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# CREASED WHEAT ACREAGE ALLOTMENTS TULELAKE AREA, CALIFORNIA

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## HEARING BEFORE THE SUBCOMMITTEE ON WHEAT OF THE COMMITTEE ON AGRICULTURE HOUSE OF REPRESENTATIVES EIGHTY-EIGHTH CONGRESS

SECOND SESSION

ON

**H.R. 10708**

\_\_\_\_\_  
MAY 12, 1964

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Serial VV

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# INCREASED WHEAT ACREAGE ALLOTMENTS, TULE- LAKE AREA OF CALIFORNIA

TUESDAY, MAY 12, 1964

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

The subcommittee met, pursuant to notice, at 10:10 a.m., in room 1310, Longworth House Office Building, Hon. Graham Purcell (chairman of the subcommittee) presiding.

Present: Representatives Purcell (presiding), Hagen of California, Harding, Olson, Matsunaga, Belcher, Short, and Dole.

Also present: Representative Beermann.

Betty Prezioso, staff; Hyde H. Murray, assistant clerk; John J. Heimburger, counsel; and Robert Bruce, assistant counsel.

Mr. PURCELL (presiding). The subcommittee will be in order.

We are here this morning in regard to the Tulelake Durum wheat bill, H.R. 10708.

H.R. 10708 by Mr. Johnson of California together with the Department's report dated May 11, 1964 follow.

[H.R. 10708, 88th Cong., 2d sess.]

A BILL To provide for increased wheat acreage allotments in the Tulelake area of California

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That subsection (i) of section 334 of the Agricultural Adjustment Act of 1938, as amended, is amended as follows:

- (a) Redesignate the subsection as subsection "(j)";
- (b) Insert in the first and second sentences immediately preceding the word "farms" the words "privately owned";
- (c) Strike out in the first sentence the language "1958 through 1963" and insert in lieu thereof the language "1964 and subsequent";
- (d) Strike out in the second sentence the word "twelve" and insert in lieu thereof the word "fifteen"; and
- (e) Change the period at the end of the sentence to a colon and add the following proviso: "*Provided*, That if with respect to any crop of Durum wheat (class II) the Secretary finds that the acreage allotments for privately owned farms producing Durum wheat (class II) in said area, as increased under this subsection, are inadequate to provide for the production of a sufficient quantity of Durum wheat (class II) to satisfy the demand therefor in the area of the United States west of the Rocky Mountains in which such Durum wheat (class II) is normally marketed and processed, further increases may be made in the farm acreage allotments in such area by such uniform percentage as he deems necessary to provide for such quantity."

Sec. 2. Subsection (i) of section 334 of the Agricultural Adjustment Act of 1938, as added by Public Law 87-703 to become effective for the 1964 and subsequent crops of wheat, is amended by inserting in the first sentence thereof, after the words "type of wheat" the first time such words appear in the language, "except for Durum wheat (class II) in the irrigable portion of the area known as the Tulelake division of the Klamath project of California, to which the provisions of subsection (j) are applicable."

MAY 11, 1964.

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

DEAR MR. CHAIRMAN: This is in reply to your request for a report on H.R. 10708, a bill to provide for increased wheat acreage allotments in the Tulelake area of California.

The Department does not favor enactment of this bill.

Section 1 of H.R. 10708 would amend subsection (i) of section 334 of the Agricultural Adjustment Act of 1938, as amended, to (1) make permanent the authority to increase farm wheat acreage allotments in the irrigable part of the Tulelake area of Modoc and Siskiyou Counties, Calif., (2) restrict such allotments to privately owned farms, (3) beginning with the 1964 crop increase the total acreage allotment for each crop from 12,000 to 15,000 acres for the area, and (4) authorize the Secretary to increase acreage allotments for privately owned farms in the Tulelake area for any year if he finds that such allotments are inadequate to provide adequate quantities of Durum wheat to satisfy the demand in the areas of the United States west of the Rocky Mountains in which such wheat is normally marketed and processed.

Section 2 of the bill would amend subsection (i) of section 334 of the Agricultural Adjustment Act of 1938, as added by Public Law 87-703 to become effective for the 1964 and subsequent crops of wheat, by excluding from the provisions of such subsection Durum wheat in the irrigable part of the Tulelake area of Modoc and Siskiyou Counties of California to which the provisions of section 1 of this bill would be applicable.

Durum wheat is a class of wheat used for the manufacture of macaroni, spaghetti, and similar pasta products. Historically, production of this class of wheat has been almost entirely in Minnesota, North Dakota, Montana, South Dakota.

Durum wheat production in the Tulelake area on a commercial scale was started in 1952. At that time, there existed a local market for Durum products which had been created by crop failures in the traditional Durum producing area. Durum could be successfully grown in the Tulelake area but most farms in the area had very little wheat history, when the acreage allotments and marketing quotas were imposed for the 1954 crop, and their allotments were small. Current farm wheat acreage allotments in this area would still be small if based upon accredited acreage history.

The Durum wheat produced in the Tulelake area has reportedly moved into the west coast market channels for local consumption at good prices to producers. Present large supplies of Durum wheat in the traditional producing areas are to some degree isolated from the west coast Durum market by significant freight rate costs.

The present domestic Durum supply situation is drastically changed from what it was when this special provision for Tulelake was first enacted. Present carryover of stocks of Durum wheat at about 45 million bushels, is nearly twice the annual domestic requirements. The Department's crop report on the planting intentions for 1964 indicates a 1964 Durum production that would further add to the carryover of stocks of Durum wheat. Currently, market prices for Durum wheat are below the loan level at Minneapolis and have been below the loan level during most of the 1963-64 marketing year.

In view of the voluntary wheat program authorized by Public Law 88-297 for the 1964 and 1965 crops, there is no longer the same need, as in the past, for proposed legislation of this nature. Originally, the temporary legislation pertaining to the production of Durum wheat in the Tulelake area provided additional acreage allotments so that producers could increase their acreage above their relatively small allotments, and acreage harvested in excess of their regular allotments was not subject to marketing penalties. Also, under this special legislation wheat produced on farms receiving these increased allotments was not eligible for price support. Under the bill, as proposed, the ineligibility for wheat price support would continue to apply, but farmers in this area would be eligible for wheat marketing certificates without making the diversion required of other wheat producers. The existing subsection (i) contains a provision (which would be left in effect by the proposed bill) to the effect that: "The land use provisions of section 339 shall not be applicable to any farm receiving an additional allotment under this subsection." Section 339 requires wheat producers to divert acreage from production and maintain their normal conserving acreage in order to be eligible for wheat marketing certificates.

Under the voluntary wheat program in effect for the 1964 and 1965 crops, the producers in the Tulelake area, as well as all other producers, can produce all the wheat that they desire, but as in the past, they will not be eligible for price support or any other program benefits. There will be no marketing penalties for exceeding the farm wheat allotment in 1964 and 1965 programs. In essence, therefore, Tulelake producers will not need this special legislation to provide them the alternative they have had in the past.

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

Sincerely yours,

ORVILLE L. FREEMAN.

Mr. PURCELL. We have with us our colleague, Mr. Johnson. We will be glad to hear from you and whomever you would like to have sit with you and to have us hear from.

Mr. JOHNSON. Mr. Chairman, if it would be all right with the subcommittee, I would like to have Mr. Baghott and Mr. Stearns come up and sit with me, and they can stand for the technical questions. They are from the Tulelake area. They are two of the growers. They have represented the Tulelake people back here for the last 5 years. And with your permission, I would like to have them come up and sit here with me.

Mr. PURCELL. All right.

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

Mr. JOHNSON. Mr. Chairman and members of the subcommittee, may I first express my sincere appreciation to you and this committee for scheduling these hearings and consideration of H.R. 10708 at this time.

H.R. 10708 is a bill to provide for increased wheat acreage allotments in the Tulelake area of California. I introduced this legislation shortly after my return from the Easter recess during which I visited the Tulelake area and found the Durum wheat growers faced a critical situation.

Legislation is needed to overcome a problem which could wreck a \$2 million agricultural industry which operates in an area already designated as one of substantial unemployment. The impact can be further shown when you realize that the total economy of the region runs to about \$12 million per year.

Through the favorable consideration of this committee and the Congress, the Durum wheat growers of Tulelake have been able to plant about 12,000 acres each year. As you well know, this has been done through special legislation adopted each year. Never has support been requested or offered in this period.

This legislation expired with the 1963 crop year. It has not been extended to 1964 and the time for planting this year's crop is upon us. Under the provisions of the general wheat-cotton legislation, the crop would be limited to some 5,000 acres or less. I say less because of the nature of the individual allotments in the region. Most average only 4 to 7 acres, which is not sufficient for economic production of Durum wheat. This means as a practical matter that 75 percent of the Durum wheat crop this year could not be marketed without special legislation.

Durum wheat is the cash crop used on land which also grows potatoes and onions. Durum is the stable crop which keeps the farmer going when the bottom falls out of the potato and onion market. This loss of acreage is a catastrophe to the economic well-being of this community.

The extent of the loss will be beyond that of Tulelake for the millers have agreed to take all the wheat they can produce. There is no other supply within economic range of these mills which stand to lose about \$2 million in revenue if Durum wheat is not available for milling. One Los Angeles mill which produces nothing but Durum, requiring special equipment, will be wiped out.

Mr. Chairman, today on behalf of the Durum wheatgrowers of the Tulelake area, we appear here not to ask for support or subsidy, but merely to be permitted to sell on the open market the wheat which we can grow, letting the market set its own level. This is what our whole request boils down to. We have a market in west coast millers who, because of transportation costs, cannot go farther inland for the wheat they desire to manufacture macaroni products. The mills are on the west coast. The wheat is on the west coast. We have built out industry together and would like to preserve it, but we can only do this by permitting the growers of Tulelake to grow the Durum wheat for which there is a solid demand.

Mr. Chariman, I appreciate the opportunity of appearing here. I would like at this point to ask Mr. K. G. Baghott, University of California extension service specialist on Durum wheat production, and Mr. James Stearns, a local county government official and representative of the Durum wheatgrowers, to comment further on the emergency situation in which the Durum wheatgrowers of Tulelake find themselves.

In addition to this written statement, I would like to say that when the cotton-wheat bill was being considered on the Senate side, our growers contacted me to express their concern about the Durum wheat situation. While I was home I met with these people and they explained the situation to me. Upon my return to Washington I asked many questions about the wheat bill then pending, prior to passage in the House. I could learn very little about it. Knowing very little about the situation, I contacted these two gentlemen again and told them that if we introduced special legislation I would hope that they could be here to make their statements before the committee and to stand for questioning by the committee. Now they are both here this morning.

Mr. Stearns, would you like to lead off with your brief statement?

#### STATEMENT OF JAMES G. STEARNS, TULELAKE, CALIF.

Mr. STEARNS. Mr. Chairman and members of the subcommittee, I think that I will spend a couple of minutes explaining to the members of the subcommittee, if you are not already acquainted with it, how small an area we are dealing with here.

The Tulelake Basin we are talking about is an irrigation basin and the legislation limits the area that we are talking about, so far as wheat is concerned, to private land inside the district. It is a total of about 45,000 acres of farmable land. The acreage that we are dealing with in this matter is that acreage. This irrigation district was home-

steaded by veterans of World Wars I and II, of which I am a member of the latter group, and we have had the basis of our economy over the whole period of the development there a very high grade of malting barley. Some 10 or 12 years ago it became evident that the malting barley we had been depending upon these years was not going to last very much longer because they diverted acres from cotton and wheat and corn over the Western United States which built up a barley supply that cut the price of premium malting barley to a place where it was no longer the basis of our economy that it had been. At that time there was a very real shortage of Durum wheat on the west coast, as there always had been, and in casting around for a substitute crop that would get us going again the University of California, in their experiments, determined that a very high quality milling Durum wheat could be produced there.

At that time it was the thought that no Durum wheat could be produced west of the Rocky Mountains that would be consistently high in quality and it was determined that we could grow it, and we began to grow it.

However, wheat had not been grown in the valley to any consequence before and so there was no allotment and there was no history of wheat being raised there, and we began to come to the Congress to raise this wheat where the demand was so great locally. We have been doing that and have asked this Congress to go along with us over a period of years up to this point to produce outside of the support program wheat for this particular market.

As Mr. Johnson just said, this has now come to an end and we cannot produce enough Durum wheat under the present provisions of the wheat-cotton bill to begin to satisfy this market.

The macaroni manufacturers' end of it, that is, from that end of it, several of them have since we began to produce it, have gone 100 percent to Durum standards for the macaroni products and they have set up their milling facilities, their advertising programs and so forth, until they are, certainly, caught short, too.

So we have come back here to ask this Congress that the bill that Mr. Johnson has introduced on our behalf be passed, to set aside the provisions of the wheat bill, so far as Tululake is concerned, and to substitute instead, this bill, H.R. 10708, which will still provide a measure of control, so far as the total acreage that we are allowed to plant is concerned, but in it we ask no support and we will take our own chances on the marketing of it.

I will say further that in the 9 years that we have been producing it that none has been put under support, and no loans have been made on it, and it has all gone into the market channels of the west coast. In every case it has been sold for cash by Christmas and has gone into the mills in San Francisco and Portland, Seattle, and a little bit into Los Angeles.

I think that our request is reasonable and I do not believe that it was the intent of this Congress to put anybody out of business as a wheatgrower. I, in fact, think that the intent is just the opposite. And in this instance we have been, we think, overlooked and we ask the Congress to give us permission to continue to produce for the market that we built for ourselves.

I think I will end my statement with that, and I will answer any questions that the committee has for me.

Mr. JOHNSON. I would like Mr. Baghott to make a brief statement now. He has been with this program from the start when the first experiments were carried on and proved successful.

**STATEMENT OF KENNETH G. BAGHOTT, TULELAKE, CALIF.**

Mr. BAGHOTT. Mr. Chairman and members of the subcommittee, 12 years ago when wheat rust hit in the North Dakota producing area and Durum wheat was in short supply, we carried on experiments in the Tulelake area to determine whether we could fill the gap that was needed, and we found that we had no problem with rust. And after testing several varieties, we came up with a variety that worked very well in that area under those conditions. It got us started to supply the need on the west coast. We have never shipped anything east. It has always been consumed on the west coast. And through the years it has increased from about 2,500 acres to where last year there was about 12,000 acres.

It fills a definite gap in the area because of the fact that our malting barley in the past has been one of our mainstays and now it is not that, due to the fact that the price which we receive for malting barley is down around the price of feed barley.

On this organic soil Durum wheat is just a natural crop and it hurts nobody—no other area in the United States. It fills the need for the west coast markets.

We think that it is a real fine program for our farmers. We are quite enthused about it and there is a definite need which we would like to continue to go ahead with.

I think that is about all I have.

Mr. JOHNSON. I would, also, like to say that in the past we have always had the support of the other Durum wheat areas, such as Minnesota, the Dakotas, and Montana. I understand that the Durum wheat people have been contacted as to their position on this bill and to the best of my knowledge they have no opposition to it. However, Mr. Short who comes from that area is here and he knows more about this program than I. I am sure that he has heard from his people as to this bill.

Mr. SHORT. Mr. Chairman, in response to Mr. Johnson's statement: I do have a telegram from the president of the U.S. Durum Growers Association, who happens to be a North Dakota farmer and a Durum wheatgrower. Incidentally, a person that I know very well.

The U.S. Durum Growers Association supports the California proposal included in H.R. 10708.

I would like to make this observation, Mr. Chairman, as has already been said, the Durum wheatgrowers of North Dakota grow the bulk of the Durum wheat grown in the whole United States. They have never objected to this proposition of providing some special treatment for this little area at Tulelake, Calif., because it is in no way competitive with the Durum wheat that is grown in North Dakota because of the transportation costs involved. This Durum wheat is all used in the mills, I believe, in San Francisco, or wherever they are on the west coast in California and have not been under the price support program or anything of that kind.

Could I ask Mr. Stearns this question? How many farmers are involved here—and what would be the average size of the farm?

Mr. STEARNS. Between 400 and 500 farmers.

Mr. SHORT. What would be the average size of their allotment?

Mr. STEARNS. The average size of their allotment would be slightly less than 10 acres—someplace around 7 acres.

Mr. SHORT. I think this, Mr. Chairman, that is another good reason to have no objection. As this project was designed originally it was a Homestead Reclamation proposition largely confined to a rather small unit, was it not?

Mr. STEARNS. The size of the units?

Mr. SHORT. Yes.

Mr. STEARNS. An average of about 70 acres—they run from about 60 to 90 acres, and an average of about 70 acres is the size of the original farm units that were homesteaded.

Mr. SHORT. I think that while we are on this subject, we should clarify this point. I notice that the Secretary of Agriculture's letter of May 11, 1964, on this bill, says that it does not favor the enactment of the bill, and I think that this is important and needs to be clarified.

The Secretary's letter states:

Under the voluntary wheat program in effect for the 1964-65 crops, the producers in the Tulalake area, as well as all other producers can produce all the wheat that they desire, but as in the past they will not be eligible for price support or any other program benefits.

And then it continues:

There will be no marketing penalties for exceeding the farm wheat allotment in 1964-65 programs. In essence, therefore, Tulalake producers will not need this special legislation to provide them the alternative they have had in the past.

This is a little bit contrary to my understanding of the wheat bill that we recently passed, but this is what the Secretary says in his letter.

Would you explain what is involved here to cover this special legislation?

Mr. STEARNS. It is true that there are no direct penalties to the farmers under the provisions of the wheat bill, but the millers still have to have certificates to mill the wheat. In our instance 100 percent of the wheat that we produce is milled in those local mills, and so those certificates will have to be purchased by the millers before the millers can mill the wheat. As it works out he will simply deduct the cost of the certificate from what he is able to pay for the wheat. So that the penalties, when it finally comes back to the farmer, amount to these. If he overplants—if we overplant our wheat allotment, which will be necessary if we satisfy the demand or even a portion of the demand, there will be the loss of price supports, the loss of our domestic and export certificates, the loss of a percent of the acreage allotment that we have accumulated so hard over a long period of years.

Mr. SHORT. The Secretary in his letter says this is not true.

Mr. STEARNS. What?

Mr. SHORT. The Secretary in his letter says that you would not lose any history.

Mr. STEARNS. If we overplant we will. We are told out there that we will. We will lose about 8 percent, I think.

Mr. SHORT. It says here that there will be no marketing penalties for exceeding the farm wheat allotment for 1964 and 1965.

Mr. STEARNS. The penalty comes on the second bounce.

Mr. SHORT. I misread it.

Mr. STEARNS. Of course, the cross-compliance requirement provision states that there will be a loss of the cash payment for acreage conservation on the other programs and the cross-compliance requirement would affect us, also. So the loss is not a direct levy against the farmer but from a practical point of view the miller will reduce the price that he pays the farmer by the amount that he has to dig up for the certificate. This brings the price that we get for our wheat down to about the cost of the production and it is not economically possible to raise it then.

Probably, the best illustration I can give this is that the farmers in the Tulelake area, when they voted on the wheat referendum last spring, which proposed a similar set of circumstances to this certificate program—the farmers voted against that by about 260 to 10. That was their opinion how they could raise the market for Durum wheat. And the bill we have that is now law is substantially that same circumstance, and it simply amounts to this, that we cannot economically produce under these circumstances and we are asking the committee to put us back where we were with the old setup with a limit on acreage, but no other limiting factors, so far as that is concerned.

Mr. SHORT. Before I forget it, Mr. Chairman, I ask unanimous consent to have this telegram I have received and referred to be made a part of the record at this point.

Mr. PURCELL. That may be done.

(The telegram dated May 11, 1964, follows:)

DEVILS LAKE, N. DAK., May 11, 1964.

Congressman DON SHORT,  
Washington, D.C.:

The U.S. Durum Growers Association supports the Tulelake, Calif., proposal included in H.R. 10708. These growers need this consideration.

ALVIN KENNER,  
President, U.S. Durum Growers Association, Leeds, N. Dak.

Mr. SHORT. Do I understand correctly that this bill would, in effect, increase the acreage in the Tulelake area from about 12,000 to 15,000 acres?

Mr. STEARNS. It puts a ceiling on of 15,000 rather than 12,000 acres. Perhaps I should say a little bit about it. About 30 million people on the Pacific coast are now in the area that we market in, the other side of the Rocky Mountains, and the per capita consumption of paste products is around 7 pounds per capita per year. And if all of these 45,000 acres that I mentioned were planted in Durum wheat at the yields that we have been getting of around 2 tons to the acre, we would still only be supplying about one-third of the consumer demand. So it is not possible for us to overplant.

It is a diversified farming area, producing potatoes, onions, and alfalfa. And in this picture with a 4,000-foot altitude we are limited to about those crops and it is not possible, even with 15,000 acres, to overplant Durum wheat. But we are trying to go a little further toward satisfying the market for quality Durum wheat. This is up to the judgment of this committee. If the committee in its judgment thinks that 12,000 acres is a better ceiling than the 15,000 acres, we will submit to that, but we do have to produce at least 12,000 acres of Durum wheat if we are going to satisfy the mills that are counting on us to supply them right now.

Mr. SHORT. As to the 15,000 acres of Durum wheat, you are not taking anything away from anyone else?

Mr. STEARNS. No.

Mr. SHORT. There is not anyone else that could supply it?

Mr. STEARNS. No.

Mr. SHORT. So far as North Dakota is concerned, because of the economics of the situation, of getting the wheat to California, that precludes this wheat being shipped there?

Mr. STEARNS. Yes. It is about \$1.35 per hundredweight freight rate from Minneapolis to the west coast and the millers out there simply cannot pay that plus the Minneapolis market price and afford to be able to mill it.

Mr. SHORT. Thank you.

Mr. PURCELL. Mr. Belcher.

Mr. BELCHER. In the past compared with the present, about what do you get for the wheat on the Pacific coast?

Mr. STEARNS. The price on the Pacific coast follows not too much the Minneapolis market price.

Mr. BELCHER. Around \$1.80 a bushel?

Mr. STEARNS. No, the ground price has been higher than that. Durum has been the only wheat that we have been concerned with. And last year our crop brought \$3.50 a hundredweight which is the way we talk out there—about \$2.10 a bushel.

Mr. BELCHER. Under the price support system, of course, the price of wheat was up around anywhere from \$1.80 to \$2 per bushel and when you put the certificate in that is going to affect your market, because it is going to mean that the market price of the wheat will drop down to about \$1.30, if you are going to have the 70-cent certificate. That is going to cause a drop in your wheat market just the same as it does in other wheat markets; will it not?

Mr. STEARNS. I think that the freight rate is still the difference there.

Mr. BELCHER. There will still be that difference, of course. The miller, if he has to pay 70 cents for processing tax, cannot pay you the 70 cents which he has been doing in the past, can he?

Mr. STEARNS. No.

Mr. BELCHER. Because he has been buying the Durum wheat. That was the total cost of his wheat. Now it will be what he pays you plus 70 cents per bushel.

Mr. STEARNS. That is true.

Mr. BELCHER. That will push your market down on the basis of about 70 cents per bushel?

Mr. STEARNS. That is correct.

Mr. BELCHER. And in the past you did not need price supports because the umbrella was held over the market that took care of your price support—your cash markets would have been as high as the price support market out there, approximately.

Mr. STEARNS. Yes.

Mr. BELCHER. Now, it looks to me that with this legislation extended you are still going to get hurt the 70 cents per bushel, are you not—this legislation would not give you the 70 cents.

Mr. STEARNS. We do not think that we will because the market demands a certain amount of premium Durum. There are manufacturers on the west coast that would like to say that there is 100 percent Durum standard in the macaroni products that they are

putting out. Their people are used to it now. And in order to get that they will still have to pay that freight from the Dakotas, plus buying the certificate, and we are pretty sure that they will continue to do so. We have the verbal assurance from them, at least, that they will continue to pay us in the neighborhood of what they have been paying in order to get that premium quality grain. So we are not the least bit afraid to forgo the price supports at this time. We are willing to take our chances on that.

That is, on treatment from these people.

Mr. BELCHER. As I see it, the only advantage this legislation has for you is that you just do not get this cutback in planting. You could plant the 45,000 acres out there and market every bushel of it if you sell it on the coast. You would not suffer any penalty at all, except that if you overplant, the Anfuso would operate and you would be cut about 7 or 8 or 9 percent in your allotment, in view of the fact that you have had special legislation, anyway, and there would be no reason that you could not have special legislation to take care of the 7, or 8, percent the same as in the past. You now plant 12,000 acres, and have since 1952, because you did not have an acreage in 1952.

Mr. STEARNS. No, we did not.

Mr. BELCHER. So that by legislation we granted you 12,000 acres, regardless of the Anfuso amendment of the cutback in wheat production in other parts of the country which has been cut back about 42 percent, as in my particular area. I am not arguing against the legislation, you understand—I am just trying to find out what particular advantage you will get out of this. As I see it, about the only advantage that you will get if it is raised from 12,000 to 15,000 acres is that you would escape that much of the Anfuso amendment but in the past you have escaped the entire operation of every amendment because it has always been by special legislation that was granted on the 12,000 acres. And on the expiration of that special program you will divert back to no acreage.

Mr. STEARNS. The principal thing that we have to gain is the miller's requirement to buy the 70-cent-per-bushel certificate, because that is about the margin of profit in the wheat for us.

Mr. BELCHER. You will have to have special legislation for that.

Mr. STEARNS. As we understand it, he has to buy the certificate if we raise the wheat outside of the program.

Mr. BELCHER. He will have to buy it.

Mr. STEARNS. This would waive the provisions of that, so far as the wheat originating in this Tulalake Basin is concerned. That would be the effect of this legislation, Mr. Belcher. This is what we are requesting here.

Mr. BELCHER. I understand that we have a couple of lawyers here, but my understanding is that you have to buy the 70-cent certificate to mill the wheat anywhere else in the United States under any conditions.

Mr. STEARNS. That is the way as the law stands. That is correct, and that is our problem.

Mr. BELCHER. And the mere extension of this would not prevent him from having to buy the 70-cent certificate to mill this wheat, would it?

Mr. STEARNS. The way that this law or this bill was presented, as Mr. Johnson said when he came back from Easter vacation the bill had not cleared the House yet and neither had the Department begun to interpret it, and he introduced this bill before we knew all about what was going to happen here, and we are proposing now that this bill replace the wheat bill, so far as Tulelake is concerned. And a slight change would need to be made right at the start of it to substitute this language for the existing language in the law, to apply to the Tulelake area, so far as Durum wheat production is concerned. We ask that this replace this program.

Mr. BELCHER. And H.R. 10708 is the law as you want it reported?

Mr. STEARNS. Right at the head of it, notwithstanding any other provision of the law sort of language would take care of it.

Mr. BELCHER. The report from the Department does not take into consideration this amendment either, does it?

Mr. STEARNS. No; I do not think it does—no, sir; it does not.

Mr. BELCHER. You will meet tremendous opposition in the Department if you try to take out the processing certificate for one class of wheat.

Mr. STEARNS. It would be for wheat originating there. We are proposing that the same controls that we have had on it would still be there. The county officers would still be issuing the allotments. They would be dividing up the 15,000-acre allotment among the farmers and certifying as they have before, before that wheat produced on those farms was within the allotment that they gave to the wheat-marketing certificate which we have selected in our four elevators and passed on to the millers in the past.

Mr. BELCHER. In other words, this does not come into the wheat program—you have not been in it in the past and now you are trying to come into it?

Mr. JOHNSON. No.

Mr. BELCHER. You have not been in the program in the past?

Mr. STEARNS. No.

Mr. BELCHER. You have had no price support or anything else?

Mr. STEARNS. No. We are trying to stay where we have been.

Mr. JOHNSON. I do not know exactly whether the bill does what we want it to do. I am trying to find out just what we should put in a bill to get us back to our status quo of 12,000 acres without any consideration as to the general program.

Mr. BELCHER. I understand that in the past that has been true. And I have always gone along with it, from the very first day. I remember the first day, I think, that Congressman Engle—if I am not mistaken—introduced the first bill, because I had been before his committee representing the Osage Indians and he had given me a very bad time and about 6 months later he came in with this bill of his and he walked around there about where you are standing and I asked him, "What are you doing over here?" And he said, "I have this wheat bill." And I said, "I have been waiting ever since the day I appeared before your committee for this very opportunity."

However, in the course of the discussion I thought that he had a meritorious bill, and I did support it, and I think that I have supported it every time it has been before the committee. All I am doing now is just trying to find out what you are attempting to do here and

why the opposition of the Department, because I do not believe that the Department in the past has opposed this bill, has it?

Mr. JOHNSON. No, they have not, since I have been here.

Mr. BELCHER. I know that they have not in the past. I thought that there might be something as to why they are opposing it now. I am just trying to find out what this bill really tries to accomplish. And the bill as it is written looks to me like——

Mr. HARDING. Will you yield?

Mr. BELCHER. Yes.

Mr. HARDING. Let me say this off the record.

(Discussion off the record.)

Mr. PURCELL. Back on the record.

Mr. BELCHER. That does not mean that the Department of Agriculture is trying to punish a Democratic Member of Congress because he voted against the bill. I do not subscribe to that. I do not think that it has anything to do with this.

If it takes it out and gives you a 70-cent advantage over all of the other wheat areas I can see why there would be opposition. Is that, in effect, what this does?

Mr. HEIMBURGER. May I comment on that a little bit?

Mr. PURCELL. Yes.

Mr. HEIMBURGER. I did have an opportunity yesterday afternoon to discuss this problem with the gentlemen who are here from California. I think that Mr. Belcher has put his finger exactly on the sore spot which is that the millers who will use this Durum wheat out on the west coast will have to get a 70-cent certificate for every bushel of wheat they use, whereas the people who grow the wheat will only get a certificate on 45 percent of it. So what they really need, in my opinion, is what Mr. Belcher said, an exemption for their wheat from the general provisions of the law that the miller must buy the 70-cent marketing certificate when he mills their wheat.

Mr. BELCHER. You will find that some of my millers will be going out there and buying your Durum wheat and bringing it down to Enid, Okla., and manufacturing it.

Mr. HEIMBURGER. Not at the freight rates they now have.

Mr. BELCHER. They can make 70 cents a bushel more from that wheat out there, and even with the difference by way of the freight rates, with the 70 cents they can still break even.

Mr. HEIMBURGER. I do not think it would work that way. That wheat will not be selling, if the miller does not have to buy the 70-cent certificate, this Durum wheat that they grow will not be on the market for \$1.30. It will be on the market for \$2.10 and nobody will be able to buy it for \$2.10 and haul it to any place and make any money on it. I think, actually, that the key to their situation is the 70-cent certificate, and I do not think that your bill quite does it, Mr. Johnson. I think it takes something else. It will take some very specific language to waive this 70-cent certificate as to this particular wheat grown in this area.

Mr. JOHNSON. It was very difficult for us to try to find out what we should put in the bill. There have been about three different opinions from the Department—that you did not need anything, you go ahead and grow all of the wheat and market it anyway you want, certificates were not necessary. That was one opinion given. As late as a week ago the majority leader, who was the chairman of

this Wheat Subcommittee, said, "You are all right, there is nothing wrong with this. It has no effect upon Durum wheat growers of California, go ahead and plant all you want—it is a voluntary program—they can market it without certificates."

Mr. HEIMBURGER. That is right, they can. They will, probably, get about \$1.30 or \$1.40.

Mr. JOHNSON. That is right. We will just break even.

Mr. BELCHER. What good is it then? That is all any wheat farmer in the United States is going to get if he does not have a certificate. That is all the wheat market will be, \$1.30 or \$1.35, probably, at the support price. Of course, if he gets the 70-cent certificate on the domestic allotment, why that is outside of the price of the wheat, but my argument on the wheat bill is that you will recall, if you have to buy a certificate for 70 cents a bushel, that depresses the price of the wheat. Of course it is going to depress the price of the wheat, and it will depress the price of all other wheat. That is why it is not a voluntary program, because the man who is in the program pays, he is penalized 70 cents a bushel in the sale of his wheat. That is what you are being penalized.

Mr. JOHNSON. To us out there it was a very disastrous blow. If it had been a flood or an earthquake or something else like that we would have been taken care of with some emergency funding and consideration but where it affected us through legislation and we were caught in a legislative bind, that kind of wiped us out. We are a kind of a stepchild in this wheat program. We had built up our market outside of the general program of wheat. That is the position we would like to maintain at the present time. There is a market out there. These people will not buy Durum wheat from the other areas. They merely will not use it. We think that some consideration should be given to areas such as this.

We have about 700 farmers who came into the Klamath project area on veterans' homesteads and when they were first allocated their land they were 40, 60, and 70 acres, and they finally got up to where now there are some 90-acre holdings with an average of 70 acres. And they need this particular Durum wheat to make it go. It is the only thing that they have found that is really a cash crop. The potato situation is sort of hit or miss. The onion dealer we are finding out is hit by the Mexicans who are raising onions in Mexicali Valley. That is cutting off our onion acreage requirements in the area. Barley is down due to the price. So about all we have is a good cash crop in Durum wheat and where it does not involve any other area I should think that the Department and the Congress would look at those farmers out there and say, "Well, we do not want to put you out of business," and we hope that the committee can give consideration to this legislation.

I agree that the legislation will have to be changed if we are to waive the 70-cent certificate provision.

Mr. BELCHER. This system of voluntary programs, so far as you folks are concerned is not such, because you have been penalized by the program by that 70-cent-a-bushel certificate. No program at all is much better for you than this program.

In other words, we will have to pass legislation and then you can sell your wheat on the open market for whatever the miller would pay for it and he would not have to pay any processing tax so that

your cash price of wheat would be more than it would be if you had to pay the 70-cent processing tax. I can see that. You are caught in a real dilemma there. I did anticipate that dilemma, because I thought just like you did, I did not think it was a good wheat bill and I voted against it.

Mr. JOHNSON. I, certainly, do not want the record to show that I think that my vote had anything to do with the position taken by the Department as to this bill, because I think that the Department is well above that. And I, certainly, did not vote against the bill with the idea that I was doing anything against the Department. I just thought the bill was a bad bill. And the farmers within my district, in the agricultural industry, were about 5 to 1 opposed to the wheat bill and the cotton bill before the Congress.

Mr. BELCHER. I do not think that the Department of Agriculture would punish a farmer for his vote or your vote or would punish anyone else. I could not conceive of that.

Mr. JOHNSON. Me, neither.

Mr. PURCELL. Let me see if I can put in general language what it is that you are really trying to do here. You want to have the allotment portion of your bill left like it is; that is, like the prior bill and to have added to that a provision so that you can grow up to 15,000 acres. Really, what you are asking for is some kind of marketing order or some instrument, some card that would be given legal status so that your farmer would be able to go to the elevator certifying that this grain came off of one of these farms in the Tulelake area. When this processor got the grain with this marketing order or whatever you would call it, he would not be required to pay the 70-cent difference. That is really what it is.

Mr. JOHNSON. That is right. And these 12,000 acres, if that is allowed, the regional office would allocate the acreage within the 12,000 acres, with some sort of certificate to the farmer, and he would grow this wheat and then he could use this same card when he sold to the miller, and the miller would give an exemption on the 70-cent certificate, if some such language could be written in.

Mr. BELCHER. Each farmer would get his pro rata share where he could share the overall acreage which was allotted.

Mr. JOHNSON. Yes.

Mr. BELCHER. Thank you. That is all.

Mr. PURCELL. Mr. Harding.

Mr. HARDING. Mr. Johnson, what privilege, so to speak, have you enjoyed as a result of this special legislation? Have you built up a wheat allotment with this? Do you have any allotment? I see Mr. Cox shaking his head. What is the total allotment that these people enjoy?

Mr. COX. A little less than 5,000 total.

Mr. HARDING. A little less than 5,000 acres, total. Does not the Department have a provision for reclamation projects and other new lands to adjust wheat allotments on them?

Mr. COX. Yes, we do. And they have received some benefits from that.

Mr. HARDING. Is there a possibility that they could receive more benefits from it?

Mr. COX. I would have to assume that they have been treated fairly and as well as the other reclamation areas.

Mr. HARDING. Would not the better approach be to increase their wheat allotment rather than to exempt them from requiring certificates on the Durum wheat produced in this area?

Mr. COX. The Department's record will indicate that they supported this program in the past. This is different now.

Mr. JOHNSON. Would the gentleman yield?

Mr. HARDING. Yes.

Mr. JOHNSON. To the best of my knowledge and of those who are here, we have not received any increased allotments under the provisions of the law that pertain to reclamation areas. I think to start with, it was always by an act of Congress where they authorized the Secretary of Agriculture to come up with a certain figure. As far as the acreage allotments were concerned, as it related to Durum wheat. And then in the discretion of the Secretary he did have authority to grant additional areas.

Mr. COX. You are quite right. In the period from 1958 to 1963 I believe it was, the Congress on an annual basis increased the allotment for this area to about 8,000 and then beginning in 1963 you increased it up to about 12,000. I am talking about what we would have allocated to this area in the absence of such special legislation.

Mr. JOHNSON. So our people are well satisfied with the consideration given by the Congress and by the Secretary, because the Secretary has gone along with the program. I think if any measure is passed now with the cotton-wheat bill as it is now the law, that this would be the most simple—this would allow us whatever the committee saw fit to give us, whether it be 8,000, 12,000, or 15,000 acres, and it would allow us to plant that much, and then, also, give us consideration on waiving the 70-cent certificate that the miller would have to provide.

In the allocation of the 12,000 acres by the authority that would allocate the acreage to the individual farmer, he would be given some sort of a certificate or a permit to grow so much Durum wheat and at the time of marketing he would have to present this and the miller who bought the wheat would claim an exemption under the 70-cent certificate provision, and that would take care of the situation. It would be a very simple matter. And if the Congress would give us, say, 1 or 2 years, while we have been operating on a year-to-year basis, it would help us—we have been up against the deadline every time. This year whatever is planted is planted on the less than 5,000 acres so they are going to take it on the chin.

Mr. HARDING. It would seem to me, Congressman Johnson, that the simplest way would be just to increase your wheat allotment and then let you operate under the certificate program the way every other section of the country will operate. If you got the allotments up they would comply, and they would receive the 70-cent payment, then it would eliminate much of the objection.

Mr. HAGEN of California. I think that maybe if you would increase their allotments, they would grow any kind of wheat, if you did that, whereas under their program they want to market Durum wheat only. This is a very special wheat that is used in semolina products and so forth.

Mr. HARDING. The Secretary's report points out that we have a 2-year supply of Durum wheat on hand. I do not see why Durum wheat is any different than any other wheat in this respect.

Let me go off the record.

(Discussion off the record.)

Mr. PURCELL. On the record.

Mr. OLSON. Did you say that there are only 5,000 acres planted this year?

Mr. JOHNSON. When I was out there they had seed treated enough to plant 12,000 acres but as these gentlemen tell me now, many farmers did not want to take a chance with what was going to be the outcome on the marketing of the wheat, so that they have diversified and put in other crops and they are taking a chance with these other crops. They dropped way back and it is less than 5,000 acres planted at the present time.

Mr. OLSON. In other words, they are in compliance?

Mr. JOHNSON. They did not know what to do. What they told me when I was there was that they were just going—those who were in a position to do so—take a chance with another crop and to plant some other crops until this thing was settled.

Mr. OLSON. It is too late to plant any more now.

Mr. JOHNSON. It is too late. What wheat is planted is up.

Mr. OLSON. How many farmers in this area are in compliance for this year?

Mr. STEARNS. I cannot answer that exactly. When the wheat bill passed a portion of the wheat had been planted, and in some of those instances those people had overplanted. I would make a wild guess and say that probably 90 percent of the farmers are in compliance now on the small acreages and, probably, 10 percent are overplanted in varying degrees. It varies with the individual farmer, because he had no idea—it was a matter whether he was going to risk being outside of the program or not—he did not know what to do. So the situation is very jumbled as between individual farmers. In our own example, Ken has an allotment of 13.5 acres and he planted his acres and he is in compliance up to this point. I have a larger farm than the average out there. I have a 28-acre allotment which I did not choose to plant, because I simply did not see where I could make any money out of it under the present program.

Mr. OLSON. You did not plant any?

Mr. STEARNS. I did not plant mine and I stand to lose a portion of my allotment on the strength of that, so the situation is as varied as individual farmers. There are some 450 farms, about, who have participated in the wheat program and no two of them have an identical situation, I do not believe. I had a 28-acre allotment in wheat but I did not have anything that I chose to divert it to. The diversion portion of this program does not fit our situation. It is a lakebed with organic soil all the way and it does not lend itself at all to any sort of summer fallowing. We have a wild oats situation there, and if you summer fallow it and if you do not have a real heavy crop of some kind on it, it goes to wild oats. And we spend the next 4 or 5 years fighting that. That part which is designed as a conservation measure works against it.

Mr. OLSON. Increasing the allotment for this particular crop year is not going to be beneficial?

Mr. STEARNS. We are pretty much past the place where we are going to be able to do very much about it, like Mr. Johnson said. We are going to have to market what we have planted this year as

best we can. And the people whom we have been selling wheat to are going to have to fill their unfilled needs as best they can.

Mr. OLSON. To those who have complied as of this date, an increase in allotments are not significant unless there would be action taken which would be made applicable to this crop year, and it would waive the penalty for those people who have overplanted. You indicated this figure is about 10 percent.

Mr. JOHNSON. That is right.

Mr. OLSON. Those who have complied will market their wheat and they will get the 70-cent certificate and the 25-cent export certificate and the other 10 percent of their crop will be marketed for the going market price.

Are you trying to remedy the loss of any of those who have not complied? We probably can get at solving your problem if this is not the case.

Mr. JOHNSON. I would say, Mr. Olson, that for this year it is pretty late to try to do anything. And with Congress reconvening in January, say, the first week of January of next year, for next year's crop we are up against the deadline again. Every time I have had anything to do with this we are in here fighting for time. Our people have to set aside the seed to be treated so as to be in a position to plant. This year they were in a turmoil and they treated enough seed to plant the total acreage allowed last year and then they found out that they were back to approximately 5,000 acres so they only planted about that much. Some did not go into it at all, as Mr. Stearns said. Ten percent of them overplanted. They were willing to take a chance. And the rest of them were in compliance.

We are trying to get this thing worked out now so that the 1965 planting season can be planted and the farmer will know what he is supposed to do.

Mr. OLSON. For 1965 with the current legislation, which with regard to wheat runs for 2 years, it would be proper if you were to do anything that you should have legislation for 1965?

Mr. JOHNSON. Yes.

Mr. OLSON. Are you further saying that it would be all right for us to take action on the basis of the 1965 crop and not the 1964 crop?

Mr. JOHNSON. Yes, I believe that that would be acceptable. The gentlemen are here from that area. They are both farmers in the program. They have both been with this program from its inception.

Mr. OLSON. If we should take special action on the 1964 crop, then those who have overplanted, as I understand it, would not be penalized. There is only an overplant of 10 percent of the farmers right now, but if we, by special action, did something pertaining to the 1964 crop they will have an advantage over those who did not overplant this year and if we took any special action for the 1965 crop it would put them all back on an equal basis.

Mr. JOHNSON. As I understand it, the present wheat legislation runs through 1966; does it not?

Mr. OLSON. Through 1965. It is for 1964 and 1965. We are dealing with that 1 year, then.

Mr. DOLE. Will you yield?

Mr. OLSON. Yes.

Mr. DOLE. The Anfuso amendment enters into that.

Mr. OLSON. We have in the past dealt with it specially and we would again, I suppose, waive any such requirement. Dealing with next year, it would be easier than trying to do anything this year, it is too late for you to make adjustments and those who have overplanted can get into compliance and we cannot aid you by providing more allotments this year.

Mr. JOHNSON. That is right.

Mr. OLSON. You cannot plant it now.

Mr. JOHNSON. We cannot plant it. It is too late.

Mr. OLSON. 12,000 acres is what you raised in the area last year?

Mr. JOHNSON. Yes.

Mr. OLSON. And it all went into milling?

Mr. JOHNSON. It was marketed prior to Christmas and all went into the Durum wheat millers.

Mr. OLSON. All for milling purposes?

Mr. JOHNSON. Nothing held back.

Mr. OLSON. If we were to consider what we have done in the past for this area maybe it would be simpler just to restore the allotment, and to pay you the 70-cent certificate and let you market all your wheat. This way we would not exclude any miller from purchasing the certificate and we do not circumvent anything except that we follow the precedence of treating this area specially, as we have in the past. For 1965 this would be the normal average yield times. Your allotment under special legislation, for that amount of bushels you would receive the 70-cent certificate.

Mr. SHORT. Would you yield?

Mr. OLSON. Yes.

Mr. SHORT. What you are saying is that the 70-cent certificate applies to the normal yield on their allotment?

Mr. OLSON. Yes.

Mr. SHORT. Rather than just the 45 percent?

Mr. OLSON. Yes. Every bushel goes to the miller and if we just enact a provision giving the 70 cents on the acreage allotted, or that we will allot them under the legislation—let the miller pay the 70 cents and it might be simpler than doing something else.

Mr. SHORT. Almost as good an argument as the gentleman just raised is applicable to all the wheat, and particularly Durum wheat that is grown in North Dakota, because until very recently practically all of the Durum wheat raised was within the allotment and was used for domestic consumption.

Mr. PURCELL. Mr. Dole.

Mr. DOLE. I have not been able yet to determine why the nub of the argument. Are some going to be penalized by the Anfuso amendment for overplanting? Is the basis of your argument the fact that some have overplanted?

Mr. JOHNSON. No, our concern is with the permission to plant up to 12,000 acres. The cotton-wheat bill puts us back to about 5,000 acres based upon our history of what we were entitled to. Heretofore we did not participate in any of the subsidy or the support price programs. We merely marketed this wheat on the open market. We have built up a market in the area whereby we can dispose of all of the Durum wheat that we can grow upon these 12,000 to 15,000 acres. There is a ready market for it. And we need no consideration from the standpoint of support or anything else, but in this new wheat bill you put us back to below 5,000 acres.

Mr. DOLE. Do not use the word "we"—that is an all-inclusive word.

Mr. JOHNSON. The Congress, I should say. I did not vote for it, either, but we are subject to the millers having to purchase a 70-cent certificate. We are, certainly, in the program now. Prior to that time we were not in the program. We were given an exemption here each year by Congress, since, I think, 1956.

Mr. DOLE. If your farmers had a 12,000-acre allotment would you mind being in the program?

Mr. JOHNSON. What is that?

Mr. DOLE. If you had a 12,000-acre allotment they would not mind the program?

Mr. JOHNSON. We do not ask to come under the program.

Mr. DOLE. But if they had a 12,000-acre allotment, they would not object to the so-called voluntary wheat program.

Mr. STEARNS. Yes. It still does not fit our circumstances because the millers we sell to mill 100 percent of this wheat and we get our 70-cent certificate on only 45 percent of it.

Mr. DOLE. The type of products made from this are exempt from certificates. A release from the U.S. Department of Agriculture as of May 11, USDA 1555-64, indicates that:

This temporary phase of the program is designed to help processors during the transition from old crop to 1964 crop wheat where the types and quantities used by processors are not readily available from the 1964 crop.

It does point out that Semolina is a food product but what would happen if you should exempt it from certificates? In other words, is this the result you want? Would that prevent Semolina from being under it? The release further states:

For some kinds of wheat and in some areas the wheat harvest begins after July 1. The 18-cent certificate value prices old crop wheat on a par with the 1964 crop wheat (loan rate plus the applicable domestic certificates).

The provision announced today also includes a list of the products processed from wheat which will be considered food products under the certificate operation. Food products processed in whole or in part from wheat, subject to the certificate provisions, include flour, Semolina, farina, bulgur, cereals, beverages and any other products composed wholly or partly of wheat, which is determined to be a food product. Certificates will be necessary on food products regardless of whether the products actually are used for human consumption.

Under the law the acquisition of certificates is not required of processors who manufacture exclusively nonfood products. After the registration on May 20 in cases where it has been established that the processor does not process any food products, he will be informed that regular reports to be made by food processors will not be required from him, unless his operations change to include processing of wheat for food products.

In some cases provision for exemption from the use of certificates have been made. These include wheat processed into a wheat product for use on the farm where it is grown, wheat grown outside the United States and wheat processed in bond, and wheat custom processed for USDA.

If this could be accomplished, would it satisfy the objections that you have to the present program?

Mr. STEARNS. Yes; with the exception of the conservation reserve provision. And as I say, that does not fit those little 70-acre farms at all.

Mr. DOLE. What provision of the statute is that?

Mr. STEARNS. The 11 percent of the acreage allotment that has to be diverted into some conservation process. And in our instance out there it amounts to disking up some other crop and planting peas and disking them under or summer fallowing the ground or something

like that. Those little 70-acre farms are very intensively farmed and irrigated and have a very bad residual weed problem—it poses a real problem for those little farms.

Mr. DOLE. There is nothing that can be done now to help you. When do you harvest your wheat?

Mr. STEARNS. We harvest it from the 20th of August to about the 15th of September.

Mr. DOLE. It is doubtful then anything can be done by legislation now that would help you with this crop-year 1964.

Mr. STEARNS. Our principal concern, as Mr. Olson pointed out, is our 1965 crop year, so that we will not get caught like we did this year. As Mr. Johnson said, we had seed treated for about 12,000 acres. So now we are sitting on about 7,000 acres of seed, enough seed to seed 7,000 acres. This seed has been treated with mercury and we have nothing to do with it. We would like to go into the next year with our elevators knowing how much seed to hold back, how much farmers could plan to plant and how much the market could expect to get from the Tulelake area so that we are pretty much over the hill. We are going to raise about 5,000 acres of wheat this year which we will market as well as we are able. That is, those in compliance and those outside of compliance.

So our principal concern is being able to make some plans for next year, but we do not want to come back to this Congress, as we have always in the past in January and to pound on the desk and say, "We have got to know something about the planting today" because things cannot be processed that fast any more here and we would like to know ahead of time. And this is why we are asking that this be straightened out now so that we will know what to do next year.

Mr. DOLE. You understand that the Anfuso amendment is suspended in 1965. You can overplant your allotments without loss of history. This is already in the law. We still have the problem of exempting somebody, taking care of the history problem, and so forth.

Mr. Belcher pointed out awhile ago that certainly we are sympathetic with the problem. It is in many ways the same problem farmers had in Kansas. I was in Kansas last Saturday and talked with several farmers. One is plowing up about 340 acres of wheat under this voluntary program; another indicated he is plowing up 210 acres to get in compliance under the so-called voluntary program. He is threatened if he does not with the loss of history, some 6 to 8 percent, which is a very valuable property right, so far as he is concerned. I do not favor the taking of property without due process of law. We have similar problems, but are told there are no penalties. There are penalties, of course, if you cannot get anything but \$1.30 for your wheat, and if you do not sign up and participate, that will happen. The Secretary can make certain the price stays around \$1.30 unless you come from a State like Texas, where harvest is early and the farmer can sell it for \$2 now and if within his allotment still get certificates and net about \$2.70 a bushel for wheat.

Mr. PURCELL. Is that all you have?

Mr. DOLE. Yes.

Mr. PURCELL. Let me point out that we do have a representative from the Department here. I would like for us to hear from him.

I will let Mr. Hagen ask some questions, and then we can call you back, if desired. And then we will ask the Department to speak.

Mr. HAGEN of California. I want to apologize for being unavoidably late. Maybe this question has been asked and answered.

As I understand it, you never have had a surplus of Durum wheat in this area—it has not gone into loan, is that correct?

Mr. STEARNS. Yes.

Mr. HAGEN of California. And the other areas growing the Durum wheat, like in North Dakota, have favored this legislation because they thought that it would increase the market for Durum wheat generally, in other words, that it would go into spaghetti and semolina products and the like. And the problem with the west coast manufacturers of these products has been that Durum wheat has not been available in the quantities that they desired and that they on the west coast would buy additional quantities of Durum wheat from North Dakota and other areas. If there were a larger supply in California more Durum could be used there including Midwest Durum.

Mr. STEARNS. That is what they feel.

Mr. HAGEN of California. So, actually, the other Durum wheat areas have gone along with your program?

Mr. STEARNS. Yes; that is correct.

Mr. HAGEN of California. I would like to ask the Department some questions later.

Mr. PURCELL. Thank you very much, gentlemen.

Mr. JOHNSON. Thank you.

Mr. PURCELL. We will now hear from the Department witnesses.

**STATEMENT OF ARTHUR T. THOMPSON, DIRECTOR OF GRAIN  
POLICY STAFF, ACCOMPANIED BY CHARLES M. COX, DEPUTY  
ADMINISTRATOR, STATE AND COUNTY OPERATIONS, ASCS,  
U.S. DEPARTMENT OF AGRICULTURE**

Mr. THOMPSON. Mr. Chairman, and members of the committee, I am Arthur T. Thompson, Director of Grain Policy Staff, and I have with me Mr. Charles M. Cox, who is Assistant Deputy Administrator of the State and County Operations, ASCS.

I assume that copies of the letter addressed to Chairman Cooley from the Secretary are in your hands.

Mr. PURCELL. Yes; it is.

Mr. THOMPSON. Therefore, I would just like to make sure that our points are underscored and I will read from certain paragraphs and try to paraphrase a little of the other parts.

I will read from the third paragraph the synopsis of our understanding of the contents of H.R. 10708 and all the way through we direct ourselves to the language in the bill that is presented to the Department.

I take it that there may be a little difference of the contents from that which is in the minds of the previous witnesses.

Point 1:

Section 1 of H.R. 10708 would amend subsection (i) of section 334 of the Agricultural Adjustment Act of 1938, as amended, to (1) make permanent the authority to increase farm wheat acreage allotments in the irrigable part of the Tulalake area of Modoc and Siskiyou Counties, Calif.; (2) restrict such allotments

to privately owned farms; (3) beginning with the 1964 crop increase the total acreage allotment for each crop from 12,000 to 15,000 acres for the area; and (4) authorize the Secretary to increase acreage allotments for privately owned farms in the Tulelake area for any year if he finds that such allotments are inadequate to provide adequate quantities of Durum wheat to satisfy the demand in the areas of the United States west of the Rocky Mountains in which such wheat is normally marketed and processed.

And then it goes on to say:

Section 2 of the bill would amend subsection (i) of section 334 of the Agricultural Adjustment Act of 1938, as added by Public Law 87-703 to become effective for the 1964 and subsequent crops of wheat, by excluding from the provisions of such subsection Durum wheat in the irrigable part of the Tulelake area of Modoc and Siskiyou Counties of California to which the provisions of section 1 of this bill would be applicable.

We return to the second paragraph of the letter which states:  
The Department does not favor enactment of this bill.

Turning to page 2, we outline the two main points on which this position is based.

First:

The present domestic Durum supply situation is drastically changed from what it was when this special provision for Tulelake was first enacted. Present carryover of stocks of Durum wheat at about 45 million bushels, is nearly twice the annual domestic requirements.

It has been mentioned earlier here that the supply of Durum wheat today is a good deal larger than it was 3 years ago. As stated, the present carryover is something on the order of 45 million bushels—between 40 and 45 million bushels as of today, which is nearly twice the domestic annual requirements.

The Department's crop report on the planting intentions for 1964 indicates a 1964 Durum production that would further add to the carryover of stocks of Durum wheat. Currently, market prices for Durum wheat are below the loan level at Minneapolis and have been below the loan level during most of the 1963-64 marketing year.

The second point, back to the position stated here is:

In view of the voluntary wheat program authorized by Public Law 88-297 for the 1964 and 1965 crops, there is no longer the same need, as in the past, for proposed legislation of this nature.

It is now a voluntary situation in the sense that the producers can produce all of the wheat that they desire, and as before, there will not be eligibility for price support or other program benefits.

However, further down in that paragraph it is pointed out that:

Under the bill, as proposed, the ineligibility for wheat price supports would continue to apply, but farmers in this area would be eligible for wheat marketing certificates without making the diversion required of other wheat producers.

To further underscore the understanding that the Department people have of the effect of the bill, your attention is called to the final two sentences of the same paragraph:

The existing subsection (i) contains a provision (which would be left in effect by the proposed bill) to the effect that: "The land use provisions of section 339 shall not be applicable to any farm receiving an additional allotment under this subsection." Section 339 requires wheat producers to divert acreage from production and maintain their normal conserving acreage in order to be eligible for wheat marketing certificates.

These are the points of equity on which the Department felt that it could not be favorable to the bill. We feel that they would cause

considerable criticism in other areas where the special privileges would not be granted.

I believe that is about the substance of the Department's position on it.

I will read last the statement that—

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

Mr. PURCELL. Let me lead off with this question. I am asking it for information, so that it may be cleared up in my own mind.

Under the present law in effect for the Tulelake area, it is my impression that the law was effective up through 1963.

Mr. THOMPSON. That is correct.

Mr. PURCELL. And if nothing is done now in contrast to what has been said off the record, it looks to me like the acreage allotment would go back from the 12,000 acres authorized to 5,000 acres or whatever the figure is.

Mr. THOMPSON. That is correct.

Mr. PURCELL. Am I correct on that?

Mr. THOMPSON. That is right—that is our understanding and that figure we have as being 4,996 acres.

Mr. PURCELL. So the situation, from the technical standpoint, is not what we have been talking about here this morning as far as the year 1964 crop is concerned. In the 1964 crop year, of course, they have not planted over 5,000 acres and 10 percent would be out of compliance, but if they had planted 12,000 acres they would be 100 percent out of compliance?

Mr. THOMPSON. Yes.

Mr. PURCELL. Maybe you understood this all of the time, Mr. Johnson, but I got the idea that some of us did not have that same understanding. Probably you folks in California did realize this all of the time. Am I correct in that?

Mr. JOHNSON. That is true. We did not have the exact figure, but we know it was just slightly under 5,000 acres. We could not get the exact figure. I have never been able to get it. This is the first time I have ever had it.

Mr. PURCELL. That is all I have at this time.

Mr. Hagen, I think you said that you had some questions.

Mr. HAGEN of California. It would be my impression, pursuing this further, that if we had not passed the wheat bill in 1964 you would have been able to overmarket in your particular markets more than the 5,000-acre production, is that correct?

Mr. COX. If they had not had the special legislation they could still market any amount they grew in 1964.

Mr. HAGEN of California. Without any penalty?

Mr. COX. There is no marketing quota penalty under the cotton-wheat bill.

Mr. HAGEN of California. Of course, if the referendum had gone the other way, it would have been in fact the position of requiring further special legislation.

Mr. COX. Right.

Mr. HAGEN of California. Without special legislation.

Mr. COX. Right. This is correct.

Mr. HAGEN of California. If the referendum had gone the other way, then you would have needed special legislation and would have sought it earlier.

Mr. COX. Correct. In order to avoid marketing quota penalties.

Mr. HAGEN of California. Yes. As I read the report the Department opposes the legislation for very specific reasons. I was wondering about that. And I am going to ask you this question, if there would be any legislation—you know the problem, of course—any proposal that would be acceptable to the Department?

Mr. COX. I think that we could be sure the Department would support the kind of legislation that we have supported in this area in the past, namely, to give these people in this particular area a reasonable increase in their allotments, and then if they comply, like other farmers comply, they would be entitled to the same benefits that other wheat farmers receive. If they did not comply then they would be entitled to the same benefits that noncompliers receive. It is a matter of equity, as Mr. Thompson pointed out, so far as the Department is concerned.

Mr. HAGEN of California. You would support an increase in the allotment up to what they had recently planted?

Mr. COX. Yes.

Mr. HAGEN of California. And, of course, it has to be a part of the whole package?

Mr. COX. In other words, if they wanted certificates, they would have to do like Mr. Belcher's farmers have to do in Oklahoma. They would have to comply with the allotments and would have to set aside the required amount of acreage that the law requires for conservation. This would have to be in addition to the normal conserving acreages on the farm.

Mr. HAGEN of California. Would you support that type of measure for 1964 where the farmer has overplanted and would have to plow under that which he had planted?

Mr. COX. I had the same kind of problem on this, I think, that Congressman Olson was running into with his questions, namely, that since the seeding date has passed the only people you would be doing anything for in 1964 would be the people who are now out of compliance. I believe the witness said this was about 10 percent of the farmers. This would give me some concern. In this area the disposition date for wheat has not passed and you would have a matter of equity, it seems to me, within the Tulalake area itself of treating farmers who complied with the allotment less well than those who have not complied.

Mr. HARDING. Will the gentleman yield?

Mr. HAGEN of California. Yes.

Mr. HARDING. There would be a reward for not complying.

Mr. COX. Yes, sir, this is right.

Mr. OLSON. As I understand it, we really have no problem here.

Mr. HAGEN of California. They are seeking a decision for 1965.

Mr. COX. I feel confident, though, Mr. Hagen, in response to your query, that we could get the support of the Department to increase the allotment in 1965 to a reasonable extent.

Mr. HARDING. If Congressman Hagen will yield for one further question, I would like to ask what would be the Department's attitude toward eliminating the soil conserving acreage requirement part of the program on farms of less than 100 acres?

Mr. COX. Of course, as you realize, this would require legislation, too.

Mr. HARDING. I believe, as the gentleman pointed out, that this is a real problem. For a man who has an 18-acre wheat allotment to take less than 2 acres and put it into the soil conserving processes is not difficult to do efficiently and profitably.

Mr. COX. This has two sides to it, as you well know. One of the considerations for the conservation requirement is to be sure that we do not reduce the acreage of the wheat at the expense of some other crop, thereby creating a problem for somebody else. This is the philosophy and the intention of the provision—this is the reason why I would be hesitant about making a commitment as to what the Department's attitude would be.

Mr. HAGEN of California. They testified, those from Tulelake, that they have a problem with wild oats which would make difficult the idling of land. How do you answer something like that?

Mr. COX. They can cultivate their fallow land.

Mr. HAGEN of California. They can keep it cultivated but they cannot grow on it?

Mr. COX. To destroy the wild oats.

Mr. BELCHER. I do not know whether I understood you correctly a while ago. I understood you to say that you would support the type of wheat legislation that we have had in the past, and that would mean that if they stayed within the 12,000 acres they would receive the same benefits that other farmers received?

Mr. COX. Yes.

Mr. BELCHER. That has not been the legislation in the past, has it?

Mr. COX. No, sir; but we have supported an increase in the acreages in the past.

Mr. BELCHER. We have permitted them to do so.

Mr. COX. They have voluntarily requested that they be excluded from the support provisions of the act and we have raised no objection to this.

Mr. BELCHER. Really, in the past all we were asked to do was to say that they could grow 12,000 acres of wheat without paying a penalty.

Mr. COX. That is correct.

Mr. BELCHER. In other words, did I understand you to say that the Department would permit them for 1965 to grow 12,000 acres of wheat and receive the same benefits that all of the other wheat farmers receive, in other words, to bring them into the program?

Mr. COX. Provided they comply.

Mr. BELCHER. With the 12,000-acre allotment?

Mr. COX. Yes.

Mr. BELCHER. That gives them a certificate of 70 cents on 45 percent and a 25-cent certificate—it brings the 12,000 acres right into the program?

Mr. COX. Yes.

Mr. BELCHER. You would support that kind of legislation?

Mr. COX. I think that we would. I would recommend it. I believe that the Department would.

Mr. BELCHER. Would you do that for the wheat farmers in Oklahoma, jump them from 5,000 to 12,000 acres? You are increasing these allotments by about 250 percent—you are going to give them 12,000 instead of 5,000.

Mr. HARDING. Will you yield for a question?

Mr. BELCHER. Yes.

Mr. HARDING. Is it not true, though, that these people have been producing 12,000 acres of Durum wheat for the last few years and is it not also true that the wheat farmers in Oklahoma have the same allotments now that they have had for the last few years?

Mr. BELCHER. These folks did not have 12,000-acre allotments, but they had 5,000-acre allotments.

Mr. HARDING. But they have been producing 12,000 acres of Durum wheat.

Mr. BELCHER. To grow that 7,000 without penalty is what they ask. There is no penalty on that. We could not do that for Oklahoma. But because of the fact that we did not think that this Durum wheat was creating a surplus and not going into the loan we permitted them to raise an extra 7,000 acres without penalty. We did not do that for your farmers nor for my farmers nor for any other farmer in the country except the Durum wheat farmers.

Now, if we bring them into the program and say, "Because we gave you an exemption for 7,000 acres, now we are going to consider you as having 12,000 acres of allotment." That is increasing their allotments by about 2.5 times at the very time that we are decreasing the allotments all over the rest of the entire country.

In the past when we permitted them to raise the 7,000 extra they were not in the wheat program at all—they were just not penalized for that.

Mr. HARDING. They are not going to be as well off now if we give them the 12,000-acre allotment as they were in the past when we just gave them the permission.

Mr. BELCHER. Well, yes; they are.

Mr. HARDING. No; they are not.

Mr. BELCHER. Yes; they are going to get price supports, they are going to get certificates, they are going to get a lot of things they did not get before.

Mr. HARDING. They are only going to get a 25-cent certificate on wheat that is going to be milled for domestic use and on some additional wheat, they will not even get the certificate for it. Without the program they could sell their entire crop for the full market price.

Mr. BELCHER. But they will get 70 cents on 7,000 acres they did not have allotments on and the Oklahoma farmers and your farmers will take a cut before they can get the 70-cent certificates.

Mr. HARDING. My farmers are going to be making or raising the same amount of wheat that they have been raising the past few years. So are yours. And these people are not going to get that privilege unless we act to give it to them. They have become accustomed to a diet of ice cream and now they are told that they cannot have any more ice cream unless Congress acts.

Mr. BELCHER. We have waived this because they had a market for it. Now we have got 45 million bushels in the loan because there was not a market for it. There is no more reason now for giving them certificates for raising stuff that has to go into the loan than there is to do it for any farmer in your area or in my area.

Mr. HARDING. As I understand it, they still have a cash market for all the Durum wheat produced in Tulelake.

Mr. BELCHER. In Oklahoma, if you will explain that to my farmers, all right, but I will not try to do that, to explain why it is possible for

a farmer with a 50-acre allotment out there to get a 120-acre allotment and all of the benefits that my farmers, in order for them to get that, my farmer with 50 acres has to take a 10-percent cut before he gets anything else.

Mr. HARDING. I think that I can explain to the farmers in Idaho who have been producing 120 acres that a farmer in Tulelake who has been producing 120 acres is entitled to this acreage allotment, that they will enable both farmers in Idaho and Tulelake to produce 120 acres, whereas if we do not act the farmer in Tulelake will be cut down to 45 acres. I believe my Idaho farmers will understand fairness in this matter.

Mr. BELCHER. I do not deny that you can do it, but if you can, you can sell snowshoes on a sinking ship, too. I think that you are pretty good as a salesman but I am not that good.

Mr. OLSON. What is the yield out there?

Mr. STEARNS. About 70 bushels.

Mr. OLSON. About 840,000 bushels that you are talking about. We really cannot relate it to the 45 million bushels of surplus. We have in the past provided special legislation for this area.

Let me ask Mr. Cox this question?

Is it possible under the present program for a farmer to only raise that portion of his wheat allotment for which he would get a 70-cent-a-bushel certificate?

Mr. COX. He would only have to plant 45 percent of his allotment.

Mr. OLSON. But he would have to do that.

Mr. COX. He would have to have at least 11.11 percent of his allotment set aside for conserving uses and this would be in addition to the normal conserving acreage established for the farm.

Mr. OLSON. What would happen if he did not choose to raise the 45 percent on which he is eligible for an export certificate?

Mr. COX. If he grew no wheat he would not be entitled to any certificates under the law as we understand it.

Mr. OLSON. We are talking about the 11 percent that would preclude him from raising other crops.

Mr. COX. That is right.

Mr. OLSON. Are you telling me that we have an obvious loophole in here whereby a wheat farmer in Minnesota can choose not to raise that upon which he is entitled to an export certificate and could plant that to corn instead, and that takes only 11 percent of his wheat acreage allotment out of production and take 45 percent of his wheat allotment and put it into corn?

Mr. COX. Yes, sir; if he is not participating in the feed grain program.

Mr. HAGEN of California. In other words, the wheat farmer could choose not to plant any of his wheat and get a certificate equivalent?

Mr. COX. No; he has to grow at least 45 percent of the allotment in order to be entitled to all of his domestic certificates. If he should grow another 45 percent he would also be entitled to his export certificate.

Mr. BELCHER. Is that in the law or is that a Department regulation?

Mr. COX. I think, if I am not mistaken, that the allocation is left up to the Secretary, but I believe that all of the testimony of the Department indicated that it would be in the neighborhood of about 90 percent and equally divided between domestic and export.

Mr. BELCHER. I did not recall its being in the law.

Mr. COX. This is correct.

Mr. BELCHER. That is a departmental regulation, like cross compliance.

Mr. OLSON. In other words, if you are in compliance with your wheat allotment and conserving acreage, the first bushel of wheat that you produce gets the 70-cent certificate?

Mr. COX. That is correct.

Mr. OLSON. And if you have produced your entire—

Mr. COX. 45 percent.

Mr. OLSON (continuing). Part, which is about 45 percent, you say, this is divided out on the basis of domestic use?

Mr. COX. Yes.

Mr. OLSON. The first bushel of wheat that you market, you are entitled to the 70 cents a bushel and each bushel thereafter until you reach 45 percent of your allotment.

Mr. COX. This is correct.

Mr. OLSON. If your acreage allotment were increased, that is, to comply with the law, they could increase that portion of the wheat for which they are eligible for the 70-cent certificate and the only thing that they would need to do would be to put 11 percent of their acreage allotment idle because the other 45 percent would not be tied up.

Mr. COX. This is correct, and they would, also, have to maintain the normal conserving acreage.

Mr. OLSON. That is what I said, 11 percent of the allotment.

Mr. COX. Yes.

Mr. OLSON. That is all. Thank you.

Mr. SHORT. Is the Durum wheat that is produced in the Tulelake area all of the Durum wheat that is processed in California?

Mr. THOMPSON. I understand not. I believe the witnesses before us commented on that. If I understand your question, to put it the other way around, is the Durum wheat processed in California only that produced in the Tulelake area—is that your question?

Mr. SHORT. The point I am trying to make—

Mr. COX. It costs quite a bit to transport it from your area. I was told it is about 62 to 68 cents a bushel.

Mr. HAGEN of California. As I understand it, Durum wheat from North Dakota is not sent in.

Mr. SHORT. I have a telegram right here from them.

Mr. HAGEN of California. They thought that it would increase the general consumption of Durum wheat in California and that the local supply, even if it were increased, would not be adequate to supply that need so that there would be more North Dakota wheat sold in California than under the present situation of large-scale substitution of inferior grades in semolina products.

Mr. SHORT. I do not think there is any Durum wheat from North Dakota sold in California. That is, if I understand it correctly. The freight differential would stop that coming in.

Mr. COX. It amounts to 62 to 68 cents a bushel, or something like that.

Mr. SHORT. What I am getting at is this, there is some, but very little Durum wheat grown in that general area. Are we treating the Tulelake area differently than we might be treating anyone else? We are considering a special proposition here, as I see it, and I have gone

along with this any time it has been before the committee, as have most of us, because this is a rather unique situation.

Mr. COX. I think that we would all have to confess that Tulelake legislation is special legislation.

Mr. SHORT. That is right. And for what seemed to me to be justifiable reasons. Here was a market for a product that no one else could fill so what was wrong with allowing these farmers in this area who could raise this Durum wheat that is not grown anywhere else in that area to fill the needs of the market in California and along the west coast.

If I understood rightly, Mr. Stearns or somebody, I believe, made the statement that this was about one-third of the total product produced out there. Where does the rest of it come from?

Mr. STEARNS. Would you answer the question, or whoever can?

Mr. JOHNSON. This would supply about one-third of the market for macaroni products used out there. Where they get the balance to manufacture these products, I do not know, but the 12,000 acres we were allotted supplied about one-third of the Durum wheat used in the making of macaroni products. That is, at the present time. Whether they import materials from other countries, or wherever they get it, or whether they get Durum from other areas, I do not know.

Mr. OLSON. I think I recall that last year the testimony was that these mills could not be continued in operation if they had to pay for bringing in the Durum from other areas, but, obviously, they will have to do so. There is one thing that should be cleared up a little bit. I think that we all agree that we are talking about problems of legislation that were created, that the price of your wheat would not have been \$2.10 that it was last year, and is now, had no legislation been passed. The market has affected your price out there as I think you have indicated, so that the legislation did not just discriminate against you—it did seek to raise the price level of wheat from which you will benefit as well as all wheat farmers will benefit.

Mr. SHORT. One other question. Am I right, Mr. Johnson, in my impression that you are not asking for anything in the way of legislation that will affect the 1964 crop—you are not attempting to do anything about that, is this right?

Mr. JOHNSON. I believe it is too late. The Durum wheat growers in that area have taken a chance under the new wheat bill and they have planted. Probably 10 percent of them are overplanted at the present time and the balance of them are in compliance, but it is planted on approximately 5,000 acres; 7,000 acres of the Durum that was planted last year is not planted this year. We are trying to get straightened out, so that in the 1965 season it will be known to all of our growers out there. We are asking that we be allowed to plant, at least, 12,000 acres so that we do not have to participate in the certificate part of the program. We would like to get out from under that.

Mr. SHORT. I see your point. Well, now, this does not pose any greater discrepancy than in other parts as to wheatgrowers. If you plant within your allotment in 1964, which you, practically, have done, you will still only be eligible for something corresponding to the prices you have been getting in the past, 45 percent of the normal production on your allotment, is that not true? I do not just understand how your processors are going to secure the additional supply. Can you answer that?

Mr. STEARNS. I can answer part of it, Mr. Short. We have affected the demand for Durum wheat on the Pacific coast significantly since we began to grow it. There is a demand now for macaroni products made from Durum wheat out there that did not exist before we were in the market. Those millers are going to buy additional Durum wheat this year. In fact, some was purchased in Montana in anticipation of this short crop just the other day from the Commodity Credit Corporation stocks, and quite a significant amount of it, in anticipation of the short crop that we were going to have. It was made known to them that we were going to have only about 5,000 acres to plant, so they are going to stay with us for this 1 year. They have a large percentage of their customers conditioned to the superior macaroni products that Durum wheat makes. They are going to satisfy that demand and pay a price for the wheat plus the freight that it takes to get it there for awhile. That is the way the situation stands now. We are hopeful that we will be able to be producing in the market again, but for this year they are going to import Durum unmilled.

Mr. SHORT. You would be forced then on the 45 percent of your production that is eligible for the export certificates to put that under loan; also, the additional 10 percent. You would get the certificate for the 25 cents and you would put that under the loan and it will not be exported because nobody will buy a few thousand bushels of wheat for export. There will not be enough for anybody to ship. But the Commodity Credit Corporation will take possession of it and they can sell it to the mill to process it.

Mr. STEARNS. These things come a full circle. The farmer is usually the one that picks up the bill for it. In the case of the 1964 crop that would be the difference between the 45 percent and the balance.

Mr. COX. It is my understanding that this wheat is always sold at a premium out there and I think it would be selling above our loan rate.

Mr. SHORT. Regardless, it would have to sell at a premium above the 70 cents the processor would pay for the certificate on each bushel. This would make this wheat excessively high for the processor.

Mr. COX. No. The farmers could sell at the market price and get more than they could by putting it in the loan in California.

Mr. BRUCE. It would not have to go into storage.

Mr. COX. The national average support price, I do not know what it is in California, but based on the \$1.30—do you know what it is?

Mr. THOMPSON. It is around there.

Mr. COX. About \$1.30. They will get more than that from the mills.

Mr. SHORT. The miller would actually be——

Mr. COX. But the miller would be required to pay for the 70-cent certificate.

Mr. SHORT. Buying from the Commodity Credit Corporation instead of buying it otherwise.

Mr. COX. The farmer, on the other hand, if he is in compliance with the program and, as indicated, 90 percent of them are, would be eligible for his certificates.

Mr. HAGEN of California. These buyers of wheat at a premium would make a savings on the 70 cents a bushel in the West, would they not, because of the freight rate differential?

Mr. COX. Even last year I believe these gentlemen will tell you that their wheat has consistently sold above our support level.

Mr. HARDING. Will you yield?

Mr. SHORT. I will yield.

Mr. HARDING. To clarify this in my mind, under the program, on the Durum wheat that is produced in Tulelake, the farmer sells it to the miller and the farmer will only receive a 70-cent certificate on 45 percent, a 25-cent certificate on the next 45 percent, and no certificate on the next 10 percent?

Mr. COX. Right

Mr. HARDING. But the miller who mills it will pay to the Commodity Credit Corporation the 70-cent certificate on the entire crop?

Mr. COX. It has to be milled.

Mr. HARDING. But by the same token we have 45 million bushels surplus and it is very possible that a farmer producing Durum wheat in the Middlewest somewhere, his entire crop will go into the Commodity Credit Corporation storage and this will balance out nationally; is that correct?

Mr. COX. This would be possible, of course, to the extent that Durum wheat would move from the Dakotas and from Montana into the west coast markets.

Mr. HARDING. It is very possible that the entire crop of Durum wheat produced in the Middle West can go into export so that the entire crop would get the 25-cent export certificate.

Mr. COX. This is true.

Mr. HARDING. But it will balance out.

Mr. COX. Right.

Mr. BELCHER. Just for clarification, do I understand that the Tulelake area has a little less than 5,000 acres, actually?

Mr. STEARNS. A little less than that.

Mr. BELCHER. Why is it that the man who does not comply on his proportionate share of that allotment is entitled to the 45-percent certificate?

Mr. COX. The only farmers who get certificates are those who comply with the program; 45 percent of that represents his share of the domestic market, the other 45 percent represents the export share.

Mr. BELCHER. Thank you.

Mr. DOLE. I am just wondering how many acres were planted last year—how many acres were actually planted?

Mr. STEARNS. Just a few acres short of the 12,000—11,900 and some acres—just a little short of it.

Mr. DOLE. Why was there not more planted this year?

Mr. STEARNS. Why was there not more wheat planted this year?

Mr. DOLE. Yes.

Mr. STEARNS. They held off the planting in anticipation to see what the Congress did in the wheat-cotton bill and, frankly, they were afraid of overplanting, because we did not know at that time what the penalties were going to be. They say it is a voluntary program, but that concerns itself with the definition of the word and in the opinion of the people out there it was not voluntary and they were afraid to go on a large overplanting because of that 70-cent certificate that the miller had to have and he would have to pay correspondingly less to the farmer because of that.

Mr. DOLE. What is the price now for this wheat? What is the cash market for the wheat now? For the wheat now, even with this drop on July 1?

Mr. STEARNS. So far as we are concerned, we have nothing for sale now and will not have until this fall. I believe that this whole certificate thing is pretty much in a state of flux. There is a confusion in the minds of our elevators and in the minds of the millers out there that they are not sure what is going to happen.

Mr. DOLE. Will it drop the cash price?

Mr. COX. The cash price will drop throughout the country; yes, sir.

Mr. DOLE. You mean there will be a difference between the \$1.80 and the \$1.30?

Mr. COX. It will seek the support.

Mr. DOLE. If I had wheat and now I would sell it for a top price including the certificate.

Mr. COX. I do not understand what you mean.

Mr. DOLE. If I had some new wheat now, this crop year, I could sell it in the cash market and if in compliance still get certificate and diversion payments.

Mr. COX. Yes, you could.

Mr. DOLE. And with the diversion payments, that could be about \$2.70 a bushel.

Mr. COX. I do not know any place where wheat is selling for \$2 in the market at the present time.

Mr. JOHNSON. Mr. Baghott has an observation that he would like to make at this time.

Mr. BAGHOTT. The way I understand this, the millers are given a chance from July 1 to August 15 to put their supply in that they will need for milling up to that date. They will pay, I believe, 25 cents a bushel for the milling needs from July 1 to August 15. If that is all milled up by that time, I can also understand that they automatically have to pay 70 cents on the surplus that they have, is that correct, I think it is.

Mr. COX. There is a special transition procedure on the wheat.

Mr. PURCELL. Mr. Beermann, do you have any questions?

Mr. BEERMANN. I just have one question for Mr. Stearns. You said you had enough seed wheat for seeding 12,000 acres.

Mr. STEARNS. Yes.

Mr. BEERMANN. If the seed wheat that you still have on hand to seed the other 7,000 acres, and you said this was treated, is it such that it can be used for next year's planting?

Mr. STEARNS. It will be good seed, but it will be carried on the inventory for that length of time. It is treated with mercury to prevent rust. It could not go into food channels. It would serve as seed for next year, but we will have to carry it on inventory for the next year and it is not salable until it can be used for such.

Mr. BEERMANN. You do not have to retreat it?

Mr. STEARNS. It is treated now. It will not have to be treated again.

Mr. PURCELL. Are there any other witnesses here who want to be heard at this time?

If not, the subcommittee will adjourn to meet at a date to be announced.

(Whereupon, at 12:05 p.m., the subcommittee adjourned.)

