. What the farmer is interested in is not the parity ratio but the number of dollars that he has left at the end of the year after he has paid his bills.

Now the net dollar earnings of agriculture over the past 3 years have been averaging \$600 million greater than during the previous 3 years. And the net income per capita per farm averages out about \$500 greater than it was in the previous 3 years. It ought to be more. In the overall, it is still only 60 percent of the net income of the non-farm segment of our country, but happily, the significant part is that progress has been made. We have had quite a problem in disposing of and trying to work out programs with the heavy surpluses that were the heritage of the previous administration. We are making some progress on that. And as I said in this statement, I am encouraged with the progress but, certainly, not satisfied with it.

Mr. FINDLEY. Certainly, in the testimony of the farmer's prosperity, you are including Government payments. Is this true?

Secretary FREEMAN. This, sir, is true—that the net position that the farmer ends up with in terms of the number of dollars that he makes or loses is the primary goal and payments play a part in this.

Mr. FINDLEY. Do you consider the parity ratio no longer an accurate and important measurement?

Secretary FREEMAN. By no means. If it were not important we would not be reporting it. But I made the point and I would like to make it again, that it is one indication of the income picture and not the exclusive one.

Mr. FINDLEY. Has there not been a steady trend downward in the parity ratio in your administration?

Secretary FREEMAN. Of course, obviously, I prefer to see that trend moving in the other direction.

Mr. FINDLEY. Thank you.

Mr. CHAIRMAN. Mr. Jones.

Mr. JONES of Missouri. Mr. Secretary, in line with the discussion by Mr. Short about going to other countries—on page 4 it only authorizes the Commission to conduct hearings anywhere in the United States and I would think that would preclude them going into any other country. I am in agreement with that. I think we can all envision the ways in which we can help the farmer, but, primarily, as I view this resolution we are seeking to establish a Commission to study the food industry from the standpoint of the farmers and consumers and we have a very important problem there. If we start in on imports and all of these other things I think that we will spread ourselves too thin. If we would concentrate and try to solve this one problem here with this Commission and leave these other problems to the other bureaus, I think that we would be inclined to make more progress and keep our eye on the domestic problem that we have here at home. I think that is the important point.

And while you appeared to agree with Mr. Short that it might be well to have some of these studies in other countries, does the bill not preclude that?

Secretary FREEMAN. I had not contemplated this possibility and had not read the bill closely in connection with it. I think that my off-hand recollection was that this could be done by the Commission.

The CHAIRMAN. On page 4 it says:

The Commission or any member thereof as authorized by the Commission may conduct hearings anywhere in the United States.

I think that covers that and prevents it.

Secretary FREEMAN. You may very well be right.

Mr. JONES of Missouri. If you do not think that there is enough of a problem here trying to figure out what has been the cause of the farmers' portion of this income going down, I would be surprised, and if we can do something to try to solve that, we will have accomplished a rather important service to the country. And if we try to broaden this too much we might be defeating the purpose for which I understand the resolution was originally introduced.

Secretary FREEMAN. You are correct. The resolution was introduced, and the prime focus is the domestic farm to consumer machinery and what is taking place in our own domestic procedures.

The possibility that this trail might lead to some review of production in other parts of the world and of international trade I would

leave to the discretion of this Congress in its wisdom. I think the argument could be made that the Commission ought to have the discretion to follow such a trail. On the other hand, I think that there is a good deal of merit, Congressman Jones, in your point that there is a great deal that we do not know here and that we ought to zero in on the marketing phases of our domestic economy and make that the focal point of concentration.

Mr. JONES of Missouri. That is the only point that I wanted to make. I think that we have a serious problem and I feel that if we just focus and keep our eye on the target without trying to spread out too far that we would, probably, do a better job; in other words, without oversimplification, the thing that has always been of interest as has been brought out so many times, is the fact that while the cost of wheat has gone down the cost of bread has gone up and that is oversimplification, but it could be applied to many other commodities and I think that this study would afford an opportunity to get down to some of the basic reasons of why the farmer's position has deteriorated and other people are receiving so much more in proportion to their investment and the risk that they take as compared to the investment that the farmer makes and he risk that he takes in producing this crop. And I think that many times in our process of distribution and transportation, et cetera, that we can find people who have little investment have been the recipients of the greatest amount of profit in the handling of the food. That is the thing that I was hopeful we would be able to discover as this Commission would make this study of the food industry from the farm to the consumer.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. McIntire.

Mr. McINTIRE. I would like to ask, Mr. Secretary, about something that I have not been able to find in the bill, a reference made to the Commission, subsequent to the constitution of the Commission, as to how the Chairman is authorized. What is your thought as to how the Chairman would be designated?

Secretary FREEMAN. I think that the Chairman should be designated by the President.

Mr. McINTIRE. The purpose of the language is to apply there?

Secretary FREEMAN. Yes.

Mr. McINTIRE. The Chairman shall be designated by the President and chosen from among the Commission members by the Commission members, is that right?

Secretary FREEMAN. I think that the designation of the Chairman is not specifically provided for, but if you are asking for my judgment in connection with it, it would be that the Chairman would be appointed by the President and, probably, from the public members.

Mr. McINTIRE. I beg your pardon. What was the last?

Secretary FREEMAN. From among the public members.

Mr. McINTIRE. From among the public members.

Secretary FREEMAN. Yes.

Mr. McINTIRE. Why is that preferable to the Commission organizing and electing its own Chairman?

The CHAIRMAN. Why not select a Member of Congress?

Secretary FREEMAN. No. 1, because of the amount of pressure and time on the Members of Congress. Secondly, because I think that

the Commission's choice of the Chairman will be critical and that the President as the representative of all the people and so elected, and responsible in the overall for the net results, would be in the best position to make that important choice.

Mr. McINTIRE. Thank you.

The CHAIRMAN. Mr. Dole.

Mr. DOLE. Mr. Secretary, did I understand that the Commission itself determines its jurisdiction? Is that the way you envision it?

Secretary FREEMAN. No. I think that they ought to have a fairly broad range of discretion. I would not say that the Congress ought not to establish it.

Mr. DOLE. Within the provisions of the resolution?

Secretary FREEMAN. Yes.

Mr. DOLE. In other words, the Commission is not really responsible to any committee or to you as Secretary—it is responsible only to the Congress, and the like?

Secretary FREEMAN. That is right.

Mr. DOLE. You are endorsing the general idea of the Commission as being good and necessary?

Secretary FREEMAN. That is correct. I appreciate your making that point. If I did not make it clear, I should have.

Mr. DOLE. A lot of people would like to say that "This is your Commission," or "It is the Congress Commission."

Secretary FREEMAN. If Congress creates it, it is the Congress Commission and the President's Commission.

Mr. DOLE. Also, I note that there will be 10 Members of the Congress, 8 makes a quorum, so I do not know really that we are getting away from a legislative committee or not. We have 15 subcommittees here, made up from the membership of this committee. Eight of those are commodity subcommittees, having to do with such subjects as wheat and feed grains, and about everything else, as you know, covered by them. And I wonder if we accomplish anything.

Do you think a commission of this kind, dominated by a vote of 10 to 5, regardless of who the chairman might be, would accomplish anything?

Secretary FREEMAN. If it got to be a question as to who is dominated and who is going to outvote whom, I am afraid that that would be prevailing. There have been expressions on both sides here as to the number of Members of Congress who ought to be on the Commission. I may be like the fellow who said, "Some of my friends are for it and some of my friends are against it, and I am for my friends. [Laughter.]

Mr. DOLE. Right. Is there not some authority in the 1962 Food and Agriculture Act whereby you could appoint an advisory commission that would get the same results—a nonpartisan type?

Secretary FREEMAN. Should I take that as a compliment? [Laughter.]

Mr. DOLE. You are sort of nonpartisan?

Secretary FREEMAN. I want to be. I think conceivably that could be done, but as I have tried to say, first, this kind of commission ought to be outside of any industry segment and it ought to be outside of any segment of government that is charged with regulatory responsibilities. Certainly, it would get into problems of appropria-

tions and such and I think that, as nonpartisan as you are and as nonpartisan as I am, it would be difficult to avoid partisanship nonetheless.

Mr. DOLE. I think we both ought to be on the committee. [Laughter.]

Getting back to the makeup of it, you said that bipartisan is the word used here and I assume that you have a bipartisan committee with 14 Democrats and 1 Republican. I assume that you mean that this is not your committee, but it would be your suggestion that it ought to be fairly even, maybe eight to seven, or seven to seven, and Cabot Lodge or somebody like that as chairman. [Laughter.]

Secretary FREEMAN. You are nonpartisan. It just sticks out all over you.

Well, I think that nonpartisan rather than bipartisan would have been a better word to use. I think that the Speaker of the House and the President of the Senate, guided by a clear statement by the President and by the Congress in terms of the makeup of a commission of this kind, would select the members without considerations of partisanship, I would hope so, because this ought to be absolutely nonpartisan.

Mr. DOLE. I think Mr. Belcher made that point.

Secretary FREEMAN. I would, sir, agree with that.

Mr. DOLE. We would recognize there are some party differences at times, but I think that this would be one of those areas in which there should not be. In concluding I thank you for your letter of April 9 with reference to the cotton-wheat bill.

Secretary FREEMAN. Thank you for your vote on the wheat bill. [Laughter.]

The CHAIRMAN. Mr. Beermann.

Mr. BEERMANN. Mr. Chairman and Mr. Secretary, in establishing this Commission you state on page 1:

Food prices today are the lowest, less than 19 percent of take-home pay, in relation to consumer income in history.

This is a very noble position for the U.S. farmer, processor, transportation people to put consumers in today. And one of the reasons this Commission would have, or subjects it would have to study, would be to point out why this is so.

For example, take the case of a steer on the hoof and meat on the counter, wherein a 1,000-pounder steer dresses out 60 percent. If the price of that steer on the hoof is 25 cents a pound and dressed it is 600 pounds of meat, I would be hopeful that this Commission would explore the possibility, to that we understand why the 25-cent-a-pound steer would graduate into 50 cents a pound, 75 cents a pound, or \$1 a pound or more for the available remaining amount of meat.

Secretary FREEMAN. I think that this kind of thing would become more broadly known, which it is not at the present time. It would be one of the real contributions of such a commission, to bring attention to bear and broaden the base of public understanding of the various factors that are involved.

Mr. BEERMANN. On page 7 you state:

There are signs of a lessening of competition, of an increasing fog descending between the public and the marketplace.

This is a fog—I do not know if that is the essence of your statement, but it could be one of the reasons—

Secretary FREEMAN. Yes.

Mr. BEERMANN. I wonder whether this amendment would be acceptable on page 2, in section 4, that the Commission shall also study and appraise the marketing structure of the food industry and present findings as to what effect Government intervention and domination in pricing has had on the producers' market and the consumer market.

Secretary FREEMAN. This point was already asked, I think by Mr. Dole or Mr. Findley, and I think that I, certainly, would have no objection. I think the language would include by its very nature the inquiry into all practices which would include the Government's participation in farm programs as well.

Mr. BEERMANN. There are a couple of other areas that I would like to refer to specifically. One is, in February 1961, I asked the Secretary before this committee about the rumor that the soybean loan rate might be raised from \$1.85 to \$2.30 per bushel. Following the establishment of the loan rate at \$2.30 by the Secretary, soybean prices in the following year did not go as high, not as high as their peak, or much higher than the price they were on the day we were discussing them. The price of soybean oil and soybean meal would be reflected proportionately by the difference of \$1.85 to the \$2.30 per bushel.

Secretary FREEMAN. But in the case that you mentioned the increase in income to the farmer as the result of increasing the price supports was about \$400 million over the year before when there was an extreme fluctuation of prices which benefited the speculator and the processor but did not benefit the farmer.

Mr. BEERMANN. But it also caused more money to be spent by the Federal Government and the taxpayers to pay for that.

Secretary FREEMAN. Quite the contrary, the amount of soybeans on hand, happily, has been very, very small. As a matter of fact, we ought to have more and I have been concerned. I was particularly concerned in October of 1962 that the reserve stocks of soybeans were considered strategically at too low a level.

Mr. BEERMANN. Then let me ask you this, you did answer Mr. Dole and Mr. Findley that this investigation would be quite acceptable?

Secretary FREEMAN. Pardon me—yes, sir, surely.

Mr. BEERMANN. My last point. On April 25, 1961, when the Secretary appeared before the committee I told him that the price of corn was lower by 12 to 15 cents a bushel in April than March and that the action of the Department had helped force prices down. The Secretary was kind enough to furnish the amount sold by the Commodity Credit Corporation for 1960 versus 1961 and there were four and one-half times more bushels sold these same 3 months in 1961 than in 1960.

At that time, I suggested to the Secretary and forecast that this action would cause problems in the livestock industry—hogs, calves, and the like, because of the dumping of grain—and of course it took a couple of years for that to take place; I think we understand perfectly well why it did—that there would be an increase in livestock numbers when the farmers could not get the price because dumping corn on the market kept the prices down.

Secretary FREEMAN. Mr. Beermann, you could not be more wrong if you tried to be. The truth of the matter is that the price of corn

since 1961 has increased by at least 10 cents over the average price it was before and one of the reasons why the cattle price break hopefully will not be as prolonged as such breaks have been in the past is because there has been a significant strengthening of feed grain prices. What you are saying is 100 percent absolutely and categorically in error. Prices have strengthened and increased under this administration, not decreased.

Mr. BEERMANN. Being a farmer who raises these crops and does not participate in the program, I would like to tell the Secretary that we have not participated in this prosperity in our operations and——

Secretary FREEMAN. You just look at the record.

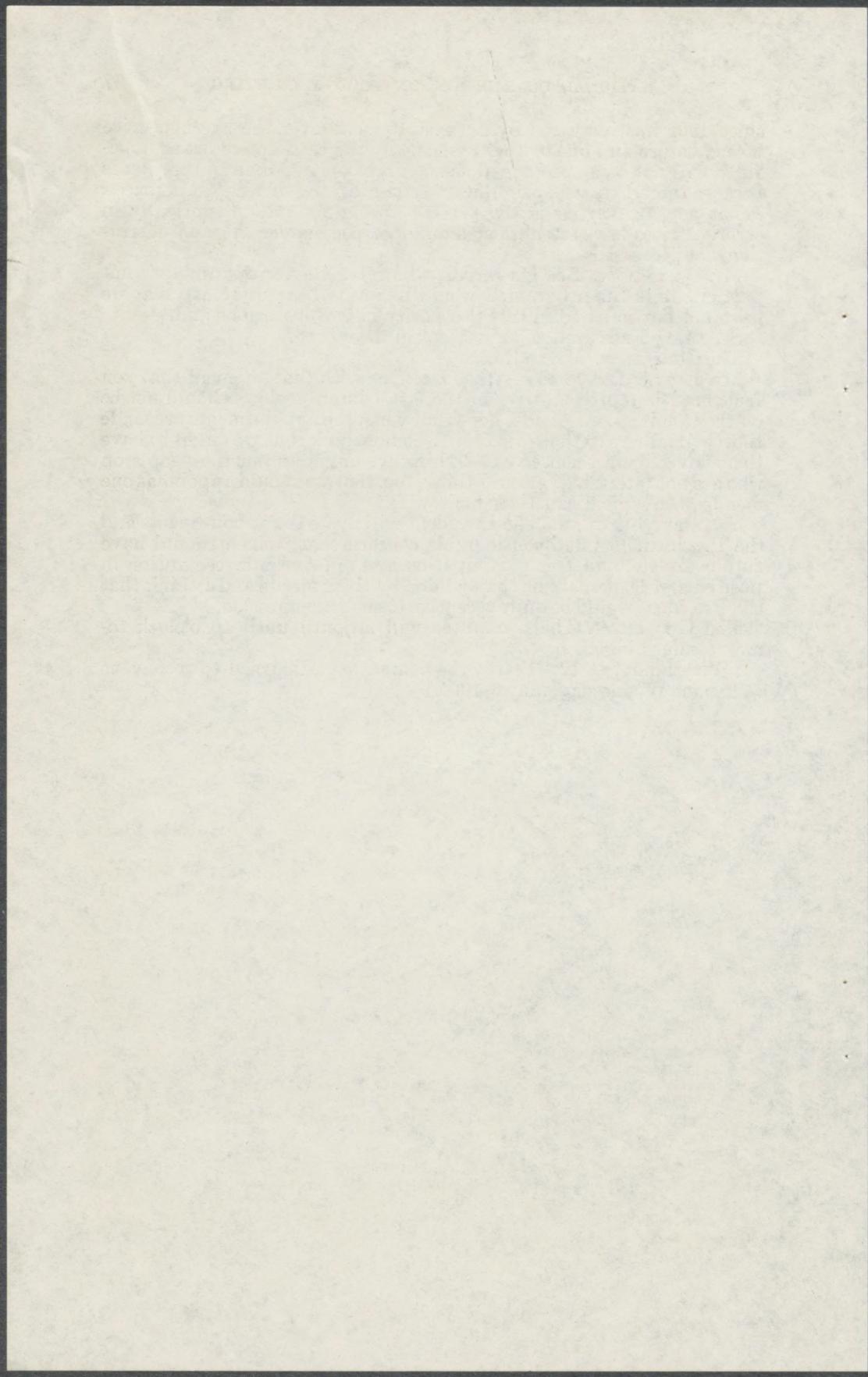
The CHAIRMAN. Mr. Latta.

Mr. LATTA. I want to say that I concur with the statement that you feel that the representatives of these self-interest views should not be on the Commission. And I hope that when the appointments are made they will adhere to that premise. I do not think that we ought to have them investigate themselves. I think we ought to put the people on who are not interested. And I think, too, that we should appoint as one member the typical American housewife.

Secretary FREEMAN. The President will make the appointments and the President has had considerable concern that women should have full, complete, and free participation and appropriate recognition in positions of leadership as commanded by their merits and I think that the President would be quite receptive to such a suggestion.

The CHAIRMAN. The committee will adjourn until 10 o'clock tomorrow morning.

(Whereupon, at 12:05 p.m., the committee adjourned to reconvene at 10 a.m., Wednesday, May 6, 1964.)



NATIONAL COMMISSION ON FOOD MARKETING

WEDNESDAY, MAY 6, 1964

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to recess, at 10 a.m., in room 1310, Longworth House Office Building, Washington, D.C., Hon. W. R. Poage presiding.

Present: Representatives Poage, Gathings, Abernethy, Jones of Missouri, Hagen of California, Matthews, Purcell, Rosenthal, Olson, Matsunaga, Hoeven, Dague, Belcher, McIntire, Teague of California, Quie, Short, Latta, Harvey of Indiana, Findley, Dole, Beermann, and Hutchinson.

Also present: Martha Hannah, staff; Hyde H. Murray, assistant clerk; and Robert Bruce, assistant counsel.

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

Our first witness today is Mr. Harry L. Graham, legislative assistant to the master of the National Grange.

We will be glad to hear from you now.

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

Mr. GRAHAM. Mr. Chairman and members of the committee, in the interest of brevity and in trying to be helpful to the committee and, also because of another commitment, I would like to file this statement with the committee and make some observations.

Mr. POAGE. Without objection, the statement will be made a part of the record at this point and we will be glad to hear anything else that you care to say.

(The prepared statement of Harry L. Graham follows:)

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

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

It was 90 years ago that the grange movement was born. Granges had been organized for 6 years previous but the dynamic and fantastic growth of the grange movement which makes it an unusual phenomena in American history did not get underway until the last part of 1873 and the early days of 1874. During the first 3 months of 1874, over 2,000 subordinate or local granges were formed per month across the Nation.

Why do I tell you this as we come to testify concerning the need for a bipartisan commission to investigate the purchasing and marketing practice of the food industry? It is simply because some of the factors appear to us to be involved in the present situation which were so much the root cause of the grange movement. The unrest in the Midwest at that time was directed against the railroads and the "middlemen."

One farmer, quoting from the speech of Tiberius Gracchus in the first century, expressed a sentiment not unlike that which we have been hearing from cattlemen all across the Nation during the last few months when he said:

"Like rabbits, we are the prey of hawks by day, and owls and foxes by night. Is there no remedy for this? Is there anything in the occupation of agriculture that makes man a legitimate prey for all the human vampires that infest the earth? * * * The railroad companies fix the price at which they will carry the grain to Chicago; elevators fix the price for handling it; the buyers finally agree how much they will give for it; and each one of these middlemen takes such a slice as he pleases, and the farmer timidly submits."

W. G. Summer writing in the April 10, 1873, issue of *The Nation*, commented upon the Princeton, Ill., convention by saying the delegates to the convention—"constitute, in fact, an earnest, though almost inarticulate, protest against the whole present organization of the railroad system of the country—a protest the more dangerous because both unintelligent and angry.

"But it still brings forward into clear strong light what must inevitably prove one of the momentous questions of the future. In its essence, that which the farmers demand is just. They ask for an access to the market that shall combine the three elements of certainty, economy, and impartiality. All of these are reasonable demands, yet they are just what the present system of transportation can never afford. It is not the fault of the railroad corporation. It is nothing less than a breakdown of competition as applied to our railroad system."

Two answers were proposed to the problem at that time and they were as widely divergent as the political and economic spectrum can permit. The railroads insisted that any interference with their operations would cause a dry-ink up of the capital needed for the expansion of the railroads. The opponents of the extreme type of *laissez faire* capitalism which was being demonstrated in America at that time countered with the philosophy of the Socialists, who were called Communists at that time, and suggested that if the contention of the railroads be true that it was the duty of the Government of the United States to build a double track railroad from Omaha to New York City along the water level route and that this railroad should be operated at a very modest profit for the benefit of the consumers and the producers at the same time.

The grange movement was engulfed in this brawl and indeed the Iowa State Grange presented a resolution at the 1874 convention in St. Louis asking for such a nationalized railroad. It was during that 1874 convention that the National Grange passed a document which has been called the magna carta of agriculture and which we call the declaration of purpose of the National Grange. After a stormy session that lasted many days, the convention quieted down and among its statements are these to which I want to call your attention, because, although they are 90 years old, they still contain the outline which the Grange has consistently followed now for almost a century.

"Business relations: For our business interests, we desire to bring producers and consumers, farmers and manufacturers, into the most direct and friendly relations possible. Hence, we must dispense with a surplus of middlemen, not that we are unfriendly to them, but we do not need them. Their surplus and their exactions diminish our profits.

"We wage no aggressive warfare against any other interests whatever. On the contrary, all our acts and all our efforts, so far as business is concerned, are not only for the benefit of the producer and consumer, but also for all other interests that tend to bring these two parties into speedy and economical contact. Hence, we hold that transportation companies of every kind are necessary to our success, that their interests are intimately connected with our interests, and harmonious action is mutually advantageous, keeping in view the first sentence in our declaration of principles of action, that 'individual happiness depends upon general prosperity.'

"We shall, therefore, advocate for every State the increase in every practicable way of all facilities for transporting cheaply to the seaboard, or between home producers and consumers, all the productions of our country. We adopt it as our fixed purpose to 'open out the channels in nature's great arteries, that the lifeblood of commerce may flow freely.'

"We are not enemies of railroads, navigable and irrigating canals, nor of any corporation that will advance our industrial interests, nor of any laboring classes.

"In our noble order there is no communism, no agrarianism. We are opposed to such spirit and management of any corporation or enterprise as tends to oppress the people and rob them of their just profits. We are not enemies to

capital, but we oppose the tyranny of monopolies. We long to see the antagonism between capital and labor removed by common consent, and by an enlightened statesmanship worthy of the 19th century. We are opposed to excessive salaries, high rates of interest, and exorbitant profits in trade. They greatly increase our burdens, and do not bear a proper proportion to the profits of producers. We desire only self-protection, and the protection of every true interest of our land, by legitimate transactions, legitimate trade, and legitimate profits.

"We desire a proper equality, equity, and fairness; protection for the weak; restraint upon the strong; in short, justly distributed burdens and justly distributed power. These are American ideas, the very essence of American independence, and to advocate the contrary is unworthy of the sons and daughters of an American Republic."

It was precisely this attitude which prevailed in the latter part of the 19th century when, for the first time since capitalism began to really develop, the political machinery of the Nation, through control and regulation, brought capitalism into its proper relationship with the people of the Nation.

In the more famous of the Grange laws, the Interstate Commerce Commission law, and the Sherman antitrust law the American people began the process of modifying the laissez faire type of capitalism to make it a servant instead of a master of the people and thereby chartering a new direction for a capitalistic nation. The modified capitalism which resulted is the true capitalistic system of America. It was and is a demonstration of the ability of capitalism to modify itself to put service to people ahead of their exploitation which Marx thought impossible. Our forefathers correctly saw that although socialism was one answer, a far better answer was to control the excesses of the capitalistic system. They gave us the machinery to use at the present time, if necessary to alleviate one of the situations which is causing vast distress to American farmers. We testified before the Senate Finance Committee concerning beef imports and opposed, at this time, the imposition of such import quotas; not because we think they are unimportant or not needed; but because we believe that until we get all the information that is necessary concerning this problem any piecemeal attack on it might leave us in a considerably more difficult situation than a more deliberate and intelligent total attack would do.

We recommended that such Commission be established as is called for; and would like to expand our recommendations and record the reasons for them before this committee.

Contrary to the allegations of those whose recommendations are based on superficial knowledge, the kind of regulations which the Grange has supported in the past has not limited competition; but has on the contrary enhanced it. Competition can be removed from the market in two ways: first by the Government becoming the market, as in socialism, and secondly by monopolistic practices on the part of those who are in a position to control the market. We demonstrated long ago that neither position is acceptable to the Grange; nor should it be to the American people. We have also proven that government regulation can be used to increase competition; which is precisely what happens when monopolies are curtailed or properly "regulated in the public interest."

We can understand what is beginning to happen in the beef industry at the present time by looking at what has already happened in the broiler industry. During the past few years over 90 percent of the individual broiler producers in the Nation have disappeared. Through vertical integration, not only have the factors of production fallen into the hands of giant feed combines, but the factors controlling the market have likewise fallen into the hands of those who are able to manipulate the market; to deprive the producer of a just return and to withhold from the consumer the products which might influence the market downward to the consumer if these factors were allowed to become more responsive to normal competitive influences.

We have had steady complaints from poultrymen, especially broiler producers, that some of the larger chains shop around until they can find a producer who is in a distress position and then they beat down the price to this one producer to then contend that this established a "market" from which basis to go out and in turn drive down the prices to all producers. In order to make this cycle complete, they use poultry products as loss leaders with a spectacular sale for one weekend. Because there is a time limit as to how long a producer can hold his products, when these products are poultry or beef, potatoes or onions, it is possible to so organize the purchasing program for these commodities that the market can be stored at the present time under modern refrigeration; so that

a distress condition can again be created among the producers enabling the cycle to start all over again. In the meantime, after a weekend sale of poultry products or especially broilers at 25 or 27 cents per pound, the price goes back up to 39 to 45 cents per pound and holds steady until the next major sale comes along as a part of the cycle which we have described.

Poultry producers and poultry councils have asked the National Grange and the National Council of Cooperatives to try to correct this situation. We have informed them that we would be glad to do what we can to help them, but that this is a problem which requires resources which are not available to us; and authority which we do not have. We do not make these allegations for the Grange. Our suspicions that they are true arise from some facts and from reports which we believe are well founded. It is, however, in our judgment that to determine the truth of these allegations the creation of a bipartisan commission with adequate subpoena powers and adequate staff is proper. The allegations concerning the cattle processing and marketing industry are basically the same as those which we have mentioned for chickens.

One difference is that it is charged that the major distribution agencies for beef products employ another technique of doing their own feeding and also holding from their processing cattle which have already been fed out and which they have purchased. This would enable them to met their own needs at any special time when the price might be justifiably increased to the producer. This kind of manipulation of the products going onto the market by those who are to distribute them very easily then could have a disastrous effect upon the income of those who are producing the raw product for the market.

This question, in our opinion, should not be confused with the profit level of the chainstores or processors except in an incidental way. The National Grange has never opposed any pricing system which will return legitimate profit to the producer of the commodity that is needed by the American people. We have noticed that there has been an increase in profits across the board. We are not opposed to this; except when those profits are acquired by the manipulation of the market in such a way that the producers of our agricultural products do not, in turn receive their fair share of the market returns, and an income adequate enough to allow them to meet the costs of production and show a slight profit. We are also concerned when the efficiencies of our distribution system and its ability to earn a profit for its stockholders, are not used to enable the American consumer to have a regular supply of food products at a reasonable and fairly steady price.

The National Grange therefore recommends the creation of this Commission with adequate powers and resources to determine if there has been a concentration of economic power in few enough hands that they can unilaterally or in collusion significantly influence the market prices of agricultural products. If it is found that this is true, then it is hoped that existing legislation provides sufficient basis and authority to allow the proper governmental agencies to correct a condition which unwisely restricts effective but reasonable competition and is therefore detrimental to the general welfare.

If there is not sufficient legislation to enable this to be done, then we suggest that this Commission should consider very seriously whether or not we need additional legislation to control these monopolistic manipulations of the market. We would suggest that the Commission take a long hard look at the problem of vertical integration and its longtime ramifications in relationship to the general welfare of American producers and American consumers. We may need additional legislation to enable producers and consumers alike to protect themselves from the injurious practices of those who would manipulate the market for their own excessive exploitation of both consumers and producers.

We should express, also, our concern about the composition of this Commission. Obviously, it should have both producers and consumers on it. Industry should be represented on the Commission; not in sufficient numbers to make it meaningless; but with knowledge that can help to direct the investigation so that it arrives at the maximum truth. No one's judgment is better than his facts.

We would, therefore, like to see all the facts relating to this problem brought out and then we can make whatever decisions are necessary. We do believe that the farmers are the ones who are the most adversely affected by the situations which we have described and that this Commission should be strongly representative of the interests of American agricultural producers. The minority position which is occupied by American farmers at the present time leads us to believe that this is one of the instances where we are not able to adequately protect ourselves; and that we must ask for an intelligently conceived and de-

signed effort of the Government to determine and correct any monopolistic abuses of the legitimate competitive right of and benefits to the agricultural producers; for their own present welfare, and for the longrun general welfare of American people.

We do not believe that socialism is a big threat to our American free enterprise system nor it is likely to be unless we allow our system to deteriorate into becoming the kind of a capitalistic system which Marx described in "Das Kapital." The bountiful results of the modified American capitalistic system which retains a maximum of individual enterprise within carefully but adequately defined legal restraints, which have been enacted to protect the general welfare, has made us the economic envy of all the world.

What we are suggesting at this time, is not an attack upon the free enterprise system; but that an attempt should be made to protect it from its own excesses—from the undisciplined exploitation of the "weak" by the "strong."

This has been the position and program of the Grange for almost a full century. The wisdom of our position which resulted in the passage of the original Grange legislation is justified in the America which we see all about us.

I should like to close this testimony with a quote from the Honorable George Aiken, senior Senator of Vermont, from a speech which he made on the Senate floor on January 22 of this year.

"Our farmers deserve an income and standard of living fully comparable to that enjoyed by people in other lines of business. While they are still at the mercy of the weather, there is no reason why they should be at the mercy of price manipulators—national or international. Free enterprise should not be construed as licensing the few to exploit the many."

Mr. GRAHAM. I should tell you, Mr. Chairman, that the master of the National Grange is unable to be here because of his responsibilities as chairman of the joint North American-European meeting of the International Federation of Agricultural Producers.

May I just briefly state to the committee that the National Grange was born in a situation in which there was a problem of dislocation of the ordinary trade and commerce of the Nation, basically because of a breakdown in some of the competitive marketing systems at that time, and, also, in the transportation problem.

Some of our approach to this problem is based on 90 years of historical relationship to the development of an agricultural economy and, also, the national economy and, also, I should tell you that the Grange, and I do not think I need to tell you, but to remind you, that the Grange had a great deal to do with the modification of our economic system into the present type of American capitalism.

I would want to say, also, that our primary interest in this proposed legislation is not in simply investigating profits—we think that the whole commission concept is hazardous so far as agriculture is concerned if it only gets into a profit investigation-type proceeding, as the newspapers to some extent and some of our contemporaries have implied that it might be.

The National Grange has never taken a stand that could be interpreted as limiting profits nor are we about to do so now; that is, the basic limitation which we think should be in the field of competition, but we are concerned that there might be a manipulation of the market in which the competitive forces of the market are not functioning as they should, either to limit profit or to return a fair share of consumer purchasing power to the agricultural producer, and so we would caution the committee to make sure that this Commission, once it is established—and we are thoroughly in agreement with the necessity of it—but, nevertheless, we would be hopeful that the Commission would not become a witch-hunting scheme in which the profits of the chain-stores are attacked alone, because the hazard of this, in our judgment,

Mr. Chairman, is that we might drive prices down to the point that there is no room for the improvement of agricultural income.

This is one of the hazards of the Commission as we see it. And this is why we are so urgent in cautioning that this Commission not go in that direction alone. It is a real danger if it follows.

We also would say to you that we have some real concerns about the composition of the Commission. We have heard various suggestions that the Commission should be imposed entirely of disinterested people. This appears to us to be unrealistic because if anybody can be disinterested in the price of food I should like to know who that is, because that is impossible. We cannot quite figure who would be these disinterested people.

The suggestion has been that it might be some college professors by a process of elimination. I have nothing against college professors, but we would prefer that the Commission have some representation of the people who are vitally interested in it, and it is our belief that there be those people, both in the food handling and processing industry, representatives of the consumers and representatives of agriculture that are objective enough that they can direct the deliberations of the Commission and, especially, the investigation toward which the Commission is directed in such a way that we will come up with the maximum answers, the maximum amount of truth.

Therefore, we testified before the Senate and we are, also, doing the same here with the suggestion that both in the House section of the Commission as it is envisaged at the present time and in the Members that are appointed by the Senate that careful consideration be given to placing people who have some definite agricultural interests on this Commission.

I would further state in this regard that we are particularly concerned about this because at present agriculture is the party that is most aggrieved and I recognize that to make a jury out of the aggrieved party is difficult. I also recognize that getting a proper investigation might not be possible if there was not some real hard direction on the part of some of this 15-member Commission as to the direction it should go.

So we are not afraid of having members of the food processing industry or somebody representative of them on this Commission. I believe there are many fine people there that could be objective.

We are also convinced that the same is true of agriculture and the same is true of the others. We rather think the interests of the public could be better served by a representation of interested parties than by a rather hazy idea that it is going to be possible to get disinterested people in a subject that is so vital to every person, because all of us consume food; some of us too much, obviously.

With this general hedging on the Commission and the direction that its functions should take, then what we are saying is that we are entirely behind the concept of the Commission and the purposes of the Commission as they are stated in the resolution, and with that short, general explanatory statement I am prepared to let the rest of the statement which I have filed with the committee speak for itself.

Mr. McINTIRE (presiding). Thank you very kindly, Mr. Graham.

Mr. Findley.

Mr. FINDLEY. I appreciate your comments, especially the comments made about the selection of the noncongressional members of the proposed Commission.

I do not know whether you are familiar with the resolution that I introduced, House Joint Resolution 1009.

Mr. GRAHAM. I am sorry; I am not.

Mr. FINDLEY. In that resolution, which is very similar to the Cooley proposal, I specified that the Commission be composed of one member from each of the two largest general farm organizations, one member from the food processing industry, one member from the food retailing industry and one member from organized labor. That would provide a balance of the interested parties from the consumer and the producer. You were seeking to avoid having it stacked with college professors, so to speak, or with one category. Like you, I recognize that it is difficult if not unrealistic to hope to get anyone on the Commission who is completely detached and completely without some degree of self-interest in the food industry.

Do you feel that the suggestions, as I have quoted them to you have merit?

Mr. GRAHAM. I think it has enough merit that I would hope that the committee would consider it. I do not know that agriculture has the right to ask for two of the five people. This might be a bit presumptuous on our part and we do not want to be presumptuous. I am not sure that labor alone is properly representative of the consumer interest, but that would be one question that I would raise.

Mr. FINDLEY. Do you have a better suggestion?

Mr. GRAHAM. I would not exclude labor—that is why I said labor alone. There are some fairly large consumer groups, perhaps, in terms of women's organizations or something of that kind, that might possibly, be included.

Mr. FINDLEY. Do you think that it would be wise to earmark, at least, one position for the consumers, and one each for distribution, processing, and production?

Mr. GRAHAM. Again, I do not know that I would want to confine it to one. My point is in approving the general concept of what you are doing it is to say that we believe that there are objective people in these groups and what we would prefer is not to try to find disinterested people, which we think is impossible, but objective people.

Mr. FINDLEY. I agree.

Mr. GRAHAM. And we would, also, say that in my comment concerning college professors that in the staffing of the Commission after it has been appointed, there is, obviously, going to be a need for some very competent research people, and this, in our concept, is where the college research specialists should come into this picture, instead of in the directing of the work of the Commission.

We do not agree with some suggestions I have heard that the congressional representation, from either the House or the Senate, should be reduced. We think this Commission should be directing itself toward the possible need of remedial legislation, or pointing out where the existing legislation is not properly being applied. This is a legislative function that, in our judgment, needs legislative participation and we would not approve of that, either, somewhere trying to find a balance of interest, and, perhaps, we can find some of that in the congressional representation, too, because I think it is no state secret that there are some Congressmen who are particularly interested in agriculture and there are others particularly interested in labor, and we can face this, I think, honestly, and come up with some good honest answers if we face it.

Mr. FINDLEY. Would you agree that the duties of the Commission should very properly include a study and an appraisal of the effect of Government programs on the cost and quality of food to processors and consumers?

I asked this question of Secretary Freeman and he said that he would have no objection to that being added to the list of duties of the Commission.

Do you see any objection to adding that to the list?

Mr. GRAHAM. I do not see any objection to adding anything that will bring some light and understanding on this project, and if this will do it, then we would have no objection.

Mr. FINDLEY. Would you object to adding the effect of imported foods on U.S. producers, processors, and consumers?

Mr. GRAHAM. I would not object to it, except I am to testify before the Tariff Commission this afternoon, which is doing precisely this job. I would think that you would want to correlate your findings with the findings of the Tariff Commission, but I am not sure that it would be necessary to duplicate these two investigations.

Mr. FINDLEY. Do you believe that it would be necessary to have the per diem pay for the noncongressional members of the Commission at \$100 a day in order to get the people that we have been talking about?

My resolution has it at \$50 per diem. What do you think about this?

Mr. GRAHAM. I have some doubts; \$50 would be adequate for me, but I am not sure that it would be for some of the people that we would really want. This is the point. We want the highest quality people we can get. If this would become a limiting factor to getting the people that we want, then I do not think that we would approve that. The main thing that we want is good people. And this is a matter of \$100, the difference between \$100 and \$50 a day when we are talking about the food industry that runs into multibillions of dollars, then this could, conceivably, be cutting it pretty fine.

Mr. FINDLEY. Thank you.

That is all, Mr. Chairman.

Mr. POAGE (presiding). Mr. Dole.

Mr. DOLE. Mr. Chairman, thank you.

You mentioned this legislative function and therefore did not feel we should reduce the congressional representation of the Commission which would be 10 out of the 15, or two-thirds of the membership.

It costs around \$75,000 a year to operate this Agriculture Committee, consisting of 35 Members of the Congress. I am wondering if \$2,500,000 is authorized how many employees would be needed for this Commission.

Mr. GRAHAM. I do not know, Congressman Dole. We have given some thought to it, but this thing is so nebulous at this point that I think it is a bit difficult to know how to answer that question. You gentlemen who are more familiar with the conducting of investigations and this kind of thing know about what the budget runs. I am only saying that I think this would be a very substantial investigation and that it should not be cut short by a lack of adequate funds and by the same token we are not anxious to see funds unnecessarily spent.

Mr. DOLE. We have about 15 subcommittees of this committee. Of course, an increased staff would be necessary for this work but we now have the right to subpoena people. I do not know whether we would accomplish more by creating another Commission, giving this Commission all of these powers, when they are now vested in this committee. It seems to me, from the standpoint of economy, that our committee might accomplish just as much, because we are always seeking remedial legislation.

As I understand it, members of the various subcommittees, are in on nearly every problem that we now face. Livestock, feed grains, poultry, domestic marketing—nearly every phase is covered by subcommittees of this committee. I know Members of Congress, particularly those in leadership positions, have more responsibilities now than they can probably handle, but if our staffing was increased and additional experts employed, this committee might be able to perform the same service at much less cost.

Mr. GRAHAM. This is my reaction. Maybe not and maybe yes.

Mr. DOLE. That might also be true of the proposed Commission?

Mr. GRAHAM. I do not know, frankly, the answer to that, except that I think that this should be said that, perhaps, the time has come not only for the correlation in an investigation as a matter of economy of the work of both the House and the Senate, but, also, a correlation of the public interests for one main reason, and, that is, we are hopeful that there will be some light shed on this in terms of the practice of the various media where we can get some light as well as heat, and with that in mind I think that we would go to the Commission idea as it is set up. I do not know that they would come up with any more information than we have. We might be able to use it more effectively once we have it by following that method.

Mr. DOLE. Thank you.

Mr. POAGE. Are there any further questions of Mr. Graham?

If not, we are very much obliged to you, Mr. Graham. I understand that you have another appointment.

Mr. GRAHAM. I am sorry, the Tariff Commission appointment is not bothering me so much as the fact that in the negotiations concerning—

Mr. POAGE. If you want to leave, we will be glad to have you leave, but if you keep talking we will promote more questions and you will be here the next 3 hours. [Laughter.]

Mr. GRAHAM. Thank you. I think, perhaps, that I should leave, because I do not want to be here 3 hours.

Mr. POAGE. The Chair recognizes that we will have to have some different rules or we are not going to get through today or tomorrow or next week or the following week if we take each witness and go over the same questions with each witness. We have about 15 or 20 witnesses here and there is no possible way of completing these hearings if we do it that way. So the Chair is going to suggest that we will hear these witnesses, and we will ask all the witnesses to stay with us and if we have any time left when we get through hearing the witnesses, then the members will question them en bloc.

Mr. FINDLEY. Will there be some restriction on the time that each witness will take for his presentation?

Mr. POAGE. Yes; I think that we will have to impose a time limit of 5 minutes on the witness. I do not see how we can get through without doing so.

The next witness is Mr. Reuben Johnson of the National Farmers Union and with him is Mr. Angus McDonald, Mr. Lail Schmidt, Mr. Glenn A. Long, Mr. Jay Naman, Mr. Ed Smith, Mr. George Stone. We will start with Mr. Johnson.

**STATEMENT OF REUBEN JOHNSON, LEGISLATIVE DIRECTOR,
NATIONAL FARMERS UNION**

Mr. JOHNSON. Mr. Chairman and members of the committee, I am going to ask that the witnesses come to the table here.

Mr. POAGE. That will be good.

Mr. JOHNSON. Those who have statements will be heard. We have several coming up to participate in the discussion.

We will ask them to remain in the front row until that is finished.

Mr. POAGE. That will be fine. We will be glad to hear from them.

Mr. JOHNSON. First is Mr. Schmidt.

**STATEMENT OF LAIL SCHMIDT, PRESIDENT, ROCKY MOUNTAIN
FARMERS UNION**

Mr. SCHMIDT. Mr. Chairman and members of the committee, I am Lail Schmidt, president of the Rocky Mountain Farmers Union, composed of members in Colorado, Wyoming, and New Mexico. I have a prepared statement that I would like to present to the committee for the record and then I would like to summarize the statement.

Mr. POAGE. You may do so. It will be made a part of the record at this point.

(The prepared statement of Lail Schmidt follows:)

**STATEMENT OF ROCKY MOUNTAIN FARMERS UNION PRESENTED BY LAIL SCHMIDT,
PRESIDENT**

Mr. Chairman and members of this committee, I appreciate deeply the opportunity to appear here to testify on legislation so important to farm producers as this problem of concentration of economic power in the food industry.

Our organization, representing 18,500 farm and ranch families in Colorado, Wyoming, and New Mexico, wholeheartedly supports this legislation proposed by Congress, for we are gravely concerned with vertical integration by food chains. This integration is concentrating farm markets in fewer and fewer powerful corporate hands.

I believe there is no greater evidence in support of this legislation than that prepared by this committee and released in March 1964 on food costs—farm prices, which reveals that:

"Retail food prices have increased 29 percent in the past 16 years. Prices received by farmers have declined 12 percent."

Your figures also reveal that:

"Last year the cost to consumers of farm-produced food totaled \$67 billion—up \$26.2 billion, or 64 percent, from the 1947-49 average of \$40.8 billion; and that, of this \$26.2 billion increase in the cost of farm-produced foods, \$23.2 billion, or 88.5 percent, was absorbed by marketing agencies and processors—the middlemen. Only \$3 billion, or 11.5 percent, trickled back to the farmers."

Competitive farm markets are being lost or becoming dominated by only a few buyers on a mass procurement basis for hundreds, and in some cases thousands, of retail outlets, the competitive pricing structure of livestock, produce, and other farm markets is being destroyed. When these competitive pricing mechanisms are destroyed, then true competition itself is destroyed, and the function of supply and demand is replaced with a pattern of administered or set prices. These administered prices are low to producers who have lost the bargaining power of competitive markets and comparably high to consumers.

Our research division estimates that livestock producers have lost in excess of \$2,250 million during the past 18 months, which is a disaster of major proportions.

PACKER'S CONSENT DECREE

Department of Justice action in 1929, reaffirmed by the U.S. Supreme Court just recently, forced the four major meatpacking firms charged with monopoly control to divest themselves of ownership of stockyards properties and to refrain from the retail merchandising of meat and groceries.

This consent decree still stands, yet we have allowed a new and different generation of giants—the food chainstores—to engage in the same practices we found to be monopolistic on the part of the large packers in the twenties.

Not only do we permit chainstores to engage in the meat packing and processing, we go a step further than the packers ever went and permit these giants to engage in cattle feeding and the ownership of ranches if they so choose.

We feel that the same provisions of the consent decree should be equally applied to the food chains today, forcing complete divestiture of their feedlots, ranches, and food processing and farming activities which now give them monopolistic power over once competitive markets in many phases of the food industry.

Studies made by the Rocky Mountain Farmers Union reveal that in the Denver market area large food chains and large feeding corporations, some integrated through contract with chainstores, now control approximately 50 percent of all fat cattle slaughtered in the area.

Those chains that own or are integrated through contract with large foodlots are able, through use of their foodlots, to buy on the market substantially when prices are low, or stay out of the market when competitive prices are firm. They are thereby able to enjoy all the advantage and all of the protection the competitive market provides every buyer and seller, yet use the power of their own feedlots outside the market to yield a market-depressing influence almost at will.

The pattern referred to above is revealed in the following chart which shows the activity of just one chainstore that buys cattle in the Denver terminal market that owns its own feedlot nearby.

This company, of course, made other purchases of cattle in the country during the same period, but such purchases outside the competitive terminal market can also be used to help lower prices paid on the market which is simply because market prices are prices established by fewer competitive bidders within the market, and the chain buyer in the country knows that their bids won't be recorded to help firm up market prices.

The chart merely shows the monopoly-type advantage that can destroy competitive price-determining markets entirely, and lower prices paid to producers.

GROWING PRICE SPREAD RESULTING

Average beef prices are hard to apply uniformly. We have kept a rather constant check in our own area, however, and choose in this testimony to use (average prices at retail) which are most conservative and below national averages estimated by BLS and some others.

Even with our own most conservative estimates of averages which appear on the following chart, "Increased price spread between producer and consumer as result of drop in fat cattle prices December 1962, to March 18, 1964," we find the growing gross spread at retail unjustifiable in face of the heavy losses sustained by producers in the last 16 months.

The increased gross spread at retail reveals clearly the power of chainstores to "administer" prices without any regard whatsoever to supply-and-demand factors.

The chart simply shows that livestock producers generally have sustained a value loss of \$60 to \$80 per head on Choice 1,000-pound steers since December 1962, while retail food chains have increased the gross spread on the 465 pounds of retail cuts from the same 1,000-pound Choice steer by more than \$102 per critter.

This estimated price spread is on just one grade (Choice) steers in just one market area. Greater spreads between producer and consumer exist on some lower grades and upon most of the processed meat products. These, of course, would increase average price spreads considerably.

This type of price administration cannot be acceptable in a competitive free enterprise economy, and certainly needs competent Government study to determine the degree of such price administration.

I have included in this statement a reprint from Safeway News commenting upon the fact that the Safeway Corp. was able to increase its net profit after taxes in 1963 by 14 percent.

This financial statement when contrasted to the heavy losses livestock producers are taking is indicative to us of the end result of administered pricing practices and the concentration of economic power in the food industry.

Also attached is a chart based upon net profit and growth statistics reported by the nine top-ranking food chains between 1960 and 1962 revealing that all of these leaders have increased their assets substantially during the period reported. These materials bear out the same contention that food chain retailers are profiteering excessively in the face of declining prices paid to livestock producers and farmers for their products.

May I also enclose a copy of a resolution passed unanimously at Cheyenne, Wyo., on March 3 by members of the Rocky Mountain Farmers Union, urging the President of the United States to utilize the "effective resources of the Federal Trade Commission and the Department of Justice to investigate the retail food chainstore buying practices, their degree of vertical integration into packing plants, feedlots, and ranches, their power to influence prices and markets."

We gladly accept the proposals by President Lyndon Johnson upon which this legislation is based, for we feel that this approach, if kept free from conflicts of interest will utilize the effective staffs of both the Federal Trade Commission and the Department of Justice which are equipped with the trained personnel necessary to ferret out abuses that do exist in food marketing, which are destroying family farm producers in America.

Gentlemen, we thank you very much for your concern with this important problem and your apparent desire to strengthen and preserve the competitive free-enterprise system so vital to the continued strength of our democratic way of life.

LIVESTOCK RESOLUTION

American livestock producers alone lost more than \$2 billion in 1963, and are continuing to sustain heavy losses. Although red meat imports have contributed to these losses they have been insignificant in comparison to the disastrously low prices forced upon producers by large food chains through their monopoly power to administer prices to both producers and consumers.

To break up this growing monopoly power in the livestock industry and still retain competitive markets for cattle and sheep, we call for a thorough investigation of retail food chainstore buying practices, their degree of vertical integration into packing plants, feedlots, and ranches, their power to influence, and subvert competitive free enterprise, and their power to increase the spread in prices between producers and consumers without regard to supply and demand.

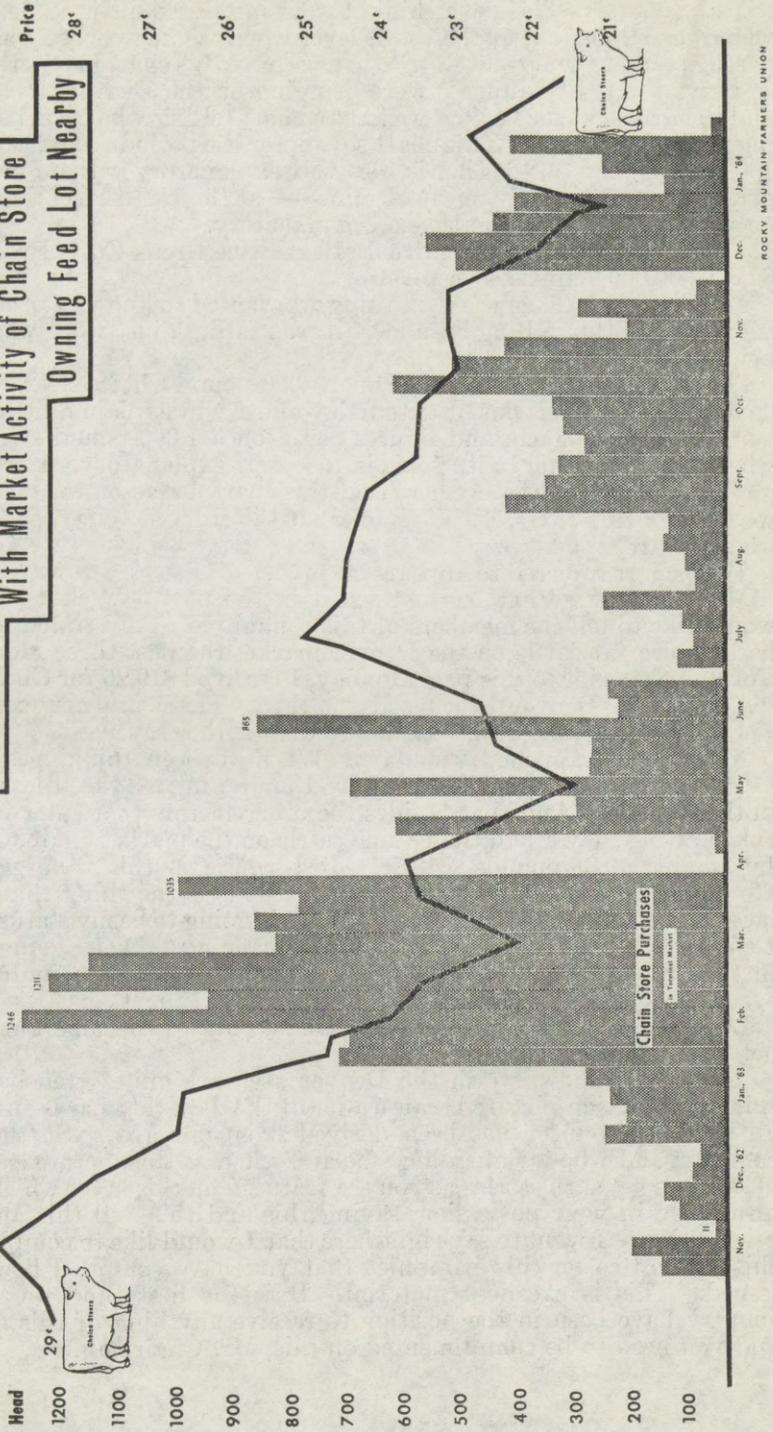
We urgently petition the President to utilize the resources of the Federal Trade Commission and the Department of Justice to carry out such investigation, and should the findings reveal that the antimonopoly laws are being violated, we ask that court action be brought against those food chains found in violation of the law, requiring that they be forced to divest themselves of their vertically integrated ranching, feeding, and farming operations.

Mr. SCHMIDT. You and the committee will recall that in March a year ago I presented a brief statement to this committee, also, on the same subject, but at this time I would like to summarize it and bring it up to date more specifically than was done at that time.

I am, also, a producer, and I am, also, a feeder of livestock at the present time. I have had Choice fat cattle on the Denver market the past three Mondays and I would like to report a little bit on that. But to take off with, in trying to determine as a producer now what some of the effects of what is going on were, you all have this chart here, entitled "Choice Steer Prices, Denver, With Market Activity of Chain Store Owning Feed Lot Nearby," which is the purchases of the national chains on the Denver Union Stockyards and I would like to lead off with that, showing just a little bit of the pattern of the buying practices of this one particular organization. It is self-explanatory. You can see that I need not explain it, but it shows you the trend of live cattle in the Choice quality and then the purchases of this one chain.

(The chart follows:)

**Choice Steer Prices Denver
With Market Activity of Chain Store
Owning Feed Lot Nearby**



ROCKY MOUNTAIN FARMERS UNION

Mr. SCHMIDT. The next think I was interested in is in learning what was happening at the retail level when we knew what was happening to us at the live level. So then we have this chart here, prepared as to what our live animals were bringing on the Denver stockyards and then, also, at the bottom we have a chart telling what was happening at the retail level. This chart covers for the period from December 1962 to January 1964. That is, also, self-explanatory in that our cattle prices were continually on the decline but at the retail level there was no movement. That is, also, self-explanatory.

(The chart referred to, entitled "Beef Price Break Costs Producers \$2,000,000,000," appears on p. 53.)

Mr. SCHMIDT. Then the next thing we wanted to know as producers is where was this falling to, and if it was falling, just what was happening.

Here we have this chart based on a 1,000-pound Choice steer. I will have to say that it is out of date today and I will explain a little later but here are the facts and figures based on a 1,000-pound steer and what was happening to it. This is, also, self-explanatory. I need not go into that, but I will say here that this chart, based on the data that we have in this chart, is far from what the story is today, so that is where we are at today.

(The chart referred to appears on p. 54.)

Mr. SCHMIDT. What has happened in the past 3 weeks? This I would like to tell the members of this committee. As I stated, I have had Choice fat cattle on the Denver market the past three Mondays. For 2 weeks prior to this past Monday, I received \$19.25 for Choice fat cattle on the Denver Stockyards market. These are not excessive weights, 950 pounds, which is a handy weight, they say.

Now, what happened Monday? We have been thinking, "Well, \$19.25 is tough to take," because here I am taking a \$3 feed loss alone in these cattle. And that besides the other factors that enter into it. But now Monday I had these same cattle on the market again, Choice fat quality, 940 pounds, \$18.75. Just where is this thing going? How long can I stay in this business? This is the thing that I am here to present to this committee. What is going to be my status when I empty this process and go back for refinancing? Am I going to be in the shape of a lot of my neighbors out there who are folding up every day? This is the thing that we are talking about.

Let us go on a little bit further. On account of the time I want to get these few points in.

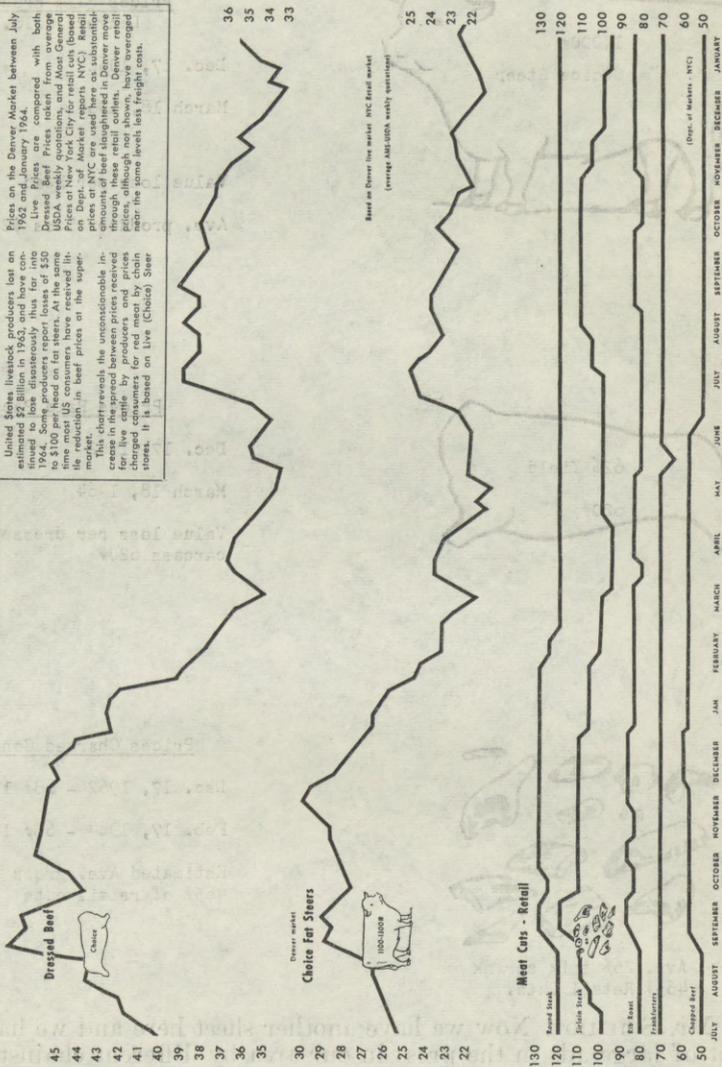
As you all know, we in the Denver area are quite intensively in this investigation picture because a lot of the data that has been going all over the country has been derived from our area. So then we come out and who is defending who and where is this picture actually at, and we get such stories as you see featured on this sheet which you, also, have in your possession, saying this and this and this and the other thing. I want to say right here that I would like to compliment this committee on this pamphlet that you have compiled here and issued. This is excellent material. It is the first time we in the country have been in the position to receive anything of this nature and you need to be complimented on this, Mr. Chairman.

BEEF PRICE BREAK COSTS PRODUCERS

\$2,000,000,000

A Livestock Price Disaster
 Prices on the Denver Market between July 1962 and January 1964.

United States livestock producers lost on average \$1.50 per head of live cattle and \$1.00 per head on fat steers. At the same time, they received a net gain of \$1.00 per head on live cattle and \$0.50 per head on fat steers. The net gain was due to a reduction in beef prices at the supermarket which the unaccountable increase in the spread between prices received for live cattle by producers and prices charged consumers for red meat by chain stores. It is noted on live (Chicago) Steer



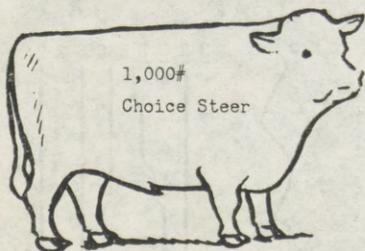
Based on Denver live market - NYC Retail market (Average 100,000 weekly quantities)

(Dept. of Market, NYC)

Increased Price Spread between producer and consumer as result

of drop in fat cattle prices Dec. 1962 to March 18, 1964

(Based on choice steer prices - Denver Terminal Market)



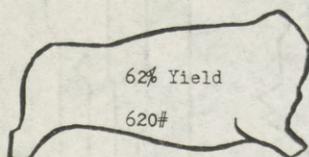
Prices Paid Producer
Denver, Colo.

Dec. 17, 1962 \$29.50

March 18, 1964 \$21.50

Value loss per head = \$80.00

Ave. producer loss \$20 - \$60.00



Prices Paid Packer

Dec. 17, 1962 \$45.50

March 18, 1964 \$34.50

Value loss per dressed
carcass 620# \$68.00



Ave. 26% trim shrink
465# Retail Cuts.

Prices Charged Consumers

Dec. 17, 1962 - 68¢ lb. (Ave.)

Feb. 17, 1964 - 68¢ lb. (Ave.)

Estimated Ave. gross spread on
465# of retail cuts \$102.20

Mr. SCHMIDT. Now we have another sheet here and we have had a lot of large ads in the press in our area by different chainstores saying that:

We are not the culprits—we are losing money. Our profits are down—we are losing money on every pound of beef we handle.

And all of this kind of thing. So we dug up this chart and this shows you just what the profits are of the nine largest chainstores in the United States, but do not let the end figure fool anybody—do not let that fool anybody—look over here and see the profits plowed into capital investment. You have to take both these figures into account to really come out with what the true story is here.

(The article entitled "Special Features" and the table entitled "Net Profit and Growth Statement" follow:)

SPECIAL FEATURES

Dividend Declared

A dividend of 45c per common share, payable March 30, 1964, was declared last month by the Board of Directors. Meeting at the Oakland Administrative Office, the Directors also called the annual meeting of Safeway's common stockholders for May 19, 1964.

At the same meeting, the Directors also declared dividends, both payable on April 1, of \$1 per share on Safeway's 4% preferred and \$1.075 per share on the 4.30% convertible preferred stock. All three dividends are payable to stockholders of record at the close of business on February 28.

Annual meeting of stockholders will be held at Baltimore, Maryland, on May 19.

1963 Sales

Our 1963 sales totaled \$2,649,711,512 as against \$2,509,644,155 for 1962, an increase of 5.58%.

Our net income for the year ended December 28, 1963, increased 14% over the net for the previous year, to a new high of \$44,815,905 which, after preferred dividends, amounted to \$3.50 per common share on the basis of preliminary unaudited figures. For 1962, net income was \$39,271,284, the equivalent of \$3.06 per share.

Net income and earnings per common share for 1963 are after deducting a charge of \$650,000, equivalent to 5c per share, to provide for conversion to U.S. dollars of Canadian assets acquired during the year. A similar charge of \$1,500,000 (12c per share) made against 1962 income was larger because of the decline in value of the Canadian dollar which took place during 1962, whereas there was little change in value of the Canadian dollar during 1963.

Taxes Approximate \$50-million.

The taxes on our 1963 net income will be about \$49,930,000, according to the preliminary estimate, after giving effect to a reduction in tax expense of approximately \$947,000, equivalent to 7½c per common share, under the "investment credit" provisions of the Federal Revenue Act. We will have a total investment credit of about \$1,972,000 against our 1963 Federal income tax liability, of which 48% (\$947,000) will be taken as a reduction of Federal income tax expense for 1963 and the remaining 52% (\$1,

025,000) deferred to offset the effect on taxes of reduced depreciation allowances. For the year 1962, the total investment credit was \$2,057,383, of which 48%, or \$987,544 (8c per share) was taken as reduction of Federal income tax expense for that year. Income taxes for the year 1962 were \$44,055,000.

Preferred stock dividends in 1963 amounted to \$837,940 leaving a net earnings available to common stockholders of \$43,977,965, or \$3.50 per common share based on an average of 12,556,569 shares outstanding during the year. Preferred stock dividends in 1962 totaled \$903,203. The average number of common shares outstanding during that year was 12,530,768.

During 1963 we opened 113 new stores and closed 123 old ones, leaving 2,059 in operation at year-end. (See next month's SAFEWAY NEWS for a complete picture of "How We Did in 1963.")

JAN. SALES UP

Sales for the first four weeks this year were 5.5% ahead of the comparable beginning period of last year.

Our consolidated sales for the four weeks ended January 25 amounted to \$204,621,853 as compared to \$194,043,501 for the four weeks ended January 26, 1963.

So far this year (up to February 1), we have opened 11 new stores in the U.S. (including one acquired), closed 9; and opened two new stores in Canada and closed four.

(From: Safeway News Vol.19 No.3, March 64)

Net profit and growth statement, 9 leading food chains

[Dollar amounts in thousands]

Company	Year	Sales	Assets	Net profit	Invested capital	Net profit as percent of invested capital
Great Atlantic & Pacific Tea	1962	\$5,310,544	\$767,974	\$60,206	\$536,404	11.2
	1961	5,240,315	744,049	57,464	514,975	11.2
	1960	5,246,578	711,217	59,012	485,973	12.1
Safeway Stores	1962	2,509,644	473,359	39,271	291,736	13.5
	1961	2,538,032	454,279	36,602	275,128	13.3
	1960	2,468,973	442,255	34,818	258,886	13.4
Kroger	1962	1,947,571	401,128	20,424	194,304	10.5
	1961	1,842,343	379,705	16,953	188,885	9.0
	1960	1,870,290	355,074	23,478	185,077	12.7
American Stores (Acme Markets)	1962	1,081,061	217,327	13,061	140,096	9.3
	1961	1,034,879	209,064	13,330	131,481	10.1
	1960	1,011,489	196,069	12,673	122,338	10.4
National Tea	1962	979,049	199,997	9,118	113,783	8.0
	1961	888,853	166,226	9,315	87,040	10.7
	1960	855,841	154,682	8,662	82,141	10.5
Food Fair Stores	1962	923,224	193,411	11,056	90,562	12.2
	1961	840,180	169,577	11,865	80,285	14.8
	1960	771,172	160,142	11,396	72,319	15.8
Winn-Dixie Stores	1962	772,248	127,686	17,483	82,866	21.1
	1961	767,035	123,902	17,051	78,566	21.7
	1960	721,532	115,064	15,800	68,724	23.0
Stop & Shop	1962	306,306	100,035	3,887	30,181	12.9
	1961	295,373	885,542	4,645	27,265	17.0
	1960	239,079	67,564	4,136	21,861	18.9
Red Owl Stores	1962	299,943	50,605	2,653	26,148	10.1
	1961	279,055	46,688	2,374	22,146	10.7
	1960	274,592	42,046	2,532	20,214	12.6

Source: Fortune magazine, "50 Largest Merchandising Firms," August 1961, 1962, 1963.

Mr. SCHMIDT. I could go on and on in this discussion, but the thing that I am wondering about is, where is this going? I had my assistants in Denver after my cattle sold Monday to go downtown in Denver to see what it cost to buy a pound of hamburger, and it cost the same as it had been costing all along, even though I was selling my cattle for \$18.75.

This is what we are confronted with.

How long is it going to take to get something corrected so that you can save the livestock industry of this Nation?

Thank you, Mr. Chairman and members of the committee. I will relinquish my time to some of my other colleagues.

Mr. POAGE. Thank you very much, Mr. Schmidt.

Mr. McDonald.

Mr. McDONALD. Mr. Chairman and members of the committee, I would like to reserve my testimony until the others from out of town get through.

Mr. POAGE. That is all right.

Mr. McDONALD. I would like for you to call on Mr. Glenn Long, manager of the Farmers Union Marketing Association of St. Paul.

Mr. POAGE. We will be glad to hear from Mr. Long.

STATEMENT OF GLENN LONG, MANAGER, FARMERS UNION
MARKETING ASSOCIATION, ST. PAUL, MINN.

Mr. LONG. Mr. Chairman and members of the committee, I have filed a statement for myself as manager of the Farmers Union Marketing Association and Mr. Edwin Christianson, president of the Minnesota Farmers Union that has been presented to you and I would like to have that filed for the record.

Mr. POAGE. Without objection the statements from all of the witnesses will be received in the record, without the necessity of further requesting it.

(The prepared statement of Glenn A. Long and Edwin Christianson follows:)

STATEMENT OF GLENN A. LONG, MANAGER, FARMERS UNION MARKETING ASSOCIATION, AND EDWIN CHRISTIANSON, PRESIDENT, MINNESOTA FARMERS UNION

We support the general purpose of the resolutions by Chairman Cooley and Representative Olson for a Federal commission to investigate food marketing practices, particularly to determine the extent that economic concentration and integration may widen the marketing spread both at the expense of farmers and consumers.

We concur in the Farmers Union statement of facts demonstrating the need for investigation of the impact on farmers and consumers of the operations of chainstores in procuring meat either from their own feedlots or on contract from commercial feedlots.

Our statement will address itself to another phase of livestock procurement which we believe has weakened the market position of farmers—the trend to direct buying through country buying stations and on-the-farm purchases. We believe this, too, needs close investigation.

There has been no comprehensive study of the direct buying of livestock since 1935 when the Bureau of Agricultural Economics made an investigation. Since that time, the problem of the effects of direct buying practices has been touched upon, incidentally, in the course of committee hearings on unfair meat trade practices, but not in sufficient depth to determine what the impact on competition or producer prices might be.

In recent years, the marketing pattern on livestock has continued to change, weakening the position of the terminal markets and the cooperatives on these markets and resulting in a worsening of the economic situation of the family-type livestock producer.

The extent of this shift to direct buying is well illustrated by the fact that in 1923, 90 percent of the total kill of cattle, 86 percent of the calves, 86 percent of the sheep and lambs, and 77 percent of the hogs were purchased at the terminal markets by slaughterers. By 1956, these percentages of livestock purchased through terminals had dropped to 70 percent of the cattle, 37 percent of the calves, 45 percent of the sheep and lambs, and 37 percent of the hogs.

In 1962, terminals handled only 42.6 percent of the cattle, 23.3 percent of the calves, 35 percent of the sheep and lambs, and 29 percent of the hogs.

In the accompanying table 1 attached, we show the comparison of direct procurement and salable receipts at the terminal market at South St. Paul, over the period of the last 8 years.

Terminal marketings on cattle dropped from 96.42 percent to 72.14 percent in the 8-year period, marketings of hogs dropped from 51.80 percent to 41.55 percent.

In table 2, we show the percent of total receipts obtained through direct procurement by firms operating on the South St. Paul market over a recent 8-week period on both hogs and cattle.

As can be seen from the percentage figures, the direct buying operations are erratic and unpredictable and often reach a volume which cannot help lessening demand for the salable receipts at the terminal.

Direct hog procurement during this 8-week period ranged from as low as 2 percent of the day's total receipts to 140 percent. Direct cattle procurement ranged from as low as 2 percent to as high as 26 percent of the day's total receipts. Of course, there is also extensive direct buying in the State for packers other than those located at South St. Paul.

The accelerated trend to direct marketing of slaughter livestock and the establishment of a whole series of livestock auction sales barns throughout the country has materially increased the cost of livestock marketing to the producer and the cost of livestock procurement to the processor.

All of the existing livestock marketing facilities and livestock procurement facilities are overhead costs borne by the entire livestock industry but they are paid ultimately by the livestock producer. It is our opinion that the livestock industry cannot afford the luxury of this wasteful duplicating and decentralized of marketing facilities.

The cost of these unneeded facilities is only part of the total financial burden upon producers. A much greater loss results from the loss of real competition and the loss of marketing power which takes a tremendous toll from the net returns of the producer.

Particularly the practice of skimming off choice livestock through direct buying is a harmful factor. It leaves the remaining livestock to be sent to the terminal where it establishes a lower market average which in turn sets the tone for price trends on all purchases including those through direct buying. Thus, the entire price level is weakened.

The terminal markets are still the pricemaking factors in the industry, but if they continue to decline in importance, producers are bound to be at a greater and greater disadvantage in obtaining a fair price for their animals.

We therefore suggest that the Food Marketing Commission should examine this problem and determine whether or not direct buying is being used for the purpose of price discrimination and weakening of competition. It is our view that this preliminary evidence warrants a thorough inquiry.

TABLE 1.—*Salable receipts as a percent of total receipts—Percent of total receipts represented by sales through terminal commission firms,¹ South St. Paul market, 1956-63*

	Cattle	Hogs		Cattle	Hogs
1956.....	96.42	51.80	1960.....	82.85	45.01
1957.....	89.13	48.59	1961.....	80.42	42.65
1958.....	83.41	45.23	1962.....	77.11	42.68
1959.....	84.98	46.24	1963.....	72.14	41.55

¹Total receipts less salable receipts represents the proportion of livestock obtained through direct procurement.

TABLE 2

Date	Cattle			Hogs		
	Salable	Direct	Percent	Salable	Direct	Percent
Mar. 2, 1964	5,143	638	12	8,419	1,556	18
Mar. 3, 1964	3,488	454	13	10,037	3,674	37
Mar. 4, 1964	2,978	230	8	7,621	2,228	29
Mar. 5, 1964	4,248	354	8	9,959	2,049	21
Mar. 6, 1964	1,557	245	16	6,278	2,517	40
Mar. 9, 1964	4,850	465	10	9,484	1,599	17
Mar. 10, 1964	4,182	336	8	11,723	4,010	34
Mar. 11, 1964	4,026	102	3	10,192	3,092	30
Mar. 12, 1964	3,600	134	4	10,063	1,835	18
Mar. 13, 1964	1,613	199	12	5,257	2,598	49
Mar. 16, 1964	5,731	769	13	9,115	159	2
Mar. 17, 1964	4,891	305	6	11,589	2,457	21
Mar. 18, 1964	4,381	149	3	8,034	1,252	16
Mar. 19, 1964	3,963	309	8	8,564	2,229	26
Mar. 20, 1964	1,581	149	9	4,945	1,390	48
Mar. 23, 1964	5,379	211	4	7,787	1,758	23
Mar. 24, 1964	5,273	112	2	10,054	5,022	50
Mar. 25, 1964	4,130	394	10	8,121	3,188	39
Mar. 26, 1964	3,549	463	13	6,908	1,596	23
Mar. 27, 1964	671	177	26	2,546	3,561	140
Mar. 30, 1964	5,193	520	10	9,188	1,873	20
Mar. 31, 1964	5,436	288	5	12,207	4,047	33
Apr. 1, 1964	4,366	134	3	7,557	2,008	27
Apr. 2, 1964	4,460	138	3	8,364	2,214	26
Apr. 3, 1964	1,667	101	6	5,118	1,549	30
Apr. 6, 1964	4,560	478	10	6,843	1,089	16
Apr. 7, 1964	4,287	185	4	8,302	2,587	31
Apr. 8, 1964	4,360	183	4	8,863	2,821	32
Apr. 9, 1964	4,495	207	5	8,707	4,592	53
Apr. 10, 1964	1,808	303	17	6,535	3,614	55
Apr. 13, 1964	5,927	429	7	9,250	1,200	13
Apr. 14, 1964	2,856	52	2	5,197	1,719	33
Apr. 15, 1964	5,809	384	7	10,308	4,601	45
Apr. 16, 1964	4,242	318	7	9,837	4,722	48
Apr. 17, 1964	2,265	425	19	7,557	2,075	27
Apr. 20, 1964	6,466	471	7	8,630	1,609	19
Apr. 21, 1964	5,592	345	6	11,543	3,210	28
Apr. 22, 1964	4,442	255	6	7,114	3,906	55
Apr. 23, 1964	4,816	99	2	9,570	3,338	35
Apr. 24, 1964	2,061	72	3	4,935	2,940	60

Mr. LONG. We support the general purposes of the resolution by Chairman Cooley and Representative Olson and we would like to address ourselves particularly to the problem of livestock procurement on the part of the processor and the chainstores and to suggest that this be included in the investigation relative to the meat and livestock industry, because we feel that the procurement practices as

they are being carried on—the direct procurement off of the farm or on the farm purchases and the whole string of buying stations and this sort of thing in the livestock procurement business has some tendency to eliminate competition and to have the possibility, at least, of price fixing.

We think this thing is serious enough that it should be thoroughly investigated and there is no record of any thorough investigation of marketing practices of livestock since about 1935.

Our statement presents some evidence of the fact that this is a major problem and we, therefore, suggest that the Food and Marketing Commission should examine this problem and determine whether or not direct buying is being used for the purpose of price discrimination and the weakening of competition. And it is our view that there is preliminary evidence to warrant this position that we are taking at this time.

This is all of the time that I would like to take relative to this problem and will yield the rest of our time to our colleagues here.

Mr. FINDLEY. A parliamentary inquiry. Was it your idea that the organization would be limited to 5 minutes or each person would be limited to 5 minutes?

Mr. POAGE. It was my idea that each individual witness would have 5 minutes. I do not want to apply any hard and fast rule here. All I want to do is to get through this morning. We are not going to get through otherwise.

Mr. FINDLEY. The reason that I make the inquiry is that permitting several from the same organization to speak, may, in effect, be taking 5 minutes away from the questioning by members of this committee.

Mr. POAGE. I do not want to sit here as a hard taskmaster. I try not to be that way. I think that you can understand my attitude. The way we started out with Mr. Graham it was obvious that we could not possibly complete this list of witnesses today the way we were going. I think that we have to speed the matter up.

We will be glad to hear from the next witness. Do you want to call the next witness, Mr. Johnson, or do you want me to call him?

Mr. REUBEN JOHNSON. I would like to ask that Mr. Jay Naman make a few remarks at this time.

Mr. POAGE. I will be especially happy to hear from Mr. Naman. He is a fine citizen of the State of Texas and is my neighbor and constituent. We will be delighted to hear you now, Mr. Naman.

STATEMENT OF JAY NAMAN, PRESIDENT, TEXAS FARMERS UNION

Mr. NAMAN. Mr. Chairman and members of the committee, I am from Waco, McLennan County of the 11th Congressional District. Our county and Falls County are the largest of the 11th Congressional District. Our county and Falls County are the two largest steer wintering counties in the United States. We have a special program there. We winter steers on small grain.

We produce every winter approximately 35,000 to 50,000 steers in these two counties. Those cattle are wintered and sold to the feedlots. This is another step in the marketing chain.

The grazing operation precedes the feeding operation.

In 1948 I bought my first cattle for the winter grazing operation. At that time I do not know of any steer operators in the two counties who did not own their own cattle on their farms. Last year over 50 percent of the cattle wintered in these two counties were owned by chainstores, meatpackers, and speculators.

What concerns me is the fact that so much of the grazing of cattle has gone out of the hands of the independents, the individual operators, into the hands of the processors. The cattle are now put on the fields, on a contract basis at a price which is barely a break-even price. I envision that in the future these cattle may be put on the fields at so much per head and at that point the operator, the farmer, the rancher, becomes an employee of the processor. This concerns me very much.

I hope that the Commission that will study the food distribution problem will give some concern to how far down the marketing chain the effect of the concentration of the buying power has affected the livestock producer.

Thank you. I appreciate the opportunity to make this comment to the committee.

Mr. POAGE. Thank you very much, Mr. Naman.

Do you want to call Mr. Ed Smith or somebody else?

Mr. REUBEN JOHNSON. At the time, I have just asked Mr. Smith and Mr. Stone if they had any comment, and they said no. They will be around during the questioning session.

Mr. Angus McDonald will close our testimony.

Mr. POAGE. We will be glad to hear from Mr. McDonald now.

STATEMENT OF ANGUS McDONALD, ASSOCIATE DIRECTOR OF LEGISLATIVE SERVICES, NATIONAL FARMERS UNION

Mr. McDONALD. Mr. Chairman and members of the committee, I want first to call your attention to the statement of James C. Patton, which, I believe, has been distributed to you, and my remarks will constitute more or less a summary of Mr. Patton's statement.

In accordance with the previous statement, I will ask that it be made a part of the record at this point.

Mr. POAGE. Without objection, it will be made a part of the record. (The prepared statement of James G. Patton follows:)

STATEMENT OF JAMES G. PATTON, PRESIDENT, NATIONAL FARMERS UNION

Mr. Chairman and members of the committee, we are appearing here in support of the bill introduced by the chairman and other members of this committee. We know that the members of this committee, more than any other group in and out of the Congress are aware of the necessity of the passage of this legislation. This committee has been the consistent champion of the family farmer over a long period of years. This committee has repeatedly brought to the American people a report on the farm and retail price situation.

We wish to commend the committee and especially the chairman for the recent report dated April 5, 1954, entitled "Farm Costs—Farm Prices." This is the most comprehensive and authentic study which has been made of the price spread and should go far toward alerting the Congress and the American people to the tragic situation which exists in the marketplace. Certain figures in this report especially attract our attention. I don't want to burden the record with a recitation of facts already known but I do not think this particular excerpt from the study can be quoted too often:

"Over the past 16 years, prices received by farmers for food delivered into the marketplaces have dropped by 12 percent, while the prices paid by consumers for farm-produced food have increased by 29 percent.

"Americans paid \$67 billion in 1963 for the farm-produced food they consumed—\$26.2 billion, or 64 percent, more than their average annual food bill in 1947-49. Of this \$26.2 billion increase in the retail store cost of food, \$23.2 billion, or 88.5 percent, went to processors and marketing agencies—the middlemen. Only \$3 billion trickled back to farmers although last year farmers delivered 40 percent more food into markets than they did annually in the 1947-49 period."

The widening price spread between farmer and consumer has been dramatically illustrated by the drastic price decline in the price of beef during the last 15 months. Our Rocky Mountain Farmers Union State president, one of the witnesses appearing at the hearing this morning, will tell the committee his experience as a cattle producer in the Denver, Colo., market. Prices in Denver have declined during the last year by about one-third. This simply means that cattle producers could have sold the same cattle a year ago at a price in excess of the price they are receiving today. Cattle producers have lost about \$2 billion or more it is estimated as a result of this drastic price decline.

One would expect that such a drastic decline in the price of beef would affect substantially consumer prices. Unfortunately this is not the case. Apparently the losses realized by cattlemen have been transferred to the pockets of the chainstores. Since consumers have benefited very little we are not surprised to find that profits in the food industry have reached an alltime high.

We have made a check of the net income of leading chainstores using as sources several authoritative financial publications. It is seen by the following table that chainstore profits before taxes amounted to as much as 41.1 percent for the year 1963 and that after taxes they amounted to as much as 20.9 percent. Profits of the Great Atlantic & Pacific Co., the largest chain, amounted to 23.5 percent before taxes and 11.2 percent after taxes. Safeway, the second largest, reported a before tax income of 29.4 percent and 13.9 percent after taxes.

Pretax income and net income as a percentage of net worth for the 10 largest grocery chains during 1963

Company	Pretax income net worth	Net income net worth	Company	Pretax income net worth	Net income net worth
1. A. & P.-----	23.5	11.2	6. Food Fair-----	21.6	11.3
2. Safeway-----	29.4	13.9	7. Winn-Dixie-----	42.1	20.9
3. Kroger-----	20.1	9.8	8. First National-----	15.4	8.3
4. Acme-----	19.3	9.3	9. Grand Union-----	13.0	6.5
5. National Tea-----	14.5	7.9	10. Jewel Tea-----	25.8	12.5

Sources: Moody's, Standard & Poor's, and company reports.

We further call the attention of the committee to two tables which are appended to this statement indicating that profits of the national chains have been increasing over a long period of years.

Table No. 1, which includes the operating profits of Great Atlantic & Pacific Co.; Safeway Stores, Inc.; National Tea Co.; National Dairy Products, and the Borden Co., have consistently increased since 1957. The increase year by year has been substantial and consistent. The second table which covers the period 1948-58 includes net profits of the leading chains during this period.

We call attention to the fact that profits after taxes during these years of the nine largest chainstores on the average amounted to 13.8 percent in 1958. More figures could be recited from reliable sources. The evidence indicates that the leading food chains of this country engaged in food retailing are enjoying unprecedented prosperity.

An analysis of the market structure of the retail business would, we believe, give us a clue as to why chainstore profits have been skyrocketing at the same time that farm prices have been declining. It is reported that in many markets the chainstore determines the price of the raw product and both wholesale and retail prices regardless of supply and demand. It seems logical to assume since retail prices show little relation to prices of beef and other food prices that the big buyers are able to manipulate the market to their own advantage.

Their position in many of the meat markets would lend credence to this idea. In 1958, in each of 14 metropolitan markets, leading corporate chain food retailers enjoyed from 60 to almost 90 percent of the total grocery store sales. In Little Rock, Ark., Kroger and Safeway enjoyed 75 percent of the total. In Wilmington, Del., American, Food Fair, and A. & P. enjoyed 74.1 percent of the total. In Raleigh, N.C., A. & P. enjoyed 68 percent of the total. In Denver, Colo., Safeway, National Tea, J. S. Dillon, and Red Owl enjoyed 86 percent of the total. An analysis of the distribution of grocery store sales in 133 cities in 1958, showed that the average for the 4 largest food retailers was 58.3 percent of the total market.

Despite these statistics the chainstores in recent testimony before the Senate Commerce Committee contend that their profits have been declining and that furthermore they have been actually losing money on meat. Clarence G. Adamy in testimony on April 30, 1964, said that a study of 46 chain supermarkets indicated a net operating loss to the typical retailer of slightly more than 1 cent per pound. Adamy also made a statement in regard to economic concentration contending that food retailing was one of the least concentrated of all American industries.

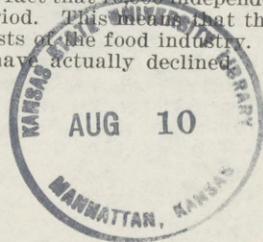
Another chainstore executive according to a news item in the Chicago Tribune of May 3, 1964, contended that all of the price decline had been passed on to consumers. He denied that chains had been manipulating prices and expressed concern regarding the plight of cattle producers. This executive was quoted as saying that the Jewel Tea Co., which he represents, had experienced cost prices averaging in 1963 one-tenth of a cent of a pound higher than in 1961 but its retailing prices had averaged 1 cent below 1961. He contended that the decline in meat prices had been fully matched by retailing prices. He went on to say "the spread between cost and retail prices has been approximately constant over the past several years, despite rising expenses."

We suggest that chainstore executives are attempting to mislead the Congress and the American people by making misstatements and carrying on so-called studies. We are referring to a recent study relied on by Adamy and the Jewel Tea Co. executive. This study appears to be an attempt to confuse and mislead. It disagrees with reliable statistics of the Department of Agriculture by contending that the average price of meat sold at the consumer cash register was only 54 cents a pound. According to the Department of Agriculture, figures sales in 1963 were from 78.73 cents to 84.04 cents. Further analysis of the McKinsey meat study indicates that the 1954 figure indicates an adjustment which took into account waste of beef carcass. Even accepting their adjusted figure which would mean that they actually realized considerably more at the cash register it is obvious that there is a wide discrepancy between their figures and Department of Agriculture figures.

The McKinsey study only included, according to its authors, 46 test stores. The location, size, and kind of market is unknown. It may well be that if these figures are accurate that certain inefficient stores in poor neighborhoods were selected. One finds it difficult to imagine a store which had their estimated meat sales unless nearly all the meat sold consisted of hamburgers and inferior cuts. However, the conclusion that most meat departments are losing money is apparently relied on by chainstore spokesmen.

Another contention of the chainstores seems to us fallacious. They attempt to explain their high consumer prices by attributing them to high labor costs. Recently a representative of the Amalgamated Meat Cutters & Butchers (AFL-CIO) appeared before the Senate Commerce Committee and demolished this allegation. Leon B. Schachter, vice president of this organization, pointed out that wages accounted for only 7.02 cents per consumer dollar in 1963. In 1958 the labor cost in food dollars amounted to 6.78 cents, an increase of only two-tenths of a cent for each dollar of food sold.

However, these figures do not take into account the fact that 70,000 independent grocers went out of business during the 1958-63 period. This means that their labor cost no longer should be added to the labor costs of the food industry. It would appear that labor costs per dollar of food have actually declined.



The packinghouse workers tell a somewhat similar story. In a release of April 3, 1964, the United Packing House Food & Allied Workers (AFL-CIO) stated that productivity has been increasing faster than wage increases. Wage increases according to this union have increased since 1963 by 3 percent while productivity has increased by 12 percent.

The National Farmers Union is not only interested in the approval of the President's recommended Food Commission but in its composition. We hope that the investigation will be completely impartial and objective and that none of the public members will have any connection whatsoever direct or indirect with the food industry.

We call the committee's attention to the following quotation from the Washington Farm Letter of April 24, 1964, in which it is stated that "A push is on to name Jesse Tapp, recently of Bank of America, and Bob Liebenow of Chicago Board of Trade, among others." We call the committee's attention to the fact that the Bank of America has a number of directors who are also directors of food companies. A list of the names of these directors and the companies they represent is attached to this statement.

We also call the committee's attention to an attached excerpt from the so-called conflict of interest law passed by the Congress in 1962. It would appear that those who have a financial interest direct or indirect in the food industry would, if the law is observed, be prevented from serving on the Commission. We know that the members of the committee will use their great prestige to see that not only the law but the spirit of this law be observed.

We further call the committee's attention to a bill, House Joint Resolution 1009, introduced by Representative Findley which is identical to the legislation recommended by the President and introduced by the chairman of this committee except that it provides for the members of the Commission to be representatives "of the two largest general farm organizations."

Finally we urge every member of this committee and the Congress to use their good offices to see that legislation is speedily approved that an impartial investigation is made and that competent members of the staff of the Commission be employed to carry out this work. We think it is extremely important that those who are or who have been associated with the food chains have no voice in hiring of the staff or in conducting economic studies.

During the last few weeks and months the members and officials of the National Farmers Union have been preoccupied with the problem which we have discussed here today. They feel that the trend of events in the marketplace determine not only their bread and butter but their economic existence. During the last few days the Executive Committee of the National Farmers Union after prolonged deliberation adopted unanimously the following resolution:

RESOLUTION IN SUPPORT OF SENATE JOINT RESOLUTION 71 AND HOUSE JOINT RESOLUTION 977—To ESTABLISH COMMISSION TO INVESTIGATE THE FOOD INDUSTRY

(Unanimously adopted by the Farmers Union executive committee, May 3, 1964)

The executive committee of the National Farmers Union, taking cognizance of the existing economic situation of those engaged in agricultural production, find

That excessive price spreads exist between the farmer and consumer, particularly in regard to the price of beef received by the producer resulting from the

drastic and catastrophic price decline during the period December 1962 to April 1964;

That tremendous losses to producers amounting to billions of dollars are not passed on to consumers in lower prices;

That retailers of meat and other food products have been enjoying excessive and exorbitant profits—the highest in history;

That the principal cause of the ruinous economic situation of cattle producers and others engaged in agriculture is price manipulation and the exertion of ruthless market power by 8 or 10 national food chains controlling many thousands of retail outlets, packing, processing, manufacturing, and feedlot facilities;

That certain groups and individuals both in and out of Government, are seeking to mislead the Congress and the American people in regard to the manipulation and control of food prices, chainstore profits, and particularly profits of the chains relating to the sale of meat and meat products, and any economic development of market practices concerned with the merchandising involved in the purchase and sale of livestock products by contending that such practices resulting in the disadvantaging of farmers are the result of technological efficiency and inexorable economic law:

We, therefore, do hereby resolve, That the Congress and the Chief Executive of the United States utilize every effort to rectify the tragic, ruinous economic situation by the immediate passage of Senate Joint Resolution 71 and House Joint Resolution 977, and similar bills introduced in the House of Representatives, which would result in an unbiased and impartial investigation of the food industry from the point of production to the point of consumption;

And further resolve to urge the President and the Congress of the United States to insure the appointment of members of the Commission and the staff of the Commission people who have no peculiar vested interest, direct or indirect, in the production, processing, and sale of food commodities, to work with the Federal Trade Commission, Department of Justice, and other agencies.

TABLE 1.—Operating profits of selected national food chains and dairies

	1962	1961	1960	1959	1958
Great Atlantic & Pacific Co., year ends Feb. 23.....	¹ \$125,489,022	\$118,656,805	\$121,418,991	\$117,903,942	\$109,299,205
Safeway Stores, Inc., year ends Dec. 29.....	² 85,689,817	81,089,068	76,891,461	79,100,665	72,704,303
National Tea Co., year ends Dec. 29.....	³ 20,299,138	21,445,101	19,905,758	19,830,611	19,642,015
National Dairy Products Corp.....	⁴ 106,741,194	102,469,887	104,175,425	99,689,271	87,644,213
The Borden Co.....	⁵ 56,609,133	53,499,335	47,486,953	45,628,119	44,225,275

¹ Operating profits: sales less cost of merchandise sold plus store operation, advertising, and administrative expenses.

² Operating profit: sales less cost of sales plus selling general and administrative expenses and provision for doubtful accounts.

³ Operating profit: sales less costs, expenses, general taxes, plus rentals paid on leased properties plus depreciation and amortization.

⁴ Operating profit: net sales less cost of goods sold plus delivery expense plus selling expense, plus administrative and general expense plus provision for doubtful accounts.

⁵ Operating profit: net sales less cost of goods sold selling, general administrative and other expenses plus provision for doubtful accounts.

TABLE 2.—ECONOMIC INQUIRY INTO FOOD MARKETING SALES AND PROFITS OF 33 LARGE FOOD CHAINS
Ratio of net profit before and after income taxes to stockholders' investment for leading food chains: 1948-58

[Data for fiscal years ending on or before June 30 are applicable to the prior year. Ratios in percentages]

Company and 1958 sales size	Before income taxes										After income taxes													
	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958		
Group 1: \$500,000,000 and over:																								
A & P.....	37.6	23.5	22.9	22.0	23.3	23.1	21.8	22.9	24.9	28.8	28.3	16.4	13.6	12.5	9.9	10.2	10.1	10.1	10.5	11.6	13.2	12.8		
Safeway.....	20.1	23.5	24.0	11.3	12.3	20.5	15.6	15.2	27.3	30.3	26.6	12.0	13.0	12.6	6.5	6.3	10.1	8.1	7.6	13.0	14.4	14.6		
Kroger.....	38.4	27.9	27.0	23.1	28.2	28.0	24.3	23.3	26.3	28.5	28.0	13.8	13.6	14.8	13.5	12.2	12.0	13.2	12.0	13.1	14.4	13.6		
American Stores.....	29.1	21.7	26.1	17.4	17.4	23.0	20.1	24.5	23.2	23.5	23.0	15.3	13.4	12.9	8.8	8.4	11.1	10.0	11.3	11.3	11.3	11.3		
National Tea.....	31.0	29.0	31.8	17.6	19.9	23.8	23.1	24.5	26.2	26.2	23.5	30.4	17.5	17.0	8.8	8.8	11.1	13.4	13.5	12.5	13.0	12.3		
Food Fair.....	31.0	30.9	30.6	30.6	32.8	37.7	38.5	33.5	33.5	34.9	36.7	20.1	22.9	13.7	13.7	14.8	17.1	18.9	19.0	17.2	17.2	18.2		
Winn-Dixie.....	38.5	41.4	36.8	47.4	43.0	47.8	45.6	48.9	43.5	47.7	44.5	23.5	22.9	18.0	19.4	20.4	20.5	22.8	23.7	24.0	23.6	23.2		
First National.....	27.0	41.4	24.6	38.2	30.0	31.3	34.3	34.3	24.7	35.7	34.5	14.4	13.5	12.7	12.0	13.9	13.2	14.3	13.5	11.8	12.1	12.3		
Grand Union.....	26.5	29.1	30.1	19.2	18.1	23.5	26.7	25.5	25.2	27.4	23.1	15.7	13.6	14.9	11.2	10.2	12.4	13.6	12.5	14.2	13.7	11.4		
Weighted average.....	26.2	25.5	25.8	20.9	22.5	25.0	23.4	23.9	27.2	29.5	29.1	15.5	15.1	13.4	10.2	9.9	11.3	11.4	11.5	13.0	14.0	13.3		
Group 2: \$110,000,000 to \$500,000,000:																								
Jewel Tea.....	33.3	27.7	30.8	25.6	31.6	19.8	22.5	25.9	28.0	29.2	29.2	18.0	17.2	16.3	13.0	11.1	9.9	11.5	12.6	13.9	14.2	14.4		
Colonial Stores.....	30.3	29.3	31.8	29.6	31.8	36.2	36.4	34.3	31.1	32.0	24.2	17.3	17.7	17.2	14.5	13.0	14.2	16.6	16.9	15.9	16.0	11.9		
ACE-Whigley Stores.....	38.1	38.0	41.3	33.1	38.3	38.3	36.6	36.9	33.9	33.4	27.4	22.3	23.7	20.9	14.0	14.4	13.3	17.7	(9)	19.5	17.5	10.6		
Loblaws.....	30.3	26.0	24.9	22.8	30.3	17.5	19.9	26.9	30.9	33.4	23.1	12.5	13.8	14.3	9.7	9.8	8.5	9.0	10.8	14.0	17.0	14.1		
Red Owl Stores.....	50.8	21.0	27.9	18.7	18.1	16.5	20.8	20.9	24.0	31.3	23.1	14.1	12.9	10.7	13.6	10.4	10.5	13.0	11.8	14.2	14.5	13.4		
Stop & Shop.....	22.3	27.5	23.6	23.1	30.7	36.0	33.7	30.5	26.3	28.0	22.7	14.3	13.3	13.0	13.6	16.1	16.1	10.4	9.9	11.5	17.2	17.8		
Thrifty Mart.....	40.3	37.5	28.3	24.5	21.9	22.7	28.7	21.3	20.0	21.9	21.3	24.0	22.2	16.5	12.0	9.5	9.4	12.6	9.7	9.4	10.3	10.3		
Bolack (H. O.).....	10.7	14.8	21.5	15.5	30.8	23.7	21.4	23.4	20.1	14.9	13.9	6.7	9.2	11.8	8.2	9.9	10.1	11.0	13.3	10.9	8.4	7.0		
Luskay Stores.....	14.4	28.0	26.5	19.8	30.3	27.8	26.6	24.2	31.0	34.2	34.4	8.9	10.0	14.0	9.0	12.0	11.8	12.8	14.0	15.0	16.3	15.9		
Wegmans (I.).....	20.3	14.7	24.1	17.2	21.1	22.0	23.5	21.2	19.1	26.7	24.1	13.6	8.0	10.2	9.3	9.5	10.3	11.9	11.0	10.5	12.9	10.4		
Maryfair Markets.....	(7)	(7)	9.0	33.6	28.9	33.6	16.4	16.0	35.2	36.2	33.1	(3)	2.1	3.8	5.0	3.8	5.2	8.1	8.4	8.7	8.1	7.2		
Giant Food.....	(7)	47.6	52.5	33.6	28.9	33.6	41.4	36.9	37.7	32.4	29.1	(3)	25.1	25.8	15.5	12.6	16.2	20.4	18.4	18.3	15.4	13.8		
Weighted average.....	24.9	26.3	28.5	23.4	23.9	24.8	26.2	26.7	28.3	28.2	25.0	15.1	15.6	14.9	11.5	10.9	11.0	12.7	13.1	14.1	14.1	12.3		
Group 3: \$50,000,000 to \$110,000,000:																								
Thorofare Markets.....	39.9	25.1	41.5	37.1	22.8	36.4	40.7	55.6	59.4	49.5	39.5	23.9	21.1	21.5	14.8	11.7	13.4	18.9	25.7	23.9	23.1	18.1		
Fisher Brothers.....	34.5	25.1	30.7	26.7	22.0	26.2	24.5	18.7	31.7	23.0	17.5	21.6	18.6	17.7	13.3	10.8	12.6	9.4	9.0	10.5	12.1	8.7		
Purity Stores.....	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)		
Yon's Grocers.....	(6)	34.7	33.1	32.0	30.0	43.6	40.7	44.5	37.0	33.8	37.0	14.3	21.6	20.9	14.0	13.3	13.6	19.8	21.6	18.2	16.2	16.6		
Market Basket.....	24.6	27.0	23.1	26.8	37.9	42.3	38.7	35.9	32.8	38.5	15.4	13.4	10.8	16.5	11.6	13.3	1.41	38.3	17.0	15.4	15.5	17.9		
Shopping Bag.....	23.5	43.6	28.3	33.6	24.5	41.9	44.5	23.6	30.2	32.0	19.1	14.6	27.1	16.8	12.7	14.7	21.7	21.7	14.8	15.0	16.5	9.4		

Big Bear Stores-----	44.9	46.5	(2)	(2)	49.7	53.0	45.1	39.5	41.1	40.9	41.9	27.7	28.8	(2)	(2)	17.7	18.7	21.8	19.2	20.1	19.7	20.1
Ditch Crystal Dairies-----	(2)	(2)	(2)	(2)	10.4	15.3	22.3	29.8	18.4	27.9	28.6	(2)	(2)	(2)	(2)	6.1	8.7	12.1	16.4	10.4	14.8	15.1
Alpha Beta Food Markets-----	15.9	18.8	19.0	16.6	10.8	13.6	34.7	36.8	25.3	25.5	19.4	9.8	11.4	8.7	5.2	6.5	16.1	17.7	12.2	11.9	9.5	9.5
Marsh Foodliners-----	(2)	(2)	(2)	25.7	23.5	24.3	22.6	26.8	23.5	24.3	25.0	(2)	(2)	(2)	(2)	11.5	3.3	12.7	14.3	12.4	13.0	13.0
Food Mart-----	(2)	(2)	(2)	(2)	(2)	(2)	33.0	33.3	22.3	30.2	29.1	(2)	(2)	(2)	(2)	(2)	16.4	30.1	10.9	14.8	14.5	14.5
Weighted average-----	31.3	31.6	31.4	29.0	27.3	33.2	33.9	32.7	29.2	29.8	26.2	19.4	19.6	17.6	13.0	11.7	12.9	16.3	16.4	14.2	14.9	12.9
Total, weighted average-----	26.1	25.8	26.3	21.5	22.8	25.3	24.2	24.8	27.5	29.2	28.1	15.5	15.3	13.8	10.4	10.1	11.3	11.8	12.1	13.3	14.1	12.5

Source: Company annual reports, Moody's Industrial Manual, and other published sources.

1 Entered chainstore business in 1956.

2 Not available.

BANK OF AMERICA, 1962

DIRECTORS

Robert Di Giorgio: Di Giorgio Fruit Corp., president and director; New York Fruit Auction Corp., director; Philadelphia Terminals Auction Co., director; Tree Sweet Products Co., vice president and director; S & W Fine Foods, Inc., president and director.

Fred A. Ferroggiaro: Lucky Stores, Inc., director.

Prentis Cobb Hale: Pacific Vegetable Oil, director; Di Giorgio Fruit Corp., director.

Eric A. Johnston: McCormick & Co., director (tea, spices, etc.).

Louis A. Petri: Wine Institute, director; Allied Grape Growers, director; United Vintners, Inc., president and director; doing business as Italian Swiss Colony, director; Margo Wine Co., director; Petri Wine Co., director.

Grover D. Turnbow: Foremost Dairies, Inc., chairman, executive committee, and director; International Dairy Engr. Co., chairman; International Dairy Supply Co., chairman.

Roland Tognazzini: Union Sugar Division (Consolidated Foods Corp.), president and director; Union Sugar Co., president and director; Consolidated Foods Corp., vice president and director.

OFFICERS

There is a Robert L. Gibson, vice president, Bank of America.

In biography of Poor's there is a Robert L. Gibson, Jr., who is president and director of Libby, McNeill & Libby; trustee of Nutrition Foundation, Inc.; and member administrative council, National Cannery Association.

There is a C. E. McCarthy, vice president, Bank of America.

In biography of Poor's there is a Charles E. McCarthy, vice chairman and director, Allied Stores Corp.

Source: 1963 Poor's Directory of Executives and Directors.

Public Law 87-849

87th Congress, H.R. 8140

October 23, 1962

“§ 207. Disqualification of former officers and employees in matters connected with former duties or official responsibilities; disqualification of partners

“(a) Whoever, having been an officer or employee of the executive branch of the United States Government, of any independent agency of the United States, or of the District of Columbia, including a special Government employee, after his employment has ceased, knowingly acts as agent or attorney for any one other than the United States in connection with any judicial or other proceeding, application, request for a ruling or other determination, contract, claim, controversy, charge, accusation, arrest, or other particular matter involving a specific party or parties in which the United States is a party or has a direct and substantial interest and in which he participated personally and substantially as an officer or employee, through decision, approval, disapproval, recommendation, the rendering of advice, investigation, or otherwise, while so employed, or

“(b) Whoever, having been so employed, within one year after his employment has ceased, appears personally before any court or department or agency of the Government as agent, or attorney for, anyone other than the United States in connection with any proceeding application, request for a ruling or other determination, contract, claim controversy, charge, accusation, arrest, or other particular matter involving a specific party or parties in which the United States is a party or directly and substantially interested, and which was under his official responsibility as an officer or employee of the Government at any time within a period of one year prior to the termination of such responsibility—

“Shall be fined not more than \$10,000 or imprisoned for not more than two years, or both: *Provided*, That nothing in subsection (a) or (b) prevents a

former officer or employee, including a former special Government employee, with outstanding scientific or technological qualifications from acting as attorney or agent or appearing personally in connection with a particular matter in a scientific or technological field if the head of the department or agency concerned with the matter shall make a certification in writing, published in the Federal Register, that the national interest would be served by such action or appearance by the former officer or employee.

"(c) Whoever, being a partner of an officer or employee of the executive branch of the United States Government, of any independent agency of the United States, or of the District of Columbia, including a special Government employee, acts as agent or attorney for anyone other than the United States, in connection with any judicial or other proceeding, application, request for a ruling, or other determination, contract, claim, controversy, charge, accusation, arrest, or other particular matter in which the United States is a party or has a direct and substantial interest and in which such officer or employee of the Government or special Government employee participates or has participated personally and substantially as a Government employee through decision, approval, disapproval, recommendation, the rendering of advice, investigation or otherwise, or which is the subject of his official responsibility—

"Shall be fined not more than \$5,000, or imprisoned not more than one year, or both * * *

"§ 208. Acts affecting a personal financial interest

"(a) Except as permitted by subsection (b) hereof, whoever, being an officer or employee of the executive branch of the United States Government, of any independent agency of the United States, or of the District of Columbia, including a special Government employee, participates personally and substantially as a Government officer or employee, through decision, approval, disapproval, recommendation, the rendering of advice, investigation, or otherwise, in a judicial or other proceeding, application, request for a ruling or other determination, contract, claim, controversy, charge, accusation, arrest, or other particular matter in which, to his knowledge, he, his spouse, minor child, partner, organization in which he is serving as officer, director, trustee, partner or employee, or any person or organization with whom he is negotiating or has any arrangement concerning prospective employment, has a financial interest—

"Shall be fined not more than \$10,000 or imprisoned not more than two years, or both.

"(b) Subsection (a) hereof shall not apply (1) if the officer or employee first advises the Government official responsible for appointment to his position of the nature and circumstances of the judicial or other proceeding, application, request for a ruling or other determination, contract, claim, controversy, charge, accusation, arrest, or other particular matter and makes full disclosure of the financial interest and receives in advance a written determination made by such official that the interest is not so substantial as to be deemed likely to affect the integrity of the services which the Government may expect from such officer or employee, or (2) if, by general rule or regulation published in the Federal Register, the financial interest has been exempted from the requirements of the clause (1) hereof as being too remote, or too inconsequential to affect the integrity of Government officers' or employees' services.

"§ 209. Salary of Government officials and employees payable only by United States

"(a) Whoever receives any salary, or any contribution to or supplementation of salary, as compensation for his services as an officer or employee of the executive branch of the United States Government, of any independent agency of the United States, or of the District of Columbia, from any source other than the Government of the United States, except as may be contributed out of the treasury of any State, county, or municipality; or

"Whoever, whether an individual, partnership, association, corporation, or other organization pays, or makes any contribution to, or in any way supplements the salary of, any such officer or employee under circumstances which would make its receipt a violation of this subsection—

"Shall be fined not more than \$5,000 or imprisoned not more than one year, or both * * *

Mr. McDONALD. You will notice on the first page that Mr. Patton, also, as Mr. Schmidt, compliments the committee highly for the recent pamphlet entitled "Farm Costs—Farm Prices," which you have published and remarks that this committee has done more in regard to the price spread situation than any other group in or out of the Congress. And all of us on the staff recognize that and appreciate the study that this committee has made of this situation very much.

During the last few days, Mr. Chairman—and I may be getting ahead procedurally, a little bit, but during the last few days the chainstore people, in testimony before the Senate Commerce Committee and in the publication of a so-called food study, the McKinsey study, have undertaken, in our opinion, to mislead the Congress and the American people and to convince them, by these studies and these statements before the Senate Commerce Committee that they are actually losing money on meat, that the chainstore profits have not increased in the last few years, that the price-loss experience described so dramatically by Mr. Schmidt has been passed on to the consumer and because of these statements now which have been coming out for several weeks the staff of the National Farmers Union office has undertaken some research, and the results of that research are in Mr. Patton's statement which you have before you and you will find that on the contrary to the chainstore statement that the profits are the highest in history, that the profits on net worth on some of them before taxes go as high as 40 percent. I believe that is one of the smaller chains which reaches that astronomical figures.

But I just wanted to put that in the record, Mr. Chairman.

I want to call attention to this. We have two tables attached to Mr. Patton's statement. We have a smaller table in his statement which completely disproves the idea that the chainstores have not been profiting and in our opinion at the expense of the cattlemen and other agricultural producers in this country.

I would just like to say that we have one, or two or three—maybe three revolutions in this country. One was the revolution in durable prices for tractors and so forth, in which the farmer was forced to pay too high a price, we think, for his supplies and his machinery and so forth.

The other revolution, of course, has been in agricultural technology, which has amazed the whole world.

The third revolution, perhaps, if we can call it that, is the revolution in the marketing of agricultural products.

Years ago you had 100 buyers and 100 sellers. Now you have the same 100 sellers and maybe two or three buyers in the marketplace. And we would suggest to the committee that, perhaps, a thorough-going investigation into the structure of the market will reveal just what has been going on and why cattle producers lost \$2,500 million in the last year and why the price has now gone down to 37 percent as the farmer's share of the consumer's dollar.

We are very much interested in this investigation.

We are in full support of the Cooley resolution and hope that the committee approves the legislation as introduced by the eminent chairman of this committee.

We oppose the bill which was introduced by Mr. Findley, because we believe that you might run into a conflict of interest there, and

we have attached certain excerpts from the 1962 conflict of interest law which indicates that a chainstore representative or one who owns stock or is being paid, has a salary from anyone engaged in processing directly or indirectly in the food industry, would not be allowed to serve on this Commission.

I respectfully call that to the committee's attention.

This concludes my statement, Mr. Chairman.

Mr. POAGE. Thank you.

Mr. FINDLEY. If I may make a parliamentary inquiry, I regret to interrupt once more, but your statement brings up a couple of points which do require some questioning either today or tomorrow or sometime. Will this gentleman be on the stand so that I can question him about the contents of Mr. Patton's statement?

Mr. POAGE. This gentleman will be here with the other witnesses when we have heard our other witnesses who are present.

Mr. Shuman is here. Mr. Bison is here. Mr. Carpenter and Mr. Beckett. We want to give them all a chance to be heard. And if we start questioning now we are not going to get through.

Does that complete the testimony of the National Farmers Union?

Mr. REUBEN JOHNSON. That is right, Mr. Chairman. We thank you very much.

Mr. POAGE. Thank you very much for being here.

Mr. ABERNETHY. Are we going to question any of these witnesses now?

Mr. POAGE. Not until they are all through.

There was not a single member of the committee present, when we started—

Mr. ABERNETHY. I realize that.

Mr. POAGE. We cannot take the time to question the witnesses here in the 2 hours time available.

Mr. ABERNETHY. All I wanted to know is whether we were to be able to question them.

Mr. POAGE. When they are all through you will have an opportunity to question.

Mr. ABERNETHY. I just asked a question if there would be any opportunity for questions. That is all I wanted to know.

Mr. POAGE. There will be when we are all through.

Mr. FINDLEY. If the statements consume the 2-hour period this morning, will they all be back here tomorrow for questioning?

Mr. POAGE. I think that we ought to get along and have time for questioning and we will have time for questioning if we can proceed to hear the witnesses.

Mr. FINDLEY. Mr. Chairman—

Mr. POAGE. The Chair is not going to give you any assurance of any kind.

Mr. FINDLEY. I would like to make one point. In Mr. Patton's statement there was a direct error—an error in fact that involves my bill and I do not think that it is fair not to permit me to challenge the statements in the presence of the man who presented the statement. I think it is only fairplay.

Mr. POAGE. Unfortunately, there is not the opportunity or the possibility of going through with each of these witnesses and spending time questioning and getting through by 12 o'clock. There is just not any way of doing it.

The next witness is Mr. Shuman of the American Farm Bureau Federation. We will be glad to hear you now. I see you have some people with you, and we will be glad to have them sit with you.

STATEMENT OF CHARLES B. SHUMAN, PRESIDENT; ACCOMPANIED BY JOHN C. LYNN, LEGISLATIVE DIRECTOR, AMERICAN FARM BUREAU FEDERATION

Mr. SHUMAN. Mr. Chairman and members of the committee, I have with me Mr. John Lynn, our legislative director, whom you know.

We appreciate this opportunity to present the views of Farm Bureau with regard to House Joint Resolution 977, to establish a National Commission on Food Marketing to study the food industry from the farm to the consumer.

Farm Bureau is an organization of 1,628,295 farm and ranch families in more than 2,700 counties, united for the purpose of analyzing their problems and formulating action to achieve educational improvement, economic opportunity, and social advancement, thereby promoting the national welfare.

Farm Bureau supports programs designed to deliver to the consumer the highest quality food and fiber competitively priced, because we believe that net per family farm income can only be increased over the long run if we strengthen the marketing system.

We support the principles embodied in House Joint Resolution 977.

Food is the best buy in America today. Americans spend a smaller percentage of their disposable income for food than in any other country in the world. Whereas only 15 years ago 26 percent of our income was spent for food, today food requires only 19 percent of our income; and the variety and quality of the food being purchased today are much better than only a few years ago. This progress has been made possible through increased efficiency in the production and marketing of food.

This has been achieved in a system in which the major determinants have been competition governed by supply and demand factors. At our most recent annual meeting the voting delegates of the member State farm bureaus expressed the following concern:

The reduction in competition resulting from the declining number of buyers, processors, and handlers of farm products enhances opportunity for collusion and necessitates effective action to avoid monopolistic practices in the marketing of farm products.

We are not asserting there has been any collusion or monopolistic practices, but the interest of farmers and consumers in preserving vigorous competitive conditions in food marketing warrants periodic study and review of the effects of rapid changes in marketing practices and structure.

In our opinion much of the impetus for these hearings has been generated by the decline in beef cattle prices. We think it is important that a clear understanding be had as to the principal causes of this decline.

During the past 15 to 18 months, the combination of increasing imports and substantially increased domestic supplies has resulted in a sharp reduction in the prices of cattle for slaughter, including dairy cattle which account for a substantial proportion of our total beef production. The following tables show what has been happening:

Selected statistics on the production, imports, supply, and consumption of red meats and poultry

	Beef and veal	Pork	Lamb and mutton	Total, red meats	Poultry meat	Total, red meats and poultry
Million pounds ¹						
1. Production:						
1958.....	14,516	10,454	688	25,658	6,043	31,701
1959.....	14,588	11,993	738	27,319	6,353	33,672
1960.....	15,835	11,605	768	28,208	6,390	34,598
1961.....	16,341	11,412	832	28,585	7,334	35,919
1962.....	16,311	11,841	809	28,961	7,132	36,093
1963.....	16,896	11,868	757	29,521	² 7,410	² 36,931
Percentage increase, 1958-63.....	16.4	13.5	10.0	15.1	22.6	16.5
2. Imports:						
1958.....	909	193	41	1,143	1	1,144
1959.....	1,063	186	104	1,353	1	1,354
1960.....	776	186	87	1,049	-----	1,049
1961.....	1,037	187	101	1,325	-----	1,325
1962.....	1,445	216	143	1,804	-----	1,804
1963 ²	1,679	226	145	2,050	(³)	2,050
Percentage increase, 1958-63.....	84.7	17.1	253.7	79.4	-----	79.2
3. Exports and shipments:						
1958.....	49	118	2	169	66	235
1959.....	53	143	2	198	154	352
1960.....	56	137	2	195	206	401
1961.....	56	135	2	193	275	468
1962.....	52	131	3	186	299	485
1963 ⁴	58	192	2	252	216	468
Percentage increase, 1958-63.....	18.4	62.7	0	49.1	227.3	99.1
4. Supply available from production, plus net imports:						
1958.....	15,376	10,529	727	26,632	5,978	32,610
1959.....	15,598	12,036	840	28,474	6,200	34,674
1960.....	16,555	11,654	853	29,062	6,184	35,246
1961.....	17,322	11,464	931	29,717	7,059	36,776
1962.....	17,704	11,926	949	30,579	6,833	37,412
1963.....	18,517	11,902	900	31,319	7,194	38,513
Percentage increase, 1958-63.....	20.4	13.0	23.8	17.6	20.3	18.1
Pounds ¹						
5. Per capita consumption:						
1958.....	87.2	50.2	4.2	151.6	34.1	185.7
1959.....	87.1	67.6	4.8	159.5	35.2	194.7
1960.....	91.4	65.2	4.8	161.4	34.4	195.8
1961.....	93.7	62.2	5.1	161.0	37.8	198.8
1962.....	94.6	63.9	5.2	163.7	37.2	200.9
1963.....	100.2	65.5	4.9	170.6	37.8	208.4
Percentage increase, 1958-63.....	14.9	8.8	16.7	12.5	10.9	12.2

¹ Red meats, carcass weight equivalent; poultry meat, ready-to-cook (eviscerated) basis.² Preliminary.³ Not available.⁴ Unofficial estimate.

I will not read the table, but merely present it and call attention to the fact that part 1 of the table shows that production has been increasing; that is, red meat production has increased 15 percent in the last 5 years, and the total of all meats 16 percent, including poultry. Part 2 shows that in the same 5-year period the importation of beef and veal was up 84 percent and the total imports of all meats up 79 percent.

Part 3 of the table indicates that we, also, have been increasing our exports slightly but not in proportion. The increase in percentage,

of course, is up quite a bit, but the total exports do not compare too well with the total imports—a 99-percent increase in the total meat and poultry exports. The supply available table, part 4, shows the supply of beef and veal available is up 20 percent; the supply of all red meats is up 17 percent; poultry is up 20 percent.

Next the "Per capita consumption" is, of course, also increasing very well. On beef it is up about 15 percent. On all red meats it is up 12 percent. Almost 11 percent for poultry.

The following table shows that the beef cattle price received by farmers per hundred pounds on the annual basis has decreased about 10 percent from 1958; hogs down about 23 percent; lambs, 13 percent.

On the other hand, the prices sold out firsthand at Chicago stockyards shows almost a 14-percent decrease in the 5-year period on Prime steers, 12.6 percent on Choice, 15-percent decrease on Cutter cows.

Selected livestock prices

	Beef cattle	Hogs	Lambs
Price received by farmers per 100 pounds			
1958.....	\$21.90	\$19.60	\$21.00
1959.....	\$22.60	\$14.10	\$18.70
1960.....	\$20.40	\$15.30	\$17.90
1961.....	\$20.20	\$16.60	\$15.80
1962.....	\$21.30	\$16.30	\$17.80
1963 ¹	\$19.85	\$14.98	\$18.22
Percentage decrease, 1958-63.....	9.4	23.6	13.2
Slaughter steers sold out of 1st hands at Chicago			Cutter cows at Chicago
	Prime	Choice	
1958.....	\$28.92	\$27.42	² \$16.54
1959.....	\$29.32	\$27.83	² \$16.27
1960.....	\$27.82	\$26.24	\$15.00
1961.....	\$26.08	\$24.65	\$15.12
1962.....	\$29.81	\$27.67	\$14.72
1963 ¹	\$24.89	\$23.96	\$14.06
Percentage decrease, 1958-63.....	13.9	12.6	15.0

¹ Simple average of monthly prices.

² Canner and cutter cows.

In the following table on U.S. imports and exports of meat animals there is some variation. It is not a consistent trend. There is a sizable import of live cattle.

U.S. imports and exports of meat animals, fiscal years 1958-63

[In thousands of head]

Year ending June 30—	Cattle		Sheep		Hogs ¹	
	Imports	Exports	Imports	Exports	Imports	Exports
1958.....	1,054	18	29	33	2	3
1959.....	1,082	34	32	19	9	2
1960.....	648	50	90	33	5	15
1961.....	656	32	26	31	4	10
1962.....	1,199	19	2	17	3	3
1963.....	1,235	19	20	52	3	4

¹ 200-pound equivalent.

In view of the rather substantial increase that has occurred in the total supply of domestically produced meat and poultry, increased imports quite obviously are not the sole cause of the drop in cattle prices, but they have been a contributing factor.

The present high level of domestic meat production reflects the operation of the well-known cattle and hog production cycles, revolutionary changes in poultry production methods, and the Government's policy of dumping CCC grain stocks to penalize noncooperators under the 1961 and 1962 feed grain programs.

Cattle producers have been building up their herds for several years in response to relatively favorable prices, and a buildup in numbers must, in time, lead to an increase in marketings. In the present case this natural development has been aggravated by a Government feed grain sales policy which encouraged heavy grain feeding.

The following table indicates the extent to which CCC sales of corn, the principal feed grain, were increased under the so-called emergency feed grain program :

Commodity Credit Corporation sales of corn for domestic use, by quarters, 1956-62¹

[In thousands of bushels]

Year beginning October—	October-December	January-March	April-June	July-September	October-September
1956.....	16,914	55,812	87,556	18,907	179,189
1957.....	21,166	15,675	13,092	27,251	77,184
1958.....	47,536	37,828	59,245	18,101	162,710
1959.....	22,212	15,881	55,269	17,370	110,732
1960.....	28,344	29,270	138,138	37,387	233,139
1961.....	135,981	420,320	285,704	31,324	873,329
1962.....	113,144	285,012	232,530	21,000	651,686

¹ Domestic sales include fire, theft, and spoilage, in addition to domestic sales and donations.

Source: Table 35 of supplement for 1962 to Statistical Bulletin No. 159, "Grain and Feed Statistic," July 1963 and table 28, "Feed Situation," November 1963, Economic Research Service, U.S. Department of Agriculture.

We have listed these sales by periods, the year beginning in October of 1956 shows the sales there in millions of bushels by quarters and it very definitely establishes the fact that the Commodity Credit Corporation sales of feed grains, of corn were stepped up many, many times during 1961 and 1962, with the intention of penalizing the non-cooperator, but, of course, what it did was to encourage excessive feeding and to almost destroy the prices for livestock.

While CCC sales have been reduced in recent months since it became apparent that such sales were having an adverse effect on livestock prices, feeding has continued heavy, in part, because of the record supplies of feed grains produced under the 1963 program.

Under the 1961 and 1962 feed grain programs, feeders knew in advance that it was Government policy to hold down feed grain prices in order to penalize producers who stayed out of the feed grain program. The certainty that feed grain prices would be held down probably is more important than the actual effect of CCC sales on market prices; however, feed grain prices were depressed.

Secretary Freeman contends that the price of corn under his administration has not been less than \$1.08 per bushel; however, he is

misinformed. In January 1961 the average farm price of corn was \$1 per bushel.

These are U.S. Department of Agriculture figures available to the Secretary.

Under the feed grain program the U.S. average farm price of corn dropped to a low of 93.8 cents in November 1961 and November 1962. The farm price of corn did not rise to \$1.08 until April 1963.

When Secretary Freeman says that the price has not been below \$1.08, apparently he is referring to a weighted average price which includes CCC takeovers at well above the market price.

The effect of the feed grain program on livestock production was determined by the price at which feed grain sold in the market and not by the higher weighted season average which has been raised above the prices actually paid by feeders through the inclusion of CCC takeovers.

The consumption of corn by cattle on feed increased almost 33 percent from 1960 to 1963. The consumption of corn by hogs increased 12 percent in the same period. Detailed figures follow:

[In thousands of tons]

	Corn consumption by—				
	Milk cows	Other dairy cattle	Cattle on feed	Other beef cattle	Hogs
1960.....	11,024	1,200	8,983	3,065	30,619
1961.....	11,490	1,293	11,680	2,833	44,468
1962.....	12,532	1,276	12,452	2,795	44,582
1963.....	12,870	1,276	11,938	2,834	44,379
Percent changes, 1960-61.....	4.2	7.8	30.0	-7.6	12.2
Percent changes, 1961-62.....	9.1	-1.3	6.6	-1.3	.3
Percent changes, 1962-63.....	2.7	0	-4.1	1.5	-.5
Percent change, 1960-63.....	16.7	6.3	32.9	-7.5	12.0

These detailed figures are from the U.S. Department of Agriculture.

The wheat portion of the cotton-wheat bill which was recently signed into law constitutes a further threat to the well-being of the livestock industry. The contemplated Government policy of not letting wheat prices in the market rise above \$1.30 per bushel would cause much more wheat to be fed and could further disrupt feed-livestock ratios with serious adverse consequences to livestock, dairy, and poultry producers.

A comprehensive study of the food industry can be helpful if such a study is made objectively and is conducted by the best qualified men available. Its purpose should be to ascertain the facts—not to divert attention away from the primary causes of the decline in fed cattle prices. Above all, such a study must be completely free of election-year politics.

Farm Bureau will be happy to be of assistance to this committee, and to the proposed Commission, in facilitating an objective study of this matter.

Mr. POAGE. We thank you very much, Mr. Shuman. Does Mr. Lynn want to make a statement?

Mr. LYNN. No.

Mr. SHUMAN. No.

Mr. POAGE. Thank you very much.

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

Mr. Bison is general counsel for the National Association of Retail Grocers here in Washington, D.C.

STATEMENT OF HENRY BISON, JR., GENERAL COUNSEL, NATIONAL ASSOCIATION OF RETAIL GROCERS OF THE UNITED STATES, WASHINGTON, D.C.

Mr. BISON. Mr. Chairman and members of the committee, my name is Henry Bison, Jr. I am general counsel to the National Association of Retail Grocers of the United States, on whose behalf I submit this statement.

The association represents foodstore operators in every State of the Union. It was founded in 1893, and has its headquarters at 360 Michigan Avenue, Chicago, Ill. The organization is a federation of several hundred State and local associations of food retailers. It represents those retailers generally described as independent foodstore and supermarket operators. The governing board of the association is elected at the annual convention of the organization. In June of this year it will hold its 65th annual convention in Miami Beach, Fla.

By action of its board of directors taken on April 18, 1964, the association has adopted a position supporting the establishment of a National Commission on Food Marketing to study the food industry from the farm to the consumer. It will cooperate to the fullest extent possible in developing impartial and factual surveys of current trends and practices in the food industry. The association will prepare such studies relating to food distribution without cost to the Government as may be called for by the Commission. It welcomes the opportunity to provide useful information to the Commission in the discharge of its duties.

There is no doubt that the food industry, and particularly retail distribution, has changed considerably in the last two decades. It is not necessary or appropriate at this time that we describe these changes and appraise their effects within the economy. Such analysis is one of the purposes of the proposed Commission.

It is generally acknowledged, however, that the retail food distribution system in this country is the most efficient, the most competitive, and has provided consumers in the United States the greatest variety of health-giving food and food products that the world has ever seen. At the same time, it has produced such economies that urban families are now spending considerably less of their disposable income for food.

Secretary of Agriculture Orville Freeman recently pointed to the progress the food industry has made. He said:

In relation to family income levels, food today is a greater bargain than ever before. Compared to what families in other lands pay for food, the American consumer has more money to spend on other items than do consumers in any other nation.

Retail food distribution is one of the most dynamic segments of our entire economy. It has developed new techniques and methods, always with the desire to keep improving the goods and services it offers to the

consumers of the Nation. The food industry is not static in any respect; it is engaged in constant efforts to sell more and better products as economically as possible, and in such a way as to make shopping a pleasure for every customer. In summary, the food industry and food retailers generally have developed, through freedom of initiative which prevails in this country, a record of service to the public never before attained in any society.

It is not our purpose here to comment on the concern frequently expressed with respect to the economic effects of current trends and practices in food distribution. Neither is it our desire to offer at this point a statement of our views on the developing changes in the structure of retail food distribution.

These issues involve complex matters. And in an industry as large, dynamic, and diverse as this one, hasty generalizations often prove inaccurate. Careful study must necessarily precede valid conclusions. Since the purpose of the Commission is to identify changes taking place in the food industry, assess their effects, and forecast future developments, and since the proposed legislation calls for a thorough study of these matters before reaching a judgment, we believe it is in the best interest of all concerned to support a fair and factual study and await its findings before reaching any conclusions. We do not believe anything will be gained by attempting to prejudge what such a study will produce.

We trust that once the study begins, we will be given an opportunity to express our views and submit factual support for them. We also hope it will be possible to offer carefully considered recommendations for changes in Federal policies, laws, and regulations.

When the Commission is established to study the food industry, the association will offer its cooperation and undertake to provide useful information. This is a matter of great importance, and the association will assist in every way it can to make the study a success.

In conclusion, there is a need to examine carefully the economic forces now shaping the food industry of this country. We are in the midst of an era of great transformation. Patterns that have prevailed for many years are rapidly disintegrating. This is especially true in retail food distribution and merchandising. A new order is developing. New conditions are arising. A swift current of change is carrying us into unfamiliar areas. We are faced with situations which did not exist until recently. Old concepts, historic attitudes, and long-established policies may no longer be valid under present conditions.

We should learn all we can about the changes that are taking place; what they are, where they are leading us, how they will affect consumers and the Nation as a whole, as well as those who produce, process, or distribute the food and food products that come from our abundant resources. Only when we know more about the answers to these questions will we begin to have sufficient knowledge and understanding to judge what adjustments are needed in public policy that directly affect the performance of the food industry and the welfare of our people.

Mr. POAGE. Thank you. We are very much obliged to you, Mr. Bison.

The next witness is Mr. L. C. Carpenter, director of public affairs, Missouri Farmers Association, who is accompanied by Mr. W. W. Beckett, executive vice president and general counsel, Missouri Farmers Association.

**STATEMENT OF L. C. CARPENTER, DIRECTOR OF PUBLIC AFFAIRS,
MISSOURI FARMERS ASSOCIATION; ACCOMPANIED BY W. W.
BECKETT, EXECUTIVE VICE PRESIDENT AND GENERAL COUNSEL,
MISSOURI FARMERS ASSOCIATION**

Mr. CARPENTER. Mr. Chairman and members of the committee, Mr. Beckett will paraphrase our statement. It is a pleasure to be here this morning. Our statement is on behalf of the Missouri Farmers Association, Inc. Mr. Beckett is not only the administrative executive vice president and attorney for our association, but a beef cattle producer who has studied this situation and is in the best position to give this paper to you.

Mr. POAGE. We will be delighted to hear from you.

Mr. BECKETT. Mr. Chairman, for purposes of the record we would like to file our statement and then just make a few remarks.

Mr. POAGE. Without objection your statement will be made a part of the record.

(The prepared statement of W. W. Beckett follows:)

**STATEMENT OF W. W. BECKETT, ADMINISTRATIVE VICE PRESIDENT, MISSOURI
FARMERS ASSOCIATION, INC.**

Mr. Chairman, members of the committee, my name is William W. Beckett, and my address is Columbia, Mo. I am administrative vice president of Missouri Farmers Association, a general farm organization with over 152,000 members.

I appreciate this opportunity to appear here in support of this resolution to establish a national Commission on Food Marketing. A commission of this nature has long been needed to study the food industry, starting at the point where food is produced—the American farmer—and following it through its regular channels to its ultimate user—the consumer.

The American farmer today is operating at the highest degree of efficiency in the history of world agriculture, yet he gets less of the consumer's food dollar today than he did 10 years ago. The hard cold facts are that today he receives only 37 cents of the consumer's food dollar. The average family today pays less than 19 percent of its spendable income for food. In fact, the American consumer has more money to spend on other items than that of any consumer in the entire world. Ironically, with all of our national prosperity and with the enormous buying power of the American public, the income of the farmer who produces the food is only 60 percent of the income of other segments of our economy. Thus the price of processed foods at the retail level is extraordinarily high in relation to the prices received by the producer of those foods.

As a farmer myself, we have available to us the know-how and the technology to produce food and fiber with a high degree of efficiency and by the use of modern techniques we can reduce our overall per unit production costs. However, this efficiency, which has increased our productive capacity greatly, has worked to the distinct disadvantage of the producer.

This revolution in agriculture has been accompanied by substantial changes in the patterns of marketing and distribution of food. Only a few short years ago thousands of individual firms were engaged in processing and distribution of food, but, today, this number has been reduced to only a few large firms. Although the number of farmers is decreasing they still number in the millions and apparently are unable to match their selling power with the buying power of the major food distributing companies. Farmers are concerned and alarmed over this apparently increasing concentration of buying power in the hands of so few.

The commission, if provided for by the resolution under discussion today, can bring all pertinent facts before the Congress and the general public. Through this process we should be able to define the problems, obtain the facts, formulate answers, and take appropriate steps, either through new legislation or otherwise to correct this situation.

We have seen within the last few months beef cattle prices depressed to where cattlemen have suffered an estimated loss of \$2 billion. We know full well that cattle production and cattle prices normally "run in cycles," and that we are currently on the high production side of the circle. Normally under a true system of free enterprise, as the price to the producer declines, logically would the price to the consumer decline. This is not true today. As a matter of fact, statistics reveal that in December 1963 producers of Choice grade beef realized nearly 12 cents per pound less for their raw products than during the period of 1957-59. And during that same period, statistics reveal that the retail price to the consumer of Choice beef increased approximately 2 cents per pound. This is only one of the commodities that bears such a record.

Although I will not bore you with statistical information, trends in the dairy industry are developing in exactly the same direction as I have indicated in other segments of the food industry. Independent dairies, of which only 10 short years ago there were thousands in the United States, are today virtually extinct. Only a few major dairy corporations remain as they have followed their continuous process of absorbing the small dairy and incorporating it into their closely knit chain of operations. Some of these likewise face trouble as the large food chains expand their own dairy processing operations.

On behalf of President Heinkel and all of the members of the Missouri Farmers Association we urge your committee to pass this resolution, which will make it possible to bring to light the true facts and place them before the American public for such congressional, administrative, or industry action as will be in the best interests of all segments of our economy in the United States. Again, may I thank you for this opportunity of appearing here today.

Mr. BECKETT. We appear here in support of the resolution introduced by the chairman. I am not familiar with the other resolutions that have been introduced but we believe that a comprehensive study of the food industry is very important. There is a very widespread belief by the farmers in this country that the concentration of buying power in the hands of a relatively few major purchasers has had a decidedly adverse effect on their situation. They feel that their pricing structure is unprotected because of their lack of being able to concentrate their selling power and to match the buying power of the larger food distributors, but whether this belief is right or wrong, it is widespread and is generally held if not unanimously held by farmers.

An investigation of this sort should either affirm or dispel that belief that is held by these people.

Farmers, likewise, have a real concern in the disparity between farm prices and consumer prices. It is very hard for a meat producer to understand why, when farm prices reach the low levels at which they are currently operating, why does not that reflect in the consumer prices that the retailers charge at the meat counter? This is a widespread belief held by farmers. And this is an opportunity to review the causes of this, the why's of this. And if there is a good explanation for it, I think that the people of the country, and particularly the farmers, are entitled to this explanation.

If there are practices that are not in the best interests of the general public, they should be brought to light and corrective measures taken.

We fully support the idea of the comprehensive study of the food industry. We do not believe that it should be a witch hunt. It should be a constructive study to define the problems to ascertain the facts, to attempt to find solutions, and to implement the suggested solutions by

action by the Congress, by the administrative agencies of the Government and the industry itself.

Thank you, Mr. Chairman.

Mr. POAGE. Thank you, Mr. Beckett. We are very much obliged to you gentlemen for your statements.

I want to thank all of the witnesses for their cooperation. You have done what I consider to be a very hard job of keeping your statements within reasonable bounds, and for doing so, we thank you.

To expedite this matter the Chair is going to first limit the questioning of any one member of the committee to 5 minutes until we have gone the rounds.

And in the next place, the Chair is not going to use 5 minutes. I will forgo that.

I want to ask the other members if it is satisfactory if the Chair starts with Mr. Findley that he may not be precluded from asking the questions that he wants to ask.

Mr. ROSENTHAL. Is that just the one witness that he had an interest in?

Mr. POAGE. That applies to all of the witnesses.

Mr. ROSENTHAL. I would object to that on general principles. I do not see why he should rank ahead of more senior members on this committee.

Mr. HOEVEN. The Chair asked whether there was any objection about his starting with Mr. Findley.

Mr. ROSENTHAL. I will object, Mr. Chairman.

Mr. POAGE. There is an objection.

Mr. ROSENTHAL. Except as to the one witness that he had a particular interest in.

Mr. POAGE. I think that Mr. Findley would be limited to 5 minutes, the same as any other member, in that event. He can ask any witness he wants any questions that he wants within the 5 minutes. Without objection, that is what it will be.

Mr. HOEVEN. Does the gentleman object to that?

Mr. ROSENTHAL. No.

Mr. POAGE. You may proceed, Mr. Findley. He does not object.

Mr. FINDLEY. I hope this 5-minute limit will apply to all questioning of witnesses and become a precedent for all hearings by this committee.

Mr. ABERNETHY. He has already used 30 seconds. [Laughter.]

Mr. FINDLEY. The point is well worth taking 30 seconds to make. I would like to ask a question of Mr. McDonald.

Mr. POAGE. Go right ahead.

Mr. FINDLEY. In Mr. Patton's statement, he calls attention to my bill and he states that it is identical to the one recommended by the President, except that it provides for the Commission to be represented from three large general farm organizations. That is not a correct statement. I hope that you realize that by now.

Mr. McDONALD. You are absolutely right.

Mr. FINDLEY. There are many differences between my resolution and—

Mr. McDONALD. You are absolutely correct. That was due to an oversight on my part and a typographical error where "identical" should be "similar." I am sure that you will not mind my saying

there are several other provisions in regard to the fee they are to be paid. I believe that your bill omits the subpoena power?

Mr. FINDLEY. No; it does not.

Mr. McDONALD. I did not read it carefully enough, then. There are major differences.

Mr. FINDLEY. I think that there are some that you would approve of—the effect of imports, for example.

Mr. McDONALD. The points that Mr. Findley objected to will be corrected.

Mr. FINDLEY. I appreciate this very much. Your point about conflicts of interest intrigues me. How in the world would you find anyone within the borders of the United States who does not have a personal conflict of interest involved in the investigation of the food industry? He is either a consumer, a taxpayer, if not a processor or a handler of foods. So if you are going to apply the conflict-of-interest rule here you are going to have to go beyond the borders of the United States to find qualified people; is that not correct?

Mr. McDONALD. I think, Mr. Congressman, if you will read the law carefully you will find that it specifically refers to people who have stock in food companies, who are instrumental in such as members of the board who are paid by food companies, and so forth. I do not think the law was intended to be as all inclusive as you suggest.

Mr. FINDLEY. And yet the primary objective of this is to protect the interests of the consumer; is that not correct?

Mr. McDONALD. That is correct.

Mr. FINDLEY. And if that is the primary objective the interest of the consumer is foremost and if there is a conflict of interest involved in anyone it is involved with the people who are the consumers.

Mr. McDONALD. I think that you will agree in legal terminology that the specific provision of the law prevails, rather than a general provision or an indirect assumption which has the indirect and general vague meaning.

Mr. FINDLEY. But your organization—

Mr. McDONALD. The specific application of this law refers to salaries and stock, to gifts and the like, and I think that the consumer if he was on the payroll of the food chain and if he had received gifts, if he was a member of the board, I think he would be excluded but I do not think that the fact of his being a consumer would exclude him from this Commission.

Mr. FINDLEY. Your organization is urging that the conflict-of-interest law be applied vigorously, therefore, in qualifying the members of the Commission.

Mr. McDONALD. That is correct.

Mr. POAGE. Does that finish your questioning?

Mr. FINDLEY. Yes. Thank you.

Mr. POAGE. Thank you.

Mr. HOEVEN has some questions.

Mr. HOEVEN. Mr. Shuman, in your prepared statement, you said you were in favor of the objectives of this legislation.

Are you satisfied with House Joint Resolution 977, or do you think it should be amended?

Mr. SHUMAN. No; we are not making any suggestions for amendments. However, we are not saying that there might not be other

changes made by the committee that would be agreeable to us. In other words, we are for making the investigation.

Mr. HOEVEN. There were some suggestions made by committee members yesterday in which it was intimated, at least, that the proposed Commission might have extraordinary or too much power. Do you have any comment on that?

Mr. SHUMAN. Of course, I think that the Commission must have enough authority to do its task. I have no opinion as to how much authority it should have, nor have I any recommendation on it. I do have a feeling that the date of 1966 is a little long to wait. It gets into another election campaign. Perhaps it would be better if the report would be made before 1966. That is immaterial.

Mr. HOEVEN. Are you satisfied that the subpoena power given to the Commission is necessary as set out in the bill?

Mr. SHUMAN. I have no basis for saying that it is or is not—no experience nor basis for it—I have no comment on that.

Mr. HOEVEN. I think it is, perhaps, a protective provision but I wonder why it is really necessary. I seriously doubt whether many would fail to comply with a request by the Commission to furnish certain information pertinent to the inquiry. I am a little bit skeptical of granting subpoena power when it is not really necessary.

Mr. SHUMAN. It is my opinion that there will be no trouble with the people whom the Commission wants to question but what they will appear. I doubt very much if additional power is desirable. Those investigations where they have had the subpoena power and they have brought the witnesses, that is, the reluctant witnesses in, we have a long record of taking the fifth amendment. And so I think it is rather immaterial.

Mr. ABERNETHY. They could still take the fifth amendment.

Mr. HOEVEN. I have no further questions.

Mr. ABERNETHY. Even under the subpoena power they could still take the fifth amendment.

Mr. SHUMAN. That was my point, Congressman. I do not think that the subpoena power is of any advantage.

Mr. ABERNETHY. If I may take a few minutes of my time while he is in the witness chair, I would like to pursue that further. I was one who raised this question. Maybe others did, too. I am for the resolution. I think it will do a great deal of good. I think it is in the interest of the people of the country. But I am tremendously concerned about the tremendous powers that are being vested in this Commission, particularly powers which provide the authority to force people to open up their records. This resolution contemplates that this Commission will learn of secrets—it refers to the words “trade secrets”—business secrets—and I guess a man is entitled to have those things—trade practices—I do not mean anything ulterior when I use the word “practices”—and other information that ought not to be opened to one’s competitors. Of course, the resolution says they must keep all of this information in confidence. Can you picture five Members of the Senate and five Members of the House and five lay members keeping secret all they learn about a concern’s business operation?

Mr. SHUMAN. No, I think it would be very difficult.

Mr. ABERNETHY. That is what worries me. That is what concerns me. There will be information they will obtain which the drafters of the resolution themselves admit should not be given out.

Mr. SHUMAN. I think that I would certainly agree with the Congressman that we have had excessive concentration of power in Government and I see no real need for the power of subpoena, because I think that you are going to have the cooperation of the entire food industry from the farmers on up.

Mr. ABERNETHY. That is what I wanted to say. If they do not cooperate, let us say that we go ahead and we pass this without the subpoena power and let us say they do not cooperate, then I think we can come back and provide the subpoena power. There may be reluctance on the part of anyone to open up information that the Commission is entitled to have. If this occurs, it might be that the resolution ought now to contain this authority. I just have not made up my mind. I am concerned about it very much.

Mr. POAGE. Thank you.

Mr. Rosenthal.

Mr. ROSENTHAL. Have you given any thought as to the nature or the background of the individuals who are to be appointed by the President, as to where they should come from, what their experience and background should be?

Mr. SHUMAN. Very little, but our opinion would be that they should be from various segments of the economy, including agricultural consumers.

Mr. ROSENTHAL. Do you think that perhaps it should be spread over the economy among varying interests?

Mr. SHUMAN. As largely as possible, yes.

Mr. ROSENTHAL. Thank you.

Mr. FINDLEY. Will there be a later opportunity to ask questions?

Mr. POAGE. There will be a later opportunity if we go forward as we are doing it. I do not like to apply an arbitrary rule. I think the members are seeing what I am trying to do to give everybody an opportunity. Without objection, I am going to recognize Mr. Findley again.

Mr. FINDLEY. Thank you, Mr. Chairman.

Mr. Shuman, do you feel that an officer of the Farm Bureau should be disqualified from serving on this committee?

Mr. SHUMAN. Yes, sir; I think that anyone connected in an official way at a top level with any farm organization would be bound to be prejudiced.

Mr. FINDLEY. Should this apply to the State and country levels as well?

Mr. SHUMAN. Well, of course, I do not know. That certainly does to the States. I do not think that any State officer of any farm organization or any other organization of any kind that is in the food industry should be on the Commission.

Mr. FINDLEY. How would you select some of the representative interests for agriculture as I think you suggested should be represented in your questioning by Mr. Rosenthal?

Mr. SHUMAN. I think there are many other areas that you can look to for people who can represent agricultural interests on a Commission of this kind. There are, of course, the entire area of agricultural education—there are farm operators, many of them well qualified. I think there are plenty of alternate areas.

Mr. FINDLEY. Do you think it would be unwise or hazardous to have a member on the Commission who is active in the food and retail industry?

Mr. SHUMAN. Yes; I think it would be a mistake to have anyone on the Commission who is actively engaged in the operation of a business that was being investigated.

Mr. FINDLEY. Thank you.

Mr. POAGE. Thank you.

Mr. Gathings.

Mr. GATHINGS. You gave us a real good statement, Mr. Bison. I just want to ask you if you saw the Wall Street Journal of Friday, May 1, 1964, as to the profit comparison of food chains. Did you see that?

Mr. BISON. Yes, I did, Mr. Gathings.

Mr. GATHINGS. Did you check over these statements?

Mr. BISON. No, I have not checked it—I have not.

Mr. GATHINGS. Did you check it?

Mr. BISON. No, I have not.

Mr. GATHINGS. This is as to the chain grocers for the first quarter, 1963, and the same quarter for 1964. According to this item, they had earnings of \$31,972,000 for the first quarter of 1963. It was up for 1964 from that \$31-million-plus, to \$36,679,000, or 14.7 percent increase. That is about right, do you think?

Mr. BISON. Yes, sir.

Mr. GATHINGS. That is all.

Thank you.

Mr. POAGE. Thank you, Mr. Gathings.

Mr. Quie.

Mr. QUIE. I have no questions.

Mr. POAGE. Mr. Abernethy.

Mr. ABERNETHY. I have one question that I want to ask Mr. Naman.

When you mentioned the feeding in the Waco area, you stated that this was being carried on by the chainstores, processors, and speculators. And when you say "processors," you have reference to whom?

Mr. NAMAN. The meatpackers.

Mr. ABERNETHY. And no others?

Mr. NAMAN. No others.

Mr. ABERNETHY. What are these processors?

Mr. NAMAN. What other processors—the meatpackers.

Mr. ABERNETHY. Could you identify any of them?

Mr. NAMAN. The meatpackers?

Mr. ABERNETHY. Yes.

Mr. NAMAN. Yes, I could. One of them is Neuhoff Packing Co. in Dallas.

Mr. ABERNETHY. Anyone else?

Mr. NAMAN. I cannot think of anyone else.

Mr. ABERNETHY. What do you mean by "speculators"?

Mr. NAMAN. These are the people with interests outside of agriculture who buy cattle, and put them on the field on a contract basis.

Mr. ABERNETHY. Are they local people mostly?

Mr. NAMAN. Some of them are and some of them are not.

Mr. ABERNETHY. But they are people that are in the cattle feeding enterprise. I do not want to be misunderstood. I am not making any

accusations. Do you see anything wrong in their activity? Do you feel that it is wrong for a person, an individual who has earned some money, to invest in in cattle or sheep or hogs or anything else in the agricultural practice?

Mr. NAMAN. I do not see anything wrong in it.

Mr. ABERNETHY. Do you think it should be prohibited?

Mr. NAMAN. I do think that the environment that encourages that is not good.

Mr. ABERNETHY. What is the environment?

Mr. NAMAN. The concentration of buying. We have eliminated many of the buyers from our area, the independent buyers, because so much feeding is done by the chainstores.

Mr. ABERNETHY. Is it your feeling that that practice should be stopped?

Mr. NAMAN. I think that it is not in the best interests of the family farmer.

Mr. ABERNETHY. Well, I do not think that is quite an answer to my question. If you prefer not to answer the question, all right. Do you feel that we are now establishing the direction for this Commission activity? They have to do the job. We are directing them to do the job and we are giving them the tools with which to do it. Is it your feeling that if they find that the form of environment exists, to which you refer, that they should make a recommendation that it should be stopped?

Mr. NAMAN. Yes.

Mr. ABERNETHY. You do?

Mr. NAMAN. Yes.

Mr. ABERNETHY. Would you suggest how much one should be permitted to invest in the cattle or agricultural enterprise? For instance, would you prohibit any investment of one who was practicing law?

Mr. NAMAN. I think you should practice law if you want to practice law, so that if you want to make agricultural investments it should be made so that it will not happen.

Mr. ABERNETHY. Do you think that the law ought to be changed, so that a farmer who is doing reasonably well would not be permitted to make investments in other enterprises?

Mr. NAMAN. No.

Mr. ABERNETHY. Why do you apply it to one then and not to all?

Mr. NAMAN. Because I think that one of the results of what is happening has been the depletion of agriculture and I do not think that the reversal is the same.

Mr. ABERNETHY. The question is whether you think it should be applied.

Mr. NAMAN. I think that we misunderstood each other. I said that tax laws made it beneficial for interests outside of agriculture to move into agriculture and it has been detrimental to farming.

Mr. ABERNETHY. But that tax law was written to benefit the farmer—it does benefit the farmer. It gives him certain exemptions.

Mr. NAMAN. I think more than benefit has been attributed to the interests outside of agriculture.

Mr. ABERNETHY. You may be right. Thank you. That is all.

Mr. POAGE. Thank you, Mr. Abernethy. Mr. Dague.

Mr. DAGUE. No questions.

Mr. POAGE. Mr. Jones.

Mr. JONES of Missouri. I would just like to make a statement and then ask the various representatives of the farm organizations to give a brief response to it within the 5-minute period.

The question is, Is it preferable to confine the authority of the Commission to the announced intention to study the food industry from the farm to the consumer, or, as someone has suggested, to expand the inquiry to include an investigation of imports, the Common Market and other broader fields. While we know that imports have an effect on the income as well as the pricing, it has been my thought that the problem of determining what, if any, effect these procedures involved in the marketing, transportation, processing, distribution, have, that that is of such a magnitude that the Commission might well confine itself to these problems rather than to expanding the inquiry to include the problems which are already being studied by other groups.

In other words, would it be advisable to confine this study to what I would call the domestic farm problem?

Mr. McDonald, for instance, what would be your idea on that?

Mr. McDONALD. I would think, Mr. Congressman, that the investigation should stay within the limits indicated in its language, that the pricing, and so forth, should be all along the line, the chain that goes from the point of possession to the point of consumption. That should be the confines of the investigation.

Mr. JONES of Missouri. Mr. Shuman, would you care to comment on that?

Mr. SHUMAN. I do not believe that the Commission should be confined strictly to certain areas, but at the same time I do not see any special need for specifically charging them with staying out of all these other areas. There are other areas that they may go into that the Tariff Commission and others might cover: that is, some of them. I do not think that we should limit them. At the same time I question whether it should be broad.

Mr. JONES of Missouri. Thank you.

Is there anyone here from the Grange?

Mr. POAGE. The representative from the Grange has gone.

Mr. JONES of Missouri. Mr. Bison.

Mr. BISON. The question is whether the bill as presently drafted is broad enough to cover that matter. If you will read paragraph 4 on page 3, subsection (b) it would be possible for the Commission, in its discretion, to consider the subject.

Mr. JONES of Missouri. I pointed that out yesterday and there was some suggestion here that we should broaden the field of inquiry. That is the reason why I put this question. What would be your thought, Mr. Beckett, on this matter?

Mr. BECKETT. Mr. Jones, I think that the primary purpose of the investigation should be of the domestic food industry from the farmer to the consumer. And by the same token, however, I do think that the buying practices that are current in the domestic food industry as a lever on the farm prices is, certainly, something that should be looked into. I will cite an example, if I may.

The Missouri Farmers Association is an organization including a cooperative marketing organization which includes a packing division. We are meatpackers. We find it impossible, of course, in our situation

to import beef. This would be completely foreign to the purpose of our being here. Yet we find that right within our own State of Missouri that it is impossible for us to bid on certain meat contracts because we just cannot compete even at the low level of prices we have. We cannot compete for this business where there is 100 percent purchases of foreign beef. There is a spread of 4 or 5 cents a pound and we are excluded from this market purely because of just one factor. I must say that in this sense the impact of imports on domestic buying practices, where imports are being used as a wedge or a lever to further depress farm prices other than the law of supply and demand, if the threat of imports or the threat of being able to import is used as a lever to further depress beef prices, for example.

Mr. JONES of Missouri. Thank you. The reason that I brought this out is that I think it is a problem of trying to get from the farm to the consumer. We know that there is a gap in there. We have many reasons to believe that there should be improvement in some of our procedures. I was hopeful that this resolution would enable us to get into that, and that imports and things like that should be left to the Tariff Commission, and to the other groups that are making those studies rather than to broaden the work of the committee.

Mr. HOEVEN. The gentleman from Missouri will find in section 4 of the resolution that the general duties of the Commission are set out as follows: "The Commission shall study and appraise the marketing structure of the food industry, including the following:" And then it lists five subjects which are specifically included. It is my interpretation that the Commission can do anything in its study and appraisal of the food marketing industry. It might include a study of the European Common Market as it might involve our marketing structure.

Mr. JONES of Missouri. That is what I was trying to get out in this thinking, because if we get into that there would be an inclination to divert itself from the main problem, rather than to keep our eye on the main subject.

Mr. HOEVEN. The Commission should not be too restricted in its investigation.

Any investigation relating, for example, to the poultry situation might involve the Common Market operation and if so, would be proper under the language which authorizes the Commission to study and appraise the entire marketing operation.

Mr. JONES of Missouri. Thank you. That is all.

Mr. POAGE. Thank you, Mr. Jones.

Mr. Short.

Mr. SHORT. I would like to use a part of my 5 minutes to call the attention of the committee to the fact that Mr. Ed Smith is with us this morning. He is my good friend and we in North Dakota have a high regard for him.

I would like to ask the gentleman from Texas if I understood him rightly. Did you say that a considerable amount of feeding is done by the chainstores in your area?

Mr. NAMAN. Our operation is primarily a grazing operation in McLennan-Falls Counties. My discussion concerned the grazing operations.

Mr. SHORT. Are these livestock grazed the property of the chainstores or are they under contract to the chainstores?

Mr. NAMAN. They are owned by the chainstores and they are put on the farmers' fields on a contract basis.

Mr. SHORT. Then what happens to them when it comes time to process them?

Mr. NAMAN. Then they go to the chainstore feedlots.

Mr. SHORT. Then what happens to them—when are they processed?

Mr. NAMAN. Then they are processed in the chainstore packing plant.

Mr. SHORT. Where are these packing plants?

Mr. NAMAN. In the Colorado area.

Mr. SHORT. You mean they ship them from Waco, Tex.?

Mr. NAMAN. Yes.

Mr. SHORT. And bypass the local packing facilities—that they ship them clear to the chainstore packing plant in Denver?

Mr. NAMAN. A great number of them. As a matter of fact, year before last 10 percent of the cattle belonged to one particular chainstore. I do not have the exact figures, but it was rumored that, at least, 10 percent belonged to one chainstore.

Mr. SHORT. This packing plant in Denver—I am not trying to defend the chainstore, but as I understand it, this packing plant, that the chainstore owns in Denver is one of the very few in the United States at the present time that the chainstores actually own, is that not right?

Mr. NAMAN. I do not know, as a matter of fact.

Mr. SHORT. Do you know of any other packing establishment that the chainstores have?

Mr. NAMAN. No, I do not. I just know about this one operation.

Mr. SHORT. How many cattle would they be processing there?

Mr. NAMAN. All I know is that year before last they had between 3,000 and 4,000 cattle in Texas on the contract basis in our area.

Mr. SHORT. Thank you very much. Thank you, Mr. Chairman.

Mr. POAGE. Thank you, Mr. Short.

Mr. Hagen.

Mr. HAGEN of California. I want to say that I think that the concentration of this buying power in a few retailers is the biggest threat to the farmers that exists, not only the farmers but all other elements in the food industry, including some rather large processors. In looking at this legislation I feel that we must eliminate the Members of Congress or reduce their number on this Commission, and unless we do, it will be too political. I would rather have it done by economists. I recall testimony before the Joint Economic Committee 4 years ago. I think that almost with no exception the economists testified one way and the congressional committee came out with a conclusion exactly the opposite. And since this is an economic problem, as I read Mr. Patton's statement, I do not know that he demolishes the arguments of the meat companies on meat—we have to have some specific figures with respect to the meat commodity rather than looking at the overall profits of the chainstores. We in California have always felt that the fruit and vegetable industry takes a worse beating from the chainstores than the meat producers have ever taken. One reason is that there are certain attitudes on the part of the Department of Justice, et cetera, which, actually, forbid the farmers to take the kind of joint action that they need to bargain with the processors. I think this would be a very good area to examine into, to get some

new rules, to let the farmers have this bargaining power, as the labor unions have, and some of these other organizations. It would not cost the Federal Government a dime to have that kind of a farm program. I hope this Commission will recommend such new rules. I would like to see processors on the Commission, every element of the food business to be represented on this Commission by, at least, one person. In California our marketing order provides for this kind of representation, although it is a minority representation, but it is representation.

That is all I have.

Mr. POAGE. Thank you, Mr. Hagen.

Mr. Beermann.

Mr. BEERMANN. Mr. Chairman, I would like to make a comment as to the composition of this Commission, that one person above all else who ought to be on it should be a tax expert. I would like to see the Commission study determine what effect local, State, and Federal taxes have in each transaction. I know that the farmers are not paying much taxes now, but I think we might find that maybe at the Federal level in the tax system, the biggest percentage is taken by taxes, because it is in every transaction.

I think that is about all that I want to say now.

Mr. POAGE. Thank you.

Mr. Matthews.

Mr. MATTHEWS. Mr. Chairman, I would just like to make one or two observations.

I am pleased to see that there is a general consensus for this bill which represents, I think, a very fine thing. We are approaching almost complete unanimity as we always have when we consider my peanut bills I have introduced. [Laughter.]

I would like to emphasize what Mr. Hagen has said about the problems of the fruit and vegetable industry. I think those of us from California and Florida realize that we should emphasize the great problems facing the beef cattle industry. I want to emphasize my concern about that problem, but we, also, are concerned about the marketing of fruits and vegetables. I remember that 2 or 3 years ago I pointed out on the floor of the House that in my congressional district in Florida that the farmer was getting 25 cents for a 50-pound watermelon, yet we were paying 50 cents for a little serving of watermelon in the House of Representatives restaurant. My observation caused the price to go down to 40 cents a slice, but the farmer still was not getting hardly anything at all for his watermelons.

I have one other observation: I sat through all of the hearings on yesterday and I want to congratulate the chairman on his procedures today.

I do not recall whether or not we have brought out the problem of the tax structure insofar as that is concerned in this study. I would imagine all over America today we are having problems with this tax structure.

In Florida we are having a particular problem. The farmers are finding that their land is too often assessed on the basis of residential value, which is a higher basis from what it should be assessed. These lands are getting closer to the large city areas, and I imagine that this is a problem that we have all over America.

So I would hope in this study there might be some way, at least, to give some attention to the tax structure as it would involve the assessment of farmlands.

I think that is about all I have to say, except to point out again how wonderful it is to see this consensus in favor of this bill.

I have thoroughly enjoyed the comments of all of the witnesses.

Mr. POAGE. Thank you, Mr. Matthews.

Mr. Purcell.

Mr. PURCELL. Mr. Chairman, I have no questions. I think I can save the time of the committee by using the good judgment of my friend from Florida in subscribing wholeheartedly to what Mr. Matthews has said this morning.

I will let you have the rest of my time, Mr. Chairman.

Mr. POAGE. Thank you, Mr. Purcell.

Mr. Rosenthal.

Mr. ROSENTHAL. I have one question that I would like to ask Mr. Shuman and Mr. McDonald.

Do you think that the Commission when finally it gets started ought to look into the question of the integrity of the family farmer and how that is involved so far as the purchasing power of the retail chains and their associations are concerned.

Mr. SHUMAN. I do not know what you mean by the "integrity of the family farmer."

Mr. ROSENTHAL. Yes. Maybe I should put it another way. How is the future being affected by this concentrated purchasing power of the family farm which is diminishing in importance and numbers.

Mr. SHUMAN. It seems to me that the whole purpose of the Commission is to see whether or not the operations within the food industry are providing adequate compensation to the family farmer, in accordance with this resolution. So it seems to me that is it.

Mr. ROSENTHAL. Mr. McDonald, do you have a thought on that subject?

Mr. McDONALD. Ninety-five percent of agricultural production is accounted for by the family farmers. I would think that it would be inevitable that the welfare of the family farmer would be paramount in the minds of the Commission.

So far as the National Farmers Union is concerned, that is our reason for being. That is our purpose: to preserve and foster the family farm.

Mr. ROSENTHAL. Thank you. That is all.

Mr. POAGE. Thank you.

Mr. Olson.

Mr. OLSON. Thank you, Mr. Chairman. I have one question to ask. I would like to make a comment preceding that.

I am happy to see that there is no dispute concerning the establishment of this Commission. One example of the questions that need answering is what has become of the \$2.5 billion that our domestic beef producers have lost? Where has the \$2,500 million gone?

I am sure that the technology that has been so well pursued in the food industry has had its merit. I must however conclude that I doubt they have been so far remiss in their financial calculations that they needed \$2,500 million additional income in 1 year.

All of my figures support—and everyone else's seems to indicate—that the retail prices have not gone down at least not appreciably.

There is agreement that we need to determine the answers to questions such as these.

The one question that I have is this: Mr. Long, I believe you are the only representative representing a livestock commission firm to appear in behalf of this legislation. I would like your comments as to what the feelings are of the other commission people in regard to establishing such a Commission.

Mr. LONG. The livestock marketing organizations are very much in favor of this type of investigation. We feel that the question of elimination of competition in the industry is showing even in our marketing area. That is something that needs to be looked into. We think that we see enough evidence to warrant such a thorough investigation. We have our own ideas, but I think, without very much contradiction, the majority of our associates in this field, in this co-operative field—the general livestock markets in the country—are almost unanimously in favor of this type of an investigation and are concerned.

Mr. OLSON. Thank you.

Mr. POAGE. Thank you, Mr. Olson.

Mr. Latta.

Mr. Latta. No questions.

Mr. POAGE. Thank you.

Does anybody want to ask any more questions?

Mr. SHORT. There is one question. I think this is rather an important one. I would like to ask Mr. Shuman and Mr. McDonald this question: Do you think, Mr. Shuman, that to wait until 1966 is too long a time? I will put it this way. Do you think that much time is necessary for this Commission to complete its study?

Mr. SHUMAN. I do not think it is necessary to give them that much time. It is rather customary when you get the work done to make the report. I think this can be done before. They can get the answers before July of 1966.

Mr. SHORT. Mr. McDonald.

Mr. McDONALD. Mr. Short, I call your attention to the resolution adopted by the executive committee a few days ago in which they endorsed Mr. Cooley's bill as is. As to what length of time is necessary, I am unqualified to say, but, apparently, the National Farmers Union feels that the bill in its present form is OK.

Mr. SHORT. In this situation, particularly with regard to beef, it is rather critical and inasmuch as it, also, seems to me that a lot of this information is readily available with hearings going on now on the Senate side, that will develop some of the information, I would assume, at least, that will be pertinent to the work of this Commission and it would seem that the sooner a thorough report could be made by this Commission the more desirable it would be to do so.

Mr. McDONALD. We would, certainly, agree with that last thought that the investigation get on as speedily as possible.

Mr. SHORT. Thank you. That is all.

Mr. POAGE. Thank you, Mr. Short.

Mr. Findley.

Mr. FINDLEY. There is just one question that I would like to direct to Mr. Shuman: Do you think it would be wise to include among the duties of the Commission the effect of Government programs on the cost and quality of food to processors and consumers?

Mr. SHUMAN. Well, I think, again, as someone said before, I do not think that the Commission should be limited or confined so that it could not take into consideration that subject. It seems to me that they will have to give consideration to that point.

On the other hand, I do not think that we should worry as to the specific nature, because before 1966, we, probably, will have more general recognition than there is now at the present time that these Government programs should be gone into.

Mr. FINDLEY. Thank you.

Mr. POAGE. Thank you.

Are those all of the questions?

The Chair wants to announce that tomorrow morning, probably, after we have heard from Mr. Rosenthal and the others, and perhaps, before we have heard from some of the other witnesses that the Maid of Cotton will be our guest.

We will stand in recess when she arrives for her to have an opportunity to be presented.

The committee will stand in recess now until 10 o'clock in the morning.

(Whereupon, at 12 noon the committee adjourned to reconvene at 10 a.m., Thursday, May 7, 1964.)

NATIONAL COMMISSION ON FOOD MARKETING

THURSDAY, MAY 7, 1964

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to recess, at 10:05 a.m. in room 1310, Longworth House Office Building, Washington, D.C., Hon. W. R. Poage presiding.

Present: Representatives Poage, Gathings, Jones of Missouri, Matthews, Harding, Rosenthal, Olson, Leggett, Matsunaga, Hoeven, Dague, Belcher, Teague of California, Quie, Short, Findley, Dole, Beermann, and Hutchinson.

Also present: Betty Prezioso, staff; Hyde H. Murray, assistant clerk; John Heimbarger, counsel; and Robert Bruce, assistant counsel.

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

Our first witness as listed is Mr. Rosenthal, a member of this committee, who is the sponsor of House Joint Resolution 980. Mr. Rosenthal is present and ready to testify but I was wondering, Mr. Rosenthal, if you would be willing to let Mr. Roosevelt precede you since you will be here and he has other engagements.

Mr. ROSENTHAL. I will be very happy to do that.

Mr. POAGE. We will now hear from our colleague, Mr. Roosevelt.

STATEMENT OF HON. JAMES ROOSEVELT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

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

I want particularly to thank my colleague, Mr. Rosenthal, for being so kind as to allow me to go first. If it was not for the pressure of other business, I certainly would not ask him to defer, but I am certainly very grateful to him for doing so.

I want to express to you my appreciation for this opportunity to appear as a proponent of House Joint Resolution 977. I consider it an honor to join with you, Mr. Chairman, and others in sponsoring this resolution to establish a National Commission on Food Marketing.

The problems of the food industry affect all of us. Farmers, as the producers of the Nation's food, are naturally vitally interested in the marketing process through which their crops travel to the ultimate user.

Consumers are concerned because their food requirements are one of the central items of their daily budget. The increasing economic concentration and integration taking place in some portions of the industry has had substantial impact upon the Nation's small business

community, which I have been vitally interested in for a great many years, as I assume you know, Mr. Chairman.

Additionally, as one of the basic industries of our entire economy, there is a broad public interest in the continuance of an expanding and prosperous farm and food industry in which the forces of competition function in an unhampered and efficient manner.

The farmer's share of the food dollar continues to decrease, as we all know. From the consumer's point of view this may be expressed in terms of the increasing spread between the price to the producer and the cost to the consumer.

Since the committee has many witnesses to hear, I shall not set forth the many specific examples of this situation which have come to the attention of my Distribution Subcommittee of the Small Business Committee, of which I have the privilege to be chairman, as a result of the several series of hearings we have held and the complaints we have received concerning various segments of the food industry.

Here are a number of hearings and reports published by our committee in the last several years on various problems in the food industry, which I would like to leave with you.

Mr. POAGE. We will be delighted to receive them.

(The bound volumes will be found in the files of the committee.)

Mr. ROOSEVELT. These are only part of the hearings on food industry problems which we have held recently. Many of the reports are out of stock because of the heavy demand for them.

To further illustrate the point, I would also like to submit for the record a letter I have received from Mr. Charles Paul, director of the Department of Agriculture for the State of California, together with two cost and margin surveys prepared by the staff of the department and the resolution under which the survey is being conducted.

If I may, I would like to have the letter included after my testimony and simply leave the cost margin survey as an exhibit with the committee.

Mr. POAGE. Without objection, that will be done.

Mr. ROOSEVELT. Thompson seedless grapes are the commodity covered by this survey, which reveals that only 20 percent of the cost to the consumer was received by the producer of the grapes. The other 80 percent went to pay for other distributive functions—and since the goods studied in this survey were both grown and marketed in California, it is obvious that transportation costs were minimal.

Similar analyses of eight other fruits and nine vegetables are also currently being conducted by the California Department of Agriculture, and if these will be of any assistance to the committee at a later date, I will be happy to furnish them.

My Small Business Subcommittee has conducted extensive studies on the effect of integration and increasing economic concentration in the food industry. We have found grave cause for alarm in the meat, poultry, fruit, and vegetable sectors of the industry and have discovered that an increasing share of the market is concentrated in the hands of a small number of large chainstores. Here again, rather than take the time of the committee with details, I would like to submit for the record the recommendations and conclusions of the Small Business Committee for the 87th Congress concerning this matter.

I would ask that that be included at the end of my testimony.

Mr. POAGE. Without objection, that may be done.

Mr. ROOSEVELT. I am not one of those who regard the demise of the family farm as imminent. I feel our smaller farmers have much to contribute to the Nation's economy. In fact, I suspect they will survive many of those who continue to plan for their early departure. We must, however, ask ourselves how much longer they can withstand the kind of market power which has recently seen the price to the producer on a thousand-pound prime steer decrease by approximately \$100, while the price to the consumer went up almost the same amount.

There are also serious antitrust problems in the food industry. Predatory practices on the part of some of the larger companies have become all too prevalent.

I would like to submit a list of 30 recent cases before the courts and the Federal Trade Commission involving bid rigging, price fixing, price discrimination, mergers causing increased concentration, and similar practices by firms in the food industry.

I would like to submit this list for the record at this time without, of course, saying that simply because of the filing of a case it does not mean that there is guilt, but it indicates that there is a problem which is certainly a large and extensive one and if I may, as I say, at this time I would like to submit that for the record.

Mr. POAGE. You may.

Mr. ROOSEVELT. It is almost redundant for me to urge you, Mr. Chairman, together with the members of your committee, to act favorably upon this joint resolution. I know that you are acutely aware of the necessity for such a study. The prosperity of the agricultural sector of our economy, the preservation of competition, a square deal for the consumer, an opportunity for small businessmen to compete—these, Mr. Chairman, are the goals which will be furthered by the passage of House Joint Resolution 977.

And I hope, therefore, Mr. Chairman, that this will be reported unanimously and that the results of the survey and of the investigation when completed may point the way toward whatever legislation, if any, seems indicated as a method of solving some of the problems which, undoubtedly, are growing at a very alarming rate today.

Thank you, Mr. Chairman.

(The letter dated April 30, 1964, the tabulation entitled "Cost Margins Survey," the document entitled "Extract From the Minutes of the California State Board of Agriculture Meeting of January 21, 1963," pp. 115, 116, and 117 of the final report of the Committee on Small Business, and the listing of cases follow:)

STATE OF CALIFORNIA DEPARTMENT OF AGRICULTURE,
Sacramento, April 30, 1964.

HON. JAMES ROOSEVELT,
Member of Congress,
House Office Building, Washington, D.C.

DEAR MR. ROOSEVELT: This is written in response to a call from Mr. Gregg Potvin concerning any information we may have with respect to the price spread between the farmer and the consumer on commodities important to California's economy. At the moment, we have some preliminary information which we hope may be of some help to you.

A cost and margins survey was held for a short period of time, specifically the latter half of September 1963, in the Sacramento area, the San Francisco-Oakland Bay area, and in Los Angeles. There was a total of 17 commodities observed, 8 of which are fruits and 9 are vegetables. The fruits under study are apples, cantaloups, grapes, nectarines, oranges, peaches, plums, and watermelons. The vegetables under study are carrots, celery, lettuce, potatoes, squash, sweet potatoes, tomatoes, and yams.

Enclosed are three copies each of two preliminary summary tables of price spreads on Thompson seedless grapes and head lettuce. The summaries on lettuce are the same on both tables.

The summaries are different on Thompson seedless grapes beginning with column 11 and ending with column 16. In preliminary summary No. 1, a constant figure was used in column 13 with respect to the producer price. In preliminary summary No. 2, a constant figure was used for packing charges for Thompson seedless grapes resulting in a different figure for column 11, which includes such packing charges as well as other costs, and thereby affects the data in columns 12 through 16.

Column 2 of the enclosed tables shows the approximate loss per container at the retail store level. Column 3 shows the price paid by consumers for the total contents of the container on a per pound or per unit basis.

Column 4 shows the retail spread in dollars between the retail price at which the commodity was sold to the consumer and the wholesale level price at which the retail store purchased the commodity, the wholesale level price being shown in column 6. Column 5 indicates the percentage that the retail spread, as shown in column 4, is of the retail price as shown in column 3.

Column 7 shows in dollars the shipping point to retail spread; that is, the difference between the wholesale level price shown in column 6 and the f.o.b. shipping point price shown in column 9. Column 8 indicates this spread as a percentage of the retail price shown in column 3.

Column 10 indicates the share the shipper obtained at f.o.b. shipping point as a percentage of the retail price to the consumer, or in other words, the percentage that column 9 is of column 3.

Column 11 shows the shipping point-to-producer spread, which is the cost in dollars of packing, handling, selling, etc. of the commodity from the time it leaves the field, vine, or trees until it is sold at shipping point. Column 12 shows this same spread as a percent of retail.

Column 13 is the price the producer received for the commodity in graded form after the culls were taken out and discarded or sent to byproduct uses. Column 14 is the percentage that the producer price, as shown in column 13, is of the retail price shown in column 3.

In preliminary summary No. 1, a fixed producer price of 94 cents per 27-pound lug box was used for Thompson seedless grapes and then column 13 was subtracted from column 9 to give us column 11. In preliminary summary No. 2, a 95-cent figure was used as the packing charge for Thompson seedless grapes, and then other costs, such as the commission for selling, were included to determine the figure in column 11. This was then subtracted from column 9, the shipping point price, to give us the producer price in column 13.

It is believed that preliminary summary No. 2 is probably more accurate for the 2-week period of the study because of a sudden increase in price on Thompson seedless grapes in the Los Angeles market because of an unexpected rain in the San Joaquin Valley, which tended to reduce supplies and thereby raise prices. However, for the season as a whole, it is believed that preliminary summary No. 1 might be more accurate because the 94-cent price to the growers appears to be a return more nearly in line with actual conditions.

Column 13 indicates an unusually low producer price for lettuce. Apparently this was a period of low price to the producer and is not necessarily indicative of the season as a whole.

The only other commodity we have summarized in preliminary form is plums. The information is limited because it was near the end of the plum season.

However, our figures indicate that the producer received about 20 percent of the retail price, while nearly 80 percent was received for the other functions between the producer and the consumer.

We believe that the figures on the accompanying tables are reasonably representative for the period under study. However, we would hasten to caution that since this study was for a relatively short period of time, it might not be too representative of the year as a whole.

As discussed with Mr. Potvin, also enclosed for your information are one copy each of extracts from the minutes of the meetings of the California State Board of Agriculture for August 20, 1962, December 7, 1962, January 21, 1963, and March 18, 1963.

Sincerely yours,

CHARLES PAUL, *Director.*

Cost and margins survey
PRELIMINARY SUMMARY NO. 1

Area and type of store (1)	Loss, per- cent (2)	Retail spread (3)		Wholesale level price, dollars (6)		Shipping point- retail spread (8)		Price to shipper (f.o.b. shipping point) (9)	Shipper share of retail price, percent (10)	Shipping point- producer spread (12)		Producer price, dollars (13)	Producer share of retail price, percent (14)	Total spread (pro- ducer to consumer) (15)	
		Dollars (4)	Percent (5)	Dollars (7)	Percent of retail (8)	Dollars (11)	Percent of retail (12)			Dollars (15)	Percent of retail (16)				
Thompson seedless															
grapes: 1															
Sacramento.....	8.2	\$3.94	32.0	\$2.68	19.5	\$0.77	19.5	\$1.91	48.5	\$0.97	24.6	\$0.94	23.9	\$3.00	76.1
Chains.....	9.3	4.34	36.2	2.77	17.5	.38	17.5	2.39	55.1	1.45	33.4	.94	21.7	3.40	78.3
Independents.....	8.0	3.86	31.1	2.66	22.0	.85	22.0	1.81	46.9	.87	22.5	.94	24.4	2.92	75.6
Bay area 2.....	6.3	4.52	35.6	2.91	7.3	.33	7.3	2.58	57.1	1.64	36.3	.94	20.8	3.58	79.2
Los Angeles.....	3.6	5.58	42.8	3.19	10.0	.56	10.0	2.63	47.1	1.69	30.3	.94	16.8	4.64	83.2
Chains.....	1.5	5.10	44.3	2.84	9.2	.47	9.2	2.37	46.5	1.43	28.0	.94	18.4	4.16	81.6
Independents.....	6.2	4.47	40.1	3.83	11.1	.72	11.1	3.11	48.1	2.17	33.5	.94	14.5	5.53	85.5
All chains.....	4.4	4.77	39.8	3.87	8.4	.40	8.4	2.47	51.8	2.47	32.1	.94	19.7	3.83	80.3
All independents.....	7.1	5.00	36.6	3.17	15.8	.79	15.8	2.38	47.6	1.44	28.8	.94	18.8	4.06	81.2
All California.....	5.5	4.85	38.6	2.98	11.1	.54	11.1	2.44	50.3	1.50	30.9	.94	19.4	3.91	80.6
Head lettuce: 3															
Sacramento.....	7.8	3.34	41.6	1.95	20.7	.69	20.7	1.26	37.7	.85	25.4	.41	12.3	2.93	87.7
Chains.....	8.8	3.87	54.5	1.76	12.7	.49	12.7	1.27	32.8	.85	22.0	.42	10.9	3.45	89.1
Independents.....	7.4	3.16	36.4	2.01	23.7	.75	23.7	1.26	39.9	.85	26.9	.41	13.0	2.75	87.0
Bay area 2.....	6.8	3.99	29.0	1.70	9.8	.39	9.8	1.31	32.8	.85	21.3	.46	11.5	3.53	88.5
Los Angeles.....	1.4	5.08	57.4	2.16	15.0	.70	15.0	1.40	27.6	.85	16.7	.55	10.8	4.53	89.2
Chains.....	1.5	5.43	60.3	2.20	12.8	.71	12.8	1.49	26.9	.85	15.3	.64	11.6	4.90	88.4
Independents.....	2.7	4.48	52.6	2.10	18.7	.83	18.7	1.27	28.7	.85	19.2	.42	9.5	4.01	90.5
All chains.....	5.3	4.48	58.0	1.88	11.6	.52	11.6	1.36	30.4	.85	19.0	.51	11.4	3.97	88.6
All independents.....	6.3	3.46	41.3	2.03	22.3	.77	22.3	1.26	36.4	.85	24.6	.41	11.8	3.05	88.2
All California.....	5.8	3.97	50.6	1.96	16.4	.65	16.4	1.31	33.0	.85	21.4	.46	11.6	3.51	88.4

See footnotes at end of table, p. 100.

Cost and margins survey—Continued

PRELIMINARY SUMMARY NO. 2

Area and type of store (1)	Loss, per- cent (2)	Retail price to con- sumer (3)	Retail spread (4)		Wholesale price dollars (6)	Shipping point- retail spread (8)		Price to shipper (d.o.b. shipping point) (9)	Shipper share of retail price, percent (10)	Shipping point- producer spread (12)		Producer share of retail price, percent (14)	Total spread (pro- ducer to consumer) (15)		Percent of retail (16)
			Dollars (4)	Percent (5)		Dollars (7)	Percent of retail (8)			Dollars (11)	Percent of retail (12)		Dollars (15)		
Thompson seedless grapes:															
Sacramento.....	8.2	\$3.94	\$1.26	32.0	\$2.68	\$0.77	19.5	\$1.91	48.5	\$1.14	28.9	19.5	\$3.17	80.5	
Chains.....	9.3	3.84	1.57	36.2	2.77	.88	17.5	2.39	55.1	1.19	27.4	27.6	3.14	72.4	
Independents.....	8.0	3.86	1.20	31.1	2.66	.85	22.0	1.81	46.9	1.13	29.3	17.6	3.18	82.4	
Bay area ¹	6.3	4.52	1.61	35.6	2.91	.33	7.3	2.58	57.1	1.21	26.8	30.3	3.15	69.7	
Los Angeles.....	3.6	5.98	2.39	42.8	3.19	.66	10.0	2.63	47.1	1.21	21.7	25.4	4.16	74.6	
Chains.....	1.5	5.10	2.26	44.3	2.84	.47	9.2	2.37	46.5	1.19	23.3	23.1	3.92	76.9	
Independents.....	6.2	6.47	2.64	40.1	3.83	.72	11.1	3.11	48.1	1.26	19.5	28.6	4.62	71.4	
All chains.....	4.4	4.77	1.90	39.8	2.87	.40	8.4	2.47	51.8	1.20	25.2	26.6	3.50	73.4	
All independents.....	7.1	5.00	1.83	36.6	3.17	.79	15.8	2.38	47.6	1.19	23.8	23.8	3.81	76.2	
All California.....	5.5	4.85	1.87	38.6	2.98	.54	11.1	2.44	50.3	1.19	24.5	25.8	3.80	74.2	
Head lettuce: ²															
Sacramento.....	7.8	3.34	1.39	41.6	1.95	.69	20.7	1.26	37.7	.85	25.4	12.3	2.93	87.7	
Chains.....	8.8	3.87	2.11	54.5	1.76	.49	12.7	1.27	32.8	.85	22.0	10.9	3.45	89.1	
Independents.....	7.4	3.16	1.15	36.4	2.01	.75	23.7	1.26	39.9	.85	26.9	13.0	2.75	87.0	
Bay area ¹	6.8	3.99	2.29	57.4	1.70	.39	9.8	1.31	32.8	.85	21.3	11.5	3.53	88.5	
Los Angeles.....	1.4	5.08	2.92	57.4	2.16	.70	15.0	1.40	27.6	.85	16.7	10.8	4.53	89.2	
Chains.....	.5	5.54	3.34	60.3	2.20	.71	12.8	1.49	26.9	.85	15.3	11.6	4.90	88.4	
Independents.....	2.7	4.43	2.33	52.6	2.10	.83	18.7	1.27	28.7	.85	19.2	9.5	4.01	90.5	
All chains.....	6.3	4.48	2.60	58.0	1.88	.52	11.6	1.36	30.4	.85	19.0	11.4	3.97	88.6	
All independents.....	6.3	3.46	1.43	41.3	2.03	.77	22.3	1.26	36.4	.85	24.6	11.8	3.05	88.2	
All California.....	5.8	3.97	2.01	50.6	1.96	.65	16.4	1.31	33.0	.85	21.4	11.6	3.51	88.4	

¹ Figures based on container averaging 27.2 pounds.
² Chains, identical to bay area; independents, none.

³ Figures based on a 2-dozen-head crate.

EXTRACT FROM THE MINUTES OF THE CALIFORNIA STATE BOARD OF AGRICULTURE
MEETING OF JANUARY 21, 1963

"PERISHABLE FRUIT AND VEGETABLE MARGINS COMMITTEE

"Chairman Kovacevich reported that he had checked with various segments of agriculture as to their feelings in regard to the proposed study of the spread between farm prices and consumer prices. All those contacted were in favor of the study.

"A list of the commodities for survey has yet to be determined.

"Mr. Steinberg suggested it should be a 12-month survey—from May to May—to provide a round-the-clock study of spring, winter, and fall crops of the same category.

"Mr. Kovacevich agreed that it should be a 12-month survey. However, because of the freeze damage this year he believed a starting date of June would give a truer picture.

"Director Paul stated Mr. Kuhrt had done some research in the matter and that he believed the survey could be handled reasonably well with the present personnel and within the department's budget.

"The following resolution was moved by Mr. Kovacevich, seconded by Mr. Herrington, and carried:

"Whereas it has come to the attention of the California State Board of Agriculture that in the marketing of fresh fruits and vegetables the producer share of the consumer price is declining, with resultant hardship upon producers; and

"Whereas price declines to producers are often not reflected in consumer prices, and price increases are generally reflected promptly in producer prices; and

"Whereas current accurate data on the spreads between the farm price and the consumer price are not available: Now, therefore, be it

Resolved, That the California State Board of Agriculture, meeting in Sacramento, on January 21, 1963, hereby requests the director of agriculture and appropriate staff members to make a study of the spread between farm prices and consumer prices for fruits and vegetables during 1963, commencing in the month of June, such study to be based on actual price situations rather than average prices and margins."

EXTRACTS FROM THE FINAL REPORT OF THE COMMITTEE ON SMALL BUSINESS

3. It is recommended that the Packers and Stockyards Act of 1961 be amended to strengthen independent competition in the sale of meat and meat products by making it unlawful for packers and retailers to integrate their functions in the processing and the marketing of meat and meat food products in excess of an aggregate annual volume where competition would be adversely affected by the integration of such functions.

Since the issuance of the meatpacking decree of 1920, the principle has been well established that the large packers may not vertically integrate "downward" into retailing. The provisions of this decree have served the public interest well in curbing this threat to competitive markets. In recent years, however, large retail food chainstores have been integrating "upward" into the feeding, slaughtering, and preparing of livestock. Many small, independent businesses are being destroyed in this process.

Representative James Roosevelt, chairman of Subcommittee No. 5, introduced H.R. 10392 to protect these small businesses by preventing further integration of the functions of packers and retailers.

Testimony adduced at hearings and continuing investigations have fully established the necessity for this legislation. Large packing concerns continue to strain for rescission of the 1920 decree; the giant food chains continue to enlarge their slaughtering operations. The independent meatpacker is caught in a pincer between the two.

4. It is recommended that the Federal Trade Commission Act be amended to prohibit vertical integration in the food industry where the integration of the functions of processing, wholesaling, and retailing of food would have the effect of substantially lessening competition or tending to create a monopoly in any line of commerce.

As a result of extensive hearings held during the 86th Congress and continuing investigations during the 87th Congress respecting small business problems in food distribution, it was found—

(1) That the 10 largest chain food stores in this country account for almost 30 percent of all U.S. food sales; and

(2) That the three largest chain food stores in this country account for approximately 47 percent of the total of all chain food store sales;

(3) That there is evidence that, if left unchecked, a decreasing number of food stores will obtain an increasing share of the market; and

(4) That retail chain food stores have so vertically integrated their operations that they are now engaged in business at every stage—from control of the basic foodstuff or related commodity, through its manufacture, processing, or other preparation, to its retail sale to the consumer; and

(5) That as a result of this vertical integration, many independent operators of businesses at all levels of the food industry have been eliminated.

The committee feels that, as shown by these facts, vertical integration of the food industry is developing at a rate destructive to free competition. To permit this development to continue unchecked would be to deny the economic principles upon which the antitrust laws are based.

This measure will make it unlawful and an unfair act and practice in commerce within the meaning of section 5 of the Federal Trade Commission Act, for any person, partnership, or corporation engaged in the retail sale of merchandise through food or grocery stores, in or affecting commerce, to engage in the manufacturing, processing, or preparation of any food or related merchandise for sale through food or grocery stores, where the effect of the integration of the retailing of such merchandise with such manufacturing, processing, or preparation may be to substantially lessen competition or to tend to create a monopoly in any line of commerce.

5. It is recommended that legislation be enacted to provide for prenotification of proposed mergers of firms within the jurisdiction of the Federal Trade Commission by giving to the Federal Trade Commission and to the Antitrust Division of the Department of Justice notice of and information concerning the proposed mergers before they are consummated.

6. The Department of Justice and the Federal Trade Commission should determine whether contract growing of poultry is diminishing through the cooperative and voluntary efforts of the various segments of the broiler industry. If it is found that the practice is not diminishing, the Department of Justice and the Federal Trade Commission should actively investigate, under the antitrust laws, the legality of the contract growing of poultry.

Every effort should be made to do away with contract growing. If possible, this should be attempted through the cooperative efforts of the various segments of the broiler industry. Farm organizations and the U.S. Department of Agriculture should actively assist such voluntary measures. If this proves impossible, however, the Department of Justice and the Federal Trade Commission should actively investigate the legality of contract growing under the antitrust laws.

Under section 3 of the Clayton Act, tying contracts, full-line forcing, and exclusive dealing arrangements are illegal if they substantially lessen competition or tend to create a monopoly. Broiler-growing contracts contain provisions similar in function to these prohibited practices. For example, requiring a grower to patronize a particular hatchery or processor could be said to approximate a form of full-line forcing or exclusive dealing if the contractor owns either of the businesses. A requirement to use only a designated type of feed and chick might be considered a tying arrangement or full-line forcing. Similarly, restriction on the use of feed by a grower could possibly be deemed an illegal exclusive dealing practice under the theory of *Standard Oil of California v. United States* (337 U.S. 293 (1949)), particularly since there appears to be a trend toward greater concentration in broiler-growing operations. Finally, contract growing might be found to run afoul of section 5 of the Federal Trade Commission Act where unfair methods of competition are declared invalid. The reasoning enunciated in *Federal Trade Commission v. Motion Picture Advertising Service Co.* (344 U.S. 392 (1953)) might be considered applicable here.

(a) The Department of Justice and the Federal Trade Commission should examine the operations of food chainstores to ascertain whether unlawful buying practices of poultry exist.

LIST OF CASES INVOLVING PRICE RIGGING, PRICE DISCRIMINATION, PRICE FIXING,
AND SIMILAR PRACTICES

- Central Arkansas Milk Producers Association, Inc.* (FTC Docket 8391). Respondent guilty of unlawfully coercing processing plants.
- Bakers of Washington, Inc.* (FTC Docket 8309, 1962). Respondent trade association guilty of price fixing.
- Washington Crab Association* (FTC Docket 7859, 1963). Association guilty of unlawfully restraining competition.
- National Macaroni Manufacturers Association* (FTC Docket 8524, 1963). Members had violated section 5 of Federal Trade Commission Act by concerted action resulting in a per se illegal effort on prices.
- U.S. v. Carnation Co. of Washington.* Civil damage action for alleged bid rigging.
- U.S. v. H. P. Hood & Sons, Inc.* Civil double damage suit alleging bid rigging.
- U.S. v. H. P. Hood & Sons, Inc.* Indictment charging attempt to drive milk dealers out of business.
- U.S. v. H. E. Koontz Creamery, Inc.* Companion criminal and civil actions alleging conspiracy to fix prices and eliminate competition in the sale of milk.
- Carvel Corp.* (FTC Docket 8574, 1963). Alleged restrictive soft ice cream.
- North Texas Produce Association v. Young.* 308 F. 2d 235 (5th Cir. 1962). Affirmed a district court judgment based on Sherman Act, sections 1 and 2.
- Swift & Co. v. U.S.* (7th Cir. 1963). Upheld a Department of Agriculture judicial officer's ruling that Swift discriminated in the sale price of hams to competing customers.
- National Tea Co.* (FTC Docket 7453, 1963). Dismissed charges that National had violated section 7 of the Clayton Act by acquiring 23 concerns subsequent to December 29, 1950.
- National Dairy Products Corp.* (FTC Docket 6651, 1963). Consent orders prohibited future acquisitions.
- Consolidated Foods Corp.* (FTC Docket 7000, 1962). Divestiture case resulting from conglomerate merger.
- Borden Co.* (FTC Docket 7129, 1962). Price discrimination.
- Borden Co.* (FTC Docket 7474, 1962). Area price discriminations.
- Pacific Molasses Co.* (FTC Docket 7462, 1963). Guilty of price discriminations.
- Foremost Dairies, Inc.* (FTC Docket 7475, 1963). Price discrimination.
- U.S. v. National Dairy Products Corp.* 372 U.S. 29 (1963). Selling milk in certain markets "at unreasonably low prices for the purposes of destroying competition."
- Hruby* (FTC Docket 8068, 1963). Unlawful brokerage or discounts.
- Flotill Products, Inc.* (FTC Docket 7226, 1963). Hearing examiner ordered respondent, a canner of fruits and vegetables, to stop paying illegal brokerage and discriminating among customers.
- Exchange Distributing Co.* (FTC docket 8061, 1962). Wholesale distributor of citrus fruit, vegetables, and produce was ordered to stop accepting illegal allowances.
- Diavie-Central Produce Co.* (FTC docket 8475, 1962). Food wholesaler was ordered by the FTC to stop accepting illegal brokerage.
- Western Fruit Growers Sales Co.* (FTC docket 8194). The FTC adopted an initial decision ordering a citrus fruit distributor to stop paying unlawful brokerage.
- J. A. Folger Co.* (FTC docket 8094, 1962). Granting discriminatory promotional payments.
- Fred Meyer, Inc.* (FTC docket 7492, 1963). Supermarket chain violated Robinson-Patman Act by inducing suppliers to grant discriminatory price concessions and promotional payments.
- Foremost Dairies, Inc.* (FTC docket 7475, 1963). Local price discriminations.
- North Texas Producers Association v. Young* (5th circuit 1962). Group boycotts and individual refusals to deal.
- U.S. v. Ward Baking Company* (M.D.F.). Consent judgment prohibiting collusive or rigged bids to Government. In companion case one firm was convicted criminally.
- U.S. v. San Diego Grocers Association, Inc.* (S.D.C., 1962). Agreement held to be fixing of prices in violation of Sherman Act.

Mr. POAGE. Thank you very much, Mr. Roosevelt. I just wonder if you would comment on one of the features on which the committee must make a decision. I will put it to you generally. We need some of this kind of study, but one of the questions that has been raised is, is there any reason for delaying the action so long as this resolution seems to contemplate? That is till July of 1966? Personally, I think that this Commission might give us a report next year—probably a year earlier than the time contemplated in the resolution.

Do you think that that is correct?

Mr. ROOSEVELT. I would simply say that there seems to me to be no reason why, at least, some of the important phases should not be completed long before 1966. If they do not completely finish the job, perhaps, then it would be well to let them continue through 1966 with a second report, but I would agree with you that I would like to see them make every effort and, I think be instructed to make, at least a first report long before 1966.

Mr. POAGE. It is contemplated to ask for \$2.5 million for the study. I should like to know whether a smaller amount would do. Obviously, the longer the Commission is going to be in operation, the greater the expense. I know that a figure of \$250,000 has been suggested. I know, however, that some of the Members of Congress have suggested that it should be as little as \$40,000. I think this is far too small, but perhaps a less sum would be adequate. What is your idea as to the amount of the funds that should be authorized?

Mr. ROOSEVELT. Mr. Chairman, it is a very broad field and, certainly, to do a comprehensive job is of the utmost importance. If they do not do a comprehensive job it may well be that some important facts might be available which would not have been covered and, therefore, the report and proposal might be attacked on the ground that the study had not been comprehensive enough.

On the other hand, Mr. Chairman, I would agree that I can think of no congressional committee that could not function rather effectively, on such a budget, particularly if you give this Commission the powers with which it can effectively do the job—and it would seem to me that a congressional committee having that amount of money would be able to do one whale of a job. I am for economy, believe it or not, and I would see no reason why we should not start them with somewhat less money and then if they need more money there is nothing to preclude them from coming back and making a case in a supplemental request.

Mr. POAGE. Thank you very much.

Mr. Hoeven.

Mr. HOEVEN. I concur with the chairman in expressing the feeling of our committee, that we should, at least, have an interim report and a final report. The longer an investigation of this kind continues the more money will be spent. You very well know, Mr. Roosevelt, that most Members of Congress are economy minded and the proposed expenditure of \$2,500,000 will run into trouble. So I suggest we cut down on the authorization and have an interim report and a final report.

Mr. ROOSEVELT. I would completely agree with you.

Mr. HOEVEN. There has been some concern expressed by some committee members as to the need of subpoena power. I ventured the suggestion on yesterday that I did not not think any responsible organiza-

tion or group would fail to comply with the request of the Commission to furnish such data and information the Commission desired.

Do you think that subpoena power would be necessary in this kind of an investigation?

Mr. ROOSEVELT. Mr. Chairman, if I can just give you a personal experience on that subject: We made an attempt to hold a comprehensive investigation of processors within the canning industry as it reflected the buying services in San Francisco, Calif., and there, for a number of reasons which I think are understandable, it was almost impossible for us to get witnesses to voluntarily come forward, for the simple reason that in many cases they thought that their livelihood depended upon maintaining good will with certain people that they were afraid they might lose if they appeared voluntarily in coming before the committee and reviewing certain practices. Therefore, we had to subpoena them, and even with the power of the subpoena it was very difficult to get all of the story that we wanted to get.

I would feel very strongly, I think, sir, that if you did not grant the power of subpoena that you would not get a complete story. And without the ability to get the complete story I feel that the study would be valueless.

Mr. HOEVEN. It has been suggested that under the subpoena power it might even be possible to compel a witness to divulge trade secrets and things like that. You would not go that far; would you?

Mr. ROOSEVELT. No, sir; I would not go that far. I do not think it is necessary to go that far. And, of course, I would be greatly surprised if the Commission, the majority of which would be made up of Members of the Congress, from both Houses, would ever take unto itself that kind of practice.

Mr. HOEVEN. I agree with you.

Mr. POAGE. Thank you, Mr. Hoeven.

Mr. Matthews.

Mr. MATTHEWS. I have no questions except to tell our colleague how much I have enjoyed his testimony.

Mr. ROOSEVELT. Thank you very much.

Mr. POAGE. Mr. Teague.

Mr. TEAGUE of California. I have no questions, except to thank you for giving us the benefit of your experience.

Mr. ROOSEVELT. Thank you, my friend from California.

Mr. POAGE. Mr. Rosenthal.

Mr. ROSENTHAL. I want to compliment Mr. Roosevelt on his presentation this morning and on his continuing work and effort in this field. He has, certainly, been one of the leaders in trying to find out the problems in the price gap between the farmer and the consumer. We have much confidence in you, and we hope that you will continue your efforts in this area.

Mr. ROOSEVELT. I want again to thank Mr. Rosenthal for letting me go on first this morning.

Mr. POAGE. Thank you.

Mr. Hutchinson.

Mr. HUTCHINSON. May I ask Mr. Roosevelt this question?

You have filed with the committee a stack of hearings. I understand, by your Small Business Subcommittee, which is about a foot high. Has not a large part of the work of this Commission already been done by your committee?

Mr. ROOSEVELT. Mr. Hutchinson, I would have to say to you that I would like to be able to answer "Yes" because, naturally, it would reflect well on the subcommittee. But our subcommittee operates, in the first place, as a nonlegislative committee, and, second, it operates on a very rather limited budget and we were simply not able to go comprehensively into these matters.

You will find, I think, here in certain areas some very good leads that will, I hope, be of help to the Commission but I would be the last one to claim that in any way it comprehensively went into the subject matter which will be before the proposed Commission.

Mr. HUTCHINSON. Thank you.

Mr. POAGE. Mr. Leggett.

Mr. LEGGETT. I want to compliment my colleague from California for giving leadership to the California delegation on this very important subject matter.

I would like to ask you what kind of recommendation you would anticipate that this Commission might eventually project.

Mr. ROOSEVELT. I think that maybe I had better not answer that too directly. After all, that is going to be the job of the Commission.

Mr. LEGGETT. Obviously, you have been one of the leaders in this subject matter. You have some very clear-cut ideas as to what this Commission might do.

Mr. ROOSEVELT. Let me say, first, that I think, as I said a little bit earlier in my testimony, that I think one of the great areas lies in the antitrust field in order to preserve competition; I think that the basic task is to look at where the control of the market or the market power, as it is sometimes called, results in the ability to use that market power to the detriment of competition in some instances, big firms but in many more instances the little man in the area.

I think, also, it would be fair to say that there are certain practices within the industry which result in certain portions of the industry that we have had the opportunity to look into, being what would be almost a cartel system, if it was operating in Europe. And that these should be looked into, to see what they do to not only eliminate competition, but to drive up the cost to the consumer and to deprive the grower of his fair share, because, really, it seems to me what you are trying to do is to find out why there is this tremendous spread, with one end going down and the other going up. Obviously, the consumer is the loser in that kind of process, and it may well bring about destruction to the producer on his end.

I think another most important factor would be to allay some of, shall I call them fallacies or rumors which one hears all the time as to where, really, the expense lies in the distribution system. Is it because labor is getting too great a share of the cost of raising the food and delivering it to the consumer? If so, we ought to know it for sure and not have it just based upon accusation back and forth. If, on the other hand, it is not so, then I think that we should find out where are the real profits being made.

One of the things which, I think, has always impressed me is, for instance, it is said that the large chains are making a very small margin of profit, let us say 2 percent, sometimes, and maybe less sometimes, and maybe sometimes more, on gross sales, but then it seems to me that sounds like almost nothing at all when you think of it in terms of net

profit, but if you turn around and realize that the chainstores are now in the billions in gross sales and you turn that against a certain number of stockholders who have not changed appreciably in number or the investment has not grown in amount, your net profit is really, it seems to me, a figure that, at least, we should have some knowledge of. We never talk about it in terms of that. We only talk about it in terms of profit on gross sales which continue to go up. This 2 percent must be figured on an ever-mounting volume—an ever-expanding amount of money—who is getting it should be determined, and is it reasonable or unreasonable. These are some of the areas that would seem appropriate for study. The committee may also well want to look into the kind of thing that the chairman and others today have expressed interest in, particularly in those areas of the meat business where there are such complicated factors. I hope and think this Commission may bring information on that which will be helpful.

Mr. POAGE. Thank you.

Mr. Matsunaga.

Mr. MATSUNAGA. No questions.

Mr. POAGE. We are very much obliged to you. There being no more questions, we again thank you and appreciate your being here.

Mr. ROOSEVELT. I appreciate that very much.

Mr. POAGE. Through the courtesy of our colleague, Mr. Rosenthal, we will hear other congressional colleagues before we hear Mr. Rosenthal.

We have many of our colleagues from other committees of Congress here. It seems to me that they should be heard because they have to attend their own committee meetings. We will next call on Mr. Cunningham.

We will be glad to hear from you now.

STATEMENT OF HON. GLENN CUNNINGHAM, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEBRASKA

Mr. CUNNINGHAM. Thank you, Mr. Chairman and Mr. Rosenthal. I appreciate your giving me this opportunity to appear before you. My testimony will be very brief.

I have introduced House Joint Resolution 996, a joint resolution to establish a National Commission on Food Marketing to study the food industry from the farm to the consumer. This is a result of President Johnson's recommendation that such a study be made in his recent agricultural message to the Congress, following which your distinguished chairman introduced the original legislation.

The American food supply and distribution system is the envy of the world. It directly affects every citizen of the United States. It is our Nation's largest industry.

The marketing system for food has changed drastically since the end of World War II, with far-reaching effects on our entire economy. The farmer's share of the consumer food dollar has declined steadily since 1945. During this period we have witnessed the growth of large regional and national marketing firms and increased pressures on small business. The structure of the food industry and business relationships within the food industry have been drastically altered.

As a nation we have marveled at the advances in technology and we have benefited from the services and the conveniences which are now a part of our food marketing system.

Questions have arisen concerning changes which have been taking place and these need to be answered. We need consideration of where we are heading and where we want to go. These questions concern the Nebraska farmer, the housewife, and the entire food marketing industry between them.

We also have a continuing interest in maintaining the best possible kind of food marketing system in the United States. I hope the committee will favorably report this legislation and that all Members of Congress will join in support of it.

Mr. POAGE. Thank you, Mr. Cunningham.

Mr. CUNNINGHAM. I have just one suggestion, Mr. Chairman, for your consideration.

My main committee is Interstate and Foreign Commerce, but I have served for 8 years on the Committee on Post Office and Civil Service and I would not want to have any criticism of the chairman's resolution, or whichever one you report out. I would not want to have any criticism of it made on a minor point.

In House Joint Resolution 977 on page 6, beginning on line 22, section 6, "Administrative Arrangements," it has this wording:

The Chairman of the Commission is authorized, without regard to the civil service laws and regulations or the Classification Act of 1949, as amended, to appoint and fix the compensation of an Executive Director and such additional personnel as may be necessary to carry out the functions of the Commission.

I think that that will be subject to criticism by some members of the Post Office and Civil Service Committee. All of these appointees, these employees, will be outside of the Classification Act and we have a little jealous interest in the way employees are engaged in situations such as this and I would only offer the suggestion that you might want to consider a change in the wording to say that the Chairman and the members of the Commission are authorized to select the staff.

I only say that because I would have great confidence in the Chairman, but I would not want this to be subjected to criticism because it gives the Chairman the authority to do that by himself without consultation with other Commission members.

I only offer it for your consideration.

Mr. POAGE. Mr. Cunningham, why is the Civil Service Commission interested in whether the Chairman appoints or whether the employees of this Commission are elected? I can understand why the Civil Service Commission might want to place them all under civil service or something of that kind.

Mr. CUNNINGHAM. No, Mr. Chairman, I did not say the Civil Service Commission—I said the Civil Service Committee.

Mr. POAGE. The committee?

Mr. CUNNINGHAM. The committee has taken no action on it. I happen to be a member of that committee, and I know that they are kind of jealous of how employees are added to the payroll.

Mr. POAGE. Is it the policy of your committee, for instance, that every member must approve every employee? Does it not reach the point where it becomes utterly impossible to administer any agency if you have to have a complete vote on every employee?

Mr. CUNNINGHAM. All of the people under the Classification Act, of course, have to go through the regular civil service procedure. I am only saying—and I will not belabor the point—that I would not want any criticism to come on this good piece of legislation because of this one provision.

Mr. POAGE. I asked you why there might be criticism—does your committee vote on every employee of the committee?

Mr. CUNNINGHAM. Of our staff?

Mr. POAGE. Yes.

Mr. CUNNINGHAM. Yes, sir.

Mr. POAGE. We do not.

Mr. CUNNINGHAM. I just offer what I think is a constructive suggestion that, instead of giving the Chairman alone the right to employ these people, that all members of the Commission be consulted.

Mr. POAGE. How can any organization function if it is of any size? Of course, I can conceive that a small group can do so, but how can an organization of any size function if you have to have all of the members present every time the Chairman has to appoint somebody, or there is somebody to appoint, and the Chairman has to call a meeting of the whole Commission to employ someone? They will have to come in here at the expense of \$100 a day, plus traveling expenses, to determine whether they are going to employ this clerk or that doorkeeper. Is that what you are suggesting?

Mr. CUNNINGHAM. No, sir. No, sir. This is just in the beginning when the Commission is formed when they hire their initial staff. I am only saying that rather than having the Chairman select all of the personnel, that he, in effect, consult with the other members. That is all.

Mr. POAGE. You are saying that when they select their first staff that they do that, but the staff will not all be selected on one day. There will, certainly, be changes from time to time. Certainly, there is no more justification for letting the Chairman name somebody 3 months from now than there is for him to do it now, or to let him do it next year.

Mr. CUNNINGHAM. Well, I would not think they would have to call a meeting.

Mr. POAGE. How do you get the members together if you do not call a meeting?

Mr. CUNNINGHAM. I should think that the Chairman would make the selection and then, perhaps, send a letter to the other members and say, "Would you concur?" It is just a technical thing.

On the Committee on Interstate and Foreign Commerce, of which I am a member, and the Committee on Post Office and Civil Service we do all vote on our committee staff employees.

Mr. POAGE. If it is just technical, it does not mean anything, so why go through the formality? If it does mean something, it seems there is no head to the organization, does it not?

Mr. CUNNINGHAM. I am saying that the Chairman of the Commission would interview these people and select them and then simply have it approved by the remaining members of the Commission. That is all. You can turn it down, and you may well do that. I am a little concerned that there may be some criticism of this and I want this legislation to pass and I just thought that I would mention it.

Mr. POAGE. Thank you.

Mr. Beermann.

Mr. BEERMANN. Mr. Cunningham, we could avoid this situation by not naming a consultant, such as Mr. Redlich—this should be avoided.

Mr. CUNNINGHAM. I am not familiar with Mr. Redlich, or that Commission.

Mr. BEERMANN. If you recall it, it might be helpful.

Mr. POAGE. Thank you.

Mr. Findley.

Mr. FINDLEY. Mr. Cunningham, I introduced a resolution which does have some differences. You drew attention to section 6 on the administrative arrangements. In my resolution, for example, I have provided that anyone appointed to the staff to receive compensation up to GS-18 would be under the Classified Act, as amended.

As a member of the Post Office and Civil Service Committee, do you think that my suggestion is a reasonable one?

Mr. CUNNINGHAM. I would think so. GS-18 is a well-paying job. It is a supergrade. There is a possibility that even that salary as it presently exists will be increased and I am sure that you can get very capable people and, so far as GS-18 is concerned, very good people.

Mr. FINDLEY. Thank you.

Mr. POAGE. Thank you, Mr. Findley.

Are there any further questions?

Mr. Olson.

Mr. OLSON. The chairman's resolution, House Joint Resolution 977, also provides that there shall be no member of the Commission paid in excess of GS-18.

Mr. FINDLEY. Thank you.

Mr. POAGE. It provides that on page 7.

Thank you, Mr. Cunningham.

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

Mr. POAGE. We have with us the Maid of Cotton, Miss Carolyn Adair.

The committee will be delighted to have her presented. We announced before that when the Maid of Cotton was here the committee would stand in recess. We shall do so now.

(Brief recess.)

Mr. POAGE. The committee will come to order.

We will hear our colleague now, Mr. Kastenmeier before Mr. Rosenthal presents his statement.

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

Mr. KASTENMEIER. Mr. Chairman and members of the committee, I appreciate the fact that Mr. Rosenthal and the other members of the committee have allowed me to precede them.

My cosponsorship of this resolution grows out of my earlier sponsorship of a similar measure, House Joint Resolution 974, which was referred to the Judiciary Committee.

Unlike House Joint Resolution 977, House Joint Resolution 974 designated 5 officers of the executive branch, or their delegates, to

serve on the Commission with the 10 congressional members. These included the Secretaries of Agriculture and Commerce, the Attorney General, the Chairman of the Federal Trade Commission, and the President's Adviser on Consumer Affairs.

There was support for this approach among those who felt that inclusion of officers from the principal agencies would allow the Commission to work more quickly and with a smaller in-house staff. However, administration representation was not acceptable to the food distribution industry. House Joint Resolution 977 avoids this difficulty, and also improves on House Joint Resolution 974 by authorizing a significantly broader scope of inquiry.

Since the questions of Commission membership and the scope of its inquiry are the crucial ones at present, I will direct my comments to them.

House Joint Resolution 977 expressly excludes officials of the Federal Government from serving as Presidential appointees on the Commission. By implication, it also casts doubts on the propriety of appointing representatives of farm or industry organizations, because it authorizes the Commission to acquire and use confidential information from private sources. This conflict of interest problem, which I raised at the time I introduced my companion resolution, House Joint Resolution 979, was, I believe, further explored by representatives of the National Farmers' Union yesterday.

Although I would not go so far as to say that there is an insurmountable statutory bar to industry and farm representation, I hope the committee will not be too quick in recommending that the President appoint representatives of directly affected groups. Applicable statutes governing conflicts of interest could, of course, be waived by a special provision in the resolution. Even so, Commission members would be reluctant to fully explore certain types of confidential information where that information would be potentially advantageous to them in their private, competitive, capacities. This would be honorable and understandable, but it would also deprive the Commission of its best collective judgment, and more discretion would be delegated to the staff and congressional members than might be intended or desirable.

On this same point, I would add that it was my understanding at the time the President's message came up that a consensus had been reached, among the interested groups working with the White House, in support of a Commission on which neither farm nor industry organizations would be represented as such.

My last point bears on the scope of the Commission's inquiry. The resolution in its present form outlines a very broad field for investigation. At the same time, it gives the Commission subpoena powers, disregard of which can be punished by contempt proceedings in Federal courts. Since the Commission's authority is comparable to that of a congressional committee conducting an investigation, there should be a corresponding degree of precision in the authorizing resolution.

For example, if the Commission's study is going to embrace the question of differential rates given to large-volume shippers by any portion of the transportation industry, that should probably be more clearly spelled out than it is now under the general and ambiguous heading of "distribution."

Ideally, the Commission should be able to follow all fruitful avenues of investigation, when and if they open up. But these avenues should be foreseen as far as possible, and expressly provided for in the authorization. Otherwise, there may be confusion, or even litigation, over requests for information which are both legitimate and constitutional.

In closing, I would like to say that I would favor particular emphasis on the chainstores in this inquiry. Chainstores are the fastest growing institution in the so-called agri-business complex, and the facet we probably know least about.

In addition, it is the chainstores' market power, whether through acquisition, contract, or sheer leverage in the open market, which almost certainly accounts for much of the horizontal, vertical, and agglomerate expansion now going on at the processor and producer level. In saying this, I do not mean to prejudice the Commission's findings. I am only indicating that these findings will be worth more, and be significant over a longer period of time, if we look hardest at the area which is growing fastest.

Even chainstore representatives who feel that the spread between farm and retail prices is wholly justified and in the longrun interest of the country frankly concede that such a study is needed. Their concern over present trends in agriculture is echoed widely and loudly among producers, processors, and consumers who wonder whether the revolution in food distribution is leading them to the block or to a better world.

Mr. POAGE. Thank you, Mr. Kastenmeier.

Are there any questions of this gentleman?

Mr. Short.

Mr. SHORT. Mr. Kastenmeier, you raised some very appropriate questions in regard to the desirability of having certain people on this Commission. What are your thoughts in regard to having 10 of the 15 members of the Commission Members of the Congress?

Mr. KASTENMEIER. I think that is appropriate, because I would think that they would represent, as broadly as possible, all interests in the inquiry, that is to say, they would not precisely represent the consumer alone, or the processor or farmer alone, and as a result, I think that we would get the type of representation that we desire most by having Members of the Congress serve who desire to serve and who have something to offer.

Mr. SHORT. Part of my—I will not say concern, because it is not a concern—but my thought that I have in regard to the Members of Congress serving on this Commission is that I have wondered as to the practicality due to the limitations of time.

On the House side we are certainly busy enough. And I am led to believe that those on the Senate side are even busier. I am wondering how much actual time House Members will be able to devote to the Commission. And if they are not going to be able to devote adequate time to the Commission I wonder what constructive addition they would add. I will emphasize that the Members of the Congress, if they do have the time, are, probably best qualified to do a good job, inasmuch as they represent, in their various districts, all of the interested people. I sometimes think that because of the limitation of time and the inability to be at many of the hearings that will be held they will be in something of a figurehead status, perhaps, on this Commission.

Mr. KASTENMEIER. I think that the gentleman raises a very good point. I would hope that the five Members of the House would be five members who treat this as they would, let us say, an important subcommittee assignment in terms of devotion of time.

I know all Members are busy almost every hour of the day in congressional work but insofar as this is a shortrun—whether it is concluded by July 1966 or at an earlier date—a shortrun inquiry, I would think that the five Members of Congress could be found who would devote the time necessary. I think it would be comparable to, say, having an additional subcommittee assignment in terms of consumption of time.

Mr. SHORT. You, apparently, have given some considerable thought to this proposition. Do you think that it will need as much as is provided for in Mr. Cooley's resolution, up to July 1966, to make a report? It seems to me much information could be secured in a much shorter time. I think there is a lot of information that is not too deeply buried at the present time. We have had some hearings on this subject. It seems to me that it is quite important that the results of this Commission's investigation be made available and publicized and utilized as soon as possible. Do you think that we need to take all of this time?

I grant you that the resolution does not say that the Commission must wait until July 1966 to make its report.

Mr. KASTENMEIER. I think that the committee could indeed tighten up the language there. In my companion bill to the chairman's bill, I used the same date, although in an earlier resolution which I introduced, I think I have it "as soon as practicable." I note that the gentleman from Illinois, Mr. Findley, has it within 1 year, as I understand it. I wish that there were some language which would make time a more urgent factor than July 1966. I think here the committee might give some thought, at least, to requiring some type of interim report in more precise language. I think the reason a number of people were for the longer date was that it was felt in the long range that a complete and comprehensive study would take on the order of 2 years, more or less. But certainly I would feel that long before then we ought to have from such a Commission some important and permanent findings.

Mr. SHORT. Thank you.

Mr. POAGE. Thank you very much, Mr. Short.

Mr. FINDLEY.

Mr. FINDLEY. Mr. Kastenmeier, do you have any suggestions as to how big a staff this Commission would require?

Mr. KASTENMEIER. No, Mr. Findley, I do not. I note that most of the resolutions carry \$2.5 million. This would appear to me as an authorization which would certainly be liberal. Originally, I had proposed having five members of the executive branch, partly in the hope that the staff would be small and that people within, let us say, the Federal Trade Commission and other agencies could almost be borrowed for this, and that the cost of conducting the inquiry would be relatively small and, certainly, much less than \$2.5 million. I do not foresee a large staff.

Mr. FINDLEY. The Committee on Agriculture handles quite a volume of work, and I believe that the staff is 12 or thereabouts. In my

resolution I suggest that it be limited to 21 people. And those that would come from the Federal agencies would be on a reimbursed basis. Do you think that that would be a reasonable limitation, a staff of 21?

Mr. KASTENMEIER. I do not feel competent to answer that. I do not know precisely what avenues the Commission will finally determine, with this broad language, that it should go into. If we knew this more precisely I think we could predict a little better what type of staff in terms of numbers would be required. As it is, it is a fairly open-ended proposition, and as a result I think that we have tended in our own resolution, at least in mine, the companion one to the chairman's, to try not to encumber the Commission and to give it as much as it wants, both in time and staff money.

Mr. FINDLEY. If we provide \$2.5 million, we have the likelihood the Commission will spend that amount. Therefore, I think it would be wise for us to put some reasonable limitation on size and number of the personnel that can be employed. If that proves to be inadequate, after it gets into its work, we can do something about it.

Mr. KASTENMEIER. I would respectfully suggest that once the committee has determined, if it does indeed do so, the scope of the inquiry—whether it wants to leave it this broad or wants to be more precise—only then should it, probably, go to the question of how much money or how many staff members you might give this Commission. I really cannot offer any advice on the question at this point.

Mr. FINDLEY. Thank you.

Mr. POAGE. Thank you, Mr. Findley.

Are there any further questions?

Mr. Gathings.

Mr. GATHINGS. Mr. Kastenmeier, I understood you to say that you are in agreement with Mr. Findley's thought with respect to the limitation to 21 members. I did not quite catch that.

Mr. KASTENMEIER. No; I said that I really did not feel competent to comment, because I do not know. I think that you would have to develop more fully what you intend the scope of the inquiry to be and how far you will go before you assess what will be required in terms of a staff. It is fairly open-ended now, I admit, with the \$2.5 million appropriation. Whether you will want to confine it, of course, is up to your determination. I really do not know how many staff members would be required.

Mr. GATHINGS. Is it your thought, though, that we ought to have a staff that should be paid solely by the Commission—you feel that way?

Mr. KASTENMEIER. Yes; I do.

Mr. GATHINGS. I agree with you on that wholeheartedly. As to the amount of money, when you are paying these members not to exceed, at least, \$100 a day for the meetings they have, it would cost considerably. They are going to have several meetings before the final report is made. Do you not think that \$2.5 million is quite a sizable sum of money for this type of study and investigation?

Mr. KASTENMEIER. It would seem so, certainly, at first glance. If this Commission conducts the inquiry as broadly based as the authorizing language currently is, it is conceivable that it could spend in the order of \$2.5 million or something approaching that and

it is conceivable that the results would be worth every penny of it. But as I conceded to Mr. Findley, I do not feel really competent to discuss either the staffing or the amount of the authorization at this point until, at least, the committee moves in the direction of determining precisely how far it will go in its inquiry.

Mr. GATHINGS. This inquiry is broad, there is no doubt, but so many of these that have been approved by the House, that is, similar investigations, \$25,000 to \$50,000 was the limitation placed on the expenditures. This particular study and investigation, it seems to me, should get a lot more money than the ordinary select committees that have been created by the House but not \$2.5 million.

Mr. FINDLEY. Will you yield?

Mr. GATHINGS. I yield.

Mr. FINDLEY. I might add that in my resolution I proposed a limitation of \$250,000 which would still be considerably more than the ordinary funds made available to study groups.

Mr. GATHINGS. Much more. I think that is more in keeping.

Thank you.

Mr. POAGE. Thank you Mr. Kastenmeier. We are very much obliged to you.

Mr. KASTENMEIER. Thank you.

Mr. POAGE. We will now hear from our colleague, Mr. Rosenthal.

Mr. Rosenthal has been waiting patiently. We will be glad to hear from you now, Mr. Rosenthal.

STATEMENT OF HON. BENJAMIN S. ROSENTHAL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. ROSENTHAL. Mr. Chairman and members of the committee, I appreciate the opportunity to appear before the committee in support of my resolution, House Joint Resolution 980, and other similar resolutions, to establish a National Commission on Food Marketing to study the food industry from the farm to the consumer.

Although the district I have the honor to represent is 100 percent urban, I believe that the interests of my constituents are no different from those of the constituents of the other members of this committee. I fully subscribe to a statement published in a report of this committee on August 1, 1956, and signed by such distinguished representatives of rural areas as Congressmen Grant, Abernethy, Matthews, Hoeven, Harvey, and McIntire.

* * * the paramount need today—

they said—

is unity of purpose in agriculture and better understanding between farmers and their customers in the towns and cities. The interests of our great rural and urban populations are one and the same. They are intermixed and inseparable.

Believing that the committee still subscribes to this view, it seems to me that it is about time that we reached out to give parity to the consumer. The enactment of the resolutions under consideration may well be a first step in that goal. In considering the need for the enactment of this resolution, I think we must pause momentarily to reflect on what has happened to American agriculture in these past years, and if we are not relying on myths instead of recognizing realities.

On June 5, 1963, a representative of the Farm Bureau testifying before a subcommittee of the House Committee on Agriculture stated:

Agriculture is predominantly an industry of family farms.

Some 6 days later the Secretary of Agriculture, Hon. Orville L. Freeman, in testimony before the same subcommittee concurred with the Farm Bureau when he said:

Each time I hear someone say the family farm is dying * * * which it is not * * * I want to add loudly and clearly, "let the consumer beware."

Only 2 days ago in testimony before this committee Mr. Freeman reaffirmed his faith in the family farm and stated:

My concern rests on the simple fact that a family farm system of agriculture is vital to the strength of our economy * * *.

Although I can claim no heritage of the land and have no first-hand knowledge of the operation of a family farm, I have reviewed the relevant statistics and have arrived at what seems to me an inescapable conclusion, and that is the family farm is dead. It is so dead that the most appropriate comment I can offer came from Shakespeare who said: "Many a nobleman lies stark and stiff."

If I am correct in this conclusion this matter is pertinent to the current inquiry because Congress and others similarly concerned with agriculture, food distribution and marketing have been relying on false assumptions, and false assumptions generate faulty legislation. Therefore, a complete and exhausting review of the entire matter of food production and distribution would permit the Congress to focus its attention on the dynamic changes that have occurred in American agriculture. These changes in many ways affect the marketing, processing, and, perhaps most important, the price of food.

In 1935 there were 6.8 million farms. Today there are 3.7 million farms, and agricultural employment is at a 50-year low. The marginal farmer continues to fall by the wayside, and the lands he leaves behind are being put to use by the mechanized operator who spends more money to buy more machinery to raise bigger crops.

Prof. Edward Higbee who statistically analyzes this matter in "Farms and Farmers in an Urban Age," states:

Today the top 3 percent of all farms produce more than the bottom 78 percent. In between these extremes is a group of 19 percent whose owners are in good shape. Farms of 1,000 acres and over possessed only 28 percent of all agricultural land in 1930. By 1959 these big units, which were only 3.7 percent of all farms, had acquired 49 percent of all the land and their average size had reached 4,048 acres—more than 6 square miles apiece. America's 100,000 top-drawer farms produce 31.5 percent of all crops and livestock. In real estate alone these enterprises are worth, on the average, nearly a quarter of a million dollars each (\$220,000) and the average annual value of their sales is \$94,000.

At the other end of the production line there are 2.9 million farms which have an average annual value of sales of \$3,000. The 700,000 farms in between have annual sales that average \$18,000.

Professor Higbee, together with others, regrets the passing from the American scene of the small-scale farm, but he, as do I, sees no difference between the passing from the American scene of the family farm, regrettable as it is, and the passing of the small-scale family enterprise in manufacturing, in shopkeeping, and in services. He offers the explanation that:

The small farmer can no longer establish contact with the small consumer on a scale required to feed the population. Food must be assembled by the trainload rather than by the wagonload, and transported across the continent

rather than across a township. This calls for a new gigantism in production and in distribution. A few little farmers may survive by lying between the rails as the freights thunder by, but they are becoming as rare as old-fashioned butchershops in an age of supermarkets.

On April 5 of this year this committee issued a report entitled "Food Costs—Farm Prices," which pointed to the ever-widening spread between the prices the farmer receives and what the consumer pays for food. There have been many voices raised within and without the food and farm industries seeking an explanation of this ever-widening gulf between what the farmer receives and what the consumer pays. It seems to me that certain considerations are raised by this inquiry. If the family farm is disappearing, as I allege, or has in fact disappeared, has not the family grocery store also seen its demise? What has replaced this grocery store? Is there a small-size wholesaler still in existence; if not, who or what has replaced him? Is there a family processor still serving the community, and if not, who has replaced him?

If, as reported, in the last 10 years more than 130,000 food retailers closed their doors, who has replaced them? If, as reported, the largest 10 percent of the retail outlets do more than two-thirds of the dollar sales, is there a benefit to the farmer, the consumer, or anyone? Would it be wise to reverse any of these changes, or is it in the interest of all Americans to stimulate this type of growth? Has the battle of the brands and the concomitant advertising costs been borne by the American consumer and his ally, the former family farmer?

In 1963 consumers paid \$67 billion for food produced on the farm, and from that sum farmers received \$21.3 billion. Is there an adequate explanation from someone as to where the \$45.7 billion went?

In the past 10 years, as the members of this committee so well know, the price of bread to the housewife rose 21.8 percent. The amount the farmer received was down 2.2 percent. In the same 10 years, prices on milk and other dairy products were up 7.3 percent for the housewife, but down 5.2 percent for the farmer; meat products were up 5.8 percent for the housewife, but down 15.2 percent for the farmer; shortening was up 1.3 percent on the one hand, but down 25 percent on the other; and other food products cost the consuming public an additional 9.7 percent while the farmer received 5.3 percent less.

Growth of American industries and business is generally regarded as good and healthy for the economy, and thus for all Americans. But one sometimes wonders if that growth is at the expense of other participants in our society.

Safeway Stores, Inc., has increased sales from \$1,800 million in 1954 to \$2,650 million in 1963; Grand Union has increased sales from \$201 million in 1953 to \$630 million in 1962; Great Atlantic & Pacific has increased sales from \$3,989 million in 1953 to \$5,310 million in 1962; the Kroger Co., with a phenomenal rate of growth, has increased sales from \$1,108 million in 1954 to \$2,102 million in 1963.

It may well be that each of these companies both earned and deserved their increased capacity to serve the American housewife. We know that the shock waves emanating from their growth have disturbed previously established patterns in the processing, packing, and transportation of food. But we do not know if these changing patterns have affected the farmer and the consumer either favorably

or adversely. It is important that we understand these patterns better.

Our population is increasing rapidly and there will continue to be, and should be, greater production and consumption of food in America. The marketing structure and distribution of this No. 1 product deserves public attention and public scrutiny because, in the last analysis, it is the public that has the great and paramount interest. A comprehensive study, impartial in nature, by responsible citizens, including Members of Congress, would generate great interest in this subject and would unquestionably permit greater public understanding of a highly involved but useful segment of the American private enterprise system. It may be that the Commission would find that the food industry has rendered commendable, useful service, and that there is neither room for improvement nor reason for modification. On the other hand, the Commission may find that the system which brings food from the farm to the dinner table requires the attention of this lawmaking body.

All Americans—farmers and consumer alike—have a right to know if their efforts and their money are being appropriately used in the free marketplace, within the confines of the free enterprise system. Most retailers welcome this inquiry so that they will have an opportunity to present their case to the American public.

It is obvious, I believe, that the American people want their national food policy based upon the production and the utilization of abundance. They are willing to pay for this kind of a food policy. Yet they have the right to know if they are getting what they pay for—whether their expenditures are being directed to the right places for the right reasons—and if there is an equitable sharing of privileges and responsibility all along the line in food production, processing, distribution, and sales.

The proposed National Commission on Food Marketing, representing the American people, can make a substantial and constructive contribution to the public's right to know, and I am hopeful that it will be launched on this task with all possible speed.

Mr. POAGE. Thank you very much, Mr. Rosenthal.

Are there any questions?

Mr. Matthews.

Mr. MATTHEWS. Mr. Chairman, I want to say to our distinguished colleague how much I have enjoyed his comments. They have been very helpful. I must say that in his observations about the family farm he has aroused within me somewhat the same feelings I imagine that a lot of people had when aspersions were cast on the Puritan conscience of America. As chairman of the Subcommittee on Family Farms, I appreciate your recognizing me first, Mr. Chairman because I must say that I do not agree with some of the statements that have been made, particularly the quotation by Mr. Edward Higbee on page 2, in the middle of that page, where he stated, and I quote:

Today the top 3 percent of all farms produce more than the bottom 78 percent.

Let me emphasize that I do not disagree with the arithmetic of the statement, but I am wondering if he and I would agree on the same predicate. For example, what is his meaning of the top 3 percent of

all farms? My thought is that perhaps there might be a few of the top 3 percent that are family farms.

Having served on this subcommittee, you will recall that, through the years, that size is sometimes not the predominant consideration of a family farm. I think that we can say, for example, that a 10,000-acre ranch might be a family farm. The Secretary of Agriculture, Mr. Freeman, has himself said that anyone who employed less than 1.5 man-hours of labor on an annual basis would not be considered a family farm. We on the subcommittee have said that if you can do most of the work on the farm, over one-half of the work on the farm, except at harvest seasons, if you can do that by the members of the family living on the farm, that would be considered, we might say, a family farm.

And as we go further down in Mr. Higbee's statement—a couple of sentences, he says:

Farms of 1,000 acres and over possessed only 28 percent of all agricultural land in 1930.

I do not know how many farms of 1,000 acres are family farms. In other words, a family farm might have an investment of a quarter of a million dollars. Would that be impossible? I think not. I think that some family farms might have an investment of a quarter of a million dollars.

So I would question, not you, Mr. Rosenthal, but Mr. Higbee from the standpoint of that statement.

We come down further in his statement where he says:

America's 100,000 top-drawer farms produces 31.5 percent of all crops and livestock.

Once again, that is a good, catchy phrase. I do not know what he means by "top-drawer farms." So I would say to my distinguished colleague, in all deference to Professor Higbee, I believe that from the statistics, and I think from nearly all of our farm organizations and from Secretary Freeman, that I am correct in pointing out the fact that the family farm is not dying out, but is showing some signs of improvement.

I want to make one or two other observations.

Mr. ROSENTHAL. Mr. Matthews, if I may respond for just a moment. Our interests run parallel and our sympathies run parallel up to a point. I deplore the passing of the family farm, as you do.

What you contend is that it is not so. I contend that it has already happened in America. Many people in this Congress concern themselves about the great amassing and centralization of power here in Washington on Pennsylvania Avenue. I am equally wary about the amazing centralization of power in the agricultural and food industry. And the premise that I make here today, sir, is that this tremendous growth, where A. & P. does sales of \$5 billion a year—one-twentieth of our national budget—that that power is helping to disturb and to disrupt and to do harm to the integrity of the family farm. More and more people have left the family farm—as a matter of fact, in recent years it has declined from 3,138,000 to 1,572,000.

Let me continue for just a moment, if I may.

In 1959 a distinguished Republican Senator from Delaware reported that three of the largest farm corporations in the country collected more price support money than all of the farmers in Penn-

sylvania, New Jersey, Delaware, and Maryland. I think that that is something to concern ourselves about.

Now, meeting the Maid of Cotton here today disturbed me, although she added great glamour to this room. It reminded me of a fact which is most disturbing, that the largest Government price support loan on cotton was granted to a single producer in 1960—it was \$1,200,000 which went to the Delta Pine & Land Company of Scottsboro, Miss., a corporation that is controlled by Fine Spinners & Doubles, Ltd., of Manchester, England, a British corporation, which is receiving American subsidy money and is part of the system of continual centralization of power in the farm system.

It seems to me that the tremendous growth of A. & P., and in my opinion supported by our friend from Texas—who talked about what is happening down in Waco in the stockyards down there—the tremendous growth of these commercial retail distributing companies has seeped down to affect and to limit the number of family farmers in this country and this is something that I am worried about, and I know that you, too, are worried about it.

Mr. MATTHEWS. I appreciate this very interesting observation. I do want to tell the gentleman that I am grateful for his work on our committee. I know that he is interested, like we all are. I want to point this out, because I think that one of the big problems of agriculture is the lack of information.

The members of our Family Farm Subcommittee will know that we have decided this year that if we do nothing more than to compile accurate information about the family farm—these facts and figures about the family farm—if we can do that, we can perform a service.

Let me point out that not only the family farmer is having problems, but, of course, all other segments of industry are having their problems, and I think that we must keep in mind that, through the past several years, we have lost thousands and thousands of coal workers and office workers and automobile workers, and, especially, railroad workers—that automation and other factors have caused us to lose these workers. That does not deny the fact, of course, that we must do everything that we can to keep these industries in a healthy condition. I think that sometimes the fact that we are losing people off the farms might hide these other problems. I think we are strengthening the family farm and that we are making progress, despite difficulties.

This is a little extraneous, but when we talk about subsidies I think it is always interesting to point out that I think one shipbuilder, Mr. Chairman, just a few years ago, was the recipient of about \$75 million in subsidy from one ship. I know this is extraneous but the people of America so often look upon agriculture and its subsidies and they point out the big operators are paid such a large subsidy, whereas by the very nature of shipbuilding—I suppose that one builder gets a tremendous amount of money—but the point I am making is just for the record and as a matter of information, that we ought to keep in mind this practice. I think that for the record we might point out that for last year, I believe, in unemployment compensation, there was paid the amount of \$3 billion in America. I would say that is a very minimum estimate, and, of course, no small farmer, even if he

is not productive, gets unemployment compensation, and it leads me to my final point.

I have gone so far in our subcommittee to say that I think that we not only ought to try to keep the family farmer on the farm, but this so-called small marginal farmer. I know that he is leaving the farm in vast numbers. I feel that the place of that man is to stay on his land even if he has only 2 or 3 acres and has to drive the school bus to make some extra money or work in the barbershop on Saturday. If he remains on the farm, he will not be a burden to industry and on his land is the place for him.

I think that the President's antipoverty program is going to offer some help for that type of man.

Thank you, Mr. Rosenthal. I do not think basically we disagree on many of these great issues, but I did want to have this opportunity to put in a plea for the family farmer.

Mr. POAGE. Thank you.

Mr. HOEVEN.

Mr. HOEVEN. Mr. Rosenthal, in your prepared statement you said you wanted parity for the consumer. I assume you also want parity for the farmer.

Mr. ROSENTHAL. Certainly. I think that the interests of most people are identical.

Mr. HOEVEN. Today the parity ratio is about 76 percent for the farmer, the lowest since August 1939. The farmer is not getting a very big percentage of the consumer dollar today, but he is generally blamed for the high price of food. This cost includes marketing, advertising, transportation, and a lot of other items. Do you know of any other items involved which might contribute to the high cost of consumer goods?

Mr. ROSENTHAL. I think, probably, the farmer is being short-changed, Mr. Hoeven. That is why I even raise this point of the family farm, because I think that we should stimulate this Commission to aggressively work to find out the answers to the questions that all of the witnesses, including myself, have raised. I think, perhaps, advertising somewhere along the line, the method of marketing and distribution, transportation, the vertical integration—the ownership by a retail store of all of the lines of vertical integration—this may be doing great disservice to the farmer and the consumer. More and more it may be that the allegedly modest profit that the gigantic firms are making are being used for further capital expenditures which on the balance sheet makes the profit look small, but continues to build the capital investment of the firm. All of this, sir, may be happening at the expense of the farmer and the consumer. If it be so, something should be done about it. If it not be so, then all of the linen should be put on the table.

Mr. HOEVEN. Would you also include labor costs?

Mr. ROSENTHAL. I am sure that is a factor along the line and that should be brought out, too. But the interesting thing is that the labor cost on the farm in the past 10 years has not increased at all, the labor in the retail store they say has gone from \$1 to \$2 an hour, but, on the other hand, the improved methods of merchandising and packaging and machine operations certainly somewhere may have compensated for the increased labor costs.

Mr. HOEVEN. Is it not true, Mr. Rosenthal, that in most cases where labor goes on strike for higher wages, the cost of foodstuffs usually goes up? This usually follows as a matter of course; does it not?

Mr. ROSENTHAL. I do not know.

Mr. HOEVEN. That is a matter which should also be included in any investigation.

Mr. ROSENTHAL. Oh, definitely. Definitely.

Mr. POAGE. Mr. Belcher.

Mr. BELCHER. I want to say that I think you have made a very fair statement. You pointed out some of the problems. Your statement does not put the blame on any particular segment. You want the Commission to find out if there is a better system, to find out if there are abuses of the present system. And whether or not legislation is needed, and so forth. To that extent, I, certainly, would go along with it, because I do not think that it will do any harm for the American public or the Congress or anybody else to know the facts.

In the statements by my colleague from Florida about the 3 percent of the farms that he raised questions about, let me say that I have spent considerable time in the United States and I know a little bit about farms and I know a little bit about farmers. I do not see where the 3 percent raise all of the products. Throughout almost anywhere that you go—we find this in Oklahoma or Kansas or anywhere else—you find a large percentage of the farms that are not big corporations, and there are still family farms.

The question of the one-family farm is not determined by acreage. A few years ago I was in the Western States. There was a place there that had about 5,000 to 7,000 acres of pastureland and it was having a hard time supporting 150 head of cattle and 24 hours later we were in Virginia where 2 ex-servicemen had 65 acres of pastureland and they had produced 200 head of cattle on those 65 acres of pastureland. And still the grass was that high [indicating]. Out on the farm with 5,000 or 6,000 acres, where it took 15 or 20 acres to support one cow, down in Virginia five or six head were pasturing on 1 acre of land.

As to the question of small units or large units as such, I recall that a number of years ago 585 automobile manufacturing concerns were in the United States. Now we have three or four. At the time that we had the 585 automobile manufacturing concerns, that were being organized and going out of business every day, automobiles at that time were several times higher in price in proportion as they are today. But now we have 3 or 4 automobile firms and you can buy a fine automobile, which you could not have purchased for \$25,000; that is, the kind of automobile they make today, when you had the 585 manufacturers.

As to the question of food distribution, we have a grocery store close to our apartment house, and when my wife goes down there to buy groceries, she finds that the prices are about 25 or 35 percent higher than over at Safeway. A housewife does not need to go to Congress or to the law library or to the Library of Congress to look up the law to find out why she should go to Safeway or go to the local grocery store. She just looks at the price tag on the can of beans, or whatever it is, and she goes to the place that sells it the cheapest and that gives it to her the quickest and where the checkout is the quickest.

She does not look to an act of Congress or anything else to determine that. She just goes where she can get it. And that is the reason why there are so many of these big chainstores.

I do not think that these chainstores would have grown big charging the customers more money than the local grocery did; do you?

Mr. ROSENTHAL. No; they would not.

Mr. BELCHER. If the consumer can buy cheaper in the big store, he will go there.

Mr. ROSENTHAL. Going back to the automobile example, this was a new product at that time. I am not familiar with it, but I have heard that Ford sold the model A for about \$1,000.

Mr. SHORT. It was less than \$500 at one time.

Mr. ROSENTHAL. Whatever it was, today the same car, a little bit nicer, I guess, costs about \$2,500.

Mr. BELCHER. That automobile at that time, and I happen to know, because I happened to be in the automobile business—when we sold those, we put an advertisement in the newspaper when a man made a trip to a town 15 miles away and got back the same day without having a breakdown. We talked about it. [Laughter.]

That was on the front page of the newspaper that our automobile made the trip to the adjoining town. We put it in the paper that he went up there and got back and did not have a flat tire, did not have a bit of trouble in the entire trip. I made 20 trips between here and Oklahoma and I stopped once on the road to get a pair of points. I went to California and back to Oklahoma from here and did not put anything on the car. In the past 14 years I have had one tire fixed.

Back there I sold tires. The company came out with a 3,000-mile guarantee. You know, I was afraid to tell the public about that, because I thought that we would get all of them back. I did not think that there was a tire that would do that. And, of course, I felt that if I told them that, that they would all come back to me and I just could not afford to do that. It was 6 or 8 months before I ever did tell a single customer about that. [Laughter.]

So the difference in the cost of those products is such. And if we still had 585 automobile companies making automobiles—and one was in my hometown—it turned out three automobiles a year—if we still had those 585 automobile companies in the business today, the automobile manufacturing companies would be paying us to drive the automobile. It would be like it used to be when we were kids.

We want to find out what the facts are, but I have never been one of those people who thought that because a man did a prosperous business and grew in giving services, like Ford, Chrysler, or the other companies—I have never had anything against their success and I am not against Safeway or any of these others if they can render a service.

One of the things that Premier Khrushchev of Russia wanted to see when he came here was a supermarket. That was more important than the Capitol of the United States, Washington, or the Supreme Court—he wanted to see a supermarket where you could buy all of your groceries in one spot and did not have to go to a meat market and then go over to the canned goods store to buy something else.

So far as the consumer dollar is concerned, we used to put our stuff in the wagon and we sold it to the people who lived in the town nearby when I was on the farm. There was no packaging, no transportation costs or anything else. We got the 100 percent of the consumer dollar but we only had a limited market.

Now down in Florida they raise vegetables that are sold the next day on the market in New York. They are washed and polished and wrapped up and transported more than 1,500 miles and put on the table up there in New York. And, naturally, the farmer does not get all of the money that is spent for the wrapping, packaging, transportation, distribution, and everything else. Naturally if you are going to put all of that in, it is in between. By the time you take a potato out of the ground and the time that you put it on the table there will be a large gap.

I still go along with you that it is a good thing to know what is happening.

Mr. POAGE. There are six more witnesses to appear after we have completed the questioning of Mr. Rosenthal. I do not want to deny anybody the opportunity to question Mr. Rosenthal, but I want to call your attention to the fact that these witnesses are here. The members are going to determine the time that we will spend doing this.

Mr. Gathings.

Mr. GATHINGS. Thank you.

Mr. Rosenthal has given us quite a lot of significant data. I wondered if you would give us the source of this information which starts on page 3 of your statement where it says:

In 1963 consumers paid \$67 billion for food produced on the farm, and from that some farmers received \$21.3 billion.

I think it would be much better if we had that in the record, just where that came from, because these are facts that are needed for determination by the committee on this resolution before it.

Mr. ROSENTHAL. I know, sir.

Mr. GATHINGS. That information should be had.

Mr. ROSENTHAL. Also, this information is contained in the committee's report that was released about 2 weeks ago.

Mr. GATHINGS. What committee report?

Mr. ROSENTHAL. The committee report on food prices.

Mr. GATHINGS. I concur wholeheartedly in the views expressed by my colleague from Oklahoma, Mr. Belcher, with respect to the automobile industry. There were many manufacturers a few years ago. Today we get an automobile that is much better and sounder at much less money.

Just one other thing along that same line. If we were to go back to the time when we operated with a mule, why, each consuming family in America would pay \$5 a week more for food they buy.

We hear this argument so many times, that the Delta Pine & Land Co. had a CCC loan in the amount of \$1,500,000 for cotton. This is orderly marketing of commodities. They put that cotton in there in the fall of the year and took it out in the spring when prices are more stable and they paid the interest and carrying charges on the loan. As a matter of fact, the Government of the United States could very well make a profit. It is not just a \$1,500,000 handout by the Government at all.

And then there was another loan from the Commodity Credit Corporation that was previously referred to. The point is that the \$1,200,000 CCC loan to the Consumers Rice Mill in Arkansas, is that there were many, many farmers who were members of that cooperative whose rice was placed in the loan. There were an awful lot of people involved in that rice marketing project. Insofar as the taxpayers losing any money on the rice, they lost little or none. The rice moved. It gave the small farmer an opportunity to use the loan facilities when the market is slow at harvest time. The association put the rice in the loan during the marketing season and it was off the market 3, or 4, or 5 months, and it was redeemed by the farmers through their cooperative when the prices were more favorable.

Thank you.

Mr. POAGE. Mr. Teague.

Mr. TEAGUE of California. Mr. Rosenthal, I would like to have you know that the small farmers in my part of California who are engaged in raising fruits and vegetables are by no means less, their numbers have not decreased over the years. They have been making a reasonable and moderate profit on the average. However, many small farmers in my area will be dead, I am very much afraid, next year when no longer they can get help to harvest their crops. The big farmers will make out. The small farmers will not.

Thank you.

Mr. POAGE. Mr. Olson.

Mr. OLSON. I wish to thank you for a most provocative statement. Undoubtedly, it has caused controversy. Your discussions of the family farm, its size and how many large farms produce such a tremendous amount of food stocks is interesting. I will not defend this system at all if, in fact, this is happening, if we are going to have three or four farms per township or county called family farms. I would choose to call them something else. It is of concern if 3 percent of our farms are marketing 78 percent of the production in this country. I cannot quite believe this to be the case. The big producer or the feeder, who has thousands of heads of beef, has not necessarily raised the feed that go into the beef. Some other family farmers have contributed to that operation. One wheat or corn farmer might market all of his corn and wheat and he might be given credit for marketing his wheat and corn while other farmers feed their corn. I do not know, but in some way we should get these statistics.

So far as the economy and what has happened to the automobile dealers and the food stores getting bigger, et cetera, I do not dispute the rule of economics to bring about a better system whereby we will all benefit. But I am very concerned and I think that we should get back to the resolution here. Your figures on page 3 indicate that \$67 billion was spent for food produced on farms in this Nation in 1963. Last year the beef farmers in America lost \$2.5 billion. This represents over 3.5 percent of the total amount of dollars spent for food produced in America. Something is wrong.

If we can protect against this loss then we will be letting competition take care of itself. In other words, if the farms have lost this much of their share of the food dollar in 1 year, then, of course, there will be few of them left to determine what should have been the best system under the most competitive circumstances. By insuring that we have more farmers, more family farmers, on the land, I

think we will insure the competition. They cannot keep going with losses like \$2.5 billion on beef. I do not want to see ourselves getting caught up in a system that takes \$2.5 billion away from them and gives them no voice in the marketplace. I do not think that we can say such a system is good or that the end result is good.

The supermarkets, indeed, have furnished good produce at good prices, but if they are doing it at this kind of an expense to the producer, then we cannot be self-satisfied with this system.

So I again thank you for your statement. You have given us food for thought. You have strengthened our realization that we had better try to arrive at conclusions or answers and that is what the Commission is for.

You have emphasized the need for the Commission. I say that we need not involve ourselves in the discussion of whether the results in our economy have always been in the best interests of everyone. We have only the standard of today to compare it by. We do want to watch specifically what I pointed out, that in 1 year 3.5 percent of the total value of the food dollar was a loss to the producer.

Thank you.

Mr. LEGGETT. I have just one question.

Mr. POAGE. Mr. Quie.

Mr. QUIE. Which committee made that study that you referred to?

Mr. ROSENTHAL. On which page of my statement?

Mr. QUIE. You said that on page 3.

Mr. ROSENTHAL. The full committee issued that report about April 6, I think it was, the full committee.

Mr. POAGE. This committee.

Mr. QUIE. Who made that study? Did the staff do it—was this the work of the Department of Agriculture—did they do it?

Mr. ROSENTHAL. The committee report has a number of Department of Agriculture graphs and charts on the back of it.

Mr. POAGE. Mr. Murray will give you a copy of it.

Mr. QUIE. I will have more questions later.

Mr. POAGE. All right.

Mr. Leggett.

Mr. LEGGETT. Just one question.

The Kern County Land Co. has a 20,000-acre cotton allotment and if they produce 3 bales to the acre in California on their particular land that would be some 60,000 bales and if the country produced about 12 million bales of cotton, which it did more or less, their share would be one two-hundredths of the total production in the United States. And if we spent about \$600 million in the cotton program, the Kern County Land Co.'s share would be about \$3 million, would it not?

Mr. ROSENTHAL. If you have figured it correctly, all right.

Mr. LEGGETT. It works out about like that.

Mr. POAGE. Mr. Short.

Mr. SHORT. I just want to take this opportunity to commend you for your thoughtful analysis of this whole situation. I think that you have given us some thoughts that have not been brought forth before. I would like to ask you this question. In your judgment, would the consumers that you represent be prone to have any objection to the United States revising its import policies to restrain a

little bit more the importation of some food products that we can produce in greater volume in the United States? Beef is one and sugar is another.

Mr. ROSENTHAL. That is a very good question. My father had a little manufacturing business and he went out of business because of imports from a foreign business so that he never recovered from that position. I am very sensitive to that.

Many people in my district are hurt by the imports of watches. Bulova is right adjacent to my district. Other people are seriously disturbed.

I think there is an inherent sentiment in the individual American involved to limit imports as to something in which their own financial future is concerned.

I think most of the people, at least, the people in my district are sympathetic to other Americans whose income is impaired by imports.

Mr. SHORT. Right here we get to the point it seems to me where we are concerned with products that we can produce in the United States at a price no higher than the cost would be if imported. Should we take some reasonable steps to protect the domestic markets for the benefit of our own agricultural economy at a time when all of the testimony indicates that there is reason for concern as to what is happening to our whole agricultural economy and the family farmer?

Thank you very much.

Mr. ROSENTHAL. Thank you.

Mr. POAGE. Thank you, Mr. Short.

Mr. Dole.

Mr. DOLE. I do not want to ask any questions. But I want to point out since mention has been made about this committee report on food costs and farm prices; one danger with 10 Members of Congress on the Commission, the staff will make a big study, put it in pamphlet form and the Members of Congress will actually know little about it. With this in mind, do you feel the Commission will be overloaded with congressional representation?

Mr. ROSENTHAL. I am in complete agreement with you. I hope that the Commission does not do anything of that nature. I hope that all of the members of the Commission participate and accept real responsibility and indicate their participation by having their names on the report. I do not agree that having Members of Congress would be a disservice. I think it would give a necessary balance to the Commission.

I do agree with you completely that they should work as an integrated group, rather than as individuals.

Mr. DOLE. This is a compilation of information presented by the Committee on Agriculture and so far as I am concerned if this is going to happen when the Commission finishes we will not have accomplished very much.

Mr. ROSENTHAL. I certainly hope that the Commission does come up with some pertinent answers.

Mr. POAGE. Thank you.

Mr. Beermann.

Mr. BEERMANN. Mr. Chairman, I would like to commend Mr. Rosenthal for his statement. I have some views on some of these problems. I would hope that this Commission might clear up some

of the problems and give us information on the problems the gentleman from Florida and others have touched on concerning Professor Higbee's analysis, such as 4,049 acres, more than 6 square miles, and on the average these farms were worth \$220,000 and produced sales of \$84,000.

I might point out that in Nebraska there are areas where it takes 8 to 10 acres for one cow and there are other areas where it takes 80 acres to take care of one cow. So I think that if this Commission could help clear up some of these figures it would be very helpful so that there would be no provocative situation as has been stated.

Mr. POAGE. Thank you.

Mr. Hutchinson.

Mr. HUTCHINSON. No questions.

Mr. POAGE. If there are no further questions, we are very much obliged to you, Mr. Rosenthal. You have, certainly, set off more comments than anybody I have ever heard in a long time. That, undoubtedly, indicates interest in your statement.

I thank you very much.

Mr. ROSENTHAL. Thank you.

Mr. BEERMANN. Mr. Chairman, so that we do not have a misunderstanding on the issues before the Family Farm Committee I would like to make it perfectly clear that we have agreed in many discussions in the Family Farm Subcommittee but I want the record to clearly show that I feel the family farm is not dead.

Mr. POAGE. We have a number of other witnesses here. We will try to hear each one.

We will have an executive session of this committee tomorrow morning at 10 o'clock to try to make time with this proposal.

Our next witness on the list is Mr. Harry Gamage, of Sioux City, Iowa.

Mr. HOEVEN. Mr. Gamage could not appear in person and I ask unanimous consent that his statement may be inserted in the record at this point.

Mr. POAGE. Without objection, it will be inserted.

(The statement of Harry Gamage follows:)

STATEMENT OF HARRY GAMAGE ON BEHALF OF THE RIVER MARKETS GROUP

The River Markets Group wishes to convey its sincere appreciation to the committee for the privilege of filing a statement in support of House Joint Resolution 966, authored by Mr. Cunningham, and House Joint Resolution 977, authored by Mr. Cooley.

My name is Harry Gamage, 342 Livestock Exchange Building, Sioux City, Iowa. I am immediate past chairman of the River Markets Group which comprises in membership the livestock exchange of six of the largest terminal markets in the United States; namely, St. Louis National Stock Yards, Illinois; Kansas City, Mo.; St. Joseph, Mo.; Omaha, Nebr.; Sioux City, Iowa; and Sioux Falls, S. Dak.

The River Markets Group has repeatedly appeared before committees of the Congress and expressed great concern with growing concentration and combines in the food industry, which threatens small business in the United States and as a matter of fact, our entire free enterprise system. We feel that the time has come when a complete study of the marketing of meat and meat products should be undertaken.

In supporting the adoption of this resolution, we would urge that a number of things be taken into consideration. First off, that publicity concerning the hearings be kept at a minimum. While many of us within the industry feel that there is a disparity to bargaining power, we believe that no segment

of the industry should receive a great amount of unfavorable publicity when, in fact, such publicity may not be substantiated by facts.

Second, we ask that the five individuals, who will be appointed to the Commission from outside the Federal Government, not be representatives of any segment of the livestock, meat, or food industries. It is our hope that these men will be leaders of high stature in other basic industries throughout the United States. They should be qualified for the assignment and be able to operate without bias.

Third, in supporting the need for an investigation into the overall food pricing mechanism in this country, we urge that there be no character assassination, and that witnesses be urged that they may testify without fear of reprisal. It is our sincere hope that the study will not point a finger at any particular segment.

We feel the need is great for the adoption of this resolution. American agriculture is in deep trouble. The time is now, for a speedy, thorough, unbiased, and comprehensive study of the food industry in the United States.

Mr. POAGE. The next witness is Mr. Arnold Mayer of the Amalgamated Meat Cutters & Butcher Workmen, AFL-CIO. We will be glad to hear from you now, Mr. Mayer.

STATEMENT OF ARNOLD MAYER AND JAMES WISHART, LEGISLATIVE REPRESENTATIVE AND RESEARCH DIRECTOR, AMALGAMATED MEAT CUTTERS & BUTCHER WORKMEN, AFL-CIO

Mr. MAYER. Mr. Chairman, thank you very much. We have a joint statement by Mr. James Wishart, the research director of our union and myself, and with your permission, Mr. Chairman, Mr. Wishart will read the statement.

Mr. WISHART. Our names are Arnold Mayer and James Wishart. We are the legislative representative and research director, respectively, of the Amalgamated Meat Cutters & Butcher Workmen, AFL-CIO.

The AMCBW is a labor union with 375,000 members organized in about 450 local unions throughout the United States and Canada. The AMCBW and its local unions have contracts with thousands of employers in the meat, retail, poultry, egg, canning, leather, fish processing, fur, and agricultural industries.

Our members work on food products all the way from the farm to the supermarket. Some of our members are employed on corporation-type farms raising and harvesting food. Nearly 150,000 others work in food-processing plants turning the farm goods into food products. Nearly 200,000 other members work in supermarkets selling the food products to consumers.

A large majority of our members in both manufacturing and retail work on meat. But more than 100,000 of them are employed in a variety of other types of food processing or in grocery sections of supermarkets.

On behalf of our union's executive officers, President Thomas J. Lloyd and Secretary-Treasurer Patrick E. Gorman, we want to thank the committee for the opportunity to present our views on the important legislation you are considering. We strongly support House Joint Resolution 977. We believe the establishment of a National Commission on Food Marketing to study the food industry from the farm to the final checkout counter is both desirable and necessary.

Our support here is not based on any preconceptions of what conclusions are likely to emerge after 2 years of study by the Commission. It is based rather on our realization that complex and rapidly shifting relationships in the food industry, and in its meat sector particularly, are matters of deep concern to consumers, to farmers, to labor, and to management. We all need to know the consequences of massive changes which have been taking place in the industry's whole structure and function.

This is an industry whose total retail store sales to consumers amounted to an estimated \$64 billion in 1963. Total food expenditures take about 23 cents out of the average family's spending. Over all, the food industry provides employment to: 1.4 million workers in foodstores; 1.7 million workers in eating and drinking places; 0.5 million workers in food wholesaling; 1.7 million in food processing; 6 million farm workers and operators.

If workers employed in the transportation of food are added to the above totals, it can be estimated that more than 12 million of the Nation's current 63.8 civilian jobs are in the food industry. More than 17 out of every hundred of the Nation's employed labor force are at work providing food and food service.

New trends or distortions of relations in this massive industry are, therefore, matters of the greatest public interest. They affect every American consumer and a major sector of the entire economy.

Recent developments in the meat sector of the food industry have been subject to a great deal of attention in the past few months. This has been triggered by the sharp decline in prices received by farmers for livestock.

In the last quarter of 1962, choice steers had been selling for about \$30 per hundred pounds of live weight. By the first quarter of 1964, the same grade of beef cattle brought farmers only a little more than \$21 per hundred pounds. The result has been economic disaster to cattle raisers and cattle feeders all over the country.

It has meant that for some cattle feeders the price received for a fattened steer amounted to less than the price paid several months before for the same animal delivered lean from the range. Such losses have been intensified for farmers who have tended to hold and feed cattle for longer than usual periods in the vain hope of rising price trends for livestock. Similar, though less drastic, price declines have affected hog raisers.

Such massive price drops have inevitably created deep indignation among farmers and ranchers. This resentment has been intensified by the conviction that price savings in livestock purchases have brought no corresponding decline in the price tags of meat in self-service cases of retail supermarkets.

Between the fourth quarter of 1962 and the fourth quarter of 1963, the prices of the live weight equivalent of 1 pound of choice beef (excluding byproduct allowances) dropped by 11.6 cents. In other words, the farmer's share out of the retail sale of 1 pound of choice beef at retail fell from 55.3 cents to 43.7 cents. In that same period, however, the price paid by the consumer at the checkout counter for the pound of choice beef fell not 11.6 cents but 5.6 cents, from 85.6 cents to 80 cents a pound. Out of every dollar saved in the purchase of cattle, 48 cents was passed on to consumers. The remaining 52

cents went to packers and food retailers. Out of this, the packer took 18 cents and the food retailer 34 cents. (These are estimates taken from USDA figures, "The Marketing and Transportation Situation," February 1964, p. 18.)

The conclusion that has been often drawn from this set of facts is that the food retailer has been wielding strong market power to bring larger margins for himself at the expense of the farmer, consumer, and perhaps even packer.

There is much evidence, in our opinion, to sustain such a conclusion. Today the retailer controls the strategic sector of the food industry. His is the command over access to the consumer dollar. Formidable power in the markets for wholesale meats is now held by food chains, with close to 50 percent of all grocery sales, and by independent operators, who use cooperative buying. Unquestionably, margins for retailers have increased.

We are not in a position to analyze specifically how much margins of return have been spent. It is our own first impression, however, that a good share of such gains have gone to meet the cost of intensified advertising and promotion. Sharpened competition among food retailers seem to have increased rather than decreased their total operating costs. This is an area which the Commission will undoubtedly want to study.

We offer our union's full cooperation in the studies which the Commission may want to undertake. We especially want to be helpful if it should seek data on labor cost trends in the food retailing industry, the meatpacking industry, the poultry industry, the canning industry, or any other food processing industry with which our union negotiates.

Workers in the food processing industry have won wage increases in the years recently passed. Although workers in many sectors of the food industry (canning and poultry, for example) are still at or below levels of real poverty, such adjustments have been sufficient at least to maintain former living standards. In other sections of the food industry where collective bargaining has been effective, they have meant some increase in real income and effective buying power for consumer goods, including foods.

Had no such adjustments been achieved by American workers, agriculture would today face a really devastating crisis. And to maintain the volume in the sale of basic foods would be sharply affected, had it not been for the essential increment in buying power arising from the collective bargaining process in recent years in this country.

In meatpacking, the official figures show rapidly mounting worker productivity. Current meat production levels are 10 percent above 1956, while production worker employment has fallen 20 percent—from 188,000 workers in 1956 and 170,000 in 1958 to a little more than 150,000 in 1963. The official figures show that labor costs per pound of meat declined from 3.54 cents a pound in 1958 to 3.17 cents in 1963. Thus wage gains in the meatpacking industry have been less than the increase in productivity. The real wage (adjusted by the Consumer Price Index) paid per pound of meat has fallen even more sharply.

Labor costs in the retail food industry have also fallen steadily in recent years. This is true even though the official figures appear to show a slight rise in food labor costs. In 1958, a total of 1,182,300 nonsupervisory workers were employed in the Nation's food stores. They sold \$52.325 billion worth of goods. By 1963, with food store sales rising to \$64.275 billion, the number of workers increased to only 1,313,400.

Wage increases over the same years have brought hourly earnings to \$1.89 in 1963 as compared with \$1.59 in 1958. The wage bill in 1958 amounted to 6.78 cents per dollar of food sold. In 1963, the wage bill was 7.02 cents per dollar. If consumers had been forced to pay such an increase, the added cost at the checkout counter would have been two-tenths of a cent for each dollar of food sold.

In fact, no such increase in wage costs was placed on consumers. The industry wage figures of 1958 do not accurately compare with 1963, because they fail to include the costs and the income of tens of thousands of store owners who have been squeezed out of the industry.

According to estimates made by Progressive Grocer, the number of food stores in the United States in 1958 and in 1963 compared as follows:

	1963	1958	Changes from 1958 to 1963
Independent grocers.....	210,000	280,000	-70,000
Chain grocers.....	21,000	18,800	+2,200
Specialty stores.....	90,000	88,000	+2,000
Total.....	321,000	386,800	-65,800

The total labor force in the food retail industry, including self-employed operators, was reduced at least by 1 for each of the small stores eliminated, or by a net total of 65,800. The work formerly done by the 65,800 owners for business income is now being done by workers for wage income.

If the cost of such work by these owners is figured into the 1958 wage bill at that year's wage rate, the actual 1958 labor cost must be increased by 5.6 percent. This would bring labor costs of 1958 to at least 7.16 cents on the sales dollar as compared with 7.02 cents in 1963. In other words, comparable wage costs declined between 1958 and 1963.

No total wage figures exist for analyzing the trend of labor costs in meat markets or in the meat departments of supermarkets alone. However, the experience of our union based on reports from hundreds of markets under union contract across the country is uniform: Everywhere, substantial wage gains made in Amalgamated retail contracts have been offset by the steadily rising productivity of workers. For practical purposes, labor costs per dollar meat sales have been either held constant or slightly reduced over the whole span of recent years.

Reports from our local unions over the country indicate that most major food operators pay out between 6.5 and 8.5 cents of the meat sales dollar for wages. The same ratio has applied steadily over the past 5 and 6 years.

Wage levels for the skilled work done in the meat department are currently about \$2.60 an hour. The average wage cost ranges between 4.2 and 5.51 cents per pound of meat sold at retail, at this wage level, just as it has in the past. These union estimates are consistent with conclusions shown in the limited number of studies of meat retailing labor costs, including the Agricultural Marketing Service's 1956 study and the 1963 study by Leland Ott and Bruce Mation of Ohio State University's Department of Agricultural Economics.

We shall be ready to make detailed facts available on these and related matters for the benefit of any study the Commission may launch.

In conclusion, Mr. Chairman and gentlemen of the committee, we would like to reiterate that the Amalgamated Meat Cutters & Butcher Workmen (AFL-CIO), fully supports the objectives of House Joint Resolution 977. An examination into the rapidly evolving food industry will, at the very least, clear the air of charges, countercharges, and confusion which has plagued the industry. More hopefully, it could provide the guidelines for the development of more equitable and rational economic relations among all segments in our vast complex of food industries.

Mr. POAGE. Thank you very much, Mr. Wishart.

Are there any questions?

If not, we are glad to have had you appear before us. We appreciate it.

Mr. SHORT. I would just observe, Mr. Chairman—

Mr. WISHART. My name is Wishart.

Mr. SHORT. That I believe you have provided—

Mr. WISHART. For these purposes we are identical here.

Mr. SHORT (continuing). Some very interesting information.

Mr. POAGE. Thank you very much.

We will now hear from Mr. Kenneth Naden, executive vice president of the National Council of Farmer Cooperatives.

**STATEMENT OF KENNETH D. NADEN, EXECUTIVE VICE PRESIDENT;
ACCOMPANIED BY ROBERT N. HAMPTON, LEGISLATIVE AND
MARKETING COUNSEL, NATIONAL COUNCIL OF FARMER COOPER-
ATIVES**

Mr. NADEN. Thank you, Mr. Chairman and members.

I have a short statement, but in the interest of time I will forgo reading it.

Mr. POAGE. Without objection it will be included in the record. (The statement follows:)

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

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 federated and regional farmer cooperatives of the country. The organizations making up the council are owned and controlled by farmers as the marketing and purchasing departments of their farm business operations.

The national council's primary objective is to create and maintain an economic climate in which the individual agricultural producer can operate efficiently and can earn income for his efforts and capital investment commensurate with the income earned by like management, labor skills, and investments of other business segments of the economy. We believe that the great difference in organization and structure of the agricultural segment as compared to that of the industrial, distribution, and labor segments of our economy are severely impairing if not preventing farmers' opportunity to achieve this objective. This is especially true if farmers follow the route of individualism in economic affairs as compared to cooperative action. Therefore, we have a strong interest in objective determination and evaluation of the facts about trends in market structure. A National Commission such as this has special relevance to the role of group action by farmers in achieving some influence in markets that affect farm income.

The attitude of the membership of the National Council of Farmer Cooperatives with regard to this subject is expressed in the following policy statement adopted at the 1964 annual meeting:

"ECONOMIC DEVELOPMENT AND FARMERS

"Farmers are important contributors to the rapid economic development experienced in the United States. Efficiency in productivity has increased in the last decade about three times faster in agriculture than in industry on a per-worker basis and most of the benefits of the efficiency in agriculture has been passed along to consumers. Farmers are at the same time victims of this process in that they cannot adjust to economic changes rapidly and do not have as effective means as others for raising their income. One of the most important questions of our times is, 'How Can Farmers Contribute to National Economic Growth Yet Not Be Penalized in Income When Doing So?'

"This subject requires intensive and penetrating study. We support legislation and/or administrative action leading to objective investigations, on a non-partisan basis, of the direct and indirect effect of national economic development on farmers. Such an investigation should include but not be limited to the effect of economic development on farm income, on farm prices, farm output, and on distribution of national income. It should also include such closely related subjects as trade practices and buyer-seller relationships which have developed because of economic concentration in manufacturing, labor, and distribution. Such investigations would also make recommendations for the most appropriate and effective forms of adjustment to economic development which farmers can make while maintaining individual enterprise status of the family-operated farm.—Adopted 1964."

We strongly support the establishment of a National Commission on Food Marketing as proposed in the bill House Joint Resolution 977 for reasons to be given below, and urge this committee and the Congress to activate it at once.

BROAD OBJECTIVES SOUGHT

Much public discussion of this bill has centered on the price spread for farm food products. It would be a serious mistake to confine the attention of this Commission to the price spread, however important that is, or to any particular prices. The more significant feature of the area of prices is the effect of changing market structure on the pricemaking system. Particular prices are only the result of economic forces existing.

In our view, the principal objective of this Commission should be to analyze and report to the public, the reasons for and the consequences of the present kind of market organization and structure we have in the food industry in the United States. Much is already known about the causes of changing market structure but less about the effects of these changes. The Commission should look closely at the consequences of present and prospective market structure for the general public, for processors, for wholesalers, and for retailers. It should focus especially on the effects on farmers, since they are the group whose position and income is the weakest. Lastly, the objective of this investigation should be to develop sound public policy in this field. This means action programs, both with and without Government help, which will be effective in correcting the farmers' weak market position.

The Commission should include in the scope of its investigation all channels of the food distribution process from producer to consumer and their relation to prices. Careful analysis of marketing services rendered, pricing and buying practices, physical distribution problems, and all other phases of the marketing process should be made at all points of collection, warehousing, processing, wholesaling, and retailing. Bargaining and market power and its effects on farm income and consumer prices should be assessed not only at the super-market level but all along the line.

In many ways, the objectives of this Commission would be similar to those of the Temporary National Economic Committee activated by the 75th Congress in 1938. It was created to determine the relationship, if any, between concentration of economic power and industrial unemployment. Under its auspices, significant pioneering studies into the structure of the American economy were made. That investigation into economic concentration and economic power was abortive because of circumstances. World War II eliminated the unemployment problem so the reasons for establishing the committee appeared to be eliminated. It served a useful purpose of education of the public, but did not directly result in legislation or in specific recommendations for action. It left only a feeling of vague uneasiness about what was going on. We hope this Commission come to grips with realities—not the illusions—about market power and will expose these realities fully. If it does this, a great step will be taken toward educating farmers and the public about the world they live in. Such education will accelerate appropriate and profitable adjustment by farmers to the system.

AREAS OF INVESTIGATION

As we stated earlier, we believe that the Commission should probe deeply into the causes and consequences of the present inequality in market power between agriculture and other segments of the economy. The five objectives assigned the Commission by House Joint Resolution 977 appear to us to be penetrating and comprehensive enough to do the job required. However, we would like to discuss some specific questions about the nature of our food marketing system which would be encompassed in the work of the Commission.

1. What is the effect of present oligopoly market structure on the price-making system in wholesale and retail markets for farm food products?

The first and foremost effect of control by a very few firms of sales of a product in one market is administered pricing. It is understood that this term does not mean or imply any illegal or improper action by any firm or industry. Administered pricing is an inevitable result of the existence of markets dominated by large-scale firms and therefore of our industrial type of society. When coupled with output control, administered pricing usually means:

(a) Ability to pass along costs; or pricing deliberately in close relationship to costs rather than involuntarily as a result of the free play of supply and demand forces. This can have an important bearing on the price spread for food and helps to explain the cause and effect relationship between rising food marketing costs and falling farm prices.

U.S. Department of Agriculture data show that the farm-retail price spread has risen uninterruptedly for the past 10 years. The extent of this rise has been 2 to 3 percent per year. The major cause was quite clear—rising costs of labor, occupancy, materials, taxes, etc., which could not be fully offset by increased productivity and efficiency.

Many examples of these rising costs can be cited. For example, on the basis of a 1957-59 index of 100, the prices of supplies, services, and equipment bought by marketing firms during the 10 years, 1953 to 1962, rose from 89 to 104. The average hourly earnings of employees in firms marketing food, tobacco, and related products rose from \$1.11 per hour in 1947-49 to \$2.08 in 1962. The rise in taxes for food marketing firms should not be overlooked. Between 1947-49 and 1960, taxes paid for food marketing firms doubled from about \$1 billion per year to \$2,017,700,000. In its report in January 1964 on taxes paid by food marketing firms, the U.S. Department of Agriculture stated, "Food marketing firms paid about \$2 billion in taxes in 1960. Taxes amounted to 5 percent of the \$40 billion marketing bill for the year * * *. Processors paid 63 percent of the taxes levied on food firms, wholesalers 9 percent, and retailers 28 percent."

The impact of these taxes should be considered as part of the overall cost of marketing food products. Rising taxes are considered by processors and retailers in the same manner as labor, machinery, and other operating costs.

All this has been explored thoroughly in the recent report of the House Agriculture Committee entitled "Food Costs—Farm Prices."

The increase in farm-retail price spread is a classic example of the pass-through or pass-along system for costs which is an outstanding characteristic of administered prices. The critical question in the food industry is, "Pass along to whom?" The two options are to consumers and to farmers. The allocation of these costs between farmers and consumers may not be precise at any one time, but we believe the longrun answer is intimately related to the chronic buyers' market environment for farm food products which has existed since World War II, except for 1 or 2 years. Farmers are sellers and are so weak in market influence they cannot resist the downward pressure of rising marketing costs. This system with administered prices in one sector and free market prices in another serves to make the free sector the residual recipient of income. Hence, we believe there is a relationship between rising marketing costs and falling farm prices.

The influence of oversupply or production without regard for demand must, of course, be considered here in appraising a "buyers' market" environment. A buyers' market would exist for most farm products even if supermarkets and large-scale processors and retailers did not exist. The burden of oversupply alone could be tolerated, however. It is the additional downward pressure on prices and the additional burden of costs that exist by reason of large-scale buyers that makes the situation so acute.

(b) Administered prices mean a drastic departure from the free market system. Under present oligopoly structure, most nonagricultural markets are not free of supply control. In contrast, most agricultural markets are free of fully effective supply control. This is a highly crucial point in the comparison of the structure of agriculture and the structure of nonagriculture. It spotlights the myth that the "free market" in agriculture is the same as the "free market" in industry and labor.

This comment that the "free market" does not exist in its pure classical form in our food processing and retail industries does not mean that large-scale firms have repealed the law of supply and demand. We simply mean that this kind of structure usually gives ability to control the factors influencing supply and demand in such a way that the desired or administered price is created. The following comment by Dr. E. G. Nourse, former Chairman, Council of Economic Advisers, is most meaningful on this point:

"Makers of administered prices are not emancipated from the basic laws of supply and demand as expressed in the market * * *. It is the distinctive feature of the administered price phenomenon that the large unit executive can significantly influence the volume of market supply and also the character of the available product and attendant services. Clad with these powers he is in a position to adopt and implement a price policy."

2. What is the effect of the supermarket system of distribution on the price-making system?

The supermarket system of one-stop shopping with its 6,000 items practically eliminates the free market, retail price-setting process for individual products. The reason is because customers at retail supermarkets are not guided in their purchases solely or even largely by the prices of individual products. We can have broilers or any other product at 29 cents in one store and the same product at 45 cents in another store a few blocks away on the same day. This violates one of the most basic laws of competitive markets, which is that the same product shall have the same price in the same market in the same day. The reason these widely different prices can exist is that consumers buy an aggregate of goods—a market basket. As a result, they do not compare or act on price differences for the same item in two different outlets.

This great change which has occurred by reason of the sale of an aggregate of products means that any fixed relationship between wholesale and retail prices or any fixed relationship between farm prices and retail prices cannot be expected to exist for a particular product at any particular time. This pricing flexibility has great repercussions on suppliers, whether they be processors or farmers because they usually deal in only one or a few products with limited pricing alternatives. One type of result is the so-called loss-leader pricing. This can have a different effect on suppliers of coffee with a firm market as compared to suppliers of broilers with a soft market. The significance of this situation for the kind of competition existing should be explored.

3. What effect do certain trade practices of large-scale retailers have on farm income?

One trade practice which has received much attention by retailers and by processors is the growth of the retailer label program. Supermarket retailers have used their own distributor label program as a method of product differentiation and of tying customers closer to their own outlets. The broad effects of distributor label programs on advertising costs, on competition, and on marketing margins in the bakery industry have recently been explored by research at the U.S. Department of Agriculture and the University of Nebraska. These studies indicate the distributor label program may have raised some marketing and promotion costs and changed the status of some bakers into contract producers. The next step is the impact on farm income. If the distributor label program has an effect on farm income—favorable or unfavorable—it should be examined and reported.

4. What is the effect of present market structure of the food industry on farmers' independence?

We think that this question far overshadows any other question listed above or listed in the bill in its significance for farm income or for the kind of society we want to have. The demands of today's market make coordination of production, processing, and retailing necessary. This coordination must be done by some element, with or without vertical integration or ownership. Much coordination is being done by retailers under the name of specification buying. As processors and retailers seek closer control over the products they buy, they use contracts and direct production activities such as cattle feeding, fruit growing, and egg production. The ultimate outcome of this trend definitely threatens farmers' independence. We read the present signs as ominous. Farmers' independence is quite important to the Nation. Trends now in operation will have to be countered or stopped or many more farmers will become contract producers rather than flexible independent business firms with maximum opportunity for profit from their business operations. More and more farmers are being excluded from the profit opportunities in their own farm business operations.

The quotation from the testimony of Assistant Secretary of Agriculture George Mehren on October 29, 1963, before the House Agriculture Committee is particularly pertinent:

"Carried to a distant and perhaps never to be realized but still logical extreme, present trends could well mean that competitive independence may one day be restricted basically to the retailing segment, and such competitive independence may be greatly different from that which prevails today. Processors and perhaps producers might well be required effectively to operate as if they were integral parts of the operation of their customers."

The greatest benefit of this study will come from an objective, honest look at where present trends are taking us. This may take courage because such a look may result in criticism of the magnificent performance by the entire food industry. But we have a right to hear what kind of an economy we have and to try to shape it to desired goals.

EQUITY AND EFFICIENCY AS NATIONAL GOALS

To a great extent, the investigation of market structure we are supporting must unavoidably give much attention to the issues of equity and efficiency as national goals. It can be stated accurately that the present state of development of our economy and the present standard of living are largely the result of aggressive pursuit of efficiency by business firms. Large-scale organization gives more efficiency in many ways and yields an economy which is flexible in its adjustment to changing consumer wants and demands. Therefore, there will be many who will resist any change in the status quo. They will argue that the present system has an outstanding record and that any major changes in the rules of the game will be made at some cost in efficiency and national economic growth. This may well be true, although we cannot tell in advance. We should strive for improvements in equity along with improvements in efficiency.

Economic development is an exceedingly complex phenomenon about which little is known. But more importantly, the very existence of inequality in market power between various segments of the economy raises questions about equity. Satisfaction of the demands for equity might well be equated with satisfaction of the demands for efficiency. Efficiency is not the summum bonum to be pursued at the expense of or without regard for other values in our society. A most signifi-

cant statement on this point was made recently by Dr. Peairs C. Wilson, director, Kansas State Experiment Station. He said:

"We need to know much more about the relationships between agriculture and the urban industrial society * * * let's face it, we can't have our cake and eat it, too. We can't take the advantage of science and technology and ignore the disadvantages. We can't embrace the benefits and hope that the problems will go away because they won't. Perhaps we should ask ourselves not 'Where's science and technology taking us?' but 'Where are we going to take science and technology?' Science and technology are the tools of man, not the masters."

Every important and significant issue in our society represents a conflict of values. We believe that one reason for widespread support for this bill is that many persons believe that society should proceed more deliberately by discovering and announcing the end results of present trends in market structure. We can then, by open debate and the political process, decide whether or not and by what means we should seek more equity in economic affairs.

We appreciate the opportunity to express these views.

Mr. NADEN. Let me state in just one sentence, Mr. Chairman, that we strongly support House Joint Resolution 977. We believe that such a commission has considerable prospects for looking into some of the areas which have not been examined and we hope the committee will act promptly and affirmatively.

Mr. POAGE. We thank you very much. We appreciate that statement.

Our next witness is Mr. Wes Paris.

Mr. BEERMANN. Mr. Chairman, Mr. Paris is not here, and may I ask unanimous consent that if Mr. Paris, president of the National Broiler Council, presents a statement, it be included in the hearing record?

Mr. POAGE. Without objection it may be included in the hearing record.

(The prepared statement of Mr. Paris follows:)

NATIONAL BROILER COUNCIL,
Richmond, Va., May 13, 1964.

HON. HAROLD D. COOLEY,
Chairman, House Committee on Agriculture, Longworth House Office Building, Washington, D.C.

DEAR SIR: Acute economic pressures are being felt in the broiler industry today even though a record of unparalleled production efficiency opened the way in recent years to more rapid growth than any other major phase of American agriculture.

This efficiency has benefited both consumers and producers, and was made possible by rapidly advancing technology, applied in a practical way through a modern vertically integrated business structure. It was so far reaching that a former luxury food is being enjoyed by millions.

America's pioneering broiler industry is now imitated in countries throughout the world, and by competing foods here at home. Yet it is experiencing a profit squeeze created by many problems other than over-production. These problems need to be better understood so sound programs can be launched to overcome them successfully.

Consequently we feel there is a real need for an objective study of changes in the food industry and their relationship to broiler marketing. For this reason we favor the passage of legislation authorizing the establishment of a National Commission on Food Marketing.

Very truly yours,

(S) Wes Paris,
C. W. PARIS, *President.*

Mr. POAGE. Our next witness is Mr. A. E. Mercker, executive director of the National Potato Council.

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

Mr. MERCKER. Mr. Chairman and members of the committee, I apologize to the committee that I made up my mind at the last minute to testify.

My name is A. E. Mercker, executive director, National Potato Council, testifying in connection with Joint Resolution No. 977, May 7, 1964.

The National Potato Council supports the President's recommendation to the Congress to conduct a study of the marketing and distribution of farm products from the farm to the consumer.

Since 1959 the National Potato Council has passed at each annual meeting the following resolution:

Since, in our overall national economic structure we are seriously concerned with the disparaging imbalance of the agricultural economy as compared with all other economies and, further, since total farm income is continually dropping, the council recommends that a complete study be initiated by an unbiased agency, namely, the Federal Trade Commission, of all of the agricultural income of farmers and the margins for all segments of the food industry and expenditures for all food items by the consumers as well as the proportions of each commodity used by the various consuming segments.

We believe that the Federal Trade Commission is fully qualified to perform this study as it has well-qualified, capable personnel and it has the basic legislation to request reports and information from all parties and can start litigation through the courts to obtain such information when it is not forthcoming willingly.

We believe that the aims and objectives of the study should be spelled out:

1. Which commodities should be given preference. I would recommend dairy products, cattle and calves, wheat, hogs, tobacco, fruits, and vegetables.

2. Is there a monopoly, and if so, the extent of control that such a monopoly exerts in the manufacturing, warehousing, distribution, and marketing of the above representative farm products both in the fresh and processed form.

3. Is the inquiry to determine the proportion of payments to growers, to distributors, transportation facilities, wholesalers, retailers, and other important classes of factors between the grower and the sale of the commodities to consumers in the fresh and processed form.

4. Will the study make a comparison of the returns to growers on the marketing of their crops through cooperatives with the returns to growers marketing their own products, or other private marketing agencies at different time periods?

5. Does the inquiry intend to study the competition or unrestricted competition between producers of the same commodity and all other agricultural commodities, particularly those of a perishable nature? Does this competition result in nonprofitable prices and the various attendant abuses, if any, including the shipment of undersized, immature and defective specimens. Are there fraudulent, dishonest, unfair, and injurious methods used?

6. Does the Commission intend to determine whether price fixing activities are employed and at what level?

7. Does the Commission intend to study the effect that growers' organizations have on the market price of their product, as well as those growers of commodities that are working independently among themselves, and the effect of such independent action on their returns?

8. Does the Commission intend to study the effect of our fast communication methods whereby information is obtained quickly of the activities taken by other concerns? To what extent do the firms imitate each other.

As positive proposals we would:

1. Encourage local communities to develop farmers' markets.

2. Promote the distribution of food through pushcart and truck nucksters. These are the most efficient food distributors of all and effectively remove surpluses, particularly of perishables.

3. Encourage local communities to assist the small food merchant by lowering the curb at his store and permit short-time parking on the sidewalk adjacent to his store, where practical.

Mr. Chairman, I just gave some down-to-earth testimony. I have had 5 years' experience selling fresh fruits and vegetables on the New York market, Washington Street, pier 17 of the New York Central, pier 20 of the Erie, pier 29 of the Pennsylvania as well as the Harlem Market, the Attorney Street Market, the Wallabout Market.

Mr. ROSENTHAL. And all are knocked down.

Mr. MERCKER. The last time I was in there was in 1952. I appreciated all of the pushcart peddlers on the Attorney Street Market on a Sunday, and those on Delancy Street. And as I said, they are the most efficient and economical handlers of food in the United States with a minimum of cost and believe it or not, after the purchases are made by the restaurants that buy high-class products, the highest quality foods in fruits, vegetables, and pastry products, in your low income areas that I have just mentioned in New York City. Evidently, they buy the better qualities because the larger proportion of their income must be spent for food and they are more discriminating in what they purchase.

I thank you.

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

(The following letters and statements were also submitted to the committee:)

STATEMENT OF JERRY VOORHIS, EXECUTIVE DIRECTOR OF THE COOPERATIVE LEAGUE OF THE U.S.A.

The Cooperative League of the U.S.A. includes in its membership many cooperative organizations of different types. Many of the major farm supply, service, and marketing cooperatives, as well as State councils of cooperatives are members of the league, and so are cooperative organizations composed of city consumers. Consequently, the interest of our organization is in narrowing the spread between the low prices which farmers usually receive for their crops as well as in seeing that consumers are not overcharged for the food which they buy. This spread between what farmers receive and what consumers pay for commodities has been widening over the past years. It is, therefore, evident that the commodity markets which lie between the farmer and the consumer as well as food processing operations are becoming more and more monopolized, and that the economic power of those who control these "toll-gates" is becoming constantly greater, as the number of buyers in the com-

modity markets becomes fewer and fewer, and as merger and consolidation takes place in the food processing business.

For a long time the Cooperative League of the U.S.A. has been pointing out these facts and urging that something be done to arrest these trends. In submitting this statement on behalf of House Joint Resolution 977 we shall, therefore, confine ourselves almost entirely to quoting from testimony by our organization in recent years before the House Committee on Agriculture.

On June 10, 1959, I submitted testimony for the Cooperative League of the U.S.A. before the House Agriculture Committee in which I said:

"American agriculture is in grave danger. The whole American pattern of agriculture and farm life is in danger. Therefore, since the farm owner-operator has from the beginning of our history, been the rock on which our democratic structure of a free society has been built, our Nation is in danger. It is in danger of losing the basic values to preserve which our Nation was founded.

"Let me show this first in some figures.

"From 1942 to 1956 total national income for all the American people increased 200 percent. Income of farmers increased just 20 percent.

"In 1956 farmers made up 13 percent of the population but received only about 3.3 percent of national income.

"A recent study shows average per capita income of farm families in one of our more prosperous States to be just 43 percent of average nonfarm income.

"Food costs to consumers went up \$122 for a standard 'basket' of groceries from 1950 to 1958. Farmers got \$12 less in 1958 than in 1950. Middlemen and processors got \$134 more.

"These glaring economic injustices are not due to lack of efficiency in agriculture. Quite the contrary. For the fact is that between 1947 and 1957 productivity per man-hour increased 34 percent in industry in this country, while during that same 10-year period productivity per man-hour in agriculture went up 87 percent.

"As a reward for his greater efficiency the farmer suffers economically. The greater his efficiency, it seems, the worse off he is. And for one simple reason. He lacks the economic bargaining power which others possess.

"Farmers are many. Buyers of their crops are few. Those buyers are getting economically more powerful every day. It has been estimated by leaders in the chainstore field that by 1970 more than three-quarters of all the food trade will be controlled by five or six giant chains. Even today in many markets these powerful buyers can pay just about what they want to pay for farm products.

"Farmers are many. Sellers of supplies and services to farmers are few. Especially in the case of most of the important agricultural inputs like farm machinery, chemical products, power, transportation.

"This is why prices received by farmers went down 25 percent from 1951 to 1956 while prices paid by farmers did not go down at all."

On May 3, 1951, I again testified before the House Committee on Agriculture in the following words.

"American farmers have been suffering long enough from a basic economic injustice. That injustice arises from the fact that agriculture remains a highly competitive enterprise, whereas much of our industry is now monopolistically controlled.

"Agriculture produces as much as it can and takes its chances on what the market will bring. Industry on the other hand can and does, in most instances, control production and thereby maintain its price structure quite regardless of what the demand-supply relationship may be. The result is that, in general, industry has been able to retain within its corporate structure most of the increment resulting from technological advance. This is a root cause of the failure of our economy to grow at a more rapid rate. Agriculture, however, has passed and does pass on the results of improved technology. Agriculture tries to pass this on to the Nation as a whole and farmers have not retained very much financial benefit from their vastly improved production methods.

"But the benefits from this do not reach consumers. They are siphoned off along the way into increased earnings of the toll-gate companies that stand between farmers and consumers.

"The committee is well aware of this. But just to sharpen the point, the Bureau of the Census statistical abstract shows these figures.

"The retail cost of all farm products bought by the average family annually increased from \$940 in 1947-49 to \$1,040 in 1959. But farmers received for these same products only \$399 in 1959 compared to \$466 in 1947-49. Consumers

paid 10 percent more; farmers received 15 percent less; the middlemen took 25 percent more, in round figures."

Once again on August 7, 1962, in testimony before the Agriculture Committee, opposing the program of the Committee for Economic Development, the following paragraph was included in my testimony.

"The third false assumption of CED is the blandest one of all. It is that consumers would pay less for food if the bottom were knocked out of the prices received by farmers for their crops. It hasn't happened. And in the absence of some kind of miracle in the antitrust field, it won't. Seventeen buyers now control 80 percent of all purchases of groceries and meats in the New York market. And in most of the cities the concentration of control is even greater. I know no more important field for congressional investigation than this situation presents. The results speak for themselves. Farmers are today receiving 12 percent less for a standard market basket of food than they did in the period of 1947-49. But consumers are paying 21 percent more than they did then for the same food basket. It is not prices received by farmers that determine what consumers pay for food, it is the decisions of those who control the economic toll gates through which that food must pass between the farmer and the consumer."

Thus the record of the Cooperative League of the U.S.A. on this question is quite clear and full, and little else need be said to document our reasons for supporting House Joint Resolution 977. It is high time that the Commission called for in this legislation was created so that the full facts can be given to the American people and the case for corrective action, both voluntary action on the part of the farmers and consumers, and also remedial action on the part of the Government, can be promptly taken. While we are quite certain of our facts, and the stand which we have repeatedly taken in these matters, it is always the part of wisdom in a democratic Nation to arrive at conclusions and courses of action on the basis of a full disclosure of facts on all sides of a public question. The Cooperative League of the U.S.A. therefore, hopes very earnestly that House Joint Resolution 977 can be promptly enacted into law.

AMERICAN NATIONAL CATTLEMEN'S ASSOCIATION,
Denver, Colo., May 12, 1964.

Hon. HAROLD D. COOLEY,
*Chairman, House Agriculture Committee,
 House Office Building, Washington, D.C.*

DEAR MR. COOLEY: As you are aware, we have been extremely busy on the legislative end on the beef import matter and in preparing for and testifying before the Tariff Commission on the Senate Finance Committee's request. Therefore, we have actually let time slip through our fingers and have suddenly become aware that your hearings on House Joint Resolution 977 are about to conclude.

We assume that written testimony will be accepted. Hence, we would like to submit the following comments on behalf of the American National Cattlemen's Association.

The organization long has welcomed factual, dispassionate studies of the factors of marketing of cattle and beef. It shall continue to do so, especially in the interests of clarifying for the industry and the general public the multiplicity of problems involved in raising, finishing, processing, and distributing at reasonable profit levels for all those concerned with supplying the public its apparently most popular food—beef.

We are confident that a commission composed of men and women, unbiased but knowledgeable of the intricacies of the entire "beef team," will emphasize to the public that the job of providing ever-increasing quantities of beef has been a magnificent one, although fraught with complex problems and imbalances from time to time. The better that everyone understands, the better job the entire industry can do.

We certainly pledge our cooperation to any objective study and further pledge that the beef cattle industry itself will continue to strive to correct difficulties of its or anyone else's making in order that its efficiency may remain at the utmost.

Very cordially,

C. W. McMILLAN.

MILLERS' NATIONAL FEDERATION,
Washington, D.C., May 19, 1964.

Hon. HAROLD COOLEY,
*Chairman, Committee on Agriculture,
House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: Millers' National Federation, is the national trade association of the flour milling industry whose members produce approximately 90 percent of the wheat flour milled in the United States.

We have examined House Joint Resolution 977, to establish a National Commission on Food Marketing to study the food industry from the farm to the consumer. We consider the objectives of this resolution to be desirable and regret that we were unable to express our views in a more timely manner.

To be of maximum value the study must be impartial, objective, and skilled. This will require a competent staff and, of equal or greater importance, membership on the Commission of knowledgeable men experienced in agricultural production, food processing, and food marketing. We therefore would have recommended that the number of public members of the Commission be increased in order to provide for such membership.

We would very much appreciate having this letter made a part of the record of your hearings on House Joint Resolution 977.

Respectfully,

C. L. MAST, Jr., *President.*

STATEMENT OF AMERICAN STOCK YARDS ASSOCIATION

The American Stock Yards Association is a trade association comprised of the owners and operators of the major terminal livestock markets of the United States. A substantial portion of all livestock marketed in the United States is handled by the members of this Association, all of which have been posted by the Secretary of Agriculture under the Packers and Stockyards Act, 1921, as amended (7 U.S.C. 181 et seq.).

In recent years, this association has become increasingly aware of problems resulting from the concentration of economic power in the hands of relatively few large, and, in some instances, vertically integrated, retail food chains. This concentration of economic power, along with other factors, has contributed substantially to a steady decline in livestock prices received by producers, with no corresponding decrease in retail food costs experienced by the consumer. In addition, the economics of livestock marketing under the Packers and Stockyards Act, which envision a competitive price determination through the gathering of buying and selling power at the terminal livestock markets, have been disrupted by an increasing diversion of buying and selling power from the terminal markets to compensate for the concentration of economic power in chainstore systems. In some instances, vertically integrated food chains function at all levels of livestock production and marketing and, to the extent that they no longer bring their buying power to the terminal markets, render less effective the competitive, price-determining system upon which virtually all sales of livestock are predicated.

The association recognizes that House Joint Resolution 977 is directed toward a consideration of complex economic problems which appear likely to increase in magnitude unless positive action is taken.

Since 1958, the American Stock Yards Association has urged the Packers and Stockyards Division, Agricultural Marketing Service, U.S. Department of Agriculture, and the Federal Trade Commission, to inquire into the increasing concentration of economic power in retail food chains and to take appropriate action to correct abuses which increasingly are being realized by the livestock industry and the American public as a result of such concentration of economic power. To date, no positive action has been taken.

The President's proposal, as embodied in House Joint Resolution 977, is greeted by the association as a very welcomed evidence of governmental realization of the fact that serious problems exist in this area. The approach taken by House Joint Resolution 977 to require a comprehensive investigation of the marketing practices of food chains is a practical approach which, if adopted by the Congress, will likely reveal the existence of similar problems in other industries.

This Nation's economy is controlled, apart from direct Government regulation, through the economic policy of free competition, embodied in the Sherman Act of 1890 (15 U.S.C. 1), as implemented by the Clayton Act, act of 1914 (15 U.S.C. 12), the Federal Trade Commission Act of 1914 (15 U.S.C. 44), and the Robinson-Patman Act 1936 (15 U.S.C. 13(a)).

The American Stock Yards Association fully believes in and endorses the basic economic concepts contained in the Sherman Act and implemented by the 1914 and 1936 legislation, referred to. However, the Nation's economy has not been static since the enactment of these basic laws, but, rather, has changed to meet the demands of war and the teachings of improved technology, distribution methods, and changing consumer preferences. In short, the Nation's present economic system is not the economic system which was studied by the Congress in 1890, 1914, and 1936, and many of the problems which are now being realized were not then in existence.

Accordingly, the American Stock Yards Association fully supports the philosophy of House Joint Resolution 977, calling for a thorough investigation of the marketing practices of food chains, and respectfully suggests that such an investigation, in order to be of maximum benefit, should not be limited to determining whether given practices violate existing law, but, rather, should have a broad base of concern over such factors as the changes which have occurred in the size, concentration, and business relationships between food marketing firms; the likely future structure of the food industry, if present trends are to continue; and, whether this future industry structure would appear consistent with the best interests of the American public.

The American Stock Yards Association expresses no view as to whether this investigation should be conducted by a newly created agency or entrusted to an existing agency.

CALIFORNIA FARM RESEARCH & LEGISLATIVE COMMITTEE,
Santa Clara, Calif., April 30, 1964.

Subject: Support of House Joint Resolution 977—Cooley and identical measures introduced by Representative James Roosevelt, House Joint Resolution 978, and others to establish a National Commission on Food Marketing to study the food industry from the farm to the consumer.

HON. HAROLD COOLEY,
Chairman, House Committee on Agriculture.

Mr. Chairman and members of the Committee on Agriculture, the California Farm Research and Legislative Committee wholeheartedly supports the establishment of a National Commission on Food Marketing from the farm to the consumer.

We feel that the situation in California and nationally, calls for a full-scale investigation of what has been happening in the food industry affecting, as it does, the net income of the Nation's commercial, adequately equipped farm owner-operators, their marketing cooperatives, the whole series of operations from the farm to the retail outlet.

As we interpret the resolution, it will facilitate coordination of the material already gathered by all Federal regulatory agencies concerned with enforcement of existing statutes and will make available to the proposed commission the skilled personnel of these departments.

The composition of the proposed bipartisan Commission, with the majority of its members centered in the Congress itself, seems to us to be in line with the responsibility delegated to the Congress by the Founding Fathers and by historic practice. We do not feel that an industry-oriented Commission on Food Marketing is capable of judging its own values or shortcomings in the interest of the "whole people" who stand to lose by further concentration of economic power over their most basic need—food. We commend you for recognizing this.

With five members of the proposed Commission appointed by the President of the U.S. Senate from among its knowledgeable Members; five similarly appointed by the Speaker of the House; and the remaining five named by the President of the United States, this should be an overall investigating body, balanced geographically and with due regard for the subjects under consideration. There is a great reservoir of informed and dedicated citizenry from among whom, we are confident, the President will choose the most qualified.

Our committee has been acutely aware of the monopolistic trends developing in the Nation's food industry since our turkey and fryer growers were being forced out of the industry in 1956. The record has long ago been made in hearings before your committee and before the Small Business Committee of the House. Reams of testimony have been taken, and hopefully, may now be collated showing the year-by-year deterioration of the independent status of family owned and operated units and the accompanying increase in control by feed companies, processing industries, and food chains.

Many of our growers who testified during the interim are no longer engaged in farming. Many others have become "contract" producers. Too many fear to express themselves because they must have a market for what they produce and we have enough examples of empty fryer houses where efforts have been made to organize into marketing cooperatives to provide a more stable income and organized control.

Now, too, California egg producers, as we warned 10 years ago, find themselves the playthings of the market—a market outside California—but conditioning the price they receive for their commodity.

While members of our committee most seriously affected by current marketing trends are still turkey, fryer, and egg producers and low class I contract market milk farmers, the fruit and vegetable industry, so vital in California's economy as well as to the Nation's consumers, is increasingly feeling the impact of chain trade practices. And, of course, beef cattle growers on a nationwide scale have suffered seriously.

In his acceptance speech as president of the California Association of Soil Conservation Districts in Fresno December 5, 1963, Sam Chinn, outlining his struggle to maintain and to operate his father's heavily indebted acreage in the 1930 depression period, said in part:

"History has proven that surplus crops can become a shortage overnight. We must hit paydirt in getting the public to understand the problems of agriculture. To do so, it is the responsibility of each and every one of us farmers * * * to get the word to the city folks for they outnumber us 9 to 1.

"We must get them to understand that the farmer gets a very small fraction of the dollar they spend in the supermarket. As an example, I, as a row-crop farmer, would be happy to get 2 cents for each head of lettuce, I need only 1 cent per pound to make money on cabbage and 1 pound of carrots, of which I get 1 cent, yet this makes 9 cans of baby food.

"Compare these figures of what I, as a producer, want and what the consumer pays. The average housewife should realize that processing, fancy packaging, distribution, and built-in services compose 90 percent of the price she pays for food * * *.

"We must convince the city people that they are able to maintain their high standard of living as a result of the progressiveness and resourcefulness and plain old sweat of the farmer today and because we have adopted good conservation measures, wise land use, along with scientific developments and modern machinery * * *.

"Twenty-three years ago, when I started to grow carrots, 10 or 12 tons per acre were considered good, today, 40-ton crops are not unusual. Whose to benefit? You say the farmer, OK, I admit I benefit, but only to the extent that all these features of money saving and increased production, enable me and many like me, to stay in business.

"Dollarwise the consumer benefits for if everything were the same, the public would be paying 20 times more than what they are paying today, for 25 years ago I got \$20 a ton for carrots. Today I am still getting \$20 per ton.

"With slight variations these conditions hold true in many other farm crops * * *."

On April 23, at the monthly meeting of the California State Board of Agriculture, J. F. Bennett, deputy director, State department of agriculture, presented a costs and margins study made by department staff at the request of the board a year ago.

The study, although confined to only two commodities, Thompson seedless grapes and lettuce, bore out the conclusions presented by Sam Chinn last December.

In regard to Thompson seedless grapes, the total spread in dollars, as a percent of retail price, for the combined localities checked, was 80.6 percent. This was based on a 27-pound lug. The cost to the consumer averaged \$4.85. The producer received 94 cents "on the vine."

The total spread for lettuce, one of the commodities mentioned by Mr. Chinn, was 88.4 percent. This was based on the price of a carton of 2 dozen heads of lettuce weighing approximately 47 pounds. The retail consumer price averaged \$3.97. Price to shipper (f.o.b. shipping point) was \$1.31. The producer's share of the consumer dollar for a head of lettuce was 11.6 percent. It was pointed out that this would vary from month to month.

It is my understanding that this study has been made available to your committee, with observations and information that it is being expanded to other fruit and vegetables where information has already been gathered. I merely wish to agree with a report received on this discussion by a member of our board of directors, Manny Weiss, that—

1. The variation in retail prices is borne by the producer ;
2. The size of the retailer (chains and independents) was much larger than anticipated and current pricing practices are leading to trouble for growers ;
3. A certain philosophy of pricing by the larger chains is indicated ;
4. There is serious concern that if curbs are not placed on developing practices, associated with even larger selling units, there will be an aggravation of the effect of these marketing practices on the primary producer, and eventually on the consumer in the form of administered prices for the entire food industry.

In December 1963, our committee released a study: "The Family Farm in California," made for us by Economist Richard Sasuly which corroborated the findings of the report of the National Agricultural Advisory Commission: "The Family Farm in American Agriculture." Their conclusions were that the efficient, well-equipped, commercial family farm operation is, in reality, "the backbone of the Nation's and of California's vital farm economy * * *."

Summarizing his report before the State board of agriculture March 26, Mr. Sasuly said in part:

"The smaller family farm, adequately, financed and efficiently organized, did not suffer the great decline of the 1940's and 1950's. It remained, as a producing unit, a quite viable entity. The threats to its existence today are severe, but they come not from the area of production, *but from marketing.*" [Emphasis mine.]

He asked, among other unanswered questions:

"What are the actual marketing experiences of farmers in different commodities who dispose of their products in different ways? What can a marketing co-op do for the family farm? What really are the measurable effects of vertical integration? This single topic is as broad, in content and conception, as all the rest. But even field hearings would, it seems to me, offer some enlightenment * * *"

Conducting "field hearings to talk to family farmers in different sections of the country * * *" was also one of the recommendations made by Subcommittee G—family farm—of which Floyd Higbee, Deputy Administrator, Farmers Home Administration, was chairman when the subcommittee discussed actions taken on such recommendations last December 3.

Also recommended was assigning a special unit of the USDA to continually study and analyze contract farming * * * vertical integration * * * and other forms of concentration of control over land, labor, and capital in agriculture.

The proposed bipartisan Commission as spelled out in House Joint Resolution 977 would be in position to make use of these suggestions and USDA staff engaged in the study on the family farm. We sincerely recommend that when the Commission reaches the stage of actual investigation of conditions as they affect the commercial, efficient, family farm unit, field hearings be conducted in California to hear from the men and women who are being victimized by uncontrolled consolidation of marketing services, whether these be at the processing, distribution, or retail chain level. We further urgently recommend that special attention be given to the currently expanding and all-devouring discount house chains.

With its ability through access to vast financial resources to feature any food as a "loss leader," this new type of chain threatens not only the primary producer, who is forced to submit to a more severe cost-price-squeeze, but also threatens middle-sized chains, consumer cooperatives, and, of course, what may be left of the independent retailer.

Copies of the testimony offered at hearings terminated today before the Subcommittee on Commerce on the expanded McGee Senate Joint Resolution 71, are not yet available for our study. We do, however wish wholeheartedly

to concur with Secretary of Agriculture Orville L. Freeman and Mrs. Esther Peterson, President Johnson's special assistant for consumer affairs, in their forthright reasons for rejecting including "special interests" in the food industry as Commission representatives.

We made our own position on this point clear on page 1 of this statement. In closing we wish to reemphasize this. California farmers have had years of experience with studies made for universities and research institutes with funds underwritten by the very business and industry interests they were expected to analyze. They should have no part in an objective investigation of the kind envisaged in House Joint Resolution 977. We have also had experience and so have Government regulatory agencies and congressional committees with refusal of these very interests to appear for questioning. The authority to subpoena witnesses by the proposed Commission, is, in our opinion, imperative.

We are living in a fast-changing, superoriented society—a society over which the individual, be he farmer, consumer, or independent businessman has little control, except through their elected representatives and the responsible departments of Government functioning through the administration in power in a given year.

We commend President Johnson for his awareness of the importance of the investigation into food marketing which he has initiated with the cooperation of Senators and Members of the House who are authoring the bills now before you.

Time is running out and we urge that House Joint Resolution 977 be given a prompt "do pass" and be sent to the floor for action. In this, you will have the warm support of that cross section of California which has for 23 years given a vote of confidence to the policies enunciated by the California Farm Research and Legislative Committee, not the least of which is the very measure which is before you.

Sincerely,

Mrs. GRACE McDONALD,
Executive Secretary.

Mr. POAGE. Are there others who care to be heard on this resolution?

If there is nobody else who cares to be heard, the hearings will come to an end.

The Chair wants to announce that it proposes to have a meeting tomorrow morning—I did announce that a while ago—but at the request of the minority leader, the meeting tomorrow morning will be postponed until Monday morning when we will have an executive session of this committee to consider this and other matters.

(Whereupon, at 12:20 p.m. the hearing adjourned.)

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