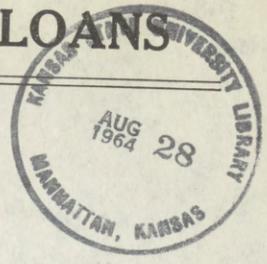


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ECONOMIC DISASTER LOANS

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HEARING

BEFORE THE

SUBCOMMITTEE ON CONSERVATION AND CREDIT

OF THE

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH CONGRESS

SECOND SESSION

ON

H.R. 9186

JUNE 25, 1964

Serial WW

Printed for the use of the Committee on Agriculture



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ECONOMIC DISASTER LOANS

THURSDAY, JUNE 25, 1964

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON CONSERVATION AND CREDIT
OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:45 a.m., in room 1310, Longworth House Office Building, Washington, D.C., Hon. W. R. Poage (chairman of the subcommittee) presiding.

Present: Representatives Poage, Gathings, Johnson of Wisconsin, Stubblefield, Hagan of Georgia, McIntire, Harvey of Indiana, and Dole.

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

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

We are met this morning to consider H.R. 9186, by Mr. McIntire.

This is a bill to authorize the Secretary of Agriculture to make economic disaster loans.

The Department witnesses are here to explain this bill. We will be glad to hear from you, Mr. Higbee and Mr. Campbell.

(H.R. 9186, by Mr. McIntire, together with the Department report dated May 6, 1964, follows:)

[H.R. 9186, 88th Cong., 1st sess.]

A BILL To amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make economic disaster loans

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 321(a) of the Consolidated Act of 1961, as amended (7 U.S.C. 1961), is amended by striking the period at the end thereof and inserting the following: "severe production losses, or critical economic conditions encountered in the area by producers of specified agricultural commodities and products."

MAY 6, 1964.

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

DEAR MR. CHAIRMAN: This is in response to your request for a report on H.R. 9186, a bill to amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make economic disaster loans.

The Department of Agriculture recommends enactment of the proposed legislation provided H.R. 9186 is revised as follows:

1. The preamble is replaced by the following: "To amend the emergency loan authority of the Secretary of Agriculture under subtitle C of the Consolidated Farmers Home Administration Act of 1961 to authorize such loans in areas where credit is not otherwise available because of serious economic conditions for farmers and ranchers."

2. In line 3, insert "Farmers Home Administration" after the word "Consolidated."

3. Delete the remainder of the bill after the colon in line 5 and substitute the following: "or serious economic conditions for farmers or ranchers."

The suggested revisions are consistent with our recommendation concerning S. 2307 now pending in the Senate.

Section 321 (a) of the Consolidated Farmers Home Administration Act of 1961 presently authorizes the Secretary of Agriculture to designate any area in the United States and in Puerto Rico and the Virgin Islands as an emergency loan area if he finds (1) that there exists in such area a general need for agricultural credit which cannot be met for temporary periods of time by private, cooperative, or other responsible sources, including the regular lending programs of the Farmers Home Administration, at reasonable rates and terms for loans for similar purposes and periods of time, and (2) the need for such credit in such area is the result of a natural disaster. H.R. 9186, if revised as suggested, would amend section 321 (a) to also authorize the Secretary to designate such areas when the need for credit is the result of serious economic conditions for farmers or ranchers.

At intervals prior to the enactment of the Consolidated Farmers Home Administration Act of 1961 the Secretary was authorized to make loans out of the emergency credit revolving fund based on economic conditions. The fact that loans were made on this basis to 71,299 farmers and ranchers in the total amount of \$224,348,099 is an indication of the extent to which economic conditions have influenced the ability of farmers and ranchers to obtain credit. Also, the Department has received many requests since the enactment of the Consolidated Farmers Home Administration Act of 1961 to make emergency loans available because of economic conditions.

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

Sincerely yours,

ORVILLE L. FREEMAN, *Secretary.*

**STATEMENT OF FLOYD G. HIGBEE, DEPUTY ADMINISTRATOR,
FARMERS HOME ADMINISTRATION; ACCOMPANIED BY HOWARD
D. CAMPBELL, OFFICE OF GENERAL COUNSEL, U.S. DEPARTMENT
OF AGRICULTURE**

Mr. HIGBEE. Thank you, Mr. Chairman and members of the subcommittee.

I have some notes that I would like to present which summarize the past activities and the past history of making economic emergency loans.

The Secretary of Agriculture is presently authorized by section 321 (a) of the Consolidated Farmers Home Administration Act of 1961 to designate emergency loan areas upon his determination that (1) there exists in the area a general need for agricultural credit which cannot be met by local sources, including the regular lending programs of the Farmers Home Administration, and (2) the need for such credit is the result of a natural disaster.

The bill under consideration, as recommended by the Department of Agriculture, would amend section 321 (a) to include authority for the Secretary to designate an emergency loan area due to "serious economic conditions" as well as a natural disaster, when there is a general need for agricultural credit which cannot be met by other established sources. This authority is needed to permit the emergency loan program to serve those established farmers and ranchers whose need for credit is comparable and just as critical as that of farmers who are victims of a natural disaster. If credit is not available

through some source these farmers or ranchers may not be able to continue in business.

When the Consolidated Farmers Home Administration Act of 1961 was enacted, the provision for making emergency loans due to economic conditions was considered in the Congress but was not included in the final act. This committee approved that portion of the act, but it was omitted over on the Senate side. However, the making of emergency loans to assist farmers due to economic conditions is not a new authorization for the Department of Agriculture.

Public Law 38, 81st Congress, which was enacted on April 6, 1949, authorized the Secretary of Agriculture—

to make loans to farmers and stockmen for any agricultural purpose in any area or region where he finds that a production disaster has caused a need for agricultural credit not readily available from commercial banks, cooperative lending agencies, and other sources.

This was the beginning of the emergency loan program in the Department through which loans are made from a revolving fund based on a determination by the Secretary of the need for this type of assistance.

Public Law 38 was amended by Public Law 115 on July 14, 1953, to authorize the Secretary to make the following types of emergency loans in addition to production emergency loans:

(1) Economic emergency loans in connection with any major disaster determined by the President to warrant assistance by the Federal Government under Public Law 875 (81st Cong.), as amended, to established farmers and stockmen for any agricultural purpose in the area covered by the determination of the President, if the Secretary finds that "an economic disaster has also caused a need for agricultural credit that cannot be met for a temporary period from commercial banks, cooperative lending agencies, or other responsible sources, including the regular programs of the Farmers Home Administration. There was no termination date with respect to the authority for making economic emergency loans.

(2) Special livestock loans to established producers and feeders of cattle, sheep, and goats (not including operators of commercial feedlots) who have a good record of operations, but are unable temporarily to get the credit they need from other lenders and have a reasonable chance of working out of their difficulties with supplementary financing. These loans were authorized initially to be made during a 2-year period but the period was extended for an additional 2 years for initial loans and for a longer period for indebted borrowers. The authority to make special livestock loans stemmed from the need of livestock producers throughout the Nation whose economic problems had been aggravated by prolonged drought conditions combined with a sharp decrease in livestock prices during the early 1950's. Public Law 38, as amended, was repealed by the enactment of the Consolidated Farmers Home Administration Act of 1961.

Because of the need among farmers and stockmen in some areas for credit which was not available to them for a temporary period from other established sources to carry on their normal operations, Public

Law 727, 83d Congress, was enacted on August 31, 1954, to authorize the Secretary—

to make emergency loans for any agricultural purposes, except for refinancing of existing indebtedness

to farmers and stockmen in any area or areas where the Secretary— determines that there is a need for such credit which cannot be met for a temporary period from commercial banks, cooperative lending agencies, the Farmers Home Administration, under its regular programs, or under the act of April 6, 1949, or other responsible sources.

This act authorized the use of \$15 million from the emergency credit revolving fund and was to continue until June 30, 1955. Subsequently, the period for making initial loans was extended through June 30, 1959, and the aggregate amount of funds was increased to \$65 million. Loans under this act could not exceed \$15,000 and could not be made to any one borrower so as to increase such borrower's indebtedness in excess of \$20,000. These loans could be authorized in any area where the Secretary found that credit was not available from any other established source to serve the needs of farmers and stockmen.

Through June 30, 1962, a total of 71,801 economic emergency loans had been made in 20 States in the amount of \$102,022,333; 10,258 special livestock loans had been made in 45 States in the amount of \$91,229,691; and 26,308 special emergency loans had been made in 22 States in the amount of \$30,935,950.

All of these economic-type emergency loans total 108,367 for \$224,187,974.

All types of emergency loans made from the revolving fund through June 19, 1964, total \$794,586,533.

Mr. McINTIRE. Could I ask a question at that point?

Mr. HIGBEE. Yes.

Mr. McINTIRE. The \$224,187,974 is referring to the authorization under Public Law 83-727?

Mr. HIGBEE. It includes special emergency loans made under Public Law 83-727 and also economic emergency loans and special livestock loans.

Mr. McINTIRE. Thank you.

Mr. HIGBEE. As of December 31, 1963, repayments on these loans amounted to approximately 95 percent of maturities.

Mr. McINTIRE. The sum of \$794,586,533 is an overall figure including those loans which were made under the emergency declaration?

Mr. HIGBEE. That is correct.

Mr. McINTIRE. So that the sum of \$794,586,533 includes the \$224,187,974?

Mr. HIGBEE. That is correct.

Mr. McINTIRE. But the \$224,187,974 specifically referred to loans made under the authority of the economic aid and not the disaster aid section?

Mr. HIGBEE. Yes, sir.

Mr. McINTIRE. Thank you.

Mr. HIGBEE. There is a definite need at this time among producers and farm feeders of beef cattle throughout the Nation for credit assistance not available from other sources to enable them to hold on to their livestock herds and continue their operations.

If this proposed legislation is enacted which will permit the making of emergency loans due to serious economic conditions it would be possible to serve these farmers and ranchers with emergency loans for a temporary period.

When this discussion was underway 10 days ago it was estimated that at least 4,500 such operators will be forced to liquidate during the next 6 months unless they can obtain needed financing to hold onto their livestock. If they sell, it will further depress the beef market and adversely affect the whole industry.

Also, there is a definite need among the Maine potato growers for assistance in order that they may continue their operations. Many growers in this area have been faced with extreme economic problems for a period of years which has forced them to utilize their equities for operating expenses to the point that many of them no longer can carry on without Government financing for a few years.

In making designations because of natural disasters, the Secretary is presently authorized to make loans available to eligible applicants engaged in any type of agriculture in the area or to restrict loans to eligible applicants engaged in a particular type of agriculture when only that type was affected by the natural disaster.

It is contemplated that this same procedure would be followed, if the proposed legislation is enacted, in making designations because of serious economic conditions. However, when a designation is restricted to eligible applicants engaged in a particular type of agriculture, the total operations of an applicant would be financed if the particular type of agriculture for which the designation was made is a substantial enterprise in his total operations and he is unable to obtain needed credit for other sources.

What is meant by serious economic conditions for farmers and ranchers? How severe would such conditions have to be in order to justify the Secretary of Agriculture in making emergency loans available? The proposed legislation contemplates unfavorable economic conditions would exist for a farmer or rancher when prices received for his crops are less than production and marketing costs. When this happens to farmers and ranchers, they are unable to pay loans obtained for operating costs or to make payments on other obligations. Generally, such conditions make it necessary for them to dig deeper into their property equities to obtain additional credit to continue in business. The situation becomes serious when these equities disappear and there is no longer a basis for conventional credit. The proposed legislation contemplates that under these circumstances the Secretary would be justified in making an emergency loan designation.

Since the emergency loan program is administered by the Farmers Home Administration, this bill contemplates that designation because of serious economic conditions would be based on recommendations

and supporting information submitted by the Farmers Home Administration.

The supporting information would include complete information concerning conditions in the recommended area and the attitudes of other lenders about the availability of agricultural credit.

This information will be gathered in surveys of affected areas, including contacts with bankers, representatives of production credit associations, business institutions, farmers, and agricultural lenders. Severe economic conditions alone would not justify a designation. There must also be a general inability of farmers or ranchers to obtain credit from other sources. Therefore, regardless of the severity of the economic conditions, a designation could not be made as long as farmers and ranchers are able to obtain credit from other sources.

As is presently true in areas designated because of natural disasters, this bill contemplates that in areas designated because of economic conditions loans would be made only to bona fide established farmers and ranchers. Also, it is contemplated that loans would be made subject to all the other basic policies governing emergency loanmaking in areas designated because of natural disasters.

These policies, some of which are based on the authorizing statute, some on legislative history, and some on good business judgment, prohibit making loans to enable an applicant to substantially expand his normal farming or ranching operations or to make major adjustments or reorganizations. In addition, loans are not made to finance commercial feedlot operations.

Let me emphasize that this authority, if granted, would not be competitive with other established sources of credit. Emergency loans are made only to established farmers and ranchers who are not able to obtain needed credit from other sources to carry on their normal operations. Each application is considered individually and on its own merits and the applicant must be certified as eligible by the county FHA committee before a loan is approved. Each applicant must have a good past record of operations, and must show good prospects for success with the loan.

The enactment of this bill to authorize emergency loans due to serious economic conditions will strengthen the position of the Department to assist farmers who need credit to help them through temporary emergency periods.

(The tabulations entitled "Loans Made From the Emergency Credit Revolving Fund or Disaster Loan Revolving Fund" and "Loans by Fiscal Year and Type" follow:)

ECONOMIC DISASTER LOANS

UNITED STATES DEPARTMENT OF AGRICULTURE, FARMERS HOME ADMINISTRATION

Loans made from the *Emergency Credit Revolving Fund*, or the *Disaster Loan Revolving Fund* under *Public Laws 58 and 727*, as amended, cumulative from inception of each program through June 30, 1962

State and territory	Production emergency loans		Economic emergency loans		Special emergency loans		Special livestock loans		Fur loans		Total loans		
	Number (1)	Amount (2)	Number (3)	Amount (4)	Number (5)	Amount (6)	Number (7)	Amount (8)	Number (9)	Amount (10)	Number (11)	Amount (12)	
U.S. total.....	299,079	\$452,914,571	71,801	\$102,022,333	26,308	\$30,935,950	10,258	\$91,229,691	653	\$5,471,362	348,099	\$682,573,907	
Initial loans.....	176,613	328,366,910	48,588	74,292,684	23,597	24,466,783	4,707	46,727,828	324	2,873,727	253,799	476,727,432	
Subsequent loans.....	62,466	124,083,865	23,213	27,729,649	2,741	6,468,405	5,551	44,501,863	329	2,597,635	94,300	205,841,417	
Loan costs 1.....		463,796				762						464,558	
Alabama.....	9,582	7,871,887	248	290,285	329	212,996	47	253,210	0	0	10,206	8,628,358	
Alaska.....	0	0	0	0	0	0	0	0	0	0	0	0	
Arizona.....	55	272,939	0	0	40	197,335	38	940,435	0	0	133	1,140,709	
Arkansas.....	18,588	39,992,695	8,985	12,237,110	490	440,412	599	886,955	0	0	28,662	53,557,182	
California.....	1,201	6,903,523	0	0	0	0	33	1,032,000	3	16,600	1,237	7,952,123	
Colorado.....	4,061	12,746,453	274	408,055	111	351,193	814	9,894,835	142	1,418,427	5,402	24,818,963	
Connecticut.....	58	347,723	0	0	0	0	0	0	0	0	58	347,723	
Delaware.....	51	173,955	0	0	0	0	0	0	0	0	51	173,955	
Florida.....	816	7,812,946	84	716,315	0	0	78	1,074,615	0	0	978	9,603,876	
Georgia.....	10,418	13,723,950	0	0	314	355,385	54	432,280	0	0	10,786	14,511,615	
Hawaii.....	79	205,090	0	0	0	0	7	49,375	0	0	86	254,465	
Idaho.....	637	3,414,897	0	0	56	206,735	73	1,831,960	21	88,240	787	5,541,832	
Illinois.....	629	867,106	0	0	406	553,085	2	18,600	21	443,260	1,058	1,903,051	
Indiana.....	78	129,022	0	0	183	284,760	11	170,900	14	112,735	286	697,417	
Iowa.....	856	1,110,360	0	0	613	350,288	2	4,000	0	0	1,471	1,694,648	
Kansas.....	5,257	16,710,710	2,205	3,860,785	0	0	303	4,422,165	0	0	7,765	24,993,660	
Kentucky.....	1,238	696,169	1,131	2,667,790	0	0	43	76,120	0	0	2,412	12,440,079	
Louisiana.....	7,111	13,037,108	2,582	2,669,274	0	0	17	150,475	0	0	9,710	15,856,853	
Maine.....	301	836,565	1,311	2,896,745	2,743	8,786,033	0	0	0	0	4,355	12,518,343	
Maryland.....	59	220,529	0	0	0	0	0	1,200	0	0	60	221,729	
Massachusetts.....	186	985,070	0	0	0	0	1	13,000	0	0	194	1,003,070	
Michigan.....	306	998,992	0	0	0	0	5	42,500	96	5,000	1,886,679	407	6,543,731
Minnesota.....	2,926	4,317,113	3,364	3,364,355	2,006	2,113,540	6	25,195	15	87,883	4,953	37,557,089	
Mississippi.....	21,756	33,613,262	1,162	546,457	1,162	546,457	5	34,595	0	0	26,287	41,314,567	
Missouri.....	17,298	30,789,394	5,544	6,909,238	1,698	1,580,065	1,354	2,035,870	0	0	26,244	37,557,089	
Montana.....	865	3,142,478	0	0	460	6,654,213	0	0	0	3,000	1,326	9,709,691	
Nebraska.....	73	107,368	0	0	1,114	1,257,080	11	227,240	1	0	1,198	1,591,718	

Footnote at end of table.

ECONOMIC DISASTER LOANS

UNITED STATES DEPARTMENT OF AGRICULTURE, FARMERS HOME ADMINISTRATION—Continued

Loans made from the Emergency Credit Revolving Fund, or the Disaster Loan Revolving Fund under Public Laws 38 and 727, as amended, cumulative from inception of each program through June 30, 1962—Continued

State and territory	Production emergency loans		Economic emergency loans		Special emergency loans		Special livestock loans		Fur loans		Total loans	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Nevada.....	57	605,731	0	0	0	0	80	1,917,130	0	0	137	2,522,861
New Hampshire.....	28	179,835	0	0	0	0	7	5,910	0	0	35	185,745
New Jersey.....	431	1,436,354	117	547,825	60	118,450	75	113,300	11	31,300	694	2,247,229
New Mexico.....	1,382	4,016,114	1,072	2,438,670	0	0	863	8,927,420	1	2,260	3,348	15,384,464
New York.....	253	1,884,323	5	15,365	51	359,350	42	51,070	14	211,873	315	2,521,981
North Carolina.....	8,749	8,607,976	6,076	5,826,296	1,046	993,685	2	4,915	0	0	15,873	15,432,872
North Dakota.....	22,050	24,585,156	0	0	10,780	9,438,603	5	17,835	0	0	32,845	34,041,594
Ohio.....	117	172,191	0	0	18	55,335	11	26,845	1	1,500	147	255,871
Oklahoma.....	9,712	11,960,550	4,985	4,350,636	0	0	676	5,595,708	0	0	15,373	21,907,894
Oregon.....	271	1,168,839	1	1,500	0	0	58	1,001,900	15	116,020	262	2,285,949
Pennsylvania.....	153	85,947	0	0	0	0	103	137,760	0	0	28	35,547
Rhode Island.....	28	14,915,504	0	0	1,335	792,415	2	10,870	0	0	18,231	15,718,789
South Carolina.....	7,926	7,229,833	0	0	1,782	1,677,298	171	1,771,460	3	15,000	9,882	10,693,591
South Dakota.....	4,729	4,056,779	2,146	1,383,595	0	0	58	75,190	0	0	6,933	5,515,564
Tennessee.....	58,174	152,201,840	30,659	53,051,563	0	0	3,695	36,085,495	0	0	92,528	241,341,838
Texas.....	568	2,491,994	0	0	160	2,632,205	134	494,045	0	0	862	5,618,244
Utah.....	85	220,420	0	0	0	0	5	9,180	0	0	91	229,600
Vermont.....	687	4,858,576	610	384,515	0	0	76	240,640	0	0	1,373	5,483,731
Virginia.....	809	5,891,168	0	0	4	131,195	80	485,975	0	0	893	6,508,338
Washington.....	25	354,575	1	1,000	0	0	47	27,465	0	0	73	383,040
West Virginia.....	369	837,117	0	0	0	0	0	0	0	0	442	1,930,074
Wisconsin.....	600	2,414,801	1	2,500	21	34,430	117	2,155,250	0	0	801	4,610,091
Wyoming.....	388	893,946	0	0	0	0	1	16,000	0	0	389	909,946
Puerto Rico.....	0	0	0	0	0	0	0	0	0	0	0	0
Virgin Islands.....	0	0	0	0	0	0	0	0	0	0	0	0

Average amount of loans

Initial.....	\$1,859	\$1,529	\$1,038	\$9,927	\$8,870
Subsequent.....	1,886	1,195	2,300	8,017	7,866
Orchard loans					
Washington.....	48	\$267,130			48

"Loan costs" represent the amounts advanced to borrowers for such purposes as the payment of taxes, insurance premiums, etc. Such advances related to economic emergency special livestock, and fur loans are included in the amount for production emergency loans.

Loans by fiscal year and type—Number and amount

Year	Special livestock ¹		Economic emergency ²		Special emergency ³	
	Number	Amount	Number	Amount	Number	Amount
1954-----	3,932	\$35,429,723	19,150	\$26,521,130	-----	-----
1955-----	2,512	19,413,325	27,569	39,584,651	1,514	\$1,550,822
1956-----	1,601	13,431,710	17,362	23,059,006	12,970	13,381,813
1957-----	1,158	10,864,448	4,264	6,417,416	8,739	9,732,750
1958-----	471	5,401,715	2,039	3,540,515	2,494	3,851,055
1959-----	247	2,689,815	745	1,386,920	591	2,419,510
1960-----	151	1,660,870	398	846,905	-----	-----
1961-----	104	1,178,260	235	642,680	-----	-----
1962-----	82	1,159,825	39	23,110	-----	-----
Total-----	10,268	91,229,691	71,801	102,022,333	26,308	30,935,950

¹ Public Law 38 as amended by Public Law 115, approved July 14, 1953.

² Public Law 78 as amended by Public Law 115, approved July 14, 1953.

³ Public Law 727, approved Aug. 31, 1954.

Mr. POAGE. I think it is quite apropos here to know just how much money there is available. We have this bill trying to implement this.

Mr. HIGBEE. There is available, Mr. Chairman, approximately \$95 million in the revolving fund. I believe at the close of business this fiscal year we will have used approximately \$50 million of the \$95 million. We had anticipated that we might use a slightly additional amount up to as much as \$64 million, but I believe that the figure will only be around \$50 million.

There would be available in the revolving fund between \$35 million and \$40 million to carry on this program.

Mr. POAGE. Just how large a program do you anticipate?

Mr. HIGBEE. The question as to how large the emergency loan program will become? We find in some instances that when we move in with the emergency credit, the banks stay with the individuals longer and will not liquidate out as many of their borrowers. The amount of money required, of course, would depend upon the seriousness of the economic situation.

Mr. POAGE. Since we have a rather serious economic situation for the farmers all over the country, could we not rather suspect that with this kind of a program that it would go to a tremendous size?

Mr. HIGBEE. I would estimate that it would be in excess of the amount of money presently available in the revolving fund.

Mr. POAGE. What I am trying to say is that I think we ought to recognize what we are doing.

Mr. JOHNSON of Wisconsin. Before a particular farmer would be eligible for a loan on his farm, that would have to be gone into. It has to be a natural disaster to cover that. In my area many people are in trouble putting in their crops but I do not think that will help them any this year.

Mr. McINTIRE. I think that we ought to make it clear that we are referring to natural disasters and not a national disaster, because this is a bill that would provide an additional tool in the hands of the Farmers Home Administration. It would use the criteria of economic effect by virtue of a prolonged period of low prices, using this concept as a supplemental tool to what is in the permanent legislation in the Farmers Home Administration, I believe, which deals with assisting in situations of natural disasters. In the administration of this pro-

posal the area would be limited to that area where, by virtue of a prolonged adverse economic situation, we would have a tight credit situation. The availability of credit would have to be a determination made by the Secretary and this would vary from one area to the other. I introduced this bill, because of my interest in the situation.

Under the provisions of Public Law 83-727, there was an authorization for taking care of various economic ills.

Could you supply for the record, Mr. Higbee, a list of those States concerned and the amount of money that was used under the previous authorization for the economic disaster part? We used this in my State, and it was very helpful at that time. Because of the developing situation we now have a period of low prices, and there is a concern on the part of some of us that other sources of credit are not going to prove adequate; therefore, I introduced this bill in November. I do not know what the experience has been in your State, Mr. Johnson, because you have late crops, but by virtue of a substantial improvement in price from the end of May on, our situation has improved somewhat.

U.S. DEPARTMENT OF AGRICULTURE,
FARMERS HOME ADMINISTRATION,
Washington, D.C., June 26, 1964.

HOUSE AGRICULTURE COMMITTEE,
Room 1310, Longworth House Office Building,
Washington, D.C.

DEAR MR. CHAIRMAN: We were requested at the June 25 hearings on H.R. 9186 to furnish a list of the 21 States mentioned in the testimony where special emergency loans had been made under Public Law 727, as amended.

We are enclosing this list. As you will note, there are actually 22 States instead of 21.

Sincerely yours,

FLOYD F. HIGBEE,
Acting Administrator.

U.S. DEPARTMENT OF AGRICULTURE, FARMERS HOME ADMINISTRATION
*Special emergency loans made from the revolving fund under Public Law 727,
as amended, cumulative from Aug. 31, 1954, through June 30, 1959*

	Number	Amount		Number	Amount
Alabama.....	329	\$212,996	Missouri.....	1,648	\$1,580,065
Arizona.....	40	197,335	Nebraska.....	1,114	1,257,080
Arkansas.....	490	440,412	New Jersey.....	60	118,450
Colorado.....	111	351,193	New York.....	51	359,350
Georgia.....	314	355,385	North Carolina.....	1,046	993,685
Idaho.....	56	206,735	North Dakota.....	10,780	9,438,603
Illinois.....	406	555,085	Ohio.....	18	55,335
Indiana.....	183	284,760	South Carolina.....	1,335	792,415
Iowa.....	613	580,288	South Dakota.....	1,782	1,677,298
Maine.....	2,743	8,786,033	Wyoming.....	21	34,430
Minnesota.....	2,006	2,113,540	Total.....	26,308	30,935,950
Mississippi.....	1,162	545,477			

Mr. JOHNSON of Wisconsin. You would not allow those under the new law—they got left out, is that not right?

Mr. McINTIRE. This has been in the law two or three times in various ways.

Mr. CAMPBELL. Yes, sir.

Mr. JOHNSON of Wisconsin. If we put this in, we are putting the law back the way it was for how long a period of years?

Mr. McINTIRE. It was up to and including 1959, I believe, under Public Law 83-727. This law was enacted in 1954.

Mr. CAMPBELL. That is correct. And it was for a temporary period, and then was extended twice.

Mr. McINTIRE. And then extended by the Congress, and then we got into the development of the Consolidated Farmers Home Administration. And it was not included in that legislation.

For the record, Mr. Chairman, I ask unanimous consent to file with the reporter my statement that I have here.

Mr. POAGE. Without objection, that may be done.

(The prepared statement of the Hon. Clifford G. McIntire follows:)

STATEMENT OF HON. CLIFFORD G. McINTIRE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MAINE

Mr. Chairman, there exists a real need for an authority that would permit the Farmers Home Administration to make economic disaster loans. This is evidenced by the fact that the Department of Agriculture has—as indicated in its May 6, 1964, report on H.R. 9186—“received many requests since the enactment of the Consolidated Farmers Home Administration Act of 1961 to make emergency loans available because of economic conditions.”

This points the finger at a real deficiency in our present credit system, for today there is no provision in law that authorizes the Farmers Home Administration to make emergency loans available where the need arises solely from adverse economic conditions.

Section 312 (a) of the Consolidated Farmers Home Administration Act of 1961 presently authorizes the Secretary of Agriculture to designate any area in the United States, Puerto Rico, and the Virgin Islands as emergency loan areas, providing, of course, the credit needs arise from a natural disaster.

H.R. 9186 would fill this credit vacuum by giving the Secretary of Agriculture the authority to designate for emergency loan purposes those areas that have a credit need occurring from serious economic conditions.

There is nothing new nor unique about this aspect of economic disaster loans, for these initially were put into effect through Public Law 81-38, which authorized economic loans by the Farmers Home Administration into areas declared to be disaster areas by the President of the United States.

Then, Public Law 83-727 liberalized this loan authority by permitting emergency loans for “any agriculture purpose”—a broad definition which included economic disaster. Public Law 83-727 was, of course, only temporary legislation; however, it was periodically extended.

These types of economic disaster loans continued up until the enactment of the Consolidated Farmers Home Administration Act of 1961, which embraced the policy presently in effect of extending emergency loans only into natural disaster areas.

At various intervals prior to the enactment of the Consolidated Farmers Home Administration Act of 1961, the Secretary was authorized, as reported by the Department of Agriculture “to make loans out of the emergency credit revolving fund based on economic conditions. The fact that loans were made on this basis to 71,299 farmers and ranchers in the total amount of \$224,348,099 is an indication of the extent to which economic conditions have influenced the ability of farmers and ranchers to obtain credit.”

Too, under the combined authorities of Public Laws 38 and 727 (from the inception of these programs through June 30, 1962), loans valued at \$682,573,907 were extended to 348,099 ranchers and farmers.

In 1939, Chairman Cooley introduced H.R. 7628, which was known in the 86th Congress as the Allott-Cooley bill. Section 21 (a) of that bill—as well as section 301 (a) of H.R. 11761 of the clean bill which Mr. Cooley later introduced after the committee had considered H.R. 7628—contained permanent authority for economic disaster loans. H.R. 11761 was passed by the House of Representatives on June 2, 1960. The Senate, however, failed to act on the bill and it died in the 86th Congress.

The language of H.R. 7628 and the Allott-Cooley bill, H.R. 11761, provided as follows: “* * * and (2) that the need for such credit in such area is the result of a natural disaster or severe production loss.”

During the 87th Congress, the Allott-Cooley bill was revised by the new administration and included as title III of the omnibus Agricultural Act of 1961.

The Kennedy administration bill proposed permanent economic disaster authority. Section 321 of H.R. 6400 by Mr. Cooley carried this language: " * * * and (2) that the need for such credit in such area is the result of a natural disaster, severe production losses, or cultural economic conditions encountered in the area by the producers of specified agricultural commodities and products."

This language was included in the bill (H.R. 8230), passed by the House of Representatives on July 27, 1961. The Senate version (S. 1643) carried only authority for natural disaster loans. For the conference, the House receded to the Senate on this provision and section 321(a) of Public Law 87-128, which is the present law, limited these emergency loans to natural disasters only.

Section 321(a) of Public Law 87-128 provides as follows: " * * * and (2) that the need for such credit in such area is the result of a natural disaster."

Here's what H.R. 9186 does: The language of this bill is identical to that requested by the Kennedy administration in 1961. It is similar in purpose to that of legislation requested by the Eisenhower administration in 1959 and 1960.

The provision which is the heart of my bill has passed the House of Representatives on two previous occasions—the Allott-Cooley bill in 1960 and as a part of H.R. 8230 in 1961.

In each of the previous instances, the Senate has refused to accept the proposal of the House of Representatives, a version which would have permitted the Secretary of Agriculture to make Farmers Home Administration economic disaster loans.

In its report dated May 6, 1964, the Department of Agriculture recommended certain modifications in H.R. 9186. These changes are technical rather than substantive, and I would have no objection to these revisions.

Furthermore, in that same report, the Department of Agriculture stated: "The suggested revisions are consistent with our recommendation concerning S. 2307 now pending in the Senate."

Mr. McINTIRE. My interest developed largely because of the situation which was developing in my own area and having had very favorable experience with the use of this authorization in previous years; that is, Public Law 83-727, I introduced this bill. There was a limitation of \$15,000 in the bill. My experience was that through the basic authorization it was very helpful in that kind of a circumstance, and that is why I considered the appropriateness of providing the Farmers Home Administration with this tool. It had been a part of the law before and had proved helpful to a number of States and I thought it was a tool which would be helpful again and that could be used in specific areas where it had developed that the source of credit, including the normal services of the Farmers Home Administration, were not adequate to serve the people for a temporary period. This is the basis of my submission of this legislation.

Mr. POAGE. Let us analyze the question further.

Mr. CAMPBELL. The economic emergency authority that Congressman McIntire referred to is the only one of several which had a dollar limitation in it. Public Law 499 first established in the Secretary of Agriculture the authority to make emergency loans. Section 2(a) of that act as originally enacted continued a practice developed by the Regional Agricultural Credit Corporations under their broad general authority of making loans in certain areas where there was an economic situation as distinguished from a natural catastrophe.

The 1949 act authorized that type of loan to be continued on a temporary basis.

Then came the drought of the early 1950's and the Congress amended that law to provide, as a separate section on a temporary basis, special livestock loans addressed more to the economics of the livestock indus-

try although that may have been compounded by the drought situation. It was not so much the drought as the threat of the drought which induced marketings that prompted the Congress to enact this special livestock law.

That particular section of the act was extended from time to time.

It had no monetary limitation on the size of the loan. Therefore, when we considered the consolidation of the existing authorities in connection with the Consolidated Farmers Home Administration Act of 1961 we attempted, and I think demonstrated to the satisfaction of this committee, the subcommittee, and the members present who examined those matters in detail to draft it in a manner which would utilize the broadest of the existing authorities. We did not put a monetary limitation, nor did we put in a time limitation.

For documentation the chairman may wish to refer to Union Calendar Report No. 293, 1st session of the 87th Congress, Report No. 754.

The provisions of the bill as approved by this committee and passed by the House will be found on page 144 and the committee's comments and recommendations on this particular issue will be found on pages 74 and 75. You may wish to incorporate that in your record here.

Mr. POAGE. To get back to what I was talking about, I would ask the Farmers Home Administration the same as we asked the Soil Conservation Service, would it be wise to jeopardize programs that are good and have public support, with programs that may jeopardize the whole program?

As to the livestock bill I am sure that we did not do that with that, did we?

Mr. HIGBEE. Livestock loans do run higher than other loans, although—

Mr. POAGE. I am deeply interested in seeing that we do give adequate protection to the livestock industry. You give livestock loans, disaster loans for livestock. You make big loans, do you not?

Mr. HIGBEE. Yes, sir.

Mr. POAGE. And you make them, whether rightly or wrongly. I do not want to call any names but you have had some very big loans, have you not?

Mr. HIGBEE. In the emergency loan program, Congressman Poage, the average loan was something less than \$3,000.

Mr. POAGE. That is not what I am talking about. You have some loans for several hundred thousand dollars.

Mr. HIGBEE. The largest loan that I recall was up to one-half a million, approximately one-half a million dollars.

Mr. POAGE. One-half million dollars. That is several hundred thousand dollars. And that sum would make loans to a whole lot of these small farmers, the loans that average \$3,000—that would make a great many of those smaller loans.

What I am getting at is this, that when we put no limit on these, do we not drain off our resources to such an extent that it becomes impossible for the program to serve all those who want in? Certainly such a program cannot get very widespread support.

I am not trying to say that these people are not entitled to help, but what I am trying to say is that nobody is going to continue to get any loans unless we have a limit where the program will retain public support. You cannot make many one-half million dollar loans

under the Farmers Home Administration with the concept that we now have of the Farmers Home Administration, because when you go to making one-half million dollar loans or \$100,000 loans—I do not care what the stress is, you are in the commercial business—you are not just saving somebody's home—you are in the commercial field in a big way.

Mr. HIGBEE. Do not misunderstand me; we are not arguing for the real large loans.

We will be glad to furnish you a list of the size of the loans.

Mr. GATHINGS. Most all of these loans have been repaid. And there is no way to get away from that. That question was just brought up by the chairman as to the size of the loans.

Mr. POAGE. We had limitations in the past as to the size of the loans. Why do we not have it now?

Mr. GATHINGS. Originally, we had the regional agricultural credit corporation, back a few years ago in the late 1940's. But why do you bring up the issue here? An awful lot of people, farm people who are in disaster areas require loans?

Mr. POAGE. We have to have it for the whole community.

Mr. GATHINGS. Whole communities are involved. You have a situation where lost of people are working in the operation. A large farm is an aggregate of many small farms. We need large operators as well as small operators in this business of farming. We do not want to put them out of business. I think that in America we ought to encourage initiative in the individual to get ahead. That is most important to maintain the time-honored system that effort and energy plus skill pays dividends. A person should not be discouraged from increasing the size of his farm.

Mr. JOHNSON of Wisconsin. In all of the years that the law has been on the books have we had any trouble?

Mr. CAMPBELL. The only segment of the previous authority that had the limitation—the only segment there consisted of three different economic emergency authorities on the books at one time. Only one of those three had a dollar limitation. That was Public Law 727 with respect to which Congressman McIntire spoke awhile ago.

Mr. POAGE. That was a limitation of \$15,000 and you could not loan a man enough to raise his existing indebtedness above \$20,000.

Mr. CAMPBELL. I believe that is correct.

Mr. McINTIRE. If you will yield, Mr. Chairman, I might ask Mr. Campbell a question. There was a period when that was true. Was not that under 727 substantially used in the area of economic distress?

Mr. CAMPBELL. Of the three?

Mr. McINTIRE. Yes. The amount of the money.

Mr. CAMPBELL. But as I tried to explain awhile ago, I considered the special livestock loan as predominantly an economic situation, and I would have to compare the amount of money used in the special livestock program with 727 usage before I could answer that question specifically.

Mr. McINTIRE. But the limitation under 727 did not impair the effectiveness of that legislation materially, did it?

Mr. CAMPBELL. I have no survey of the statistics on which to say how many applicants really needed more than the \$15,000.

Mr. POAGE. Those livestock loans should be referred to as economic disaster loans. They were actually made on the theory that there was a natural disaster. It was a widespread situation which in turn created economic disaster. I think that any natural disaster creates an economic disaster.

Mr. CAMPBELL. If that had been absolutely true we would not have needed to have amended the existing law, to enact special livestock authorization, because at that time we had authority to make emergency loans for natural disasters.

Mr. POAGE. But you had to define the area of the natural disaster, did you not?

Mr. CAMPBELL. Yes, sir.

Mr. POAGE. And the special livestock loan recognized the widespread area. It did not go on and said that you could make it anywhere, to any producer.

Mr. HIGBEE. No, we also designated an area after investigating the needs of the credit in that area. There are two conditions. One is that you have to have the economic emergency, and, secondly, that you have to have an area where you cannot obtain credit. If they can obtain credit from other sources they would not be eligible.

Mr. POAGE. Again I ask, do you think if you pass this kind of a bill—do you think the widespread support of the Farmers Home Administration which you presently have and which we all want you to continue to have, would continue? That is the question. I would like to have an answer from the gentleman on that.

Mr. HIGBEE. I believe that we can, because with the operations of the emergency program without any limitations, we have been pretty careful in making large loans. When we do make them they are pretty well under circumstances where people are familiar with them, know what the situation is, and we do not believe that by passing this legislation it would adversely affect the overall Farmers Home Administration program. We will continue to be very diligent in making large loans. We would not go out promiscuously and just make large loans. Basically, the number of large operations still have some equity in their real estate holdings.

Mr. POAGE. I do not question that. If you loan the large ranch \$10 million, it would have much better security than you would have if you loaned some shirttail farmer down in the Brazos bottom \$300. The security from the banking standpoint—there is no question about it—is such that it would be more and you can make those larger loans.

Mr. HIGBEE. It is basically for the purpose of financing the family-type farmer.

Mr. POAGE. Not many family-type farmers need \$100,000.

Mr. HIGBEE. A very limited number, sir.

Mr. POAGE. That is what I thought. That is all I am driving at. I do not have any objection to making it broader, but I want to be very sure that we don't destroy the program.

Off the record.

(Discussion off the record.)

Mr. POAGE. On the record.

Mr. McINTIRE. I certainly would want the record to show that I have a very keen interest in preserving the fine picture of relations that the Farmers Home Administration has in serving agriculture.

It would not be my purpose at all in considering this legislation of moving into an area which would jeopardize this fine record of excellent relationship.

I have had some experience with producers. They felt that it would be a good help, with an appropriate legislative record that an amendment might be considered which would serve as a tool and could be helpful in these areas where prolonged low prices have developed very serious questions of economic distress. That is based on past experience that was had in the use of this type of authorization. And we felt that consecutive legislation might be considered, that it would be a tool that might be helpful.

Mr. JOHNSON of Wisconsin. There is a question I want to ask. You were asked the question as to what the biggest loan was. The answer was one-half a million. Under what authority was that one-half a million lent? You cannot do it under this authority.

Mr. HIGBEE. That is under our natural disaster authorization.

Mr. JOHNSON of Wisconsin. A natural disaster.

Mr. GATHINGS. How many of those were there?

Mr. HIGBEE. A very limited number. I do not have the exact number.

Mr. GATHINGS. With respect to these emergency loans there were very, very few that would be in that size figure.

Mr. HIGBEE. I think that in the last 2 years there has, probably, been no more than five, but we will be glad to furnish that information.

Mr. GATHINGS. In the last how many years?

Mr. HIGBEE. In the last 3 years.

Mr. GATHINGS. Three years.

Mr. HIGBEE. We will be glad to furnish the exact number of those loans.

(The information follows:)

Emergency loans \$25,000 or more, fiscal year 1964

State	\$25,000 to \$49,999		\$50,000 or more	
	Number	Amount	Number	Amount
Arkansas.....	24	\$840,000	1	\$51,000
California.....	4	147,630	2	153,910
Florida.....	5	164,210	-----	-----
Idaho.....	1	25,000	2	192,550
Louisiana.....	3	119,000	3	321,730
Maine.....	-----	-----	1	60,000
Minnesota.....	-----	-----	4	252,520
Mississippi.....	10	318,670	3	298,640
Montana.....	1	25,000	1	54,830
New Jersey.....	1	25,000	-----	-----
New York.....	-----	-----	1	60,000
Oregon.....	1	31,000	-----	-----
Pennsylvania.....	1	-----	1	94,000
South Carolina.....	4	142,600	4	316,280
Texas.....	48	1,597,130	9	758,670
Utah.....	3	118,220	-----	-----
Virginia.....	1	34,670	1	50,950
Washington.....	-----	-----	1	104,000
West Virginia.....	1	46,920	-----	-----
Total.....	107	3,635,050	34	2,739,080

Through June 19 of the 1964 fiscal year 14,997 emergency loans had been made in the total amount of \$49,747,406. Out of this volume 14,586 were in amounts less than \$25,000 each, averaging approximately \$2,920. There were seven loans in amounts of \$100,000 or more, as follows: \$104,000, \$105,000, \$107,150, \$116,060, \$136,330, \$188,130, and \$204,360.

Emergency loans \$25,000 or more, fiscal year 1963

State	\$25,000 to \$49,999		\$50,000 or more	
	Number	Amount	Number	Amount
Arkansas.....	27	\$941,450	2	\$455,000
California.....	5	168,650	3	741,840
Florida.....	2	74,000	2	174,040
Georgia.....	1	43,830		
Idaho.....	2	62,960	1	123,250
Louisiana.....	5	162,610	3	366,210
Maine.....			1	60,000
Minnesota.....	5	174,110	2	145,920
Mississippi.....	17	625,200	3	221,600
Montana.....	3	131,060	4	413,180
Nebraska.....	1	30,000		
New Jersey.....	1	25,000		
North Carolina.....	1	48,160	1	52,060
Oregon.....	1		1	110,000
Pennsylvania.....	1	32,000		
South Carolina.....	2	56,550	4	345,000
Texas.....	39	1,304,670	11	748,950
Utah.....	4	154,370		
Virginia.....	2	64,460	1	54,600
Washington.....			1	250,000
West Virginia.....	1	44,210		
Wyoming.....	1	30,000		
Total.....	120	4,173,290	40	4,201,650

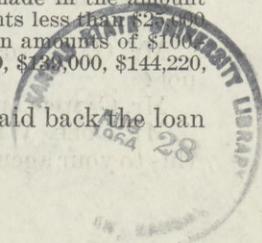
During the 1963 fiscal year 19,344 emergency loans were made in the total amount of \$62,479,239. Out of this volume 19,184 loans were in amounts less than \$25,000 each, averaging approximately \$2,819. There were 11 loans in amounts of \$100,000 or more, as follows: \$104,000, \$110,000, \$110,000, \$113,000, \$123,250, \$131,100, \$136,400, \$146,970, \$250,000, \$400,000, and \$600,000.

Emergency loans \$25,000 or more, fiscal year 1962

State	\$25,000 to \$49,999		\$50,000 or more	
	Number	Amount	Number	Amount
Alabama.....			1	\$60,000
Arkansas.....	26	\$920,250	7	795,000
California.....	6	179,380	1	50,200
Florida.....			2	138,000
Idaho.....	2	86,740	2	182,850
Louisiana.....	6	204,360	5	437,980
Minnesota.....	3	103,850	1	94,200
Mississippi.....	7	267,160	6	380,330
Montana.....	6	220,810	4	357,970
Nevada.....	3	101,970		
North Carolina.....			1	58,540
North Dakota.....	1	27,940	1	56,280
South Carolina.....	2	54,000	4	369,000
Texas.....	41	1,460,870	8	900,940
Utah.....	8	304,510		82,000
Virginia.....	5	155,140	2	124,850
Washington.....	2	82,890	2	627,400
West Virginia.....	1	44,630		
Total.....	119	4,214,500	47	4,715,540

During the 1962 fiscal year 20,743 emergency loans were made in the amount of \$61,966,231. Out of this volume 20,577 loans were in amounts less than \$25,000 each, averaging approximately \$2,577. There were 12 loans in amounts of \$100,000 or more, as follows: \$101,500, \$114,000, \$126,000, \$126,850, \$139,000, \$144,220, \$173,390, \$194,036, \$283,200, \$344,200, \$363,860, and \$400,000.

Mr. GATHINGS. How many of those, Mr. Higbee, paid back the loan to the Farmers Home Administration?



Mr. HIGBEE. I can recall three of them that paid it in full and one of them still has an outstanding indebtedness.

Mr. GATHINGS. Should they not be given the same consideration as anyone else who is suffering from a natural disaster as the result of excessive rainfall or hailstorms or whatever the situation might be?

Mr. HIGBEE. We were attempting to carry out the original intentions of the various programs that were given the Farmers Home Administration to administer. One of them was the funds available under the Regional Agricultural Credit Corporation and it had no limitations. So in our recommendation we have attempted to try not to narrow the authorization as went into the Agricultural Act of 1961 and that is why we recommended it to be similar to those acts that we were placing in it.

Mr. GATHINGS. This additional question. Do you not go over these applications with a fine tooth comb? You usually find out all you can about the party—all about his debts and his potential. You look into it most carefully; is that not right?

Mr. HIGBEE. That is right.

Mr. GATHINGS. What type of loan had this \$15,000 limitation in it?

Mr. CAMPBELL. That was a temporary act which authorized loans in areas designated by the Secretary of an emergency character because of economic conditions only. It was an authorization for a 3-year period. It had an aggregate amount—it had a limitation of \$15,000 as the initial loan to any one applicant and a total indebtedness limitation of \$20,000, but that act, if I recall correctly, was presented to the Congress arising out of a potato situation and some vegetable situation in which the farmer's returns on those commodities were low, not because of a natural condition but because of the increased cost and, perhaps, oversupply of the commodity for a temporary period, to a point where the producers of those commodities had been forced to carry over some of their production credit for several years.

The result of that was that private, commercial, and cooperative credit sources were threatening liquidation of those borrowers who are really good producers, and were merely caught in a temporary economic squeeze. The limitations on private and cooperative credit were such that the producers were threatened with the termination of their usual source of credit. They did respond to the stimulus of this emergency credit, and for the most part did recover and are now back in the usual credit sources.

Mr. GATHINGS. And they were largely small operators, because a potato farmer, for example, does not have a great acreage.

Mr. CAMPBELL. Many were small, and some were larger.

Mr. GATHINGS. There was no argument that the \$15,000 was inadequate, was there?

Mr. CAMPBELL. I cannot speak to that, Congressman Gathings. I just do not have the information which would permit an honest answer.

Mr. GATHINGS. It was for a short period of some few years, was it not?

Mr. CAMPBELL. Yes, sir.

Mr. DOLE. What would be the terms of these loans, so far as relating this to your agency?

Mr. HIGBEE. The terms of our emergency loans usually are just short-term loans, say 1 or 2 years for operating expenses and in this case those would be the great majority of them. In a few instances under the special livestock loan program we made loans up to 5 years where an individual lost all of his livestock and he had to replace it and he could not pay it off the first 2 or 3 years.

Mr. DOLE. Under the present law that is 5 years?

Mr. HIGBEE. The present law does not have any limitations with respect to repayment except that loans may not be scheduled for repayment over longer periods than are provided for loans for similar purposes under subtitles A and B of title III of the act. In a few instances in the emergency program, because of a natural disaster, where we have to replace buildings, we presently have instructions to let them have up to 20 years, but the term is based upon the individual's ability to repay. If he can repay it in a shorter period of time, we set it up for a shorter period of time.

Mr. DOLE. And livestock it may be 2 or 3 years maximum?

Mr. HIGBEE. Only in those instances where an individual with an economic emergency—where he did not lose his basic herd—he, probably, would just have a production loan of 1 or 2 years.

Mr. DOLE. And the rate of interest is at 3 percent, a flat 3 percent?

Mr. HIGBEE. Three percent.

Mr. DOLE. What about the livestock producer right now, say, in Kansas or anywhere else, who has a banker on his neck, and the banker is about ready to call his loan—does he get relief under this program for his existing indebtedness—can you provide him with an emergency loan to take care of the bank so he can keep his herd?

Mr. HIGBEE. We, basically, do not refinance the primary debtor. We go in and furnish the operating funds for 1 or 2 years until he gets back on his own feet and continues with the banks.

Mr. DOLE. So that it would be up to him to make the arrangements with the bank as to his indebtedness?

Mr. HIGBEE. Yes.

Mr. DOLE. With the bank, and you would not pay off the bank?

Mr. HIGBEE. No.

Mr. DOLE. And this program would not make it possible to expand his existing facilities?

Mr. HIGBEE. That is right—it would not do that.

Mr. DOLE. He would have to have a real emergency, until he can stand on his own feet?

Mr. HIGBEE. Yes, sir.

Mr. GATHINGS. I want to say that you have done a great job. If it had not been for the Farmers Home Administration untold numbers of farmers in many areas would have suffered—they would not have been able to operate.

Mr. HIGBEE. I might add this that we are not for the making of large loans. As you know, our basic policy is not that. We know that we are directed by this committee and the Members of the Congress to help the family farmer, but we do feel that by going to somewhat larger loans than the family farmer requires, the definition applies to that, it keeps us out of criticism by someone saying, "You would not help me—you waited until I got clear down before you would help me." So in many instances we have helped individ-

uals who were slightly larger than the family farmer size to stay in business, which prevented him from collapsing and then coming back into the program.

So if we continue to stay away from any large number of real large loans I do not believe, Mr. Chairman, that it will have an adverse effect upon our overall program in the Farmers Home Administration.

Mr. POAGE. I am interested in your saying that you can stay away from any large number of real large loans. When you begin making some of these larger loans it will have very significant economic advantages to the large operator to be able to get this loan?

Mr. GATHINGS. It is to keep a man in the business of farming.

Mr. POAGE. I think it is a great deal more than that. I think that when you are doing a commercial business, when you are making loans of \$100,000, you are in the commercial business, and you are not simply maintaining the home—you are doing something to maintain commercial business.

Mr. GATHINGS. There are many people and homes on those farms, too.

Mr. POAGE. I know there are homes that are worth several hundred thousand dollars, perhaps, but I do not think that our Government can set itself up to provide special assistance to take care of that kind of a loan. There are homes that are worth more than \$100,000. I grant you that. I certainly agree that these are the safest loans you are making—you will get your money back—the larger the loan is the safer it is to you people—you can get this money back, but the man who is borrowing one-half million dollars is now paying 6 or 7 percent interest. He will get it from you for 3 percent. That is a tremendous economic advantage that he gets. If you open the door he will come in. I don't blame him. I do not think that I, myself, could resist the pressure. Maybe you can, but I doubt very much if you will, or that you can. And if you do, you are going to have some of the most intensive pressure to make these loans. You say that you are going to make only a few of them, but when you make me one, Mr. Hagen will say, "You have got to make me one," and I do not think that you can keep that door just ajar. I think that you need to shut it or you will have to keep it wide open. And I think that when you keep it open you are in the commercial banking business, clearly.

Mr. GATHINGS. And if you keep a man on the farm that is most important, too. The Farmers Home Administration has been keeping the man and his operations going. He may be a one-gallus farmer or a large operator. These folks take care of the farmers. And they have kept them in business. What is wrong with keeping a man on the farm, other than the fact that he might have a large operation, rather than a small operation? What is wrong with the man because he saved his money and has been prudent and has worked hard and has a large farm as a result, which he acquired by buying another little piece of land to add to that which he had—what is wrong with that?

Mr. POAGE. I do not find anything wrong with that, but neither do I find anything wrong with the proposition we were talking about a few moments ago, on this other phase, the Soil Conservation Service. We recognized that we have a program here of small watersheds that is good. But I doubt that we can include the city of Los Angeles and retain the program we have.

Mr. GATHINGS. That program is quite different.

Mr. POAGE. That is right. I am not opposed to the big operator. I just don't want him to get all the money so that there won't be any money left for the little farmer.

Mr. GATHINGS. This committee ought to help people, to offer some aid by this.

Mr. POAGE. I do not think that it is a wise thing to syphon off a very sizable portion of the money of the Farmers Home Administration to go into these big projects.

Mr. GATHINGS. Mr. Higbee just said that there were sizable balances in the revolving fund. Adequate money has not been an issue. Whatever is needed has been made available.

Mr. POAGE. He has just told us that he thought they needed more money.

Mr. HIGBEE. That is right.

Mr. POAGE. If you syphon a large part of the funds we have off into these larger loans, no matter how meritorious they may be, as I see it you just are not going to be able to carry out the regular program. I am not saying that these things do not have any place here, but I am saying that it is more important to keep the program we have got going than to have that kind of a program.

Mr. McINTIRE. These are two areas which are quite different. One is the natural disaster area. This is not under consideration. The matter that is under consideration is whether there should be a limitation in relation to the economic loan. Does not this make a difference? In other words, the disaster loans concern the situation where there is a physical disaster on the physical property of these people.

Mr. POAGE. It is different, because when a man suffers a natural disaster, it is perfectly obvious—he is seriously impaired in his operations. When he suffers an economic disaster, he is still a businessman who is still engaging in competition with his neighbor on exactly the same basis his neighbors are on. Surely private credit will ride along much longer with a large operator than it will with the small farmer.

Mr. McINTIRE. If you will yield. In the use of this provision in previous authorizations it was applied to the disaster areas and did not apply to commodities.

Mr. POAGE. That is correct. You are applying it to the commodity now. I do not care whether it is in South Carolina or in Texas or in California. For example, cotton sells at 78 percent of parity. And under any kind of a definition that is a kind of disaster. You would consider it that, would you not?

Mr. HIGBEE. Yes.

Mr. POAGE. You would consider that an economic disaster.

Mr. HIGBEE. We have not discussed the prices with relation to this. We are using here as a criteria that when the prices get below the cost of production.

Mr. POAGE. Do you consider that if we pass this bill that it would authorize you to make loans to any cottongrower in the United States?

Mr. HIGBEE. Not at the present time.

Mr. POAGE. Why would it not?

Mr. HIGBEE. Basically, I think that you will find that they have access to credit. And the price of cotton has not gotten to the point where it becomes a serious financial situation here.

Mr. POAGE. I think it is. Then let us ask you this, the price of livestock is down to a very low level. What do you think about cattle prices? Would all cattlemen qualify under this bill at this time?

Mr. HIGBEE. We indicated that unless the prices would have some improvement there would be some over 4,000 individuals in difficulty.

Mr. POAGE. Livestock is not any lower with respect to parity than the price of cotton. As I see, both livestock and cotton men are in economic trouble at least approaching the disaster level.

Mr. HIGBEE. I have not made a direct comparison on that. I do know that cattle prices are down—14, 16 cents were the prices feeders sent out to the ranchers recently. The records that we have show that you cannot produce them for 14, 16 cents.

Mr. POAGE. I agree with you. You cannot produce them for 14 cents. I sure do agree with you.

Mr. GATHINGS. Will you yield?

Mr. POAGE. Yes.

Mr. GATHINGS. The Secretary has set the price for cotton at 33½ cents per pound for all that grow it under 15 acres, that is an allotment of 15 acres, and that happens to be practically 85 percent of the total cottongrowers in the whole belt. Thirty-three and one-half cents a pound would be an appreciable increase over that which the farmer got for his crop in 1963. In the drought disaster of 1930 we made only about one-third of a crop and cotton sold for 7 cents a pound. That is what the gentleman from Maine is talking about. He is talking about a situation based on 1930 when our crops were only one-third normal yield. Stalks in our part of the country were only about 14 or 15 inches high.

Mr. McINTIRE. The point that I was initially trying to bring out was that during economic disaster it is the smaller, the average sized or smaller farmer, to whom credit generally will be less available than to the big farmer. That is the economics of it. The big farmer has a better type of credit, to a higher degree, than the smaller farmer in a low priced situation. The point that I was trying to develop in the case of a natural disaster, where there is no limitation on the size of the loan for the farmer, is quite a different circumstance. That is in the economic phase of it. In the economic disaster situation the larger operator has a line of credit which will sustain him much more so than does the small operator.

Mr. GATHINGS. That is true. But, of course, there is a chance that he will be wiped out, too. There are other factors that enter into the matter. When a larger operator collapses the impact is felt by many segments within the community, whether the cause is economic or from an act of God.

Mr. McINTIRE. This proposal here makes clear the basis upon which the authorization would stand.

Mr. POAGE. I thank you very much, gentlemen, for your presentation.

Mr. HIGBEE. Thank you.

Mr. POAGE. We will now hear from Mr. Graham.

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

Mr. GRAHAM. Mr. Chairman and members of the subcommittee, I will introduce myself for the record as Harry L. Graham, the legislative assistant to the master of the National Grange. And then if I may, I should like to file my statement. It is a short statement anyway. And then I would simply like to make two or three comments about it.

Mr. POAGE. Without objection that may be done.

(The prepared statement of the National Grange follows:)

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

Mr. Chairman, members of the committee, my name is Harry L. Graham. I am legislative assistant to the master of the National Grange.

The National Grange appreciates the opportunity of appearing before this committee in support of the amendment to the Consolidated Act of 1961 which has been introduced by the Honorable Clifford McIntire of Maine and referred to this committee.

This amendment provides that lending authority previously possessed by the Farmers Home Administration and adopted by the House in 1961 and stricken by the Senate be restored to the Farmers Home Administration. The National Grange has always supported the granting to this lending agency of the widest possible authority for making not only the regular purchasing and operating loans, but the emergency loans which are the difference between survival and bankruptcy for farmers in various areas at various times.

We are all familiar with the operation of the disaster area loans when the disaster is one of nature such as drought, flood, etc. These loans have stood farmers in good stead when these natural disasters have struck and have been a source of retaining solvency for many farmers.

Some of the disasters which beset producers, however, are not the work of nature, nor are they the result of the activities of any one farmer, but rather the collective impact of some of their activities on the economy as it is related to the commodities which are the prime sources of income in their areas.

This is partly the problem which the producers of potatoes in Maine have faced for several years when a major problem which has created the low prices for their product has not been an act of nature nor an act of the farmers, but rather the kind of futures trading which has been permitted under existing legislation. We congratulate this committee and commend it for having the wisdom to report out the bill introduced by Congressman McIntire to eliminate this problem and express to you at this time the earnest hope that this legislation will be brought before the House for a vote during this session of Congress.

Even where there is an overproduction on the part of the producers of any one commodity, there are times when in some areas the situation is such that normal credit is not available to these farmers to continue in operation while they await the market adjustment that can come from their own actions. This has been true in potatoes, it is true in the dairy industry in some areas today, and it is most dramatically true in the beef producing areas whose problems have created so much comment in the past few months.

Loans such as this authorize were made by the Farmers Home Administration at the last low point of the beef cycle and were means of keeping many producers from going bankrupt. We do not know the extent of the need for these loans this year but there seems to be considerable indication of the possibility of substantial credit needs because of the combination of beef imports and extremely high cattle production in the United States.

In a situation such as this, commercial banking firms are most apt to stay with the extremely large producer, partly because there are instances in which they have so much invested that they have no alternative except to try to stay with him long enough to rescue their investment. This is not necessarily true when a smaller farmer is involved and especially where he has not over capitalized to the point that he is insolvent.

If Government farm policy and farm credit policies are to be continued on the basis of a necessity for helping these farmers who are efficiently sized and owned and operated by family units, then some standby authority for the Farmers Home Administration such as is contained in this amendment seems to us to be highly desirable and in some instances critically necessary. This legislation which has been proposed properly recognizes that there are disasters that are economic in character and that these need to be given the same credit considerations as are the natural disasters.

We, therefore, urge favorable and prompt action by this committee on this legislation and promise you our support in attempting to get it passed by the Congress.

Mr. GRAHAM. The National Grange supports this legislation which has been introduced by Congressman McIntire, because we believe that the economic disasters—and we believe that history proves this—are just as far reaching and just as damaging to our agricultural economy as our natural disasters, although they are not quite so dramatic. You can see a flood or a tornado or a drought. It is a little harder to see a continual reduction in prices of commodities that leaves people with a restricted purchasing power and with much difficulty with the problem of obtaining credit, than if they had their house washed away or their barn destroyed by fire.

There has been reference made to 1930, which is a classic example of an economic situation. We have had some in more recent years, not quite so classic but just as damaging to particular areas. One in the area that Congressman McIntire represents in terms of potatoes and I will tell you that we have had a lot of correspondence and visitors in our office from the potato people of Maine this year. And may I comment just quickly on one factor of this which concerns me, and that is that some of these economic disasters are partially the result of Government action or the failure to take remedial action in changing existing legislation.

In the legislation which Congressman McIntire introduced—and which this committee has already approved and which is still hanging fire—to eliminate futures trading in potatoes in Maine, I think had a great deal to do with the economic disaster that came in Maine, and those farmers up there had nothing to do with it, and they had no way of solving their problem within the existing law.

In the case of dairy, I think that we have got the same kind of a situation in the Federal milk market orders.

I will send to the committee and the members of the committee tomorrow a short study which I have just completed on the New York-New Jersey market in which I will show to you that as a result of the inability of the farmers in those areas to cut off their production of surplus milk that they lost 13 cents per hundredweight on all of the milk they sold last month; that their total loss was over \$2 million; they lost 78 cents per hundredweight for 59 percent of their milk. And the cost to the Federal Government was \$29 million for handling that surplus.

This is economic disaster any way you want to put it. This is a one-way road to bankruptcy for the dairy farmers. And I think that these gentlemen, I know, are needing at the present time a great deal of the kind of help which is available in this kind of legislation. And unless we change the legislation we have on the books they will need a great deal more.

In the case of beef—and here is a particular example—we had a combination of circumstances over which no individual beef producer had any control whatsoever. We had at one and the same time the contraction of the European market and finally, as the result of that, the increase in the imports from Australia and New Zealand.

We had at the same time cheap feed and we had an unusual expansion of the beef herds in America. And all of these came at one time. And they created an economic disaster for many of these people.

I personally think that the feeder is going to come out of this in a little better shape than the fellow who raises calves and raises lambs. They are the people that this whole economic process is going to revert back to and these gentlemen are going to have real trouble in this next year or so in my judgment, in trying just to stay alive and to survive in the midst of this situation we have today, even with the improvement in the beef market.

And these are the kinds of situations which the present legislation does not cover. It is the authority that the Farmers Home Administration does not have at the present time. And we believe that it is necessary for the survival of these farmers, and in the final analysis for the good of the country.

And for this reason we are very hopeful that this legislation will be passed and that this authority will be granted to the Farmers Home Administration.

Mr. POAGE. Thank you, Mr. Graham.

Mr. GATHINGS. You have heard the colloquy this morning—you were back there in the room?

Mr. GRAHAM. Yes.

Mr. GATHINGS. What do you think about the matter of following the recommendations of the Farmers Home Administration, leaving off any question that has to do with the limitation—what does your organization feel about that—what is its views with respect to that?

Mr. GRAHAM. That is just a little fuzzy.

Mr. GATHINGS. It is a little what?

Mr. GRAHAM. That is a little bit fuzzy. We generally have thought of this organization, the Farmers Home Administration, as being one concerned with the family-type farm. And definitions of the family-type farm are getting difficult to come by now. I do believe that this should not—

Mr. GATHINGS. Are you opposed to emergency loans—is that what you are saying?

Mr. GRAHAM. No.

Mr. GATHINGS. Are you for making loans available to farmers regardless of size?

Mr. GRAHAM. No, no.

Mr. GATHINGS. Well, we are for the family-size farm operation here. We are for that.

Mr. GRAHAM. What I am trying to say here is that because this is a little hard to say what you want to say without being misunderstood one way or the other, I do not believe that we would look with favor on the granting of this kind of lending to the syndicate type of operation that has grown up as a profit taking institution where, for instance, in the beef industry they have pulled together a hundred thousand

cows or feeders, in that type of syndicate, and we have some of that and did have some of that back in the 1950's—these fellows who have done this on the basis of a gamble, some of them have gambled and lost. Now this is different from the operator who has stayed in this business all of the time and has gradually accumulated more and more productive capacity and this is the definition that I would think would be more desirable than size alone.

Mr. GATHINGS. I can see your point.

Mr. GRAHAM. You see why I had to outline my position before I could say what my conclusion was.

Mr. GATHINGS. Thank you.

Mr. POAGE. Mr. Hagan.

Mr. HAGAN of Georgia. No questions.

Mr. POAGE. Mr. Harvey?

Mr. HARVEY of Indiana. I have one comment to make, and this goes back a good many years when I was acting on behalf of the Production Credit, before the Farmers Home Administration became fully operative, at least in my area, and I found this one thing that in times of great stress, that the mere fact that a lending agent of the Government is present in a community where disaster has struck has a very wonderful effect. It restores confidence on the part of the regular lending agencies. I found instances in my own experience when a banker who was unwilling or very timid about making a loan to a farmer who, because of no fault of his own was in difficulty—that the agency of Federal Government being there and willing to make the loan, that the banker would say, "Well, if they are going to do it, I will do it."

I think particularly there is a tendency for the local lending agency to have their morale lowered in times of disaster and I believe that the mere authority in itself has a very salutary effect.

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

Mr. GRAHAM. Thank you.

Mr. POAGE. Is there anyone else who wants to be heard on this legislation?

If there is no one else to be heard we will close the hearings and we will consider the legislation at a later date in executive session.

I think that is all that we have this morning.

The committee will, therefore, stand in recess subject to call.

(Whereupon, at 12:05 p.m., the committee adjourned subject to call.)





