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WHEAT PROGRAMS

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GOVERNMENT
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HEARINGS

BEFORE THE

COMMITTEE ON

AGRICULTURE AND FORESTRY

UNITED STATES SENATE

EIGHTY-EIGHTH CONGRESS
SECOND SESSION

ON

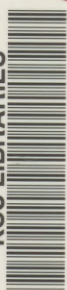
S. 1581, S. 1617, S. 1946, S. 2258, S. 2357, and
S. 2492

BILLS TO PROVIDE A VOLUNTARY WHEAT ADJUSTMENT AND
PRICE SUPPORT PROGRAM FOR WHEAT AND A
CROPLAND RETIREMENT PROGRAM

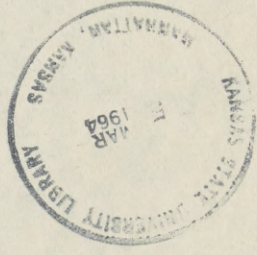
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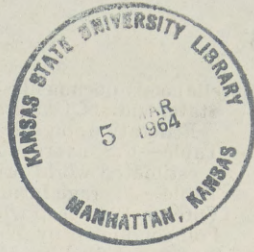
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WHEAT PROGRAMS

MONDAY, FEBRUARY 10, 1964

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to notice, at 10:15 a.m., in room 324, New Senate Office Building, Senator Allen J. Ellender (chairman) presiding.

Present: Senators Ellender, Jordan of North Carolina, Aiken, Young of North Dakota, and Hickenlooper.

The Chairman. The committee will please come to order. We have before us a number of bill relating to wheat and I will ask they be placed in the record at this point together with a staff explanation of them.

(The bills follow:)

[S. 1581, 88th Cong. 1st sess.]

A BILL To continue for the 1964 and 1965 crops of wheat the program in effect for the 1963 crop of wheat

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, notwithstanding any other provision of law—

(1) The program for wheat for 1963 provided for under subtitle B of title III of the Food and Agriculture Act of 1962 shall be effective with respect to the 1964 and 1965 crops of wheat in the same manner and to the same extent such program was effective for the 1963 crop of wheat.

(2) All references to the 1963 crop of wheat contained in sections 306, 307, 308, and 309 of the Food and Agriculture Act of 1962 shall be deemed to refer to the 1964 crop of wheat for purposes of carrying out a wheat program for 1964, and shall be deemed to refer to the 1965 crop for purposes of carrying out a wheat program for the 1965 crop. All references in such sections to the calendar year 1963 shall be deemed to refer to the calendar year 1964 for purposes of carrying out a wheat program for the 1964 crop, and shall be deemed to refer to the calendar year 1965 for purposes of carrying out a wheat program for 1965.

(3) All provisions of the Agricultural Adjustment Act of 1938, as amended, and of Public Law 74, Seventy-seventh Congress, in effect with respect to the 1963 crop of wheat shall be effective with respect to the 1964 and 1965 crops of wheat in the same manner and to the same extent such provisions were effective for the 1963 crop of wheat, except as provided in paragraphs (4) and (5) below.

(4) The Secretary of Agriculture shall, as soon as possible after the date of enactment of this Act, make a determination, in accordance with the provisions of section 335 of the Agricultural Adjustment Act of 1938 (as in effect for the 1963 crop of wheat) as to whether a national marketing quota shall be in effect for the 1964 crop of wheat, and, in the event he determines that such a quota shall be effective for such crop, issue a proclamation declaring such fact as soon as possible.

(5) If the Secretary of Agriculture determines that a national marketing quota is to be effective with respect to the 1964 crop of wheat he shall, as soon as possible after the issuance of a proclamation declaring such fact, but in no event later than August 1, 1963, conduct a referendum, by secret ballot,

of wheat farmers to determine whether such farmers favor or oppose such quota. If more than one-third of the farmers voting in the referendum oppose such quota, the Secretary shall, prior to the effective date of such quota, by proclamation suspend the operation of the national marketing quota with respect to wheat. The same eligibility requirements for voting in the referendum conducted with respect to a national marketing quota for the 1963 crop of wheat shall be in effect with respect to the referendum conducted pursuant to this paragraph.

[S. 1617, 88th Cong, 1st sess.]

A BILL To adjust wheat and feed grain production, to establish a cropland retirement program, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Wheat and Feed Grain Act of 1963".

DECLARATION OF POLICY

SEC. 2. The Congress finds that the production of excessive supplies of wheat and other grains depresses prices and the income of farm families, constitutes improper land use, and is wasteful of our natural resources. It is hereby declared to be the policy of the Congress and the purpose of this Wheat and Feed Grain Act of 1963 to bring the supplies of wheat and feed grains into line with current demand in order to (a) increase per family farm income; (b) reduce the surplus of wheat and feed grains; and (c) decrease the public costs of maintaining farm programs. To effectuate the policy of Congress and the purpose of this Act, programs are herein established to assist farmers in (1) diverting a portion of their cropland from the production of excessive supplies of wheat and other grains; (2) carrying out a voluntary program of soil, water, forest, and wildlife conservation; and (3) obtaining commodity prices in the marketplace higher than levels at which commodity loans are made available by the Commodity Credit Corporation.

TITLE I—LAND RETIREMENT AND SOIL CONSERVATION

ANNUAL DETERMINATION—VOLUNTARY LAND RETIREMENT—RENTAL PAYMENTS IN CASH OR KIND

SEC. 101. Beginning with the 1964 crop year the Secretary of Agriculture is authorized and directed to establish and carry out a cropland retirement program. In formulating and administering such program—

(a) The Secretary shall each year make and announce an annual determination of—

(1) the total estimated cropland available for the production of crops in the United States in that year;

(2) the total acreage of wheat, corn, oats, rye, barley, grain sorghum, soybeans, and flaxseed necessary to bring the total estimated annual production plus the anticipated release from the Commodity Credit Corporation stocks into balance with the estimated annual disappearance of such commodities; and

(3) the total acreage of farm cropland necessary to be retired and devoted to soil-conserving uses in order to achieve this balance, and the acreage that can be retired effectively and economically in the respective year.

(b) The Secretary is authorized to enter into contracts for periods of not less than three years with producers determined by him to have control for the contract period of the farms covered by the contracts, if such producers agree to retire and devote to soil-conserving uses any or all farm cropland. The Secretary shall determine and announce the period within which such contracts will be entered into. This period shall be of sufficient duration to provide an opportunity for maximum producer participation. The Secretary shall encourage the retirement of whole farms and shall provide full opportunity for producers of all commodities to participate voluntarily in the cropland retirement program: *Provided*, That the Secretary shall place a maximum limitation on the percentage of total cropland which may be re-

tired and devoted to soil-conserving uses in any State or county if he finds that such action is necessary to prevent the cropland retirement program from having an unduly disruptive effect on the economies of counties and local communities: *And provided further*, That any cropland retired and devoted to soil-conserving uses under the cropland retirement program established pursuant to this title shall be deemed in subsequent years to have been planted cropland for the purpose of establishing cropland history.

(c) The Secretary shall make an annual rental payment either in cash or in kind to producers who: (1) retire and devote cropland to soil-conserving uses with proper management pursuant to subsection (b) of this section, and (2) otherwise comply with the cropland retirement program as set forth in this title.

The Secretary shall determine the rate of rental payments that will provide producers with a fair and reasonable annual return on the land retired and devoted to soil-conserving uses after taking all relevant factors into consideration, including (1) the incentive necessary to achieve voluntary participation in the program, (2) the loss of crop production on the retired acres, (3) any savings in cost which result from not planting crops, (4) the estimated profit margin of crop production on the designated acres (5) continuing farm overhead expenses, (6) the cost of establishing a conservation practice on the retired acres, (7) the value of the land for production of commodities customarily grown in such kind of land in the county or area, (8) the prevailing rates for cash rentals for similar land in the county or area, and (9) drought, flood, or other abnormal condition.

The rate on lands determined in accordance with the preceding paragraph shall be adjusted on a State, county, and individual farm basis in such a manner as the Secretary determines will facilitate the practical administration of the program. The lands to be covered by contracts shall be determined by a competitive bid procedure whereby a producer wishing to obtain a contract shall specify the percentage of the rental rate applicable to his farm which he is willing to accept.

(d) The Secretary shall compensate producers for participating in the cropland retirement program—

(1) through the issuance of negotiable certificates which the Commodity Credit Corporation shall redeem in accordance with regulations prescribed by the Secretary in cash upon presentation by the producer or by any holder in due course; or

(2) if option is exercised by the producer thirty days before compensation is tendered, through the issuance of negotiable certificates which the Commodity Credit Corporation shall redeem in accordance with regulations prescribed by the Secretary in wheat, corn, oats, rye, barley, or grain sorghum upon presentation by the producer or by any holder in due course. The Secretary shall limit the distribution of the certificates redeemable in kind if he finds the issuance of such certificates will have an adverse effect on wheat, corn, oats, rye, barley, or grain sorghum market prices or upon livestock marketing or livestock market prices, and in no case shall a certificate be redeemable at less than 115 per centum of the current support price plus reasonable carrying charges for any such commodity.

In order to assist producers in the establishment of soil-conserving uses on cropland retired under the cropland retirement program, the Secretary shall coordinate such program with the agricultural conservation program established pursuant to the Soil Conservation and Domestic Allotment Act, as amended (49 Stat. 163, 16 U.S.C. 590 et seq.).

TERMS AND CONDITIONS OF CONTRACTS WITH PRODUCERS

SEC. 102. (a) Under any cropland retirement contract the producer shall agree—

(1) to establish and maintain with proper management for the contract period protective vegetative cover (including but not limited to grass and trees), water storage facilities or other soil-, water-, wildlife-, or forest-conserving uses (excluding orchards and vineyards) on an acreage of land which is specifically designated at the time the contract is entered into and which has been regularly used in the production of crops (including crops such as tame hay, alfalfa, and clovers), which do not require annual tillage;

(2) to allow to remain fallow, idle, and in the production of crops (including tame hay, alfalfa, and clovers) which do not require annual tillage throughout the contract period, an acreage of the remaining cropland on the farm which is not less than the acreage normally allowed to remain fallow, idle, and in the production of crops which do not require annual tillage on such remaining acreage;

(3) not to harvest any crop from the acreage established in protective vegetative cover, excepting timber (in accordance with sound forestry management) and wildlife or other natural products of such acreage which do not increase supplies of feed for domestic animals;

(4) not to graze any acreage established in protective vegetative cover;

(5) not to adopt any practice, or divert lands on the farm from conservation, woods, grazing, or other noncropland use, to any use specified by the Secretary in the contract as a practice or use which would tend to defeat the purposes of the contract;

(6) to abide by regulations prescribed by the Secretary with respect to the planting of crops during the contract period for later harvest or use; and

(7) to such additional provisions as the Secretary determines are desirable and includes in the contract to effectuate the purposes of his title and to facilitate the practical administration of the cropland retirement program, including provisions relating to control of noxious and other objectionable weeds.

(b) In the event that the Secretary determines that there has been a violation of the contract (including the prohibition of grazing on retired acreage) at any stage during the time such producer has control of the farm and that such violation is of such a substantial nature as to warrant termination of the contract, the producer shall forfeit all rights to payments or grants under the contract, and shall refund to the United States all payments and grants received by him thereunder. In the event that the Secretary determines that there has been a violation of the contract but that such violation is of such a nature as not to warrant termination of the contract, the producer shall accept such payment adjustments, and make such refunds to the United States of payments received by him, under the contract, as the Secretary may determine to be appropriate.

SEC. 103. The Soil Bank Act, as amended (70 Stat. 118, 7 U.S.C. 1801 et seq.), is amended as follows:

Administrative and Judicial Remedy

(1) The first sentence of section 107(d) of such Act (7 U.S.C. 1831(d)) is amended by adding after the words "paragraph (6) of Subsection (a)" the phrase "or under section 102(b) of the Wheat and Feed Grain Act of 1963".

Effect on Other Programs

(2) Section 112 of such Act (7 U.S.C. 1836) is amended by adding after the words "under this subtitle" each time it appears therein the phrase "or under title I of the Wheat and Feed Grain Act of 1963".

Geographic Applicability

(3) Section 113 of such Act (7 U.S.C. 1837) is amended by adding after the words "subtitle B" the phrase "and title I of the Wheat and Feed Grain Act of 1963".

Reapportionment Prohibited

(4) Section 115 of such Act (7 U.S.C. 1803) is amended by adding after the words "conservation reserve programs" the phrase "or the cropland retirement program established pursuant to title I of the Wheat and Feed Grain Act of 1963".

Utilization of Local and State Committees

(5) Section 117 of such Act (7 U.S.C. 1805) is amended by adding after the words "this title" the phrase "or title I of the Wheat and Feed Grain Act of 1963".

Utilization of Other Agencies

(6) Section 118 of such Act (7 U.S.C. 1806) is amended by adding after the words "this title" the phrase "or title I of the Wheat and Feed Grain Act of 1963".

Utilization of Land Use Capability Data

(7) Section 119 of such Act (7 U.S.C. 1807) is amended by adding after the words "this title" the phrase "or title I of the Wheat and Feed Grain Act of 1963".

Finality of Determinations

(8) Section 121 of such Act (7 U.S.C. 1809) is amended by adding after the words "this title" the phrase "or under title I of the Wheat and Feed Grain Act of 1963".

Protection of Tenants and Sharecroppers

(9) Section 122 of such Act (7 U.S.C. 1810) is amended by adding after the words "this title" the phrase "or under title I of the Wheat and Feed Grain Act of 1963".

Penalty for Grazing or Harvesting

(10) Section 123 of such Act (7 U.S.C. 1811) is amended by adding after the words "section 103 or 107" the phrase "or under title I of the Wheat and Feed Grain Act of 1963".

Pooling of Cropland Retirement Land

(11) Section 126 of such Act (7 U.S.C. 1814) is amended by adding after the words "conservation reserve program" the phrase "or in the cropland retirement program pursuant to title I of the Wheat and Feed Grain Act of 1963".

Incorrect Information Furnished by the Government—Marriage of Producers

(12) Section 128 of such Act (7 U.S.C. 1816) is amended by adding after the words "conservation reserve program" the phrase "or the cropland retirement program established pursuant to title I of the Wheat and Feed Grain Act of 1963".

AUTHORIZED PERIOD OF CONTRACT AND EXPENDITURE—
APPROPRIATIONS

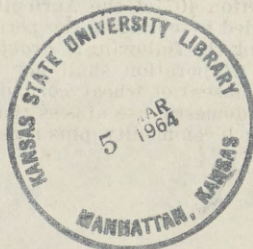
Sec. 104. (a) The Secretary is authorized to formulate and announce programs under this title and to enter into contracts thereunder with producers during the three-year period 1964-1966 to be carried out during the period ending not later than December 31, 1969, except that contracts for establishment of tree cover may continue until December 31, 1976.

(b) The period covered by any contract shall not exceed three years except that contracts for the establishment of tree cover may extend for ten years.

(c) There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this title, including such amounts as may be required to reimburse the Commodity Credit Corporation for its actual costs incurred under the payment-in-kind program established by this title.

TERMINATION AND MODIFICATION OF CONTRACTS

Sec. 105. The Secretary may terminate any contract with a producer by mutual agreement with the producer if the Secretary determines that such termination would be in the public interest. The Secretary may agree to such modification of contracts previously entered into as he may determine to be desirable to carry out the purposes of this title and to facilitate the practical administration of the cropland retirement program.



REGULATIONS

SEC. 106. The Secretary shall prescribe such regulations as he determines necessary to carry out the provisions of this title.

TITLE II—REPEAL OF AUTHORITY FOR ACREAGE ALLOTMENTS AND MARKETING QUOTAS ON WHEAT AND CORN—THE PRICE SUPPORTS ON WHEAT, CORN, OATS, RYE, BARLEY, AND GRAIN SORGHUM

SEC. 201. Notwithstanding any other provision of law, effective with the 1964 crops of wheat, corn, oats, rye, barley, and grain sorghum, sections 321 through 339 of parts II and III of subtitle B and sections 379(a) through 379(j) of subtitle D of title III of the Agricultural Adjustment Act of 1938, as amended (52 Stat. 31; 7 U.S.C. 1281 et seq.), are repealed. Parts IV, V, and VI of subtitle B are redesignated as parts II, III, and IV, respectively, and subtitle F is redesignated subtitle D.

SEC. 202. Effective with the 1964 crops of wheat, corn, oats, rye, barley, and grain sorghum, the Act of May 26, 1941, as amended (Public Law 74, Seventy-seventh Congress (55 Stat. 203)), is repealed.

SEC. 203. Effective with the 1964 crops of wheat, corn, oats, rye, barley, and grain sorghum, sections 327 and 328 of the Food and Agriculture Act of 1962 (Public Law 87-703, Eighty-seventh Congress), are repealed.

SEC. 204. Subsection (h) of section 16 of the Soil Conservation and Domestic Allotment Act, as amended (Public Law 46, Seventy-fourth Congress), is repealed.

SEC. 205. Effective with the 1964 crops, section 105 of the Agricultural Act of 1949, as amended (7 U.S.C. 1441 note), is amended to read as follows:

"SEC. 105. Notwithstanding the provisions of section 101 of this Act, beginning with the 1964 crops, price support shall be made available to producers for each crop of corn, oats, rye, barley, and grain sorghum at 90 per centum of the average price received by farmers during the three calendar years immediately preceding the calendar year in which the marketing year for such crop begins, adjusted to offset the effect on such price of any abnormal quantity of low-grade corn, oats, rye, barley, and grain sorghum marketed during any such years: *Provided*, That the level of price support for any crop of corn, oats, rye, barley and grain sorghum shall not be less than 50 per centum of the parity price therefor."

SEC. 206. Section 107 of the Agricultural Act of 1949, as amended (7 U.S.C. 1445 (a)), is amended to read as follows:

"SEC. 107. Notwithstanding the provisions of section 101 of this Act, beginning with the 1964 crop, price support shall be made available to producers for each crop of wheat at the United States farm price equivalent, as determined by the Secretary, of the average world market price during the immediate preceding three marketing years: *Provided*, That the level of price support for any crop of wheat shall not be less than 50 per centum of the parity price therefor."

TITLE III—GENERAL PROVISIONS

FEDERAL IRRIGATION, DRAINAGE, AND FLOOD CONTROL PROJECTS

SEC. 301. Section 211 of the Agricultural Act of 1956, as amended (7 U.S.C. 1860), is amended (1) by striking "three years" each time it appears therein and inserting in lieu thereof "eleven years", and (2) by adding after the words "soil bank provisions of the Act" in subsection (b) the phrase "and under title I of the Wheat and Feed Grain Act of 1963".

RESTRICTIONS ON SALES BY THE COMMODITY CREDIT CORPORATION

SEC. 302. Section 407 of the Agricultural Act of 1949, as amended (7 U.S.C. 1427), is amended by changing the period at the end of the fourth sentence to a colon and adding the following: "*Provided*, That effective July 1, 1964, the Commodity Credit Corporation shall not make any sales (except sales offset by equivalent purchases) of wheat, corn, oats, rye, barley, grain sorghum, soybeans, or flaxseed for domestic use at less than 115 per centum of the current support price for any such commodity, plus reasonable carrying charges."

[S. 1946, 88th Cong., 1st sess.]

A BILL To provide for a voluntary wheat adjustment and price support program

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, in order to provide for a voluntary wheat adjustment and price support program, the following provisions of law relating to penalties and the wheat marketing quota referendum are repealed or amended as follows:

(a) The Agricultural Adjustment Act of 1938, as amended (7 U.S.C. 1281 et seq.) is amended—

(1) by striking from the first sentence of section 334(a), section 334(b), and the last sentence of section 334(c) (1), respectively, that part beginning with a colon and the word "Provided" down to but not including the period;

(2) by striking out section 334(d);

(3) by striking out the exception at the end of the first sentence of section 334(h);

(4) by striking from section 334(i) the sentence relating to paragraph (6) of Public Law 74, Seventy-seventh Congress;

(5) by striking from section 335 the first sentence and the next to last sentence;

(6) by striking out section 336;

(7) by striking out section 338;

(8) by amending section 339(a) (1) to read as follows:

"(a) (1) During any year in which marketing quotas for wheat are in effect, the producers on any farm (except a new farm receiving an allotment from the reserve for new farms) on which any crop is produced on acreage required to be diverted from the production of wheat shall be ineligible to receive price support on wheat or wheat marketing certificates unless (1) the crop is designated by the Secretary as one which is not in surplus supply and will not be in surplus supply if it is permitted to be grown on the diverted acreage, or as one the production of which will not substantially impair the purpose of the requirements of this section. The acreage required to be diverted from the production of wheat on the farm shall be an acreage of cropland equal to the number of acres determined by multiplying the farm acreage allotment by the diversion factor determined by dividing the number of acres by which the national acreage allotment is reduced below fifty-five million acres by the number of acres in the national acreage allotment."

(9) by striking "wheat" from section 372(a);

(10) by striking from the second sentence of section 379c(a) "(i)" and that part which begins ", plus (ii)" down to but not including the period; and

(11) by striking out the last two sentences of section 379c(b).

(b) Public Law 74, Seventy-seventh Congress, as amended (7 U.S.C. 1340), is repealed.

(c) Section 107 of the Agricultural Act of 1949, as amended (7 U.S.C. 1445a), is amended—

(1) by striking from subsection (4) the following: "or for which marketing quotas have been disapproved by producers"; and

(2) by striking the last two sentences out of subsection (5).

SEC. 2. (a) Section 107(5) of the Agricultural Act of 1949, as amended, is amended by striking out "and (ii)" and inserting the following: "(ii) participates in any acreage diversion program which may be in effect for feed grains to the extent required by the Secretary, and (iii)".

(b) The first sentence of section 379c(b) of the Agricultural Adjustment Act of 1938, as amended, is amended by inserting before the period at the end thereof a comma and the following: "or in which the producer does not participate in any acreage diversion program which may be in effect for feed grains to the extent required by the Secretary".

SEC. 3. This Act shall be effective beginning with the 1964 crop of wheat. The voluntary adjustment and price support program provided for by this Act shall be in effect for the 1964 crop without further proclamation of marketing quotas or allotments.

[S. 2258, 88th Cong., 1st sess.]

A BILL To establish a voluntary special agricultural conservation wheat program for 1964 and 1965 crop years; to provide for the resumption of the use of wheat for feed in areas where it has been used historically for this purpose; to minimize the amount of export subsidies and diversion payments

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Wheat Act of 1963".

SEC. 2. Section 301 (a) of the Agricultural Adjustment Act of 1938, as amended, is amended by adding the following new subsections as follows:

"(10) The term 'designated wheat base' means an acreage on the farm equal to the higher of the following acreages:

"(a) The wheat acreage allotment on the farm for the crop year 1963:

"(b) The average acreage of wheat planted on the farm in the crop years 1959, 1960, and 1961 in the case of farms on which wheat was planted under the fifteen-acre farm marketing quota exemption as provided by section 7 of the Act of May 26, 1941, as amended (Public Law 74, 77th Congress), prior to its repeal by the Food and Agriculture Act of 1962, with adjustments for abnormal weather conditions, established crop rotation practices on the farm, and such other factors as the Secretary determines should be considered, but not to exceed fifteen acres."

TITLE I—PRICE SUPPORT

SEC. 101. Effective with the 1964 crops, section 105 of the Agricultural Act of 1949, as amended, is amended to read as follows:

"SEC. 105. (a) Notwithstanding the provisions of section 101 of this Act, for the 1964 and 1965 crops, a price support loan shall be established by the Secretary at such level as the Secretary determines on the basis of the best available statistics reflects the competitive world prices of wheat. To increase the return from the domestically consumed portion of the crops, an additional payment per bushel shall be made available to cooperating producers through payments in kind, or in cash equal to the difference between \$2 per bushel and the average price received by farmers for the 1964 crop but not in excess of 65 cents per bushel. Such payment shall be made on 50 per centum of the number of bushels determined by multiplying the actual acreage planted for harvest by the adjusted average yield as determined in section 379 (f); to increase the return from the exported portion of the crop, 25 cents per bushel shall be made available to cooperating producers through payments in kind, or in cash. Such payment shall be made on 50 per centum of the number of bushels determined by multiplying the actual acreage planted for harvest by the the adjusted average yield as determined in section 379 (f).

"(b) If the producers on the farm elect to participate in the special agricultural conservation program, price support shall be made available only if such producers divert from the production of wheat in accordance with the provisions of such program an acreage on the farm equal to the number of acres which such operator agrees to divert, and the agreement shall so provide. In the event that the special agricultural conservation program is not in effect, the Secretary shall make price support available to wheat producers, as provided in subsection (a) of this section.

"(c) Beginning with the 1964 and subsequent crops of wheat, any wheat stored in order to postpone or avoid payment of a wheat marketing quota penalty under section 6 of the Act of May 26, 1941 (Public Law 74, Seventy-seventh Congress, as amended), prior to its repeal by the 'Feed Grain and Wheat Act of 1963' shall not be eligible for price support."

SEC. 102. Section 107 of the Agricultural Act of 1949, as amended, is hereby repealed.

SEC. 103. Section 407 of the Agricultural Act of 1949, as amended, is amended—

(1) by striking the second proviso and inserting in lieu thereof the following: " : *Provided*, That effective with the beginning of the 1964 marketing year for wheat, the Corporation shall not sell any such designated grains for unrestricted use at less than 115 per centum above the current support price plus reasonable carrying charges."; and

(2) by striking the semicolon after the words "deterioration and spoilage" in clause (d) and inserting the following: "except if the supply of any designated grain (as defined in section 301 (a) (10) of the Agricultural Adjustment Act of 1938, as amended) is not in excess of a normal supply (as de-

ined in section 301(b) (10) (A) of the Agricultural Adjustment Act of 1938, as amended) the Corporation shall forthwith replenish its stocks by the purchase of a quantity of the commodity equal to the amount of such commodity so sold."

TITLE II—SPECIAL WHEAT AGRICULTURAL CONSERVATION PROGRAM

SEC. 201. Subtitle D of title III of the Agricultural Adjustment Act of 1938, as amended, is hereby amended to read as follows:

"SUBTITLE D—SPECIAL AGRICULTURAL CONSERVATION PROGRAM"

"SEC. 379. (a) If the Secretary finds that for the 1964 and 1965 marketing years the total supply of wheat will, in the absence of a special agricultural conservation program, be in excess of a 'normal supply' as defined in section 301(b) (10) (A) of this Act, he shall formulate and carry out a special agricultural conservation program, without regard to provisions which would be applicable to the regular agricultural conservation program under which, subject to such terms and conditions as the Secretary determines, conservation payments in amounts determined by the Secretary to be fair and reasonable shall be made to producers who divert acreage from the production of wheat to an approved conservation use and increase their average acreage of cropland devoted in 1959 and 1960 to designated soil conserving crops or practices including summer fallow and idle land by an equal amount.

"(b) The Secretary may permit such diverted acreage to be devoted to the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, canary seed, soybeans, and flax and other oilseeds, when such crops are not in surplus supply and will not be in surplus supply if permitted to be grown on the diverted acreage, subject to the condition that payment with respect to diverted acreage devoted to any such crop shall be at a rate determined by the Secretary to be fair and reasonable, taking into consideration the use of such acreage for the production of such crops, if such acreage were devoted to conservation uses and no price support shall be made available for the production of any such crop on such diverted acreage.

"(c) The Secretary shall not permit such diverted acreage to be grazed.

"(d) The Secretary shall require the producer to take appropriate measures to keep such diverted acreage free from erosion, insects, weeds, and rodents.

"(e) The acreage eligible for payments in cash or in kind under such special agricultural conservation program shall be an acreage up to the greater of forty acres or 20 per centum of the farm designated wheat base. The Secretary may, at the option of the producer, make an additional payment for the diversion of not to exceed an additional 30 per centum of the designated wheat base on the farm. The rate or rates of payment to be made by the Secretary shall be at such levels as he determines necessary to obtain desirable voluntary adjustments in wheat production, and may vary by areas and types of wheat taking into consideration carryover stocks, domestic and export outlets, and such other factors as he deems advisable, and will result in an annual reduction of one hundred million bushels in Government carryover stocks of wheat.

"(f) The Secretary may make such adjustments in acreage and yields as he determines necessary to correct for abnormal factors affecting production, and to give due consideration to tillable acreage, crop rotation practices, type of soil, soil and water conservation measures, and topography. The base period for this purpose of determining the adjusted average yield in the case of payments with respect to the 1964 crops shall be the four-year period 1959-1962, and in the case of payments with respect to any subsequent crop shall be the most recent five-year period determined by the Secretary to be representative for which statistics are available.

"(g) The Secretary may make not to exceed 50 per centum of any payments to producers in advance of determination of performance.

"(h) The Secretary shall provide by regulations for the sharing of payments under this subsection among producers on the farm on a fair and equitable basis and in keeping with existing contracts.

"SEC. 380. Payments-in-kind may be made and such payments-in-kind shall be made through the issuance of negotiable certificates which the Commodity Credit Corporation shall redeem for the wheat which shall not be valued at nor sold for unrestricted use for less than 115 per centum of the support price plus

reasonable carrying charges and, notwithstanding any other provision of law, the Commodity Credit Corporation shall, in accordance with regulations prescribed by the Secretary, assist the producer in the marketing of such certificates at such time and in such manner as the Secretary determines will best effectuate the purposes of this Act. In the case of any certificate not presented for redemption within thirty days of the date of its issuance, reasonable costs of storage and other carrying charges, as determined by the Secretary, for the period beginning thirty days after its issuance and ending with the date of its presentation for redemption shall be deducted from the value of the certificate.

"SEC. 381. Notwithstanding any other provision of law, in the event of a national emergency or a serious drought, flood, or other natural disaster, the Secretary may place such limits on the extent that producers may participate in the special agricultural conservation program authorized by this Act as he determines necessary or he may, by mutual agreement with the producer, terminate or modify any agreement previously entered into pursuant to this Act.

"SEC. 382. There are hereby authorized to be appropriated such amounts as may be necessary to enable the Secretary to carry out the provisions of this subtitle D."

SEC. 202. Effective for the 1964 and 1965 crops of wheat, the Act of May 26, 1941 (Public Law 74, Seventy-seventh Congress), is not in effect.

SEC. 203. Effective for the 1964 and 1965 crops of wheat, sections 331 through 339 of part III of subtitle B of title III of the Agricultural Adjustment Act of 1938, as amended, are not in effect.

SEC. 204. Effective for the 1964 and 1965 crops of wheat, section 326 of the Food and Agriculture Act of 1962, as amended, is not in effect.

[S. 2357, 88th Cong., 1st sess.]

A BILL To provide for a voluntary wheat domestic parity program

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

REPEAL OF PROVISIONS RELATING TO WHEAT MARKETING QUOTAS

SECTION 1. (a) Sections 332 and 333 of the Agricultural Adjustment Act of 1938, as amended by sections 311 and 312 of Public Law 87-703, are amended to read as follows:

"PRODUCTION OBJECTIVE

"SEC. 332. (a) The production objective for wheat for any marketing year shall be an amount of wheat which the Secretary estimates (i) will be utilized during such marketing year for human consumption in the United States as food, food products, and beverages, composed wholly or partly of wheat, (ii) will be utilized during such marketing year in the United States for seed, (iii) will be exported either in the form of wheat or products thereof, and (iv) as the average amount which was utilized as livestock (including poultry) feed in the marketing years beginning in 1959 and 1960; less (A) an amount of wheat equal to the estimated imports of wheat into the United States during such marketing year and, (B) if the stocks of wheat owned by the Commodity Credit Corporation are determined by the Secretary to be excessive, an amount of wheat determined by the Secretary to be a desirable reduction in such marketing year in such stocks to achieve the policy of the Act: *Provided*, That if the Secretary determines that the total stocks of wheat in the Nation are insufficient to assure an adequate carryover for the next succeeding marketing year, the production objective otherwise determined shall be increased by the amount the Secretary determines to be necessary to assure an adequate carryover: *And provided further*, That the production objective for wheat for any marketing year shall be not less than one billion bushels.

"(b) If, after the proclamation of the national acreage allotment for any crop of wheat, the Secretary has reason to believe that, because of a national emergency or because of a material increase in the demand for wheat, the production objective should be increased, he shall cause an immediate investigation to be made to determine whether such action is necessary in order to meet such emergency or increase in the demand for wheat. If, on the basis of such investigation, the Secretary finds that such action is necessary, he shall immediately pro-

claim such finding and the amount of any such increase found by him to be necessary and thereupon such production objective shall be so increased. In case any production objective is increased under this subsection, the Secretary shall provide for such increase by increasing acreage allotments established under this part by a uniform percentage.

"NATIONAL ACREAGE ALLOTMENT

"SEC. 333. Not later than April 15 of each calendar year the Secretary shall ascertain and proclaim the national acreage allotment for the crop of wheat produced in the next succeeding calendar year. The amount of the national acreage allotment for any crop of wheat shall be the number of acres which the Secretary determines on the basis of expected yields and expected underplantings of farm acreage allotments will, together with the expected production on the increases in acreage allotments for farms based upon small-farm base acreages pursuant to section 335, make available a supply of wheat equal to the production objective for wheat for such marketing year.

(b) Section 334 of the Agricultural Adjustment Act of 1938, as amended, is amended by inserting "prior to repeal of authority for marketing quotas" after the words "subsequent year" in the provisos in subsections (a) and (b), and after the words "subsequent years" in the proviso in subsection (c) (1) and in the second sentence of subsection (d).

(c) Public Law 74, Seventy-seventh Congress is repealed, and the Agricultural Adjustment Act of 1938, as amended, is amended by striking out the following provisions relating to wheat marketing quotas: (1) the sentence in section 334(i), as added by section 313(4) of Public Law 87-703, relating to paragraph (6) of Public Law 74, Seventy-seventh Congress; (2) the words "and marketing quotas for the marketing year therefor" in the second sentence of section 334a; (3) the first and next to last sentences of section 335, as amended by section 315 of Public Law 87-703; (4) sections 336 and 338; (5) the two provisos in clause (3) of section 339(b); (6) "wheat," in section 372(a); and (7) the last two sentences of section 379c(b).

(d) Section 107 of the Agricultural Act of 1949, as amended (7 U.S.C. 1445a), is amended—

(1) by striking from subsection (2) the following: "if marketing quotas are in effect for wheat";

(2) by striking all of subsection (4);

(3) by striking from subsection (5) the following: "if marketing quotas are in effect for the crop of wheat," and

(4) by striking from subsection (5) the last three sentences thereof.

(e) The following headings contained in the Agricultural Adjustment Act of 1938, as amended, are amended as follows:

(1) The heading of subtitle B of title III is amended to read "SUBTITLE B—MARKETING QUOTAS AND ACREAGE ALLOTMENTS".

(2) The heading of part III of subtitle B of title III is amended to read "PART III—ACREAGE ALLOTMENTS—WHEAT.

(3) The heading of section 335 is amended to read "MINIMUM ALLOTMENT".

FULL PARITY FOR WHEAT FOR DOMESTIC FOOD CONSUMPTION

SEC. 2. (a) Section 107(1) of the Agricultural Act of 1949, as amended (7 U.S.C. 1445a), is amended to read as follows:

"(1) price support for wheat accompanied by marketing certificates shall be at a level equal to full parity price therefor."

(b) Section 379b of the Agricultural Adjustment Act, as amended, is amended to read as follows:

"SEC. 379b. Beginning with the marketing year for the 1964 crop, a wheat marketing allocation program shall be in effect as provided in this subtitle. Whenever a wheat marketing allocation program is in effect for any marketing year the Secretary shall determine (1) the wheat marketing allocation for such year which shall be the amount of wheat which in determining the production objective for such marketing year he estimated would be used during such year for human consumption in the United States, as food, food products, and beverages, composed wholly or partly of wheat, and (2) the national allocation percentage which shall be the percentage which the national marketing allocation is of the production objective. Each farm shall receive a wheat marketing allocation for such marketing year equal to the number of bushels obtained by

multiplying the number of acres in the farm acreage allotment for wheat by the normal yield of wheat for the farm as determined by the Secretary, and multiplying the resulting number of bushels by the national allocation percentage. If a noncommercial wheat producing area is established for any marketing year, farms in such area shall be given wheat marketing allocations which are determined by the Secretary to be fair and reasonable in relation to the wheat marketing allocation given producers in the commercial wheat producing area.

CERTIFICATES FOR PRIOR CROP WHEAT IF CURRENT CROP UNDERPLANTED

SEC. 3. Section 379c(a) of the Agricultural Adjustment Act of 1938, as amended, is amended by amending clause (ii) of the second sentence thereof to read as follows: "(ii) the amount of uncertificated wheat remaining on hand from prior crops".

AUTHORITY TO SUSPEND REQUIREMENT FOR PURCHASE OF CERTIFICATES BY PROCESSORS

SEC. 4. (a) Section 379d(b) of the Agricultural Adjustment Act of 1938, as amended, is amended to read as follows:

"(b) All persons engaged in the processing of wheat into food products shall, prior to marketing any such product for human food in the United States, acquire marketing certificates equivalent to the number of bushels of wheat contained in such product. Marketing certificates shall be valid to cover only sales made during the marketing year with respect to which they are issued, and after once used to cover a sale of a food product shall be void and shall be disposed of in accordance with regulations prescribed by the Secretary. Notwithstanding the foregoing provisions hereof, the Secretary may require marketing certificates issued for any marketing year to be acquired to cover sales made on or after the date during the calendar year in which wheat harvested in such calendar year begins to be marketed as determined by the Secretary even though such wheat is marketed prior to the beginning of the marketing year, and marketing certificates for such marketing year shall be valid to cover sales made on or after the date so determined by the Secretary. The requirements of this subsection may be suspended for any marketing year or other period by the President in whole or to such extent as he deems appropriate, if he determines that such suspension will result in the more effective regulation of commerce and the better effectuation of the purposes of this Act. In the event of such full or partial suspension, the Commodity Credit Corporation shall buy all marketing certificates offered to it in accordance with the regulations prescribed under section 379e."

(b) Section 379d(c) of such Act is amended by striking out "or export".

REPEAL OF MONETARY PENALTIES FOR PRODUCTION ON DIVERTED ACRES

SEC. 5. Section 339(a)(1) of the Agricultural Adjustment Act of 1938, as amended, is amended to read as follows:

"(a)(1) The producers on any farm (except a new farm receiving an allotment from the reserve for new farms) on which any crop is produced on acreage required to be diverted from the production of wheat shall, except to the extent otherwise prescribed by the Secretary, be ineligible to receive price support on wheat or wheat marketing certificates unless the crop is designated by the Secretary as one which is not in surplus supply and will not be in surplus supply if it is permitted to be grown on the diverted acreage, or as one the production of which will not substantially impair the purpose of the requirements of this section. The acreage required to be diverted from the production of wheat on the farm shall be an acreage of cropland equal to the number of acres determined by multiplying the farm acreage allotment by the diversion factor determined by dividing the number of acres by which the national acreage allotment is reduced below fifty-five million acres by the number of acres in the national acreage allotment."

EFFECTIVE DATE

SEC. 6. This Act shall be effective beginning with the 1964 crop of wheat. Subject to adjustment as provided by law, the production objective for the marketing year beginning in 1964 shall be in the same amount as the national marketing quota heretofore proclaimed, and the National, State, county, and farm acreage allotment for the 1964 crop of wheat shall be those heretofore proclaimed and apportioned, without further proclamation or apportionment.

The support levels specified in section 107 (1) and (2) of the Agricultural Act of 1949, as amended by this Act, shall be applicable to the 1964 crop of wheat, notwithstanding the disapproval of marketing quotas for that crop prior to the enactment of this Act.

[S. 2492, 88th Cong., 2d sess.]

A BILL To provide a voluntary wheat adjustment and price support program for the 1964 and 1965 crops of wheat

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, in order to provide for a voluntary wheat adjustment and price support program for the 1964 and 1965 crops of wheat, the following provisions of law relating to wheat are amended or are made inapplicable to such crops as follows:

(a) The Agricultural Adjustment Act of 1938, as amended, is amended—

(1) by striking out of the first sentence of section 334(a), section 334(b), and the last sentence of section 334(c) (1), respectively, that part beginning with a colon and the word "Provided" down to but not including the period;

(2) by striking out section 334(d);

(3) by striking out at the end of the first sentence of section 334(h) the following: "except as prescribed in the provisos to the first sentence of subsections (a) and (b), respectively, of this section";

(4) by striking the fourth sentence of section 334(i) relating to paragraph (6) of Public Law 74, Seventy-seventh Congress;

(5) by striking from section 335 the first sentence and the next to the last sentence;

(6) by striking out section 336;

(7) by striking out section 338;

(8) by amending section 339 to read as follows:

"Sec. 339. (a) In order to be eligible for price support on the 1964 or 1965 crop of wheat the producer on any farm (except a new farm receiving an allotment from the reserve for new farms) shall be required to divert from the production of wheat to soil-conserving uses not less than 11.11 per centum of the farm acreage allotment for wheat in accordance with the provisions of this section.

"(b) The Secretary may permit such diverted acreage to be devoted to the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, canary seed, soy beans, and flax and other oilseeds, when such crops are not in surplus supply and will not be in surplus supply if permitted to be grown on the diverted acreage. No price support shall be made available on any commodity produced on such diverted acreage.

"(c) The Secretary shall not permit such diverted acreage to be grazed.

"(d) The Secretary shall require the producer to take appropriate measures to keep such diverted acreage free from erosion, insects, weeds, and rodents.

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

(9) by striking "wheat," from section 372(a);

(10) by amending the first and second sentences of section 379b to read as follows: "If a marketing quota for wheat is in effect for the 1964 or 1965 crop, a wheat marketing allocation program shall be in effect as provided in this subtitle. Whenever a wheat marketing allocation program is in effect for any marketing year the Secretary shall determine (1) the wheat marketing allocation for such year which shall be the amount of wheat which in determining the national marketing quota for such marketing year he estimated would be used during such year for human consumption in the United States, as food, food products, and beverages, composed wholly or partly of wheat, and on which the Secretary determines that marketing certificates shall be issued to producers in order to achieve, insofar as practicable, the price and income objectives of this subtitle, and (2) the national allocation percentage which shall be the percentage which the national marketing allocation is of the national marketing quota.";

(11) by striking out the second sentence of section 379c(a) "(i)" and that part which begins "plus (ii)" down to but not including the period;

(12) by striking out the period at the end of the first sentence of section 379c(b) and inserting in lieu thereof a comma and the following: "or in which the producer does not participate in any acreage diversion

program which may be in effect for feed grains to the extent required by the Secretary.”;

(13) by striking out the last two sentences of section 379c(b) and inserting in lieu thereof the following: “No producer shall be eligible for wheat marketing certificates under this section on any amount of wheat in excess of twelve thousand bushels.”;

(14) by amending the first sentence of section 379d(b) to read as follows: “During any marketing year for which a wheat marketing allocation program is in effect, all persons engaged in the processing of wheat into food products shall, prior to marketing any such product for human food in the United States, acquire marketing certificates equivalent to the number of bushels of wheat contained in such product.”;

(15) by striking out in the second sentence of section 379d(b) “or exportations”, “or export”, and “or an export of wheat” wherever such language appears therein;

(16) by striking out in the third sentence of section 379d(b) “or exportations” wherever such language appears therein;

(17) by striking out in section 379d(c) “or export”; and

(18) by striking out “warehousemen and exporters” in section 379h and inserting in lieu thereof “and warehousemen”.

(b)(1) That portion of section 107 of the Agricultural Act of 1949, as amended, as precedes clause (3) is amended to read as follows:

“SEC. 107. (a) Notwithstanding the provisions of section 101 of this Act, for the 1964 and 1965 crops—

“(1) price support for wheat accompanied by marketing certificates shall be at such level as will, when added to the face value per bushel set for marketing certificates under section 379 of the Agricultural Adjustment Act of 1938, as amended, provide full parity for such wheat.

“(2) price support shall be made available to cooperators on the exported portion of their 1964 and 1965 crops of wheat at such level as will, when added to the direct payment per bushel authorized by clause (6) of this section, provide a national average price of \$2 per bushel on such wheat; and price support shall be made available to cooperators on wheat which is not accompanied by certificates and on which direct payment is not provided under clause (6) of this section at such level as the Secretary determines appropriate taking into consideration competitive world prices of wheat, the feeding value of wheat in relation to feed grains, and the level at which price support is made available for feed grains.”.

(2) Such section is further amended by striking out “and (ii)” in clause (5) and inserting in lieu thereof “(ii) participates in any acreage diversion program which may be in effect for feed grains to the extent required by the Secretary, and (iii)”.

(3) Such section is further amended by striking out “and” at the end of clause (4); by striking out the period at the end of clause (5) and inserting in lieu thereof “, and”; and by adding at the end of such section a new clause as follows:

“(6) the Secretary shall make a direct payment of 70 cents per bushel to cooperators on the exported portion of the 1964 and 1965 crops of wheat. A producer shall be eligible for direct payment on that portion of his farm marketing quota which bears the same relationship to the farm marketing quota for wheat as the total anticipated exports of wheat and products thereof in the marketing year concerned bears to the national marketing quota for wheat for the marketing year concerned. The total number of bushels on which such payments shall be made in any year shall not be less than five hundred million bushels. No direct payment shall be made under this clause in the case of any producer on any amount of wheat which, when added to the amount of wheat on which such producer is entitled to marketing certificates under section 379 of the Agricultural Adjustment Act of 1938, as amended, will exceed twelve thousand bushels. Payments under this clause shall be made in kind or in cash. Payments in kind may be made through the issuance of negotiable certificates which the Commodity Credit Corporation shall redeem for the wheat which shall not be valued at nor sold for unrestricted use for less than 115 per centum of the support price plus reasonable carrying charges and, notwithstanding any other provision of law, the Commodity Credit Corporation shall, in accordance with regulations prescribed by the Secretary, assist the producer in the marketing of such certificates at such time and in such manner as the Secretary determines

will best effectuate the purposes of this Act. In the case of any certificate not presented for redemption within thirty days of the date of its issuance, reasonable costs of storage and other carrying charges, as determined by the Secretary, for the period beginning thirty days after its issuance and ending with the date of its presentation for redemption shall be deducted from the value of the certificate."

(c) Section 407 of the Agricultural Act of 1949, as amended, is amended by striking out the second proviso and inserting in lieu thereof the following: "Provided, That effective with the beginning of the 1964 marketing year for wheat, the Corporation shall not sell any such designated grains for unrestricted use at less than 115 per centum above the current support price for wheat not accompanied by certificates plus reasonable carrying charges."

(d) The amendments made by this section shall be effective only with respect to the 1964 and 1965 crops of wheat.

(e) Public Law 74, Seventy-seventh Congress, as amended, shall not be applicable with respect to the 1964 and 1965 crops of wheat.

SEC. 2. The voluntary adjustment and price support program provided for by this Act shall be in effect for the 1964 crop without further proclamation of marketing quotas or allotments.

SENATE COMMITTEE ON AGRICULTURE AND FORESTRY

(Short Explanations of Wheat Bills Pending Before the Senate Committee on Agriculture and Forestry on February 6, 1964)

I. VOLUNTARY MARKETING CERTIFICATE PROGRAMS

S. 1946 (McGovern, Burdick, McCarthy, McGee, Nelson, and Young of North Dakota) provides for a permanent voluntary wheat certificate program beginning in 1964. The bill keeps the present marketing quota and acreage allotment system, but repeals all monetary marketing and nondiversion penalties. (The existing wheat diversion provision imposes penalties at 65 percent of parity on production on acreage not diverted as required.) The present certificate program is maintained, with the additional requirement that producers must comply with any feed grain diversion program (as well as the wheat diversion program and acreage allotments) in order to qualify for price support and marketing certificates. Under the present wheat program, producers are required to divert an acreage bearing the same relationship to the farm acreage allotment as the reduction in the national allotment below 55 million acres bears to the national allotment, and payments for such diversion are authorized only for the years 1964 and 1965.

S. 2357 (Young of North Dakota, Carlson, and Mundt) provides for a permanent wheat domestic parity program beginning in 1964 and repeals wheat marketing quotas. The present system of acreage allotments would remain in effect with the minimum national allotment continued at an acreage designed to produce 1 billion bushels. Price support loans would reflect world prices and feeding value of wheat, and certificates would be issued to make up the difference between such price level and the parity price on an amount equal to the domestic food consumption of wheat. The President is given discretion to require processors to purchase certificates or allow the value of the certificate to be paid directly to producers by the CCC. The diversion program now required would remain in effect (but without monetary penalties for noncompliance) with diversion payments authorized for 1964 and 1965. Price support and certificates would be conditioned on compliance with acreage allotments and the diversion program.

S. 2492 (Burdick) is applicable only to the 1964 and 1965 crops. It provides for a voluntary wheat certificate program, suspending present monetary marketing and nondiversion penalties. Certificates would be issued to producers only for the domestic food portion of the crop and would not be required in connection with exports. Certificate wheat would be supported at parity. The export portion of the crop (not less than 500 million bushels) would be supported at \$2 per bushel, of which 70 cents would be in the form of direct payments. The balance of the crop would be supported in accordance with the existing law applicable to noncertificate wheat (approximately the world price). No producer would be eligible for certificates in excess of 12,000 bushels, or to export payments on any quantity which would bring his certificates and export payments above

12,000 bushels. Participation in the feed grain diversion program would be required as a condition of receiving price support and marketing certificates. In lieu of the wheat diversion program provided by existing law, the bill would require as a condition of price support that the producer divert 11.11 percent of his wheat allotment to soil-conserving uses without payment, or, with the Secretary's permission to a nonsurplus oilseed. Grazing diverted acreage would be absolutely prohibited and the producer would be required to take measures to keep it free of erosion, insects, weeds, and rodents. CCC would be prohibited from selling "designated grain" at less than 115 percent above the current support price for noncertificated wheat, plus reasonable carrying charges.

II. ACREAGE DIVERSION PROGRAMS

S. 1581 (Mundt, Carlson, and Young of North Dakota) provides for a 2-year extension of the 1963 program. That program retained the minimum national acreage allotment of 55 million acres. Producers complying with allotments were entitled to price support at \$1.82 per bushel. Producers diverting at least 20 percent of their wheat allotment (or of their average 1959, 1960, and 1961 planted acreage, if not more than 15 acres) to conservation uses were also eligible for (1) diversion payments at not to exceed 50 percent of the support loan value of the normal production of the diverted acreage, and (2) price support payments in kind at 18 cents per bushel for the normal production of the acreage devoted to wheat. The 1963 price support and diversion provisions were effective only if marketing quotas were in effect, and S. 1581 contemplates a new quota proclamation and referendum for 1964.

S. 1617 (Hickenlooper, Anderson, Aiken, Holland, Allott, Beall, Bennett, Dominick, Hruska, Jordan of Idaho, Lausche, Mechem, Miller, Morton, Scott, Simpson, and Dirksen) provides for a "cropland retirement program." The Secretary of Agriculture would enter into contracts with producers for the diversion of all kinds of cropland to soil conserving uses, with the objective of achieving eventual balance between (i) production and CCC sales of wheat, corn, oats, rye, barley, grain sorghum, soybeans, and flaxseed, and (ii) disappearance of such commodities. Existing laws relating to allotments, quotas, and marketing certificates for wheat; allotments for corn; and the 1964 and 1965 feed grain diversion program would be repealed. Price support for corn, oats, rye, barley, and grain sorghum would be at 90 percent of the average price received by farmers during the 3 preceding calendar years, but not less than 50 percent of parity. Price support for wheat would be at the U.S. farm price equivalent of the average world market price during the preceding 3 marketing years, but not less than 50 percent of parity. The minimum CCC resale price for wheat, corn, oats, rye, barley, grain sorghum, soybeans, and flaxseed for domestic use would be raised to 115 percent of the current support price, plus reasonable carrying charges. This increased restriction would not be subject to the usual exemptions specified in section 407 of the Agricultural Act of 1949, but would permit any sale offset by an equivalent purchase.

The bill would also revive and extend until May 28, 1967, section 211 of the Agricultural Act of 1956, which prohibits crop loans or Federal benefits for surplus commodities grown on newly irrigated or drained lands in Federal irrigation or drainage projects, unless such lands were used for the production of such commodities prior to May 28, 1956.

The cropland retirement program would be generally similar to the conservation reserve program. Contracts would run for 3 years (3 to 10 years in the case of tree cover) and could be entered into through December 31, 1966. Contracts would be awarded on a bid basis, the bids being expressed as percentages of fair rental values fixed by the Secretary. The retirement of whole farms would be encouraged; but the Secretary would limit the percentage of cropland retired in any State or county if necessary to prevent adverse local economic effects.

S. 2258 (Humphrey, McCarthy, and Burdick) repeals the present wheat marketing certificate program and currently effective wheat price support provisions, suspends the wheat marketing quota and acreage allotment law for 1964 and 1965, and provides a special program for the 1964 and 1965 crops. Price support loans would be at the world price and payments in kind or cash would be made directly to producers on 50 percent of the "adjusted average yield" or their planted acreage at a rate equal to the difference between the loan and \$2, but in no event more than 65 cents per bushel. A 25-cent payment per bushel in kind or cash would be made on a like quantity as a subsidy for exports.

"Designated grains" (not defined) could not be resold by CCC for unrestricted use at less than 115 percent of the support price plus carrying charges, and the same restriction would apply to wheat sold to redeem PIK certificates under a diversion program. A diversion program with voluntary participation by producers would be established if the total supply exceeds normal supply. The rate of payment would be that necessary to adjust production sufficiently to reduce Government stocks 100 million bushels per year. Price support would not be conditioned on participation in the diversion program; but producers electing to participate would forfeit price support if they failed to carry out their agreements.

S. 2258 repeals the currently effective wheat and feed grain price support provisions. In 1966 wheat would revert to the 75 to 90 percent of parity provisions of section 101 of the 1949 act, and beginning this year corn price supports would be mandatory between 75 and 90 percent of parity. Price support for the other feed grains would become discretionary again.

The CHAIRMAN. I wish to state that it was unfortunate that the committee was not able to meet last week in order to complete hearings on cotton and wheat problems. Fortunately we were able to get into the record most of the testimony that was desired in respect to cotton. Now as to wheat, we have many statements from Senators who desire to present their views.

In fact the committee has received many recommendations in respect to pending legislation which would have the effect of amending the present wheat law so that it can be administered on a voluntary basis.

As I stated as chairman of the committee when hearings were started this year, that if we expected to have the Congress act on any wheat or cotton legislation, it would have to be in connection with existing laws so as to get them on the statute books before the Senate begins debate on the civil rights bill.

Now the civil rights bill may come up on or before March 1. It is my hope that this committee can meet in executive session on February 18 and consider legislation both on wheat and cotton, and that we can have a bill ready for consideration before March 1.

I repeat, the reason for that is that if we can't enact the legislation before we start debate on the civil rights bill, we may not begin debate or present a bill for consideration which would be effective for wheat and cotton this session.

Senator AIKEN. I think, Mr. Chairman, the latest schedule of the civil rights bill is the 18th or 19th of February. I am glad you are not having an executive meeting until the 18th because my Republican colleagues, except for Senator Young, are pretty well scattered, and I am going to get scattered tomorrow.

Senator JORDAN. You say before the 18th?

Senator AIKEN. The 18th, yes. That was the latest I heard.

The CHAIRMAN. If it is I am going to get on bended knees to my friends Senators Mansfield and Dirksen. But anyhow I believe that this committee should do all it can in order to present a bill for early consideration, and I want it said that if we are unable to do that it won't be our fault. We will have made a valiant effort, and that is about it.

Senator YOUNG. I concur wholeheartedly on the schedule you have set up. We just have to get action soon if we are to have any effective legislation for the 1964 crop.

The CHAIRMAN. That is right.

Senator YOUNG. Cotton planting starts in March and spring wheat planting will begin in April, sometimes it starts a little earlier. Spring wheat growers, unlike winter wheat growers, don't plow under. Once they seed a certain amount they usually harvest that amount.

Senator AIKEN. I do hope that if there is no legislation that the Department will exercise all authority it has to see that we have \$2 wheat next fall. By the 1st of July they will control all the free wheat in the country, and estimates show that even if the maximum estimate of production is realized and the ordinary disappearance of wheat is realized, 1964 wheat production will run some 200 or 300 million bushels less than requirements next year. With the Government controlling the free wheat, I think they can exert a very great influence on the market whether or not any legislation is enacted.

Senator JORDAN. The sale of this extra wheat to the Russians primarily has helped our wheat stock carryover, will help it considerably, won't it?

Senator AIKEN. They will have in the neighborhood of 750 million bushels of wheat left in Government hands at the end of this year, presuming that they ship the wheat that has been sold.

Of course there could be a hitch there. If production is a billion and a quarter bushels and disappearance a billion and a half, which is near what they estimate, that means at the end of another year, by July 1965 we would have less than a year's domestic supply on hand.

Senator YOUNG. George, don't get too optimistic. These wheat farmers will be overseeding.

Senator AIKEN. With the price of soybeans where it is now, they are not going to take their land out of soybeans to plant wheat. I am never optimistic.

The CHAIRMAN. Without objection I will ask that there be inserted at this point a statement by Senator McGovern, Senators McGee, and Hruska to be placed in the record at this point;

(The documents referred to follow :)

STATEMENT FILED BY HON. GEORGE MCGOVERN, A U.S. SENATOR FROM THE STATE OF SOUTH DAKOTA

Mr. Chairman and fellow committeemen, I am very grateful to Chairman Ellender and the committee for these timely hearings on a wheat program, and for the intention to handle wheat legislation in time for Congress to enact a program which can be effective for the 1964 crop.

I have felt a great deal of urgency ever since the wheat referendum last May about wheat legislation which would be effective this year. I have feared that if the value of wheat for food uses is allowed to fall drastically, creating new price relationships between wheat and wheat products, it might become impossible in future years to restore a fair level of return to producers and re-establish old price relationships. Wheat values and returns can be maintained now without price disturbance.

A voluntary wheat certificate plan, based on the Food and Agriculture Act of 1962—the law already on the books—has been widely endorsed. Ten State wheat associations, the Missouri Farmers Association, the National Association of Wheat Growers, the National Grange, and the National Farmers Union have all approved the basic concept. The Secretary of Agriculture has endorsed a voluntary certificate plan on behalf of the administration.

There is some divergence on detail. The American Farm Bureau Federation continues to advocate its own cropland retirement approach to both feed grain and wheat problems. But I believe that the committee will find a higher degree of agreement on fundamentals among wheat-producer groups than it has been accustomed to finding on most agricultural problems. These groups will doubtless appear at these hearings to state their own positions.

The Department of Agriculture has estimated that, if there is no change in the wheat program now effective under law, net farm income in the Nation will fall \$600 million this year. Almost all of that decline would result from the precipitous decline in wheat prices and returns.

In South Dakota our wheat crop runs around 30 million bushels a year, so between \$20 and \$25 million of income is involved in the prospective drop in wheat income in my own State unless the law is changed.

But wheat income is not all that is involved. The returns of feed grain and livestock producers will be affected.

Winter wheat producers have planted within a million acres of their 1963 allotments for two rather obvious reasons. They want to be in compliance or able to get into compliance easily if there are 1964 acreage allotments. In any event, they do not want to lose acreage history for future years under the Anfusio amendment. They do not believe that acreage allotments are ended for all time. But if we drop acreage allotments this year, and there is another adverse referendum as everyone predicts there would be, then wheat crop controls would be ended. Wheat would pour into the feed grain market and we would be on the road toward a market flooded by cheap surplus wheat. I hope the day is not far distant when providing food for a fast growing world population will permit unlimited farm production. But we have not yet established either the consumer demand or distribution network to assure our farmers a fair return on unlimited production.

There has been a new study of what would happen with unlimited production made by three agricultural economists at the Center for Agricultural and Economic Development at Iowa State University. Drs. Leo V. Mayer, Earl O. Heady, and Luther G. Tweeten, as a part of a study of 16 alternative wheat and feed grain programs, they examined the effect of permitting unlimited production while the Government continues when necessary to subsidize exports, continues Public Law 480, and buys surplus production off the market and stores it.

The three Iowa State economists found that net farm income would drop from \$13.3 billion in 1962 to \$7.6 billion in 1967, or \$5.7 billion. Their projection indicated that in 1967 wheat would be selling at 94 cents a bushel, corn at 85 cents, oats at 49 cents, barley at 71 cents, and sorghums at 73 cents.

With cheap feed, livestock prices would also fall. The Iowa projection to 1967 of an unlimited production situation showed cattle selling at \$15.80 per hundredweight, and hogs and sheep at \$13.50 per hundredweight.

These figures are in line with several previous studies done by Dr. Walter Wilcox of Legislative Reference Service of the Library of Congress, and economists at Cornell University and Pennsylvania State University.

Congressman Graham Purcell, chairman of the House Agriculture Committee's Subcommittee on Wheat, recently reviewed these studies in a statement on the House floor.

I ask unanimous consent to include in the hearing record a portion of Mr. Purcell's statement, reviewing these studies. Chairman Purcell's full statement to the House appears at page 439 of the Congressional Record for January 15 (exhibit 1).

It is my own belief, Mr. Chairman, that I believe the majority of this committee agrees, that we must continue to find some means of managing the use of agricultural resources and productivity available to us. I am an advocate of making maximum use of our food abroad. I believe that use could be materially expanded as we gain more experience in our various food-for-peace activities. But we should keep production in line with use.

The wheat program in the Food and Agriculture Act of 1962 is an especially good one, for it combines bushel marketing quotas with acreage allotments. We are confronted with considerable increases in yields of wheat. Bushel quotas are going to be increasingly essential in any wheat program. Apparently the new Gaines variety in the Pacific Northwest is yielding 75 and 80 bushels per acre, with some growers claiming as high as 150-bushel averages in large fields under usual cropping practices. This variety is apparently adapted to the Northwest only, and is discounted on milling quality, but other higher yield wheats are being developed elsewhere.

I was disappointed that wheat producers did not accept the 1962 act on a mandatory basis. A very considerable majority in my own State voted to do so. A large proportion of those who voted no, did so in the belief that they were actually opening the way for a more favorable program.

I would gladly support legislation that would assure wheat producers 100 percent of parity for their food and export production. Even 100 percent of

parity as defined by law, is less than parity of income for our farm people, compared to average national income. And I think our farmers are entitled to equality of income with other groups of producers.

Wayne Darrow, in the Washington Farmletter, summarized the farmers' contribution to the Nation several months ago in a short but pointed item which he entitled, "Only in America * * *"

Because it eloquently states the case for American farmers briefly, pointing out that this Nation has an abundance of food for little cost, that agriculture has helped win our wars, maintain our trade balances, and build our economy, I ask permission to put it in the hearing record, Mr. Chairman (exhibit 2).

If this committee feels that it is possible to enact legislation which will raise the farm return for wheat to \$2.50 per bushel by a certificate plan, or a combination of certificates and payments, I will redouble my efforts to win votes for the measure.

It is my strong feeling that at least \$2 per bushel—the current farm return from the marketplace for food wheat—should continue to come from market sources, rather than payments from the Treasury. Bakery profits reported to the Security and Exchange Commission and the Federal Trade Commission do not indicate that that industry needs a windfall in the form of 35- to 40-percent lower raw materials costs.

I have just obtained a chart of the relationship of wheat prices and the retail prices of cereals and bakery products prepared for me by the Library of Congress Legislative Reference Service. Starting in the 1947-49 period and using it as the base period, we find wheat prices at the end of 1963 down to 92 on the index—less than the base—but retail prices for wheat products up to 143 percent of the base. I ask consent, Mr. Chairman, for this chart to go in the record. It is strong evidence that wheat costs could be raised some without necessitating any increase in retail prices to consumers (exhibit 3).

Economic analyses of the voluntary certificate plan by the Legislative Reference Service, and in the Department of Agriculture, conclude that such a program, based on the Food and Agriculture Act of 1962 with the penalty provisions for overplanting wheat acreage allotments removed, would achieve the following positive goals:

1. Keep farm income at a much more favorable level than other voluntary programs. Wheat producers would have received 70 cents per bushel certificates on 950 million bushels of food and export wheat under the compulsory program, or \$665 million in 1964. They could, by voluntary action, get certificates up to this amount under this voluntary plan.

2. Permit an orderly reduction in Government stocks of wheat. Analysts believe 70 to 80 percent of producers, and production, would be in compliance to get the certificates.

3. Avoid any increase in Government costs.

4. Avoid any increase in the price of food since the cost of wheat for food use would remain stable.

The bill eliminates penalties for marketing wheat grown on acres in excess of allotments and repeals the provision for a referendum this year on a compulsory plan for the 1965 crop.

The bill makes no changes in the way the national wheat marketing quota and the farm acreage allotments of wheat would be established when the supply of wheat is excessive under the 1962 act.

It makes no change in the way the national marketing allocation of wheat would be established under the act we have previously approved.

It makes no change in the authorized price-support level of from 60 to 90 percent of parity.

It makes no change in the provision for small farm acreage allotments.

It makes no change in the wheat-feed grain acreage substitution provisions in the 1962 act.

It makes no change in the marketing certificate provisions of the Food and Agriculture Act of 1962 except to state that individual producers must comply with the wheat acreage allotments and conservation acreage requirements established for their farm in order to receive their pro rata share of the wheat marketing certificates.

This bill, by removing the Government-imposed penalties for overplanting wheat acreage allotments, eliminates the "loss of freedom" issue which was a dominant factor in the recent referendum vote. Yet, the economic incentive for complying with wheat acreage allotment and conservation reserve requirements in order to be eligible to receive wheat marketing certificates is so great

that the analysts assure us a very high proportion of the wheat producers will comply.

In the process of developing S. 1946, I requested two studies from the Legislative Reference Service of the Library of Congress in regard to its effects. They support my own finding that the voluntary certificate plan can maintain income of producers without increasing Government costs and permit reduction of wheat supplies.

The Department of Agriculture has prepared an analysis of the various proposals which have been made to meet the situation resulting from the no vote in the referendum. I am sure that the Department of Agriculture will submit those studies during the course of their appearance on the bill.

The House Agriculture Committee's Subcommittee on Wheat has reported a bill very closely paralleling S. 1946. It is my understanding that they have included in the bill certain specific levels of acreage allotments and marketing quotas for 1964, subject to adjustment by the Secretary for the 1965 crop. They have also provided that certificates for up to 500 million bushels of export wheat shall be 25 cents per bushel instead of 70 cents, as provided in my proposal.

The House proposal of a voluntary certificate plan is very similar to what I have proposed but I hope, Mr. Chairman, that the committee will retain the general form of S. 1946 for two reasons: First, I believe it will be more easily understood. It simply takes the penalty and mandatory features out of the act of 1962, making it a voluntary program. The act of 1962 is widely understood as a result of the 1963 referendum. Second, although S. 1946 does not set precise certificate values, it would permit the Secretary of Agriculture to set certificate values at at least 70 cents per bushel on food and export wheat, a level I hope the committee will suggest in its report.

The Oregon Wheat Growers League has summarized not only the views of growers, but the strong case for maintaining the value of certificates to assure adequate compliance with the program to make it successful, in a letter I recently received from them. They explain that as the certificate value is reduced, incentive to comply is eroded away and the desired results become less certain. Without higher participation, stocks of wheat could start to build up again.

The 70-cent certificate, as the Department and the President have indicated, will permit a reduction in stocks and will not increase Government costs over existing programs. It is within the criteria for a wheat program which both the late President Kennedy and President Johnson have stated.

I ask consent, Mr. Chairman, to put the letter to me from Mr. John H. Welbes for the Oregon Wheat Growers League in the record (exhibit 4).

Finally, Mr. Chairman, I want to thank you and the committee very sincerely for expending these wheat hearings. Louisiana is not a big wheat-producing State and other commodities are of greater importance to you as a Louisiana Senator. But no one could have been more appreciative of the necessity for prompt consideration of wheat legislation than you have been. On behalf of a good many hundred thousands of producers of the Nation's food cereal I want to thank you, and all the committee members, for the consideration you have shown.

(The exhibits attached to Senator McGovern's statement are as follows:)

[Excerpts from remarks of Congressman Graham Purcell in the House of Representatives, Jan. 15, 1964.]

THE WHEAT PROBLEM AND THE FUTURE OF FARM PRICE SUPPORTS

Mr. Speaker, I want to take this opportunity to call to the attention of the Members of this body the results of a series of unbiased studies on the contribution of farm programs to farm income.

The most recent of these studies, completed a few months ago by the center for agricultural and economic development at Iowa State University, concludes that after allowing for the effects of lower prices on production, in the absence of production adjustment and price support programs, net farm income within a few years would fall 40 percent or more.

When the results of this most recent study were brought to my attention, I asked how its conclusions compared with those reached in earlier, similar studies. Here is what I found:

“Walter Wilcox of the Legislative Reference Service, Library of Congress, in an article published in the *Journal of Farm Economics*, August 1958, concluded ‘in the absence of price supporting programs realized net farm income on a year-by-year basis would have been 20 to 55 percent lower in the years 1937-39, 14 to 43 percent lower in 1940-42, 24 to 34 percent lower in 1948-49, and 28 percent or more lower 1952 to date.’”

Professor Shepherd and associates at Iowa State University in August 1960—Iowa Agricultural Experimental Station special report 27—estimated that if price supports, production controls, and the conservation reserve were abandoned, within a few years the prices of hogs and beef cattle, respectively, would decline to \$0.11 and \$0.12 per pound. The price of corn would fall to \$0.66 per bushel, and wheat prices would fall to \$0.74 per bushel. Net income from livestock products might fall by 50 percent.

Using a somewhat different basis, and assuming a continuation of export subsidies and Public Law 480 programs, economists in the Department of Agriculture and in the land-grant colleges made a study for the Senate Agriculture Committee—Senate Document No. 77, January 1960—which indicated that the removal of price supports and production limitations would result in a 46-percent drop in realized net farm income by 1965.

This study indicated that if commodity programs were discontinued, prices of key farm products would be expected to fall to the following levels:

Wheat, \$0.90 a bushel; corn, \$0.80 a bushel; beef cattle, \$0.15 a pound; and hogs, \$0.11 a pound.

Professor Robinson, of Cornell University, in a similar study published in *Farm Economics*, 1960, concluded that even though a conservation reserve of 30 million acres, marketing orders and special distribution programs were continued, if direct price supports and acreage controls were dropped, net farm income would fall 19 percent. Hog prices would fall to \$0.14 a pound, beef cattle to \$0.15 per pound, wheat to \$1.18 a bushel and corn to \$0.98 a bushel.

Professor Brandow, of Pennsylvania State University, in a study for the Joint Economic Committee (committee print, November 1960) estimated that with price supports and production limitations removed, realized net farm income by 1965 would fall to \$7.2 billion or 36 percent below the 1959 level. His projections indicated wheat prices would fall to \$0.87 a bushel, corn to \$0.77 a bushel, hogs to \$0.11 a pound, and beef cattle to \$0.17 a pound.

Professor Heady, executive director of the center for agricultural and economic adjustment, Iowa State University, and his associates reviewed the results of these earlier studies and, using revised and more comprehensive statistics, analyzed the effects on farm income, Government costs and consumer food outlays of 16 alternative wheat and feed grain programs. (*Farm Program Alternatives*, CAED Rept. 18, May 1963.)

Needless to say the study is so detailed only a few of the highlights can be reported here. They conclude that the excess capacity of agriculture in 1960 and 1961 amounted to 7 percent. This percentage of potential output was avoided by diversion and conservation programs or was diverted from commercial markets by domestic and foreign distribution programs.

If that additional 7 percent had been channeled through commercial markets, farm prices would have fallen 28 percent, gross income would have fallen 21 percent, and net income would have fallen over 60 percent.

These university agricultural economists—after reviewing recent statistics with the most comprehensive and up-to-date analytical tools—estimate that within a 2-year period, a 10-percent drop in farm prices would bring about only a 1-percent reduction in supplies. In a 4-year period, a 10-percent drop in prices would be expected to result in a 1½-percent reduction in output.

In a period as long as 20 years, they conclude that if farm prices were 10 percent lower under one program than under another, production would be only 6 percent lower.

These basic price-supply relationships as analyzed by competent economists give the lie to those who say that if Government price-support programs were discontinued farm families would be able to earn higher incomes within a short while.

Professor Heady and his associates find that after allowing for the effect of lower prices on production—if all price supports, diversion, conservation, and export subsidy programs were discontinued for feed grains and wheat—within

the next 5 years net farm income would fall by more than \$5 billion a year or about 40 percent.

They also find that grain production would increase faster than livestock production could be expanded and carryover stocks of grains would have to be increased for several years to avoid an even more chaotic price and income bust.

Let me repeat, this most recent study by Iowa State University economists concludes that if price supports, acreage diversion, and export subsidy programs for wheat and feed grains are eliminated, carryover stocks would have to be increased for several years, yet net farm income would fall by 40 percent.

On the other hand, they conclude, if a combination of price support, acreage diversion, and export subsidy programs are continued, farm income can be maintained at current levels without further increases in Government costs. And to me this conclusion is as important as the earlier one.

[Excerpt from Washington Farmlatter, by Wayne Darrow]

Only in America: Americans are one of the few abundantly fed people in the world. They pay a smaller part of their income for food than in any other industrialized country, and in most others—20 percent compared to 42 percent in Japan, 45 percent in West Germany, and 56 percent in Russia.

America started as a nation of farmers. Time after time its agriculture has rescued the Nation in tough situations: Farm exports supplied the dollars to service European loans that built the cities after the Civil War. Farmworkers migrating to the cities replenished the labor force of industry after World War I immigration restrictions.

During the 1930 depression farmers sustained U.S. gross national output when industry cut it, and furnished a haven for millions of broke cityites. The cost to farmers and their families was enormous.

During World War II agriculture met all wartime demands for food and actually supplied civilians 12 to 14 percent more food than in prewar years. Despite shortages of labor, machinery, pesticides, etc., farmers were producing enough food to feed 50 million more people at the end of the war than in 1935-39 at the same dietary level.

Since World War II farm abundance has made farm exports one of America's best dollar earners in foreign markets (two-thirds of 1961-62 exports were for dollars), and has buttressed U.S. foreign policy with mountains of food—\$2 billion worth annually in recent years.

It's a production miracle based on research with aid from industry in machines, equipment, chemicals, etc., adapted to the new technology.

Agriculture is close to being the Nation's biggest buyer of petroleum products, of motor vehicles, machinery and equipment, of chemicals, of electricity, and naturally, of fertilizer and lime. Four out of ten jobs in business and industry depend on or are related to agriculture.

The American farmer supplies more for less money and profit than any other major segment in the economy. He has more people looking over his shoulder telling him what he ought to do to be a good businessman, and a good American, than those in any other group. Many of his advisers are grandsons of those who spent 41 percent of their income for food in 1900.

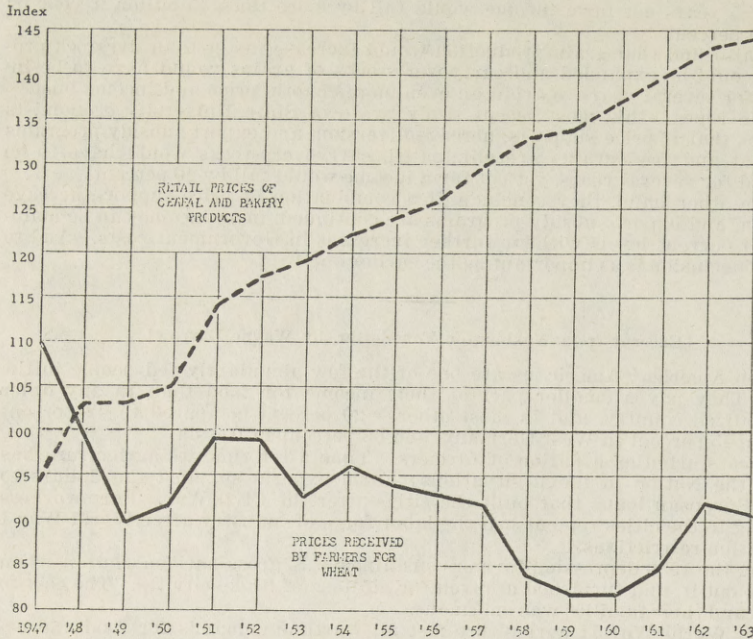
One out of twelve Americans lives on a farm. For every 18 farms there is only 1 public employee engaged in some form of nominally agricultural work—USDA, extension, experiment stations, agricultural colleges, vocational-agricultural teachers, State departments of agriculture, and State and county ASCS committeemen.

For every \$12 in farm cash sales, \$1 in Federal taxes is spent for price support and other farm program primarily for benefit of farmers.

For every \$12 net income farmers get, 12 years ago they got \$15.

And for every word of praise for his miracles, which are the envy of the world, he hears two about his morals—taking Government subsidies.

Only in America would all this be taken with a straight face.



Average prices received by farmers for wheat,
and retail prices of cereals and bakery products,
1947 to date
[1947-49 = 100]

OREGON WHEAT GROWERS LEAGUE,
Pendleton, Oreg., February 4, 1964.

Hon. GEORGE MCGOVERN,
U.S. Senate,
Washington, D.C.

DEAR SENATOR MCGOVERN: The Oregon Wheat Growers League, since its origin in 1926, has been a leader in developing sound wheat legislation. Many other wheat producing States have looked to the Oregon Wheat Growers League for guidance. Our officers have just returned from Washington, D.C., where they talked to several Senators and Representatives on pending wheat legislation, especially H.R. 9780, which has just been reported out of the subcommittee on wheat.

The Oregon Wheat Growers League would like for you to consider the following statement when considering new wheat legislation:

"The Oregon Wheat Growers League fully endorses a voluntary certificate program for wheat encompassing the principles of the certificate plan. Congress should carefully consider the following points in a voluntary program if it is to be successful:

"1. A voluntary program that does not have enough incentive for grower participation sign-up, will have a low percent of compliers. This would result in the noncompliers furnishing the cash market. The complier's wheat would end up as CCC stocks, which would mean higher storage costs, and not improve farm income.

"2. Any new program which would not maintain the 1962 income of wheat producers would result in a smaller percent of compliers.

"3. With export certificates valued at a low figure, the percent of compliance will definitely be down.

"4. The substitution clause should be in any new wheat legislation."

In reviewing President Johnson's agriculture message to Congress, he mentions, in the second paragraph, that the administration's policy is for higher farm income, reduced farm surpluses, and lower Government costs. As mentioned above, if a voluntary program is enacted, it must have participation to be effective. Less participation would result in fence-to-fence planting. This then would increase surpluses, increase Government costs due to CCC storage, and would not improve the farm income. President Johnson also mentions that the income of the average farm family is still only 55 percent of that received by the average nonfarm family.

The Oregon Wheat Growers League urges you to consider our statement in considering any wheat legislation.

Sincerely yours,

JOHN H. WELBES,
Executive Vice President.

STATEMENT FILED BY HON. GALE MCGEE, A U.S. SENATOR FROM THE STATE OF WYOMING

Mr. Chairman, I am pleased and honored to have the opportunity to present to your committee my statement in support of S. 1946. As you know, I am a cosponsor of this legislation. It is a piece of legislation that I believe is clearly in the interest of the wheat producer and processor and the consumer public.

To me this bill represents the acceptance by this body of a responsibility to protect the public interest. We all know the results of the referendum held on the wheat question last year. And we all know that it would be, in a sense logical for us to assume that that referendum indicated the choice of the wheat farmer and he should be permitted to live with that choice, especially in light of the many inflammatory statements made before that vote.

But, as the cliché goes, we must look at the big picture. And that picture is more than the majority vote on the referendum. It concerns the sizable minority of farmers who were willing to accept the restrictions that go along with the assistance they need for survival. And there is also the undeniable fact that the stability and economic well-being of the wheat farmer goes hand in hand with the prosperity of a sizable segment of our nonfarm economy in a number of States in this Nation.

It has become clear that as legislators bearing a responsibility to act in the public interest of the Nation as a whole, as well as to our individual States, we must find a means to promote stability in the wheat-growing segment of our agricultural economy.

It is my conviction that S. 1946 is not mere stopgap measure or something devised as the least costly way out of a bad situation, but rather is a positive approach that will bring positive returns to this Nation.

I will not use the time of the committee to restate the provisions of the bill. Instead, I would like to express my observation that, as many wheatgrowers have indicated, the desire for stability and an assured return on investment and labor assumes a new importance when the chips are down. Therefore, I would predict that this bill, which relies upon the voluntary cooperation of the growers, should produce a high degree of compliance. The prospect of going onto the market without wheat certificates and without eligibility for wheat and feed grain price-support loans should be incentive enough for most producers.

This bill, in my opinion, meets the necessary criteria of any wheat legislation, in that it would:

1. Insure stable consumer prices by keeping the cost of wheat in the marketplace at its present level.
2. Insure that income for wheat farmers will be higher than it would have been if the present law remains in force.
3. Not increase Federal expenses.
4. Bring about a substantial reduction in the carryover wheat supplies.

And I would add that to accomplish these ends in this crop year this legislation should be considered and decided upon with as much dispatch as possible. I urge that the committee give this bill rapid and affirmative action.

STATEMENT FILED BY HON. ROMAN L. HRUSKA, A U.S. SENATOR FROM THE STATE OF NEBRASKA

Mr. Chairman, I am pleased to respond to the committee's generous invitation to discuss this vital matter of new legislation for the wheatgrowers of America.

It would be difficult to overemphasize the importance of this Congress enacting a sound, workable plan which can have the broadest base of support among the men who produce wheat and among the beneficiaries of their output. Nothing else that we will do here this year will transcend the result of your deliberations.

It is unfortunate that these hearings were not held last year after the Nation's farmers turned down the rigid control programs espoused by the Department of Agriculture. The wheatgrowers of this Nation deserved better than the Congress gave them. They had a right to expect more of us.

But that is behind us and I am gratified that action is being undertaken early in this session. It is my hope, which I know the chairman and the members of the committee share, that we can put aside political considerations and turn to the task of enacting sound and responsible legislation.

No member of this committee needs to be reminded of the economic plight of the farmer who watches almost helplessly, even hopelessly, a burgeoning national economy, his share of which is constantly shrinking.

In his farm message of last Friday President Johnson pointed to certain overall gains in total, gross farm income but candidly conceded that these statistics fail to portray the true picture.

The people of Nebraska, where the basic industry is agriculture, are far more concerned with the fact that the farmer is failing to keep pace with the economic well-being of his urban cousin, than they are with billion-dollar figures of overall agricultural income. Indeed, they only wonder the more why they are not receiving their share.

If a new wheat program is not enacted, it has been estimated, net farm income in Nebraska could be about 5 percent, or \$20 million, below last year. The total farm income in Nebraska over the past several years has been approximating \$1.4 billion of which wheat has provided about one-tenth. But net income has been running at an annual rate of only about \$400 million.

The wheatgrowers of America were emphatic in their decision in the referendum of last May. It was a vote against the Freeman strict-control wheat plan and against the efforts and methods used in an attempt to force it upon them.

As a result, virtually every plan to be proposed since then has carefully avoided any reference to controls. Almost every bill is labeled a "voluntary" program. Mr. Chairman, I urge that the committee consider carefully what is meant by the word, "voluntary." It is described in the dictionary as "performed or done of one's own free will, impulse or choice; not constrained, prompted or suggested by others."

Some of the legislation proposed, I submit, fails to meet that definition. There is nothing voluntary about a program which leaves the farmer no real choice. The take-it-or-leave-it provision of some of these bills are about as voluntary as a man leaping from a burning building.

As the distinguished ranking minority member of this committee, Senator Aiken, put it on the floor of the Senate the other day, "A close scrutiny of these programs reveals the fact that 'voluntary' means the farmer will either volunteer or else."

Since 1961 we have heard a great deal about something called supply management. The magic words this year seem to be "compensatory payments." Just as we discovered that "supply management" did not mean what it says, so we are discovering that "compensatory payments" means something other than what it says.

Compensate for what? Why are we not honest enough to admit that we are talking about a Federal endowment, the cost of which nobody knows except that it will reach many billions of dollars?

Mr. Chairman, probably no other member of our society is as independent by nature as the farmer. He doesn't want a Federal handout. He doesn't want to be on some slogan-disguised relief program. He wants a chance to work his land, raise a crop and sell it for a price that will enable him to make a decent living.

He will not accept warmed over and thinly disguised versions of such discredited schemes as the Brannan plan of the thirties.

What is required, Mr. Chairman and members of the committee, is a bill which allows the farmer to participate or not, as he desires. If he chooses not

to participate in the program, he must not be saddled with unbearable penalties and economic punishment. That would not be a voluntary program because the farmer would not have a free choice, only a choice between participation and ruin.

The program must be voluntary because to offer anything else is to ignore the clear mandate of last May and the even more impressive fact that by and large, growers this year have planted within their acreage allotments of last year.

As the committee knows, I have joined a bipartisan group of Senators headed by Senators Hickenlooper, Aiken, Holland, and Anderson in sponsorship of a bill which deals not only with wheat, but with feed grains as well.

As I said on the floor of the Senate, my cosponsorship of that bill does not constitute an unyielding approval of the measure in its entirety or in all of its aspects and provisions. I am perfectly willing to leave the settlement of the details and the precise language to the members of this committee which has among its members some of the best-informed, most knowledgeable, and capable experts an agriculture in our Nation.

I know that the committee, in writing a bill, will consult with other Members of the Congress, in both Houses, with expert witnesses from the Department of Agriculture, the great farm organizations, and hopefully, with individual growers themselves.

Members of the committee, I am sure, have been receiving the same type of mail as I: an insistent appeal for sensible, workable, and uncomplicated wheat legislation. We must respond to this plea.

For whatever its value to the committee, I suggest that a reexamination of the farm policies of the past several years—ranging into both Democratic and Republican administrations—have failed because they neglected to recognize some basic truths about agriculture.

The first is that agriculture is a highly competitive industry. The only things that will dull that competition are highly restrictive and repressive measures visited upon the farmers by the heavy hand of Federal control. The second truth is that modern science and technology have irrevocably committed us to a course of abundant production. There can be no turning back; instead, we must seek progress in the direction of using that abundance effectively, not as an embarrassing economic millstone around our necks.

And the third truth is that the laws of economics are natural laws, as immutable as the laws of physics or mathematics. They were not devised by man, but result from human behavior in a free society. These laws, like the law of gravity, can be overcome, but only by control amounting to enslavement.

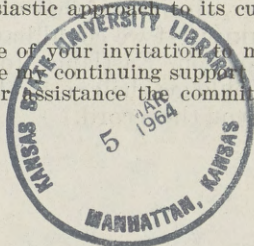
If we accept these basic truths, Mr. Chairman, then it is clear that we must direct our farm programs in the direction of less, not more control. Have we not yet learned the bitter lesson of the past three decades? Can we not confess that Government controls, particularly the harsh and unrelenting type proposed by the current Secretary of Agriculture, have led to our present critical difficulties?

This is not to say that the Government, having placed the farmer in the disadvantageous economic position he now occupies, can abandon him. But it is to say that we can change directions and embrace a long-range transition which will restore the farmer to a place of competitiveness with other segments of our economy.

We must not allow, Mr. Chairman, the club of Government retaliation to be raised over the head of American agriculture. We saw an example of that last year by the administration's refusal to consider new wheat legislation after its own programs had been repudiated. We may be seeing it again in the reluctance of the Secretary, at first to recognize that the American livestock industry was being dangerously damaged by skyrocketing imports of beef and veal into this country, and now by his resistance to the congressional authority to curb imports.

The livestock industry has stoutly and steadfastly resisted efforts to bring it under the same restrictive controls wielded over other areas of agriculture. One wonders if the Secretary's unenthusiastic approach to its current problems results from this resistance.

Mr. Chairman, I am most appreciative of your invitation to make this statement. I pledge to you and the committee my continuing support and would welcome the opportunity to be of whatever assistance the committee feels I can render.



The CHAIRMAN. I would like to suggest this: That permission will be granted to anyone who desires to put a statement that would be helpful to us on or before the 13th of this month at 2 o'clock.

Senator JORDAN. Mr. Chairman, I just want to say that I heartily approve of the expeditious manner in which you are taking up both wheat and cotton, because I think it is imperative that something be done before they get their crop in the ground or make their plans.

I think it would be a disaster if some kind of legislation is not enacted early this year, because there is no telling what the Secretary of Agriculture will do regarding prices with what he has got, as you well know, Senator.

The CHAIRMAN. I think I express the views of all of our committee members that we want to move as expeditiously as we can in order to get the problem behind us before the Senate gets tangled up in a filibuster, because there will be a filibuster on civil rights.

(Discussion off the record.)

Senator JORDAN. I will do all I can to help get this wheat legislation through as well as the cotton legislation because they are both important to our economy.

Senator AIKEN. In the same bill?

Senator JORDAN. I think they should be separated. That is my opinion.

Senator AIKEN. That would be safer.

Senator JORDAN. Whatever the majority thinks but I think they ought to be separated. That is my understanding right now. I think each one would have a better chance of getting through particularly in the House.

Senator AIKEN. As an innocent bystander, I would say that cotton legislation would be desirable if you can get the cotton people to agree on legislation.

The CHAIRMAN. You won't have any cotton legislation if you expect that.

Senator JORDAN. That is coming along pretty good.

The CHAIRMAN. I don't know, I have looked up the record of the hearings we had in May, and I have been here all of last week, and I dare anyone to take cotton legislation and draft it that would suit the majority of the witnesses who testified here.

Senator JORDAN. I think they are getting along pretty well as I understand it.

The CHAIRMAN. They had better hurry.

Senator JORDAN. I think they are. I was informed of that, and I hope they are. You have got the same proposition with wheat, haven't you, Senator Young?

Senator YOUNG. There is a lot of difference of opinion. I note that you think wheat and cotton legislation should be separate; I think it would be all right if they were, but don't separate them too far. Don't have the wheat legislation too far behind cotton.

Senator JORDAN. I intend to support you every way I know how. If it is together, all right, if they are separate, all right.

Senator AIKEN. If we could have, as a subcommittee of the Senate, Senators Anderson, Eastland, Jordan and Talmadge, and they got together, we could get their cotton bill out and voted on easily.

(Discussion off the record.)

The CHAIRMAN. The first witness for this morning is Mr. Graham. Will you step forward please, sir.

Mr. GRAHAM. I would like to have Mr. Denslow, the associate counsel of the National Grange, with me too, with your permission.

The CHAIRMAN. Be seated.

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

Mr. GRAHAM. First let me express the regrets of the master of the National Grange that he is unable to be here, due to a longstanding commitment in Spokane, Wash., where he is speaking today.

Secondly, I would like to add our voice to that which has already been expressed of the necessity for quick action on this wheat legislation, and at the same time place in the record a statement that was issued by nine farm organizations on the 13th of December in 1963, in which the following, which are the Grain Sorghum Producers Association, Missouri Farmers Association, the National Association of Wheat Growers, the National Corn Growers Association, the National Council of Farmer Cooperatives, the National Farmers Organization, the National Farmers Union, the National Federation of Grain Cooperatives, and the National Grange met together and urged immediate action on the wheat program or on the wheat legislation, action that would take place before the first of March in 1964.

Senator AIKEN. All support the same bill, the same type legislation?

Mr. GRAHAM. Pretty generally so. I will cover that in the next one. If I might get that in the record, Mr. Chairman.

The CHAIRMAN. Without objection it will be placed in the record at this point.

(The document referred to follows:)

WASHINGTON, D.C.—Nine organizations met December 12 and 13 in Washington, under the auspices of the National Grange, to deal with the adverse economic impact that farmers can expect in the absence of an effective Federal farm program for the 1964 crop of wheat. Invited to the meeting were 10 of the Nation's organizations representing the interest of wheat and feed grain producing areas on national legislation.

Organizations attending the meeting were the Grain Sorghum Producers Association, Missouri Farmers Association, National Association of Wheat Growers, National Corn Growers Association, National Council of Farmer Cooperatives, National Farmers Organization, National Farmers Union, National Federation of Grain Cooperatives, and the National Grange.

Representatives speaking for these organizations commended the action of the House Wheat Subcommittee in beginning new congressional hearings now, leading to the immediate development of a program for the 1964 wheat crop. Alternative programs were reviewed and revision of the 1964 program was considered. Conferees unanimously agreed that any change of program needs to be enacted and made available to farmers prior to March 1, 1964.

"We strongly support the objectives of President Lyndon B. Johnson and Secretary of Agriculture Orville L. Freeman in preventing the expected sharp drop in the income of wheat farmers. We pledge our support in obtaining early congressional approval of wheat legislation, with the corresponding helpful effect of maintaining the present highly successful and effective feed grain program. Failure to act now on a wheat program jeopardizes the voluntary feed grain program."

"National economic growth cannot be expanded unless farm income is maintained and improved. The drag on the economy posed by an expected \$600 million loss in farm income in the absence of an effective farm program would be disastrous. Prevention of this loss is therefore of prime concern to farmers,

Main Street businesses in rural America, and factory workers whose jobs and livelihood depend on a healthy farm economy that must continue to contribute to the strength of the Nation's economy, receiving in the process its equitable share of the Nation's income."

Mr. GRAHAM. Then on January 10, most of the same farm organizations met again, with the exception that two of them had to send telegrams of support, and after this meeting we also sent the members of this committee, the statement that we issued at that time on the urgency of wheat legislation, which if it has not been put in the record by some member of the committee, I would like to have that put in the record also.

The CHAIRMAN. That will be checked, and if it hasn't been put in the record, we will add this to it.

(The statement referred to follows:)

URGENCY OF WHEAT LEGISLATION

The farm organizations and producers' representatives here personally (or by statement) are united in their desire for quick passage of a voluntary wheat certificate program, which will maintain and improve farm income, by preserving the stability of the market, removing the threat to other farm programs, and reducing the problems which threaten chaos in world markets, by reason of the difficulty of preventing U.S. violation of the International Wheat Agreement in the absence of any new effective wheat legislation in 1964.

Any program to apply to the 1964 crop must be enacted prior to March 1, in order to be effective before harvest time.

Growing evidence is apparent that the price of wheat will drop close to the price of the 50 percent of parity level, with an additional income loss of roughly \$600 million in 1964, without such legislation.

The adverse effect of this economic loss on our total economy would substantially reduce the beneficial results of any tax reduction that may be forthcoming, as well as all other efforts to stimulate the economy and generate further employment.

It is therefore the responsibility of farm groups and responsible rural leadership, as well as of the Congress, to prevent such disastrous loss in farm income; threatening, as it would, to terminate the period of unparalleled prosperity in other segments of the economy; as we firmly believe the disastrous drop in farm income would do, and as it has done in the past.

The political problems of regaining the previous level of income would be very difficult ones; hence, there is real urgency of acting now to prevent further drop in either income or prices, as a very minimum objective.

The effect of no legislation would be to scuttle the feed grains program, and terminate its desirable effects.

The gains of the past 3 years, in increased income, reduced stocks, and diminished Government storage costs, as well as in expanded markets, would be lost without such legislation.

Reports from the field, our respective members, and from meetings of the various organizations here represented, indicate strong support for a voluntary but attractive and effective program, to maintain and increase farm income. Even those who opposed the referendum on the compulsory or mandatory certificate program submitted for referendum last spring, held out the promise of new and effective legislation in the event of the failure of the referendum.

The reports that over 75 percent of Winter wheat producers planted within their acreage allotments, thus protecting their allotments, indicate that farmers expect (and want) a wheat program, and that they intend to participate in one.

Failure to enact legislation will seriously jeopardize our whole international effort to advance the cause of increasing economic cooperation between the non-Communist segments of the world; diminish our attempts to further expand market potential for U.S. agriculture, and, indeed, be a serious obstacle to reasonable U.S. success in connection with the forthcoming Kennedy round of negotiations in the General Agreement on Tariffs and Trade, and will substantially lessen the prospect of stabilizing our own American market for agricultural markets in general, including meat products.

The urgency seems so complete and universal that it is difficult to understand why there is any difference of opinion on the necessity of legislation,

even though we concede that there are several differences of opinion as to the most desirable combination of legislative provisions. Under such circumstances, however, the compelling necessity of recognizing the fundamental soundness of the traditional American concept of arriving at legislative decision through full discussion and reasonable concession and compromise on points of difference has dictated this renewed joint effort on the part of those of us here today to underscore the compulsion of effective action; to present to this committee our wide areas of agreement on purposes and objectives; to give you anew our collective, though somewhat different, opinions, as to the best ways of obtaining those objectives and, finally, to assure this committee of the Congress our abiding faith in the American system, to the effect that we will, in all probability, give support to the collective judgment of this committee, as to the ways in which these objectives should be approached, in legislation early in this session, reserving, as we feel that Americans not only have the right to do, but have the responsibility to do, a subsequent right, then, to seek further improvement and any correction that may be necessary, at a later date.

Let us therefore make further legislative progress now, and dedicate ourselves, individually and collectively, to continuing efforts in the future.

Organizations represented at the January 20 meeting were the National Association of Wheat Growers, National Farmers Organization, National Farmers Union, U.S. Corn Growers Association, and National Grange.

Telegrams of support came from Grain Sorghum Producers Association and Missouri Farmers Association.

Mr. GRAHAM. I think it was put in the Congressional Record but it probably should be in the hearings record also.

The CHAIRMAN. You have quite a long statement here.

Mr. GRAHAM. I am going to condense that, sir.

The CHAIRMAN. I wish you would, not that I am trying to cut you off. I know that you have appeared here before.

Mr. GRAHAM. Yes.

The CHAIRMAN. Last year.

Mr. GRAHAM. The first part of this is a general restatement of our thinking in terms of the necessity of getting legislation reasonably soon, soon enough that it can be applied to the 1964 crop, and that means that it almost has to be before the first of March or very close to that.

The CHAIRMAN. As I remember, the National Grange supported the present law.

Mr. GRAHAM. During the legislation in 1962.

The CHAIRMAN. That was enacted.

Mr. GRAHAM. That is correct.

The CHAIRMAN. What is your position on it now? Do you say anything about it there in your statement?

Mr. GRAHAM. Yes. I think probably it would be just as well that we enter the statement and then let me abbreviate what I have tried to say in here. Then we will let you ask the questions as we go along and it will save time for the committee.

The CHAIRMAN. You just highlight it. I don't want to anticipate you. You might cover the points that I would like to get from you.

Mr. GRAHAM. I think we will get those before we get done in pretty good shape. First of all, I would say just quickly that the \$600 million figure of loss that was used last year looks like it might be more valid than some of us thought at that time in case there is no additional wheat legislation, primarily because there was less wheat planted than anticipated and you come up with a lower price too. This would get an income situation which would be intolerable.

The CHAIRMAN. When you say \$600 million, that means loss in income.

Mr. GRAHAM. Yes.

The CHAIRMAN. Farmers' income, all right.

Mr. GRAHAM. We think in general that attempts that the Congress is making to stimulate our economy are correct, but if we would turn around and do something which would create an unusually heavy loss in our farm income, then we would at the same time remove the purchasing power which we think is necessary to have a stable prosperity, and this is primarily the purchasing power of agriculture. We would point out that the steady decline in farm population, about 3 percent a year, means that we have lost 28 percent since 1954. We would not want to approve any program which would force the acceleration of this departure from the land at this time. We would oppose any kind of a program which would make actually bankruptcy a fundamental part of farm policy, or that makes capital reserves the major basis for survival. We think there are problems involved with the International Wheat Agreement, and at the time we are getting ready into the Kennedy round of negotiations in GATT is not the time to begin to get ourselves in trouble in international agreements, with the people who have become part of international agreements.

Just as a matter of policy, we would state also that in general we are not in agreement that we can or should have a completely free market either at home or internationally. We think there should be regulations and restrictions to prevent, as the senior Senator from Vermont said in a speech the other day, the unnecessary speculator controls in terms of the monopoly people that would be involved in a completely free market. This is not a verbatim report of your speech, Senator. We believe the Government activity in the marketplace cannot be eliminated in the field of foreign trade and that it cannot be substantially reduced domestically as long as the U.S. Government through the Commodity Credit Corporation is the major purchaser of agricultural commodities in surplus supply and is required by law to hold and to pay the storage cost for the total production of these commodities without taking cognizance of the difference in the marketing and end use of the commodities.

In other words, what we are trying to say, that the place to begin to get the Government out of agriculture is at this point, and we must do it in terms of bringing our supplies into a reasonable balance with the market demands. Historically the so-called free market has not operated efficiently except when there was a reasonable balance between supplies and market demands. We would also suggest that the attempt to write legislation should be made which would eliminate the necessity for export subsidies in any form which will generate the basis for Government interference in the normal processes of international trade as provided for in our trade agreements.

This one has some of the implications that Senator Aiken I think was alluding to a minute ago. We believe, and this is basic to the Grange position, that such legislation as we are trying to get today in general in terms of farm programs should contain the economic stimulation toward compliance rather than administrative compulsion.

We supported the act of 1962, with some reservations because of what appeared to be an extremely serious situation developing. But in general, you gentlemen recognize that we have not made mandatory

controls a very important part of Grange policy, and we would prefer that in the case of wheat, for instance, that the part that is needed bring a higher price than the surplus, and high enough difference between the wheat that we need for our domestic market and for export, this wheat bring a high enough price that it will be enough difference between that of the surplus wheat and the feed grain wheat that the people who are given the choice of complying with the program or not complying with it can have an economic basis for wanting to comply rather than simply a rule saying you have to comply.

The CHAIRMAN. Do I understand you to mean that you would want to get price supports on wheat that is produced for domestic use, and all that is produced over and above that, that it be sold free on the market? Is that what you are talking about now?

Mr. GRAHAM. What we would prefer to do is to have the certificates carry the burden of getting the price up for the domestic wheat, and then a price support for the remainder that is produced under the program at about the level of the price the wheat would bring on the farm for that part that is used for the export market, the difference between the farm and the—

The CHAIRMAN. That is the two-price system.

Mr. GRAHAM. This is the two-price system but that which is produced—

The CHAIRMAN. Such a program has been kicking around for 27 years now since I have been on this committee.

Mr. GRAHAM. You got it passed once.

The CHAIRMAN. I know, but your Republican President vetoed it. I don't know that it would work.

But it would seem to me that any program that veers away from the one you now have on the statute books, you will never get it through by March 1.

Mr. GRAHAM. We don't think it has to have too much variance, and I will make a suggestion a little later on as to how it can be done.

The CHAIRMAN. All right, go ahead.

Mr. GRAHAM. One of the things we are primarily concerned about, and this committee is also, is this matter of income.

The high point of net farm income was reached in 1947 with \$17.3 billion.

The CHAIRMAN. That is gross.

Senator JORDAN. Is that on wheat?

The CHAIRMAN. That is gross.

Mr. GRAHAM. Net farm income.

Senator JORDAN. On all products?

Mr. GRAHAM. It was net farm on all products.

The CHAIRMAN. Net?

Mr. GRAHAM. Yes.

The CHAIRMAN. What year was that?

Mr. GRAHAM. 1947.

The CHAIRMAN. Oh, yes.

Mr. GRAHAM. The net declined because the cost of production inputs has risen faster than the realized gross of farm income. This is according to the reports we had in November. We are probably going to have lower net income in 1964 than in 1963 because again we have this same problem of input being higher than what we would gain. Now over against that we have had the net spendable income, the average

weekly income of workers with three dependents in the United States increased from \$56.36 in 1965 to approximately \$82.19 in 1963. The point I am making is that I don't think we have to continually rely on the Federal Government for the money that should be available to farmers for the production of their food in the midst of what is generally conceded a fairly prosperous economy; and where the purchasing power of the consumer has rapidly increased and the amount that he uses for food has steadily decreased until today it is down to about 19 percent of his total income.

In the case of wheat, in 1963 farmers received 3.1 cents from the ingredients in a 1-pound loaf of bread, two-tenths of 1 percent less than the 1947-49 average. Wheat accounted for 2.5 cents of the ingredients total, or one-tenth of a cent less than in 1962 and 2 percent of a cent less than in the 1947-49 period.

At the same time the loaf of bread had gone up to 21.6 cents in 1963, an alltime high. What we are saying that the income of farmers from what goes into our food products has declined while the cost of the food products has gone steadily up. I have in my statement some of this same argument in the statistics and I will leave that for you to read at your pleasure.

The CHAIRMAN. At your what?

Mr. GRAHAM. Your pleasure or your opportunity.

Senator JORDAN. I thought he was going to say leisure.

Mr. GRAHAM. I thought you might have more pleasure than leisure the way you are working at the present time.

Again as a statement of policy, the primary objective of a sound program for agriculture and the longtime goal of the National Grange for agriculture is to enable the producers of food and fiber, the most vital commodities in our national life, to receive a return in the marketplace that permits the producer who receives for his labor-management risk and capital investment in terms which bear a reasonable relationship for that which is received for these same factors in other segments of our economy and which will permit him to purchase from the American market the machinery goods and services which are necessary for a continuation of his productive capacity. We know there are some political implications in this position but we believe the time has come when the American consumer and taxpayer as well as the farmer must make his choice between whether our food is going to be paid for in the marketplace, where it should be, or whether it is going to be paid for through the Federal Treasury, but not to force him to pay both ways. I don't think we can continue to sweep this problem under the rug because it is always going to come back and haunt us.

In some way in our estimations we must find a way that will enable us to move toward a parity pricing or at least a parity of income for farm commodities as rapidly as possible.

We support—and as you well know most segments of our society have—the attempts to improve the price of labor; and we shall continue to do so because we have got enough sense to know that you can't sell your products to people who don't have any money.

We think they have got money enough now to buy these products, for no more than the extra cost would be, if we could begin to move in that direction.

We have three alternatives I think before us in the direction we are going to move with farm programs.

Senator HICKENLOOPER. Mr. Chairman, did you ask not to be interrupted?

Mr. GRAHAM. No; I did not. Interrupt any time.

Senator HICKENLOOPER. Is it possible we are painting ourselves into a corner on that particular situation, because, as people have more money to buy products, then if we increase the price of products, doesn't the demand for increased wages go up on the cost-of-living basis, and we get into that vicious circle where there is no balance.

Mr. GRAHAM. I don't think so.

Senator HICKENLOOPER. Hasn't that been the case in the past? Hasn't that been the history?

Mr. GRAHAM. Not as much. The statistics when we analyze them don't indicate that has been quite so true in terms of the cost of farm products. There has been the increase in the cost of the food product to the consumer. But this has been an increase in the spread of the processor, the marketing system and the distribution. In the case of the bread, milk, and meat—

Senator HICKENLOOPER. Well, what is the difference? How do you differentiate?

Mr. GRAHAM. We would say this. That we at least ought to move the farm price up once in a while when they move the total price up steadily.

Senator HICKENLOOPER. Yes; but when you move the farm price up, which I think ought to be done—I am certainly in favor of that, I am not arguing it—when you move the farm price up, it escalates right through the cost of distribution and retail sales and everything else, and thereafter wages go up because the price of living has gone up, the total price of food. That is why I say we are painting ourselves into a corner substantially on that; aren't we? How do you level this off? How do you hold it even?

Mr. GRAHAM. No, 1, we have held it even in terms of the wholesale price of the cost of living index. We have been at an even level at this point for 10 years. We have been on dead center for 4 years. But prices have continued to go up and the food has still moved.

Senator HICKENLOOPER. What good does it do to talk about the wholesale price being on dead level if the price which the fellow has got to pay out of his pocket keeps going up? I can't quite square that.

Mr. GRAHAM. The point is that this price in our estimation is going to continue to go up. The question is whether or not we are going to try to get part of it for agriculture, which we haven't got for 10 years. In the case of milk, for instance—and this is almost identical with what has happened in wheat—the price to the producer has gone down 2 cents a quart in 10 years and the price to the consumer has gone up 10.

Senator HICKENLOOPER. Yes; exactly.

Mr. GRAHAM. I don't think we have to be too much afraid of the parity level on wheat in terms of its effect on the price of a loaf of bread, which would be less than 1 cent in my rather quick figuring, which says it would cost about 58 cents a year to bring wheat up to a parity level out of the \$400 a year that is spent for food.

Now this is a mighty small percentage, one-eighth of 1 percent would give us a parity level on wheat. Now how much labor-management is going to add to that—

Senator HICKENLOOPER. What would that do to the end price of the fellow who has to buy and eat it; that is the point.

Mr. GRAHAM. From what we heard from some of the bakers they are going to put it up about a penny this year anyway.

Senator HICKENLOOPER. Yes.

Mr. GRAHAM. So I don't think we can continue to worry about that end price all the time to the exclusion of the farmer getting his fair share. It seems to me we have simply got to come to a place where we go after a fair share of the market precisely the way labor and distributors and all the rest have done, and properly so. I am not quarreling with them.

Senator HICKENLOOPER. I don't disagree with you in the least on that score. I am talking about the whole economic turnover proposition.

Mr. GRAHAM. We are going to solve this problem in one of three ways it seems to me. We are going to solve it by following the CED program of forcing a third of the people—the farmers—off the land, in the hopes that those that are left can have enough of this pie, even though it is a very small margin, that they can make a living, or we can go the way of putting a price that we think the consumer will pay, and adding the balance of a parity level of income from the Government Treasury.

This is less desirable to us than the way we have been talking about.

The third way is to move in the market toward a parity price. As the last part of this testimony will show, that we think that this can be done by writing an escalator clause into the present legislation, Mr. Chairman, that would steadily and rather rapidly, over a period of not too much time, raise the value of the certificates up to parity.

This has two or three advantages. One is that it adopts a program that has been used successfully by labor, and I see no reason why we shouldn't do something they have done successfully. When they have gone for minimum wages, they have not said we are going to increase these wages tomorrow.

They have said let's increase these wages a year from next September or something like that. This is the kind of thing which we think can possibly be done and properly be done, and move us out of this place where we are in, because right now we are boxed into a corner.

That is we have no way to move unless we decide to do one of the things which some people say we shouldn't do. You can't increase farm income in our judgment, and you can't reduce Government cost and you can't hold the cost to the consumer at the same level all at the same time.

One of those three has got to give. We prefer that it be at the consumer level, the end year of the product. This is precisely what has happened to us in terms of tractors, for instance. When labor costs have gone up and management and all the rest of it has gone up nobody has said we must keep the price of tractors at the same price. Otherwise the consumer of tractors is going to object. They don't ask us whether we object or not. They simply push this tractor price up and machinery, and we get the price.

Senator YOUNG. It is pushed up every year.

Mr. GRAHAM. It goes up every year steadily, about 2 percent, and it will go up another 2 percent this next year according to the estimates we are getting.

The CHAIRMAN. It will take more than parity wheat to give you a return equal to what the average worker, factory worker, is paid.

Mr. GRAHAM. We recognize that.

The CHAIRMAN. Of course.

Mr. GRAHAM. I don't know how we can go for more than parity though. If we could get to parity we could begin to live.

The CHAIRMAN. You are not starving now.

Mr. GRAHAM. No; thank goodness I am not making all my money off the land right now either.

Senator YOUNG. Could I ask a question there?

The CHAIRMAN. Yes, Senator.

Senator YOUNG. Would you explain your proposed escalator clause in more detail?

Mr. GRAHAM. I would think that this could be added to the present legislation. You are going to be amending it some anyway. That is write in another clause that the value of the certificated wheat would increase on a formula basis. It will be about 80 percent of parity under the legislation that has been proposed in the House, and basically about that under the McGovern bill, as I understand it. Then it should be increased by 5 percent a year for 4 years or something of that percentage, and tie this value of the certificates eventually to a formula instead of to a price, because we are still going to be coming back otherwise in terms of this changing of the production costs and throwing the whole parity relationship out of balance in terms of price. If we do it on the basis of formula, we have got a chance to not have to annoy Congress every year to change this legislation.

But if we do it on the basis of a price, for instance if we go from \$2 this year to \$2.20 next year, \$2.40 the next year, \$2.55 the next year, then 5 years from now we would again be into a problem in terms of our parity relationships.

The CHAIRMAN. Proceed.

Mr. GRAHAM. Let me come down to the last two pages which I think I will read and then be done with my testimony.

The Grange believes that a sound program for wheat requires the use of a certificate system as a means of maximizing farm income by recognizing that wheat properly has a higher value for primary human food use than it has for other or secondary uses.

At the same time, we believe that any such program should be designed to maximize the producer's freedom from Government controls. To accomplish these objectives, we have long advocated the enactment of appropriate legislation to implement our voluntary wheat certificate plan. Many of the principles of this plan were incorporated in the mandatory program authorized by the Food and Agriculture Act of 1962, and we supported that measure, notwithstanding its mandatory features, in the belief that they might be justifiable during a transitional period to check and reduce the alarming buildup of Commodity Credit Corporation's stocks and the costs to Government attendant thereon.

As originally conceived by the Grange, however, the wheat certificate plan was designed to be operative on a voluntary basis, and we

do not believe it at all necessary that it be made mandatory to be effective at the present time.

We recommend that remedial legislation be enacted immediately to remove the mandatory aspects of the program presently authorized, thereby removing the necessity for another referendum.

For reasons already stated, we find the price level for the certificated wheat under existing legislation to be inadequate to represent the kind of income level to which we believe the American wheat farmers are entitled. Even the addition of export certificates and diversion payments leaves us considerably short of desirable goals.

The Senator from Vermont asked me about these organizations, that were meeting before about this, and this is an area in which there is entire agreement.

We believe there is no really acceptable long-term answer to many of the problems we have discussed except placing a value equal to 100 percent of parity on that part of the domestic wheat crop which is consumed for food on the domestic market and issuing certificates for the difference between the market price and the 100 percent of parity goal. This program has the advantage of simplicity, fairness, economy, and still recognizes the functions of the market.

Senator YOUNG. Will you yield there? In effect you are supporting the bill introduced by myself, Senator Carlson, and Senator Mundt which is almost identical with the legislation proposed by the Grange for a number of years, isn't that right?

Mr. GRAHAM. Yes; this is the end result that we would like to try to get to. That is what we say in this next paragraph.

We are not going to strenuously oppose the use of diversion payments and export subsidies during a transitional period, although we question the long-term desirability of these devices. However, we hope that this Congress will write into this legislation a formula for moving the value of the certificates toward full parity in a very few years, eliminating the economic need for export certificates and retaining only enough diversion payments to provide incentives toward compliance with the program and as they may be needed to stabilize the feed grain program. It should be possible to eliminate payments-in-kind provisions as income improves and Government stocks decline.

Eliminate basically the need for support except to keep the wheat that goes into export market up to about the world market price.

Senator YOUNG. I would like to eliminate the export subsidy too. I don't think it is really necessary. Do you have some amendments or would you have an amendment drawn which would accomplish what you are advocating here?

Mr. GRAHAM. I think taking the certificate up to parity should also have with it the condition that the export subsidy would be removed.

Senator YOUNG. Yes, that is right.

Mr. GRAHAM. So one would go one way and one the other.

The CHAIRMAN. He is asking for an amendment.

Mr. GRAHAM. Would we prepare it?

Senator YOUNG. Yes.

Mr. GRAHAM. Yes, I think so.

The CHAIRMAN. Have it ready and we will put it in the record on the 13th before 3 o'clock.

Mr. GRAHAM. We will do that.

The CHAIRMAN. All right, I think there is some work being done on that in the department too, Senator, at the present time.

Any further questions?

(The information requested above and the prepared statement of Mr. Graham follows:)

WASHINGTON, D.C., February 13, 1964.

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

DEAR MR. CHAIRMAN: AS I promised you and Senator Young during our testimony on wheat legislation February 10, I am submitting a short statement which I think would cover the suggestions which I had made, if it is inserted into the wheat legislation.

Our counsel's office reports to me that they would have difficulty in drafting more precise terms for legislation until they know the kind of legislation which is going to be reported out by your committee. For instance, the McGovern bill would require one type of language, and the so-called Purcell bill another. Therefore we think this general statement will cover what we want, and, if need be, may be adapted in the language of the legislation which you finally decide is most appropriate.

The suggestion is as follows:

"It is hereby declared to be the policy of Congress that the Secretary of Agriculture, in administering a wheat program, give full consideration to:

"1. That the objective of this program shall be to achieve full parity for that part of the wheat which is consumed domestically as food, to the maximum extent practicable, consistent with maintaining fair and reasonable prices to the consumers; and

"2. Reducing the cost of the Federal wheat program by reducing the diversion payments and export subsidies, and maintaining and improving farm income by increasing the value of domestic marketing certificates at the discretion of the Secretary."

In our opinion, this would remove the psychological problem of using export subsidies in our trade dealings with Communist-bloc nations, at the same time it should serve to increase the exports by eliminating some of the problems. It would be simple to administer, it would remove the question of taxpayers paying twice for their bread, and it would improve farm income while making substantial savings possible for the Federal Government.

We would suggest also, as in the "Purcell bill," provision should be granted to the Secretary of Agriculture to require export certificates for the difference between the price of unsupported American wheat and the world market price.

Thus, you see, we foresee the time when all supports could be eliminated in terms of the wheat program.

In the light of recent developments in the House of Representatives, it is our judgment that the wheat and cotton legislation should be sent to the House at the same time. We believe that this would enhance the prospects for passage of the wheat bill.

Thanking you and the committee for your courtesy and consideration to us at all times, I remain,

Respectfully yours,

HARRY L. GRAHAM,

Legislative Assistant to the National Master, National Grange.

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

The National Grange appreciates the opportunity of appearing before this committee to discuss with its members the problems confronting wheat producers and the Government in relationship to wheat legislation for the current year. In our estimation some of the problems are acute and need to be answered promptly if we are to avoid an extremely heavy loss in farm income in the near future. However we would also point out that some of the problems which are faced are also long term and with your permission I would like to discuss both the **short-term, or emergency problems and the long-term problems**, in the hope that whatever this committee is able to recommend will alleviate some of the acute short-term problems without jeopardizing the proper answer to the long-term considerations which must always be before us.

Immediately before us is the necessity of enacting legislation which will apply to the 1964 crop year and the obvious fact that if this is going to be properly administered by the U.S. Department of Agriculture, this legislation needs to be enacted by the first of March 1964, or very close to that date. This will allow the farmers properly to gage their planting of spring wheat and also to plow down or graze off their overplantings of winter wheat to bring them into compliance with the program, and avoid the necessity of cutting, and otherwise destroying, mature crops.

The Grange seeks enactment of legislation changing the present law in such way that the Secretary would not be required to submit the present law to another referendum, which, if defeated, would drop all supports to 50 percent of parity for the second year in a row. Despite the firmness in the market in the past few weeks, we believe that there is increasing evidence that by the end of the harvest period in 1964, wheat prices will drop to close to the support level. It is safe to say that we would, in that instance, get a drop in farm income of at least \$400 million, and it could possibly go to \$600 million even in 1964. In such an event, the Congress would face a year from now a much more compelling situation than the one it faces today.

The \$600 million figure which was used last year is looking more valid today than it did at that time, primarily because of the fact that about 80 percent of producers stayed within their acreage allotments, which would mean that not only would they have a smaller per-bushel price, but also less wheat to sell than was anticipated a year ago. The disastrous effect of such a development upon the feed-grain programs is evidenced by the concern which has been shown in meetings which we have held to discuss this possibility. Members of the Grain Sorghum Producers Association, the National Corn Growers Association, and the National Federation of Grain Cooperatives are all very much concerned with the serious situation if no remedial legislation is passed.

The failure to pass wheat legislation and the adverse effect from this action upon the feed-grain program would not only result in the loss of recent gains in terms of farm income, reduction of Government stocks, and reduction of Government storage costs; but could lead to the end of all Government agricultural programs. The abandonment of these would, according to recent studies by the University of Iowa, Cornell University, and the University of North Carolina, result in a decrease in farm income of about 40 percent. Such a \$5 billion annual loss of farm income would save the Government only about \$1 billion of expenditure.

However, in our estimation, in the light of the attempts to stimulate the economy and by various economic devices being considered by the Congress at the present time, the failure to try to adopt a program which would prevent a decline in farm income of this proportion would be unthinkable.

As part of the long-term consideration, we would point out that once this accelerated economic loss began, it would be extremely difficult to stop and to keep its effects from spreading to the meat, dairy, and poultry industries. We have already seen part of the results of a campaign for cheap feed being evidenced in the amount of beef which has been moving to market in recent weeks with almost disastrous effects upon cattle breeders and feeders.

We would also point out that once this drop had been made, the political difficulties of regaining the present or improved levels of income would be extremely great. This would be partly because it would be so extremely expensive to overcome the effects of such a drop in purchasing power and, in our estimation, would be a long step toward the concentration of productive power in the hands of a few.

The National Grange hereby categorically states that it will not give its consent to any program which makes farm bankruptcy an integral part of farm policy. Nor will we approve a program which makes capital reserves the major basis for survival, leading to the destruction of the owner-operator farm structure, which has an efficiency of production unmatched in the world.

We have seen a steady decline of farm population of about 3 percent per year. The number of farms in 1964 is 28 percent under the number in 1954. The adoption of any program which would force the acceleration of this departure from the land would be sociologically and economically unsound. The threat to the family-type farm is a threat not only to our being able to continue to produce an abundance of food and fiber for our people at home and our friends around the world, but it is also a threat to our political and economic system, which is the envy of all the world.

The second long-term problem would be the effect on our obligations under the International Wheat Agreement. Failure to provide some means of preventing American surplus wheat from entering the market at a price substantially below the terms of the International Wheat Agreement, would put us in violation of a solemn treaty obligation and seriously jeopardize our attempts to increase our market abroad as we approach the Kennedy round of negotiations at Geneva. The Grange would seek to move toward a solution of its agricultural trade problems by means of various devices in the form of agreements through negotiation with other producing nations which are faced with the same problems of maintaining income which we face here at home. To replace these negotiations with economic aggression would, in our estimation, be untimely and unwise, and the first step toward an economic warfare campaign which could end, as others have, with a diminished prospect of the kind of international cooperation which must be our aim.

Before outlining our proposals for legislation in this important commodity, we would like to suggest to this committee the objectives that appear to us to be desirable and the ultimate ends toward any legislation should be directed. In the field of government, we believe that it is our duty, and at the same time we are convinced that it is the sincere desire of the members of this committee, to reduce the cost of Government. We believe that this properly is the mood of our time and the sincere desire of most of the taxpayers of the Nation. Although the cost of the agricultural programs have been relatively small compared to the benefits derived therefrom, we must recognize the fact that these have been subject to the most vigorous criticism of any part of the Government budget. We are prepared to defend this expenditure of money in the past, and the expenditure of whatever is necessary in the future. However, we are not prepared to defend excessive governmental costs when alternative means of obtaining the same objectives are available.

A major issue has been made over the amount of Government controls over agricultural production and marketing. Much of the criticism has been unjustified, and a great deal of it has been a simple misstatement of facts. Government regulations that have been proposed and approved by a two-thirds majority of the producers of the commodity involved should properly be labeled as producer controls that are administered by the Government as the only practical means of exercising those controls. None of us, however, want to have unnecessary restrictions upon the freedom to manage our production and marketing.

Although we do not believe that complete freedom in the marketplace is either attainable or desirable, in the midst of the complex marketing structures—both domestically and internationally—we will agree that these regulations and restrictions should be held to the minimum necessary to insure that the market is not subject entirely to the control of speculators, processing interests, and those who would monopolize the market, thus denying a proper return to the producer, or a fair price to the consumer. We believe that Government activity in the marketplace cannot be eliminated in the field of foreign trade, and that it cannot be substantially reduced domestically as long as the U.S. Government, through the Commodity Credit Corporation, is the major purchaser of agricultural commodities in surplus supply, and is required by law to hold and to pay the storage costs for the total production of these commodities, without taking cognizance of the differences in the marketings and end use of the commodities.

The place to begin to get Government out of agriculture is at this point; and it cannot be accomplished until agricultural supplies, according to market and price, are brought into line with the demands of the specific market. It is historically true that the producer of any community which is in surplus supply cannot get his just return by submitting all his sales to the simple law of supply and demand. The so-called free market operates most efficiently only when there is a reasonable balance between supplies and market demands. Even then, it is necessary, in our judgment, for the Government to exercise vigilance to prevent monopolistic abuses and frauds in the marketplace. The "salad oil scandal" is a case in point.

Another desirable objective is the stimulation of international trade and expanded access to the controlled markets of much of the world. We believe that it is necessary to honor and extend our international agreements and to set up a situation in which this can be done economically to our Government and to the governments and peoples of other nations. We should be just as vigorous about attempts to remove our impediments to international trade

which are a part of our own governmental structure as we are about removing the roadblocks which are currently being erected by other countries.

To this end, we should attempt to write legislation which will eliminate the necessity for export subsidies in any form which will generate the basis for Government interference in the normal processes of international trade as provided for in our treaty agreements. It seems to us that we should recognize that we have no thoroughly satisfactory way of living up to our International Wheat Agreement commitments under the existing legislative structure.

The Grange has always believed that legislation such as we are considering at this time should contain the economic stimulation toward compliance rather than administrative compulsion. In order to obtain a compliance which will reduce our stocks to a strategic reserve level, it is necessary to make it profitable to participate in the program, and, except for a relatively few producers who feed all the wheat they produce, make it unprofitable to stay outside the program.

Since the surplus wheat beyond domestic food and export needs is basically only feed grain, this should be supported at a price which bears a close relationship to feed grain prices and low enough that it does not provide an economic umbrella over the noncompliance wheat.

The primary problem facing the producers of food and fiber in this country is one of income. This problem is not as simple as the problem of pricing although the prices which farmers receive for their products is an important part of the total problem.

A proper consideration of the problem must include a study of farm costs, farm prices, and the relationship of agricultural prices to the price level of the total economy. The high point of net farm income was reached in 1947 with \$17.3 billion net income. Since that time it has tended to decline because the cost of production inputs have risen faster than realized gross farm income, leaving a smaller percentage as realized net income.

After an increase in net farm income in 1961 and 1962 there was a drop of about 2.5 percent in 1963. Realized farm net income in 1964 will probably be lower than in 1963, largely as a result of sharply reduced income from wheat and a continued rise in farm production expenses unless new wheat legislation can be forthcoming, which will protect us from the predicted drop of farm income from the sale of wheat. If there is no legislation to improve the situation in wheat, dairy, and cotton, there will probably be a 5-percent decrease in net farm income in 1964 under the 1963 level (Farm Income Situation Reports).

During this period of generally declining farm income since 1947 we have seen a steady increase both in the wage levels of American labor and in the profit levels of American industry. Just a couple of weeks ago the Secretary of the Treasury predicted that the United States has already embarked upon a period of 3 or 4 of the best business years that it has ever experienced in peacetime. Since 1950, we have seen the net spendable average weekly earnings of workers with three dependents in the United States increase from \$56.36 to approximately \$82.19 in 1963.

Agriculture has not shared in any of the increase in prosperity since the end of World War I. The average of all wholesale prices today is only 2.5 percent higher than 13 years ago and it has been at a dead standstill since 1957. Cost-of-living gains are in prices which farm or factory efficiency curves will not reduce—the repairman's fee, the hospital bill, real estate taxes, distribution costs, and depreciation allowances.

Nor does the wholesale price index itself tell the whole story. The American farmer has received a declining part of the food dollar, averaging 37 percent in 1962 and standing at about 36 percent at the present time. This is the lowest level since 1934 when it was 34 percent.

Prices farmers received for the farm products equivalent to the foods in the market basket averaged 4 percent lower in 1963 than in 1962. At the same time retail prices of farm-originated food products averaged 1 percent higher in 1963 than in 1962. Charges for marketing farm-originated food products averaged 4 percent higher in 1963 than in 1962, as measured by the spread between the retail cost and the farm value of the farm food market basket. This was double the annual increase that occurred in the previous 10 years.

Farmers received 3.1 cents in 1963 from the ingredients in a 1-pound loaf of bread, the same as in 1962, but 0.2 cents less than in 1947-49. Wheat accounted for 2.5 cents of the ingredients total, 0.1 cent less than in 1962 and 0.2 cent less than in 1947-49.

The average retail price of a 1-pound loaf of white bread was 21.6 cents in 1963, an alltime high. This was 60 percent higher than the 1947-49 average, over twice the average rise in prices of all foods and nearly double the rise in the Consumer Price Index, while at the same time the price of the wheat in the loaf was declining 8 percent.

An increase in the baker-wholesaler spread accounted for 72 percent of the rise in the retail price of bread. Rising labor cost were the major factor increasing this spread. Output per man-hour by production workers in the baking industry rose less than their hourly earnings, and output by nonproduction workers—sales and delivery personnel—declined.

The spread taken by the other major agencies in the marketing process also increased. The total farm-retail spread increased to 18.5 cents in 1963 from 18.1 cents in 1962. This was an increase of 80 percent over the 1947-49 spread of 10.2 cents. (Marketing and Transportation Situation, Feb. 7, 1964.)

What I am saying is that the consumer today is eating more of a higher quality food of a greater variety than ever in history. He is spending about 19 percent of his net spendable income on this food. Marketing, handling, processing, distribution, and retailing agencies have all received an increased share of the food dollar. Yet the farmer, the major producer of new wealth, is being squeezed between market forces and political expediency on one hand and higher and higher costs of production on the other hand into a semipoverty.

Let us now examine the costs of production and their implications. We have during the past 30 years legislatively improved and protected the income of both labor and industry as well as those who work in the service fields of our economy. These costs are transmitted directly to the farmer in increased costs of production. As a result of this, farm production expenses through September of 1963 were nearly 2 percent or about \$500 million higher than a year earlier. Farm production expenses in 1963 are estimated to be \$28.7 billion compared with the previous record high expenditure in 1962 of \$28.2 billion. The total production expenses have increased 57 percent from 1947-49 levels to 1962. The outlook for 1964 points to a rise in total production expenses at least equal to the 2-percent rise experienced this year.

The increased cost is the result of the change in the productive patterns of American agriculture and the requirements of the technology that has made our production the envy of the world. We are purchasing at the present time 20 percent more of our input needs than we did in 1950 and the nonpurchased production factors have declined by about 24 percent. Production expenditures for several of these important purchased items are expected to increase this year. These include feed, fertilizer, taxes, interest on indebtedness, and depreciation charges. Compared with the year earlier, farm machine prices averaged 2 percent higher in 1963 and are expected to continue upward in 1964.

The net result of all of this is that in 1963 the parity ratio between the prices received by farmers and the prices paid by farmers has declined to 77 percent, which is the lowest point since August 1940, and within 3 points of being the lowest since 1937. What I am saying is that agricultural producers have been in the midst of a deep depression and continue in this situation while the rest of the economy booms.

The primary objective of a sound program for agriculture and the longtime goal of the National Grange for agriculture in the United States is to enable the producers of food and fiber, the most vital commodities in our national life, to receive a return in the marketplace that permits the producer to receive for his labor, management, risk, and capital investment, a return which bears a reasonable relationship to that which is received for these same factors in other segments of our economy and which will permit him to purchase from the American market the machinery, goods, and services which are necessary for a continuation of his productive capacity.

We recognize the political implications of this position, but we believe the time has come when the American consumer must begin to make his choice between whether or not he wants to pay for his food or fiber in the marketplace where he should and where he can pay for them with a minimum of cost or whether he wants to pay for them through the Federal Treasury. He should not be compelled to pay both ways.

We cannot continue to sweep this problem under the rug. We believe that the American taxpayer is intelligent enough that he can be made to understand the problem. The costs of Government are passed on to the consumer; costs of labor, as they are increased, are passed on to the consumer, as the farmers well

know when they start purchasing in the marketplace. Manufacturing and distribution costs are passed on to the consumer, and many contracts call for escalator clauses to compensate consumers for increases in the cost of living in the terms of wage increases. Why, we would like to know, is it impossible to realize a just return for that part of our production which is consumed in the primary American market for all farmers? Why is he alone denied a proper return for the economic factors of production?

The National Grange has historically supported the attempts of labor to improve and protect its wages. We have supported the right of manufacturers and processors to a fair return for their products and attempts to protect them through tariff regulations and through tax concessions. We have paid a heavy penalty for this increased cost of production as reflected in the prices farmers pay on the factors of production. However, we still are in complete agreement that only a prosperous consuming public can purchase the products of the American farm. As we previously pointed out, we believe that we have this prosperous consuming public and we believe we have a right to a fair return for that which our American public consumes.

It is our conviction that there is general agreement that the economic injustices which have been inflicted on American agriculture should be corrected, not only as a matter of ethics and morality, but because there can be no general prosperity as long as this major segment of our economy is in the midst of a prolonged depression. The question which is perplexing many of you who are legislators as well as a number of our farm leaders, is not whether this should be done, but rather how. The alternatives held before us are basically only three.

The first of these and the one which is getting the most attention from newspapers and the general public, and which was proposed a couple of years ago in the CED report and which is the basis of the farm program of one of the major farm organizations, is to let farm prices fall to their natural level, as is reflected in the "marketplace" thereby bankrupting a substantial number of American agricultural producers, and leaving a smaller number to divide up the total market pie. As a result all of them would be prosperous or so it is contended.

This, to the National Grange, is economically unsound in that it ignores the increasing cost of production, it ignores the fact that market prices can be adjusted by the action of the producers, and, above all, such a program would cause a decline of prices of such magnitude that it would be impossible or highly improbable to ever regain the level of prices we have at the present time.

If we were to withdraw the price support system and "get the Government out of agriculture," we would reduce in a very few years the farm income from its projected level which is extremely low at the present time of \$12.7 billion per year by about \$5.7 billion a year, or down to \$7 billion. This is enough to throw our whole economy into an economic tailspin and cancel out all the attempts that are being made at the present time to stabilize our economy and to maintain our prosperity. After the disastrous experiences of the 1920's, many of us do not want to experience again the manifold blessings which the "free market" bestowed on us at that time.

Beyond this consideration, there are others as valid to us. First of all, such a program would not be designed to permit the efficient farmers to stay in production because most of them are the ones that have already increased their indebtedness in an attempt to become efficient and they would be the first farms to be wiped out by this steady decline in farm prices.

What does happen in a situation like this, as we know from past experience, is that capital reserves become the only basis of survival. In other words, the big get bigger and the small get smaller. What these people are asking for is permission for a massive economic aggression against helpless people which would end in a return to a feudalistic system, a landed aristocracy with peasant labor, monopolistic control of the factors of food production, with the resulting alternatives of nationalization of the land or food costs completely out of reach of the average consumer.

Both sociologically and economically, we believe that it is highly important that we should not manufacture a situation which forces farmers off the land more rapidly than they have been moving during the past few years. Our present unemployment is almost the exact number of people who have left the land since 1950.

Another alternative is to allow all producers to place all they produce on the market at whatever price the market will bear and to charge the difference be-

tween this and a parity income level to the Federal Treasury. Although we are not afraid of Government, we believe that this would lead to unnecessarily strict and unacceptable Government controls. It would make all taxpayers pay for the food which was consumed regardless of their own wishes about the amount or type of food they consume themselves. It would make farm income subject to political considerations and would undoubtedly become a political football. In the resulting hassle, the farmers, who represent a decreasingly small percentage of our total population, would undoubtedly be outvoted by those who are the consumers of agricultural products. The National Grange has never refused to consider the use of supplementary payments of various kinds as a way to improve farm income, but we contend that these should not be necessary as long as there are alternative means of maintaining farm income without this Government device.

Whatever economic answers are found to this present farm problem, they must be consistent with the rest of the economic situation in which agriculture is placed and to which we have a relationship that is indivisible.

For many decades American industry has sold its products to the American market at a higher price than it received for these same products on foreign markets. All of our labor laws are designed to establish American laborers' wages at a level considerably higher than that enjoyed by labor in other segments of the labor community of the world. Both of these important segments of our economy depend upon the American market for the primary source of their income.

The National Grange believes that most American farm income should come from the primary American market or from those who consume products in America and the price received for these products should be reasonably related to the prices now received by other segments of our economy for the same factors of production.

I would also point out to you that if we could by some such mechanism bring farm income up to a parity level, we would add \$3.9 billion per year to farm purchasing power. Some of this undoubtedly would be used for soft consumer goods and to enable our farm people to purchase as luxuries some of the things which our nonfarm population has long considered necessities. However, according to all the information we have, the biggest share of this would be spent in capital improvements, modernization, and the purchase of new machinery. If only 50 percent of this is spent in the purchase of tractors and automobiles, it would mean our industrial plants would produce and sell 200,000 more tractors and 300,000 more cars or trucks or their equivalent. This would stimulate our economy at precisely the point that it needs stimulating and would do more to maintain and improve our general prosperity than any single economic program that could be adopted by this or any other Congress.

Wheat farmers could obtain this parity of income without Government costs for an average cost to the American consumers of about 58 cents per year, about 1 cent per person per week. This is only a small part of the savings they already have realized from the fantastic abundance of the food and fiber produced on American farms.

The Grange believes that a sound program for wheat requires the use of a certificate system as a means of maximizing farm income by recognizing that wheat properly has a higher value for primary human food use than it has for other or secondary uses. At the same time, we believe that any such program should be designed to maximize the producer's freedom from Government controls. To accomplish these objectives, we have long advocated the enactment of appropriate legislation to implement our voluntary wheat certificate plan. Many of the principles of this plan were incorporated in the mandatory program authorized by the Food and Agriculture Act of 1962, and we supported that measure, notwithstanding its mandatory features, in the belief that they might be justifiable during a transitional period to check and reduce the alarming buildup of Commodity Credit Corporation's stocks and the costs to Government attendant thereon.

As originally conceived by the Grange, however, the wheat certificate plan was designed to be operative on a voluntary basis, and we do not believe it at all necessary that it be made mandatory to be effective at the present time.

We recommend that remedial legislation be enacted immediately to remove the mandatory aspects of the program presently authorized, thereby removing the necessity for another referendum.

For reasons already stated, we find the price level for the certificated wheat under existing legislation to be inadequate to represent the kind of income level

to which we believe the American wheat farmers are entitled. Even the addition of export certificates and diversion payments leaves us considerably short of desirable goals.

We believe there is no really acceptable long-term answer to many of the problems we have discussed except placing a value equal to 100 percent of parity on that part of the domestic wheat crop which is consumed for food on the domestic market and issuing certificates for the difference between the market price and the 100 percent of parity goal. This program has the advantages of simplicity, fairness, economy, and still recognizes the functions of the market.

We will not strenuously oppose the use of diversion payments and export subsidies during a transitional period, although we question the long-term desirability of these devices. However, we hope that this Congress will write into this legislation a formula for moving the value of the certificates toward full parity in a very few years, eliminating the economic need for export certificates and retaining only enough diversion payments to provide incentives toward compliance with the program and as they may be needed to stabilize the feed grain program. It should be possible to eliminate payments-in-kind provisions as income improves and Government stocks decline.

Price supports equal to the farm value of export wheat should be continued and made available only to that part of the crop which is produced by those who participate in the program.

Not the least important part of our considerations is the relieving this body of the necessity of making frequent and periodic decisions which are politically unpleasant as well as time consuming.

The National Grange hopes that you, in your wisdom, will decide to follow this course of action, thus writing a long-term program which will recognize the needs of the domestic and foreign markets, the income rights of the farmer-producer, a fair and equitable price to the consumers, the need both economically and politically to remove the Government from market functions and storage responsibilities as far as is consistent with the general welfare of the Nation, eliminate Government costs, and permit the operation of American farms within the spirit of democracy and the framework of freedom.

The CHAIRMAN. Senator Young?

Senator YOUNG. Could I ask one more question? How do you interpret the Purcell bill approved by the House Wheat Subcommittee as to the blended price the farmer would receive?

What blended price do you think this would provide?

Mr. GRAHAM. Somewhere around \$1.85. We would be lucky if we got any more than that.

Senator YOUNG. I read a statement by Congressman Dole, of Kansas, who is a member of that subcommittee. He believes this bill would give a blended price of only about \$1.70. Do you figure the blended price would be about \$1.80?

Mr. GRAHAM. I think the Department figures are about at that level. You will hear from the Department tomorrow. They will give you, I think, more accurate figures. We don't have that breakdown.

Senator YOUNG. Do you support the Purcell bill as is or with some recommendations?

Mr. GRAHAM. We would support it if it can be used as a basis for moving into the type of legislation which you and Senator Carlson have introduced here, and which Congressmen Andrews and Jensen have introduced on the other side.

Senator YOUNG. Thank you.

The CHAIRMAN. Thank you very much, sir. All right, Mr. Horning and Mr. Kendrick. Will both of you identify yourselves? Do you have separate statements?

Mr. HORNING. Mr. Kendrick does not have a statement. I have a separate statement.

The CHAIRMAN. Will you identify yourself?

Mr. HORNING. Mr. Kendrick is our executive vice president stationed in Washington at our office.

STATEMENT OF ANSON HORNING, PRESIDENT, NATIONAL ASSOCIATION OF WHEAT GROWERS, LARNED, KANS.

Mr. HORNING. Mr. Chairman, and members of the committee, my name is Anson Horning and I am president of the National Association of Wheat Growers. I live at Larned, Kans., and operate a family-size wheat and feed grain farm.

May I commend you, Mr. Chairman, for holding these hearings on wheat. I appreciate this opportunity to appear before you.

Senator HICKENLOOPER. Mr. Horning, do you mind an interruption?

Mr. HORNING. Not at all.

Senator HICKENLOOPER. How big is your farm?

Mr. HORNING. I have an allotment of 470 acres of wheat and a little larger allotment of feed grain.

Senator HICKENLOOPER. How much?

Mr. HORNING. About 700.

Senator HICKENLOOPER. The reason I asked is we have had discussions here over the years about what is a family-sized farm, and you said you operated a family-sized farm. I was just trying to get your idea of what a family-sized farm is.

Senator JORDAN. I have got to get the North Carolina farmer bootied up to that family-sized farm. I believe I run about 3,500 acres.

Senator HICKENLOOPER. That is about 1,100 acres. I don't know just what yardstick we use on a family-sized farm.

Mr. HORNING. It might make a little difference as to exactly how many of those acres you plant also.

The CHAIRMAN. This is a fine place to grow wheat in Kansas.

Mr. HORNING. That is right.

The CHAIRMAN. One of the finest, I suppose.

Mr. HORNING. I believe so. I might say that on one of these units, for your information, I have a 27-acre wheat allotment on a section of ground.

Senator JORDAN. How many sections do you have?

Mr. HORNING. My total operation is about 1,800 acres.

Senator YOUNG. It makes a lot of difference in an area in which you live.

Mr. HORNING. Sure.

Senator YOUNG. A half-section farm in the Red River Valley, of North Dakota, probably would be equivalent to a section and a half in the western part of the State and possibly five sections in some parts of the State such as the Badlands.

Mr. HORNING. I may add further for your information, I started farming, truck farming, in order to get enough money to buy some tractors so that I could go into farming just a few years back, and raising 10 acres of cantaloups and trucking them around all over the State of Kansas requires as much labor possibly or more than quite

a number of acres used for wheat and feed grain production. So there is this difference that we must recognize.

Senator HICKENLOOPER. I am not criticizing your operation. I am just wondering what a family-sized farm is.

Senator JORDAN. We have never been able to arrive at that answer yet, have we?

Senator HICKENLOOPER. We have never found it.

The CHAIRMAN. Even in the allotted area there is that much difference in the production on acreage there.

Mr. HORNING. You mean the number of wheat acres allowed?

The CHAIRMAN. Yes.

Mr. HORNING. Yes. That is the reason I am a wheat and feed grain farmer. This was originally used for feed grain on this particular plot of ground.

The CHAIRMAN. I am somewhat familiar with the Larned, Kans., area.

Mr. HORNING. Yes, I know.

The CHAIRMAN. Because I pitched wheat there in 1910.

Mr. HORNING. That is fine.

The CHAIRMAN. On a farm around Larned. I don't believe there is a better area, on the whole, in Kansas.

Mr. HORNING. That is right.

The CHAIRMAN. Than the Larned area. You may proceed, sir.

Mr. HORNING. Thank you, Mr. Chairman. I would concur.

Serious consideration of wheat legislation at this time is extremely important to wheat producers and all wheat producing areas. I am sure the committee is aware, too, that unless wheat legislation is passed prior to the 1964 harvest, wheat income will take a drastic reduction. We feel, that if this is allowed to happen, it will have a very adverse effect on many other segments of our economy, particularly those that are closely related to the wheat industry. Many rural businesses and factory workers will feel the impact of reduced farm income.

Senator YOUNG. May I interrupt there?

Mr. HORNING. Yes, indeed.

Senator YOUNG. You say it should be passed before the 1964 harvest. If no legislation is passed under the present law, farmers will have to vote again on the existing program.

Mr. HORNING. This is correct.

Senator YOUNG. Another referendum must be held on the compulsory wheat certificate law prior to June 15?

Mr. HORNING. This is correct, and we feel this would be very unfortunate.

Senator YOUNG. They will both have to be before June 15?

Mr. HORNING. For the 1965 crop.

There are those who are saying that because the present market price of wheat is above the support price—there is really little need of a wheat program. The facts, in our opinion, simply do not support this theory. Even with prospects of exporting 900 million bushels of wheat this marketing year—we would still have approximately 800 million bushels of wheat on hand—plus an estimate crop of about 1.3 billion bushels with harvest beginning about the first of

June. Thus by August we will have something over 2 billion bushels of wheat placing downward pressure on the market. If we do not get a new program and the support price remains at a \$1.25 per bushel as is now indicated, we certainly believe that by August 1, the market price will be close to the support price. Growers simply cannot stay in business very long with \$1.25 wheat and present production costs continuing to rise each year. I am sure, too, the committee realizes that once the support price of wheat is maintained for a season at \$1.25 per bushel, it would be most difficult to raise the price to profitable levels again. Farmers will have been badly hurt and consumers will not benefit since bread prices will not go down with wheat prices. This is another reason, Mr. Chairman, we feel there is urgent need for immediate action on wheat.

There are some who say that if we just abolish all farm programs and let the farmer produce more he would improve his net income. As you know, Mr. Chairman, during the past several years a number of studies have been made by our agricultural economists both in the Department of Agriculture and in our land-grant colleges, on what would happen to prices and net farm income if we abolish all farm programs? Without exception these studies indicate that farm programs have made an important contribution to farm income in recent years—they show that it is a great misconception to believe that farm income would be improved in the near future if Government programs were abolished—and indicate that serious loss of farm income would be the result. In fact they show that farmers net income would drop from 35 to 50 percent within 5 years.

More recently, Professor Heady, executive director of the Center for Agricultural and Economic Adjustment, Iowa State University and his associates find that after allowing for the effect of lower prices on production, if all price supports, diversion, conservation, and export subsidy programs were discontinued for feed grains and wheat, within the next 5 years, net farm income would fall by 40 percent.

On the other hand, they conclude, if a combination of price support, acreage diversion, and export subsidy programs are continued, farm income can be maintained at current levels without further increase in Government costs. Mr. Chairman, we believe that is the route we should take.

We do not agree with those who say the "No" vote of last May indicated that farmers are opposed to all programs. We believe the vote was in opposition to a mandatory program. The very fact that most all wheat growers seeded within their allotments in 1963 to avoid a 6 to 8 percent loss of wheat history, is further proof that farmers did want and expect a wheat program. If they had not wanted a wheat program, why should they have been concerned at all about their wheat history?

The National Association of Wheat Growers joined with eight other general and commodity organizations on December 13, 1963, in urging prompt passage by the Congress of voluntary wheat legislation in 1964.

The CHAIRMAN. Does that mean that your association is willing for the Congress to let the law as it is now written stand, and make it on a voluntary basis rather than compulsory?

Mr. HORNING. Mr. Chairman, yes, and just a little bit farther here I will analyze the entire situation of our association.

It is the next paragraph.

On January 10, 1964, the National Association of Wheat Growers completed their 14th annual convention. The wheatgrower delegates unanimously endorsed the voluntary certificate plan for wheat and urged its prompt enactment into law.

There are a number of bills before the Senate which embrace the voluntary certificate approach. Senator McGovern introduced the first of these bills last July. The bill introduced by Senator Young of this committee and cosponsored by Senator Carlson of Kansas includes the essential features of a voluntary certificate program. Senator Burdick's bill introduced last week contains many features acceptable to our association.

The National Association of Wheat Growers is on record in support of a McGovern type voluntary certificate program. We have confidence in the Congress and in this committee to write a good wheat certificate program, using the best features of several bills now before the committee.

It is our opinion that in order to be effective 80 to 90 percent participation in any program is necessary. The value of the certificate will have to be high enough to encourage participation. Substantial improvement in farm income is the key to the success of any voluntary program.

Mr. Chairman, we sincerely believe that a voluntary certificate plan will accomplish the following for wheatgrowers:

1. Substantially improve income over present prospects.
2. Cost less than programs of recent years.
3. Continue to reduce Commodity Credit Corporation costs.
4. Will strengthen the voluntary feed grain program.

May we respectfully urge the committee to give serious consideration to this approach for a wheat program for 1964 and later years.

The CHAIRMAN. Now are you able to answer my question?

Mr. HORNING. Yes, we do support it.

The CHAIRMAN. As written on a voluntary basis?

Mr. HORNING. On a voluntary basis, definitely.

I would like to insert this. This is a house concurrent resolution passed by the Kansas Legislature by the committee on agriculture passed by, I believe, about a 78 to 19 vote. It is memorializing the Congress of the United States, U.S. Secretary of Agriculture to provide for a voluntary-type wheat program which will improve the economic condition of wheat producers in the United States.

The CHAIRMAN. Does it mention the present law now?

Mr. HORNING. They did not mention the present law. I would like to have that inserted.

The CHAIRMAN. Do they state what they would like?

Mr. HORNING. Very much along the line where they could not possibly get into that but it is stated very much along the lines of what we have.

The CHAIRMAN. Without objection it will be placed in the record at this point.

(House Concurrent Resolution No. 12 follows:)

[Budget Session of 1964]

HOUSE CONCURRENT RESOLUTION NO. 12

(By Committee on Agriculture)

A CONCURRENT RESOLUTION memorializing the Congress of the United States and the United States Secretary of Agriculture to provide for a voluntary type of wheat program which will improve the economic condition of wheat producers in the United States

Whereas the production of hard red winter wheat of superior breadmaking quality is the largest agricultural industry in the State of Kansas, and is one of the basic industries of our Nation; and

Whereas the economy of the State of Kansas is largely dependent upon the prosperity of the wheat industry; and

Whereas many businesses such as transportation, milling, storage and merchandising, baking, wholesaling, and retailing, and all working people, as well as a vast field of agribusinesses are affected adversely by losses of income in the wheat industry; and

Whereas any adverse effect in our economy will affect State budgets and revenues and prevent accomplishment of the will of the people through governmental activities; and

Whereas a similar situation exists in all major wheat-producing States: Now, therefore,

Be it resolved by the House of Representatives of the State of Kansas, the Senate concurring therein, That we respectfully urge and request the Congress of the United States and the Secretary of the United States Department of Agriculture to provide a voluntary type wheat program for the wheat producers of the Nation. Any new legislation recommended and passed should provide for the maintenance and improvement of income and also allow some of our wheat production to be competitive in the markets of the world.

Be it further resolved, That the secretary of state be directed to transmit enrolled copies of this resolution to the President and to the Secretary of Agriculture of the United States, and to each member of the Kansas delegation in the Congress of the United States.

The CHAIRMAN. Any further questions?

If not, we thank you very much.

Mr. HORNING. Mr. Chairman, I do have with me the president of the Washington Wheat Growers Association who would like very much to present a very, very short statement at this time if it meets with your approval.

The CHAIRMAN. Sure, let him step forward and place it in the record if he desires and comment on it if he wishes.

You may proceed.

**STATEMENT OF JOHN V. FISHER, PRESIDENT, WASHINGTON
ASSOCIATION OF WHEAT GROWERS, LIND, WASH.**

Mr. FISHER. I am John V. Fisher of Lind, Wash., operator of a family-sized wheat farm. As president of the Washington Association of Wheat Growers, I represent our 3,200 members here today.

Senator YOUNG. How big is that farm? This is a question we have been asking other witnesses.

Mr. FISHER. I use the definition of the Department of Agriculture under this. My understanding is that the farmers do not use more than 1½ additional man-years of labor to qualify under their definition of a family-sized farm. I have one man full time. We hire two boys in harvest to drive the trucks of our wheat harvest.

The CHAIRMAN. What is the size of that farm?

Mr. FISHER. You mean in acres?

The CHAIRMAN. Yes.

Mr. FISHER. We will run about 1,500 acres of crop this year.

Senator JORDAN. Do you follow the practice of a great many of the large farmers who are employing commercial people to plow your fields and to harvest, both?

Mr. FISHER. No, sir. We do all the work on our place. I run one tractor and the other man runs the other. I run one combine and he runs the other. We use two combines in harvest. In the Pacific Northwest we have to use combines which compensate for the hills. These are not the kind of machines that custom harvesters use in the Plains area.

It costs us about twice as much to harvest our land. These machines cost roughly \$5,000 more than the prairie-type machine. The acres are all located in one relatively small area and the combine people do not come through. There is very little custom work done. There is some in the basin, the Columbia Basin under the irrigation.

Occasionally a man will go across the fence and help his neighbor if the man is sick or gets behind for some reason, but I would say almost 100 percent of the work is done on farms in this area by the person that is operating it with machinery that he owns.

Occasionally they will own a piece of equipment together that is not very frequently used, you see, and share the cost as well. Have I answered?

Senator JORDAN. Yes.

The CHAIRMAN. What do you grow aside from wheat?

Mr. FISHER. I do grow a little barley because of the allotment program. We are at the present time partly in the soil bank program too, and we would be interested in what Congress is going to do with this.

The CHAIRMAN. The soil bank?

Mr. FISHER. Yes.

The CHAIRMAN. You are not for that, are you?

Mr. FISHER. Well, in our area, that is what I am trying to explain here, but in our area barley is so unprofitable, let me put it this way, an uncertain crop and so there is participation in the soil bank because we do not like to grow barley.

Senator YOUNG. You do not have many other crops you can raise in this particular area?

Mr. FISHER. That is correct. We can grow rye. The point I make here is we don't like rye because it gets in our ground and then we don't grow a good quality of wheat because we have rye in the wheat.

Senator YOUNG. It is hard to keep it out of the wheat.

Mr. FISHER. Our State is a member of the National Association of Wheat Growers. We support good new voluntary wheat legislation of a multiple-price nature to start with the 1964 crop. I wish to supplement briefly the remarks of Mr. Horning in a couple of areas.

1. Substitution clause: Of particular importance to us is the substitution clause, the right to grow wheat on feed grain base acres. A substitution clause should be in any new wheat legislation. It is especially needed in our drier areas for reasons of soil conservation and good farming practices. Under the past programs we first turned to barley as an alternative crop. Its agronomic characteristics of less hardness and shorter roots make it a far more uncertain crop. With

a poor crop there is little stubble to control wind erosion, so land starts blowing away the following year when the field is in summer fallow. Nature's ordinary method of preventing blowing by crusting the ground with a rain shower does not happen in our area because we only rarely receive any rain during the summer. Once blowing has started, it is next to impossible to stop.

Many growers then turned to rye for their feed grain base acres because it produces more straw. This has resulted in a serious volunteer rye situation with fields spotted with rye. In some areas this rye infestation is bad enough to reduce the grade of the wheat, with a monetary loss to the farmer. Land values also drop in areas of rye infestation. It seems wrong that our Government program should directly cause wind erosion difficulties and rye infestation.

From a management viewpoint a single crop is more economical to produce. There are less odds and ends of remaining seed, no mixing of grains in drills, trucks, and combines, and fewer commingling errors in storage. A single crop in our area results in a higher quality product.

Realizing the substitution clause should not add to the wheat surplus problem, we recommend that the low price in a multiple price plan be set so that wheat grown on these feed grain acres is truly competitive on a feed value basis.

The wheat growers of Washington, therefore, urge you to include a substitution clause in new wheat legislation.

2. Permanent legislation: New wheat legislation should be permanent legislation. This would permit better planning and more efficient farm operations in our area where we farm with a summer fallow cycle and must make decisions a year ahead. By making new legislation permanent we would also prevent reverting to the present mandatory legislation which is unacceptable to our wheatgrowers.

3. Anfuso amendment: From the farmer's point of view no new wheat bill would be truly voluntary if the Anfuso amendment provisions are permitted to apply. We believe a proper voluntary program would permit a farmer to overseed without the penalty of reducing his wheat base, although, of course, he should not be able to enlarge his wheat base by overseeding. The Washington Association of Wheat Growers, therefore, recommends that the Anfuso amendment be modified to eliminate the penalty provision while retaining the control feature.

I thank you for this opportunity to appear before the committee.

The CHAIRMAN. Thank you. Any questions?

Senator JORDAN. May I ask one question?

The CHAIRMAN. Surely.

Senator JORDAN. How much does a little rye mixed into your wheat penalize you?

Mr. FISHER. It depends entirely on the mixture of how much, but if it is enough to count, it will cost you 2 cents a bushel, I mean the smallest amount. Then, of course, if you get up to where it is sample grade, this can cost you 15 cents a bushel.

Senator JORDAN. What do you mean sample grade?

Mr. FISHER. This is, I believe, when it is 5 percent of the grain is sample. I am not too sure but they just changed it. That is why I can't be sure.

Senator JORDAN. What does that do, throw it into feed grain rather than edible flour?

Mr. FISHER. No, it makes it very difficult, because the miller doesn't want it. He can usually get enough grain that does not have a mixture to use it. And frequently where normally you might have a choice of selling it to three people you may only have one miller who is willing to accept grain that has rye in with it, you see.

Then you aren't sure whether you can just get the grain standard dockage or whether he will say "I will give you a nickel less for it, because you don't have the others to go to."

Senator JORDAN. It doesn't hurt the bread itself?

Mr. FISHER. No, I don't believe so. It is just in their milling operation. And they can buy it cheaper.

Senator JORDAN. It just gives them an excuse to buy it a little cheaper; is that the idea?

Mr. FISHER. And then, also, rye gets in the ground, you will probably have this problem, you see.

Senator JORDAN. I know, you would have voluntary rye come up right along. I don't see how it hurts the milling properties or the bread, either one.

Mr. FISHER. You are correct. I agree.

The CHAIRMAN. How does it affect the price support?

Mr. FISHER. There is a schedule in the price support.

The CHAIRMAN. Depending on the quality?

Mr. FISHER. Depending on the quality and quantity.

Mr. HORNING. Mr. Chairman, we do have that problem at times and have it in our area. It does cut down on the milling quality of the wheat in our area if there is too much rye, and it really starts cutting down. It is not as good a product.

Senator YOUNG. It is very difficult to screen out, too?

Mr. HORNING. Yes.

Mr. FISHER. Yes.

(Discussion off the record.)

The CHAIRMAN. Thank you very much.

Senator YOUNG. Mr. Chairman, I would like to ask a question on the Anfuso amendment. How do you intend to, or how would you recommend modifying that? These are good witnesses, Mr. Chairman. They are actual wheat farmers. They live with these problems.

Mr. FISHER. The Anfuso amendment, as I understand it, was put in originally to keep a man from building up his base by overseeding.

Senator YOUNG. That is right.

Mr. FISHER. Now, it is turned around that, for example, in this coming year if a man exceeds his allotment, then in future years his allotment becomes his base, which then means that he hasn't got the free choice of staying within his allotment or not. We would suggest that that provision be taken off, you see. If he exceeds his allotment, his base would remain the same. But on the other hand, if he exceeded his base by planting, he would not be able to build up his base. As it used to be in 1957 I believe—

Senator YOUNG. Which would probably be the case if you simply repealed the Anfuso amendment.

Mr. FISHER. I don't know the technical language of how to do that. I don't know the answer to that.

Senator YOUNG. Thank you, Mr. Chairman.

Mr. HORNING. Mr. Chairman, I would like to make one comment. I am not sure on this, but on this Anfuso amendment it is a purely voluntary program. I think it possibly sort of takes care of that deal in that it is not active. It would not increase or decrease the allotments if a man did not choose to go into the program.

Senator YOUNG. This is a question that comes up.

Mr. HORNING. Yes.

Senator YOUNG. It comes up much in North Dakota. In fact we are the State that lost the most acreage before this was put into effect when other States overseeded, and we didn't. We stayed within our allotments. We lost acreage while other States gained. Since the Anfuso amendment has been in effect we have been gaining back a little of the acreage that we lost in previous years. But I can see your point that it is truly a voluntary program and you probably shouldn't lose acreage.

Senator HICKENLOOPER. Mr. Chairman, one question I would like to ask Mr. Fisher. With respect to the substitution clause, I understand that you advocate permitting the growing of wheat on feed grain acres allotment.

Won't that contribute to additional wheat?

Mr. FISHER. It will contribute to additional wheat but it will reduce the amount of feed grain produced, so the total tonnage of grains would be very nearly the same.

You see you are growing it on acres where you would be growing this barley or the rye.

Senator HICKENLOOPER. I am just wondering why, if there is a feed grain allotment and a wheat allotment, why one shouldn't stick to those allotments.

Mr. FISHER. The only reason we are growing barley now is because we were prohibited from having wheat. We would be all wheat and it used to be before the program, I mean 100 percent.

We never grew any feed grains at all. The only reason we are growing barley at all is that they took away the right for us to grow wheat on all our acres.

You see we are growing barley on the acres that were diverted and the barley man to the northern end of the State is growing wheat on his acres he is diverting from barley.

The only overall gain is the little bit less efficient we are in growing barley than he is and he is a little less efficient in growing wheat than he is barley. So there is a slight gain here.

Senator JORDAN. Can you grow any corn in your area?

Mr. FISHER. We get about 9½ inches of rain. We can't grow corn where we are.

Senator JORDAN. You don't have any irrigation?

Mr. FISHER. No, sir.

Senator HICKENLOOPER. Wasn't the basic purpose to reduce production, and don't you defeat that purpose by this kind of suggestion?

Mr. FISHER. No, because you are substituting one for the other. We want to grow wheat—

Senator HICKENLOOPER. I understand, but it all contributes to the feed units produced in the country.

Mr. FISHER. As I say, I think it would be just the exchange of one group for the other.

Senator HICKENLOOPER. I understand, but that runs counter to any idea of reducing total units, doesn't it?

Mr. HORNING. May I comment, Senator?

Senator HICKENLOOPER. Yes.

Mr. HORNING. In my area, for example, as the wheat base was brought down, not the wheat base but from the wheat base his allotment was brought down, east of where I live that just naturally went into feed grains, so those producers have the feed grain base. They have been growing it. Now as it is cut down, it has gradually increased more and more feed grain, and especially in areas where the potential of irrigation, that has come up, and actually by squeezing down on this, we have had more feed grain produced.

As far as feeding units is concerned, in a large number of areas you can get more feeding units produced per acre than you can by growing wheat, and this is definitely true on my farm.

Mr. FISHER. This would be true in our heavier rainfall areas. They would not use the substitution clause in the high rain areas in the wheat producing areas of Washington. It is only in the dry areas where the substitution clause would be helpful.

Senator HICKENLOOPER. I am just wondering what the basic philosophy is. Is it to reduce the surpluses or is it to continue the production of surpluses in various grains, wheat and feed grain?

Senator YOUNG. If we have a voluntary program the farmers can raise all they want to. If we had a control program, with mandatory controls, I think it would be bad to let them increase their production. But under this program you don't attempt to force them to cut down.

Senator HICKENLOOPER. Not a voluntary program.

Mr. FISHER. The voluntary program as I understand it, the farmer is faced with a very simple situation. He needs so many acres that he doesn't grow crops on, a certain sized inducement to do this, and he compiles certificate. If he takes this cutback of land with nothing being grown on it then you offer him this and he has the choice to make up his mind.

If he decides to seed all his acres to whatever grain he wants, then he doesn't get this.

The CHAIRMAN. All right.

Any further questions? If not, we thank you both very much.

Senator YOUNG. You have done a good job.

The CHAIRMAN. Mr. Creed.

STATEMENT OF JOSEPH M. CREED, GENERAL COUNSEL, AMERICAN BAKERS ASSOCIATION AND BISCUIT & CRACKER MANUFACTURERS' ASSOCIATION

Mr. CREED. Members of the committee, my name is Joseph M. Creed. I am general counsel to the American Bakers Association and the Biscuit & Cracker Manufacturers' Association on whose behalf I appear today.

As the largest domestic users of what flour in the manufacture of bakery products, we have a direct interest in any legislation which controls the production and distribution of wheat. The baking industry uses as wheat flour approximately two-thirds of the 600 million bushels of wheat consumed annually in the United States.

I intend to direct my testimony primarily to an area in which there seems to be considerable misunderstanding, with the hope that the relationship between the price levels of wheat and bakery products, particularly bread, can be clarified.

In connection with pending wheat legislation, such as H.R. 9780 which is now before the House Agriculture Committee, there have been many references from various sources that the certificate plan, in effect, will be a "bread tax." Proponents of the plan have denied this would be so, and both sides refer to statements and comments by the industry which source is not further identified.

We believe it will be helpful to the committee in its consideration of this important piece of legislation to have this issue put in proper perspective to avoid misunderstanding as to the impact of wheat prices on bread prices.

As has been frequently pointed out by the Department of Agriculture, the value of the wheat in a 1-pound loaf of bread at current prices is approximately 3 cents. If the price of wheat were the only cost consideration in a loaf of bread, an increase per bushel of wheat of approximately 60 cents would be required to raise that value by another cent.

The loan value of wheat for the current year is \$1.82 a bushel. A program which would increase the farmer's guaranteed return to \$1.95 or \$2 per bushel obviously falls short of the 60 cents per bushel which is estimated to be necessary to bring about a direct 1-cent increase in the baker's cost of manufacture of a pound of bread. Wheat is just one component of the many costs which enter into its manufacture and sale, and ordinarily would never be the sole determinant as to whether the price would be increased or decreased.

The point is that many other considerations enter into the determination of the selling price of a loaf of bread, including the costs of manufacture, distribution, other ingredients, packaging and wrapping, advertising and promotion, wages and salaries, and transportation. No one of them, any more than the price of wheat, is the sole determinant in the price of a loaf of bread. It is the sum total of all of them and they are all calculated in fractions of a cent.

These other costs constitute a much larger percentage of the total cost than does wheat, even though wheat flour comprises two-thirds of the ingredients in a loaf of bread. Because all of these costs are generally in a rising trend, it is entirely conceivable that bread prices could rise, whether the price of wheat went up or down.

It is unrealistic and a distortion of economic realities to blame either the wheat farmer or the baker by relating a price increase in bread to fluctuations in the price level of wheat when it requires, as I have pointed out, an increase of 60 cents a bushel to effect a direct increase of 1 cent in the cost of manufacture of a pound of bread.

The wheat certificates plan now under consideration may be a sound solution to our surplus wheat problem as its proponents claim. It may be a bad plan and unworkable as its opponents charge. The baking industry cannot say whether the proposed certificate plan is the best possible solution to a difficult problem; but we favor a workable plan which will provide some assurance to the wheat farmer of a fair return for his crop. At the same time, such a plan should not impose an unfair burden on the consumer.

We are concerned that the certificate plan seems to have elements of a processing tax on flour which would undoubtedly be passed on to the baker, thus adding to his overall costs. What the ultimate effect of such a tax—if that be the proper term—might be, we don't know. In fact, the entire technique involved in the use of certificates poses many questions, the answers to which cannot be foreseen. Possibly the flour milling industry will have serious problems and added costs under such a system which will necessarily be passed on to the bakers. Only time can provide the full answer.

It would be an injustice, however, to both the wheat farmer and the baker to attempt to lay at their doorstep the cause for higher bread prices when so many cost factors other than the price of wheat enter into the determination of the price of a loaf of bread. These other cost factors referred to above are areas over which the baker has little control.

At this point we would like to inject a further thought for the committee's consideration. Although this proposed legislation is designed primarily for wheat surpluses, perhaps the time is nearer than we might suppose when we should be more concerned over prospects of adequate supplies in the future.

For example, soft wheat this year with an anticipated carryover of only 4 million bushels, roughly 2 weeks' supply, is perilously close to a deficit position even though officials at the Department of Agriculture assure us no Public Law 480 shipments of this variety are being made.

All exports, we are advised, are regular commercial transaction for dollars. The supply picture of soft wheat for the balance of this crop year is causing serious problems for many cake, and biscuit, and cracker bakers. As we and other witnesses at previous hearings have pointed out, soft wheat and hard wheat are not interchangeable for their end uses.

Senator YOUNG. Are you referring to both Soft Red and White wheats?

Mr. CREED. Red and White; yes, sir.

Senator YOUNG. Won't there be more of a carryover than you indicated of Soft White wheat?

Mr. CREED. Sir, the latest figures that we have most recently checked with Agriculture is a carryover of soft wheat of 4 million bushels.

Senator YOUNG. That includes all of the Pacific Northwest wheat?

Mr. CREED. Well, the Pacific Northwest, that is really not usable in the Midwest and eastern areas because of transportation. This is usually exported.

Senator YOUNG. You are talking of soft wheat production, say, east of the Mississippi River?

Mr. CREED. Right, yes.

Senator YOUNG. All right, thank you.

Mr. CREED. Each variety has its role in the manufacture of bakery products. For example, the hard wheats which are in surplus supply are principally the bread wheats. The Soft Red and White wheats are the essential wheats for cakes and cookies. Without these soft wheats, many small specialty bakers of these products would be out of business. We urge this committee, therefore, in view of this current tight supply situation to give consideration to the necessity of an adequate supply of soft wheat.

In a quite illuminating publication entitled "Man, Land, and Food," the Department of Agriculture has recently emphasized the significance of a far-reaching and portentous development; namely, North America is emerging as the breadbasket of the world. In great measure this is occurring because the less developed world is steadily losing the capacity to feed itself. This, despite the great technological advances of recent years. With reference to cereals, the publication points out that per capita grain production in the less developed world is now lower than it was before World War II.

The import of these facts should not be overlooked nor underestimated. We may already have reached the turning point without being fully aware of it, and the problem of grain scarcity might be the force to contend with in the not-too-distant future. The time for a complete reappraisal by the Congress of our posture on food supplies in the light of our increasing role as the world's breadbasket may be at hand.

The CHAIRMAN. To what extent would the certificate plan affect the cost of wheat in contrast to the regular price supporting program we have had in the past.

Mr. CREED. Well, Senator, under present support level, \$1.82, and the plans that have been advanced range from \$1.95 to \$2 support price, the Purcell bill, and Senator Burdick have suggested that it be to a level of \$2.50, but if we take the bill that is now before the House Agriculture Committee, that would work out to 18 cents maximum.

Senator JORDAN. Excuse me, you lost me, 18 cents on what?

Mr. CREED. \$1.80 per bushel, \$1.82 which is the present loan price.

Senator JORDAN. Right.

Mr. CREED. As against the \$2 loan level that is contemplated by the Purcell bill.

Senator JORDAN. Oh, yes.

Mr. CREED. Of course, under present law, if Congress does not change it, the loan level drops to \$1.25; whether or not the price would drop that low on wheat is something else again.

The CHAIRMAN. What I had in mind was not under the present law but the old law under which we—before we put in the present law.

Mr. CREED. Yes.

The CHAIRMAN. In that case, the price support was fixed at a given rate.

Mr. CREED. Yes, sir.

The CHAIRMAN. And what advantage is it to have it that way than the certificate plan insofar as price is concerned?

Mr. CREED. In terms of price as such there may be little or no advantage.

The CHAIRMAN. That is what I thought, that is why I am asking the question.

Mr. CREED. This plan presumably is intended to devise a different technique which it is hoped will ease the surplus supply of wheat.

The CHAIRMAN. Suppose it is geared to the planting of, say, not less than a billion bushels but with a price support fixed at so much which in my judgment would result in almost the same price supports, that is the method of figuring as you had under the law which preceded the present law.

Mr. CREED. I think generally speaking that would be pretty much the case.

The CHAIRMAN. Yes.

Are there any further questions?

If not, we thank you very much—

Senator JORDAN. I was very interested in that soft wheat carryover thing. That is the type wheat we grow entirely, isn't it, down in North Carolina?

Mr. CREED. Yes, it is in Piedmont.

Senator JORDAN. In the Piedmont area. Incidentally, Senator Young, in this export of wheat to Russia wasn't there a lot of our Durum wheat shipped?

Senator YOUNG. Yes. I will tell you, Senator, we were almost out of production about 5 or 6 years ago because of a new type of rust that infected Durum wheat. I got special Durum wheat legislation passed in 3 different years to increase the production.

Senator JORDAN. I know you did, right.

Senator YOUNG. Now they have developed a new variety which was even more rust resistant than our Hard Spring wheat this year and the yields have been very good and the price has been very good so the production has increased sharply. So, this year we had an expected carryover, I believe, of around 60 million bushels.

Senator JORDAN. And prior to that we were about to have a shortage.

Senator YOUNG. We did have a shortage.

Senator JORDAN. Didn't we exempt the California acreage entirely?

Senator YOUNG. There is a little area, Tulare, that produced Durum.

Senator JORDAN. They were exempt.

Senator YOUNG. There was special legislation to exempt them.

The CHAIRMAN. It was limited to acreage.

Senator YOUNG. I think it was 8,000 acres.

Senator JORDAN. I was reading about all this Durum wheat exporting, and you had special legislation to take care of Durum because of a shortage a few years back.

Senator YOUNG. The shortage was so bad that the makers of spaghetti and other products had to blend in other, less desirable types of wheat.

Senator JORDAN. The only thing was to see that we didn't sell too much Durum and get ourselves into another shortage.

Senator YOUNG. I don't think this will be the case. There will be sizable exports, the total sold is now around 21 million bushels. We will have an estimated carryover next July, I believe, of about 60 million bushels.

The CHAIRMAN. Any further questions?

Senator AIKEN. I think Mr. Creed has been helpful in pointing out the increased need for wheat throughout the world, with the population increasing about 70 million a year. This calls for an increase of roughly, I would say, 200 million bushels a year, and production is nowhere near keeping up with that over recent years. I don't think we want to get down below a year's domestic supply of wheat for our own needs here.

Mr. CREED. We are a little concerned, Senator, that the whole picture might be gradually shifting even as we are contending immediately with surpluses, and before we know it, the demands on our re-

sources of wheat might become so large that we could be scrambling around for adequate supplies.

Senator AIKEN. I think it is justified.

Senator HICKENLOOPER. Do you see any possibility we will not be able to raise enough wheat in this country to meet our domestic needs?

Mr. CREED. Our own domestic needs, no, I do not, Senator.

The CHAIRMAN. Under Public Law 480 we have been giving out a lot, and under the International Wheat Agreement, we pay a heavy subsidy on that. I was looking over the figures the other day and find that since 1933, the cost of the wheat program has been the largest of any commodity. It is around \$11 billion through June 30, through these various programs, of Public Law 480 and the International Wheat Agreement.

Mr. CREED. That is one of the interesting features, incidentally, of the Russian wheat arrangement, that Russia is able to buy the wheat from the United States at prices less than what our own citizens can buy the same wheat for, and that is an area, too, that we think is one of some concern.

The CHAIRMAN. That would hurt you if you import but you don't import.

Mr. CREED. No.

The CHAIRMAN. Of course not.

Senator YOUNG. It is not only the Russians, the rest of the world can buy our wheat under these terms.

Mr. CREED. Every one can.

The CHAIRMAN. The rest of the world.

Mr. CREED. But I think we usually think of the Russians in a little bit different category.

The CHAIRMAN. Yet we couldn't sell any of this wheat abroad except at world prices.

Mr. CREED. That is correct, sir.

The CHAIRMAN. And you sell your products here to a society that is so far ahead of all other societies, that is as far as economy is concerned, that you make a fair profit. If you had to sell, oh, in an economy geared to the Japanese or free China or even to England, you might have cause to complain.

Mr. CREED. I concur with your underlying concept, Senator, but since you raised the question of profit and referred to ours as a fair profit, I would like to point out that the baking industry's profit currently range from zero to about 2 or 3 percent on sales. Just for the record.

Senator HICKENLOOPER. May I ask you this question?

Mr. CREED. Yes, Senator Hickenlooper.

Senator HICKENLOOPER. Is it true that a number of—some, anyway—European countries are buying American wheat, processing it and sending it back here in bakery goods and selling it cheaper than we can make it here? It seems to me that was the case a year or 2 ago.

Mr. CREED. That can be done in the case, and is being done in the case, of biscuits and crackers. The quantity involved is not too great in the biscuits and crackers.

Senator HICKENLOOPER. Well, it is great enough that some manufacturers have had to seriously consider whether they can stay in business or not, isn't it?

Mr. CREED. I don't think that that is quite the case insofar as the biscuit and cracker manufacturers are concerned. There are imports coming in, they have been—they have been a thorn in the side of localized areas.

For example, I know that from Canada there have been shipments in by truck that go very far into many States, and they have offered some pretty rough competition for domestic manufacturers.

Senator HICKENLOOPER. How about Scandinavian countries and the low countries, Holland, Belgium, Denmark, Sweden, and Norway?

Mr. CREED. Usually those are specialty items, Senator, that come in and I have not heard any serious complaints against those.

Senator HICKENLOOPER. I will have to show you some of my letters.

Senator JORDAN. Mr. Creed, may I ask you one question?

Mr. CREED. I would like to see them, because it is a problem.

Senator JORDAN. One question, maybe more than one.

Do I understand you to say the contents of a loaf of bread is two-thirds wheat, if it is wheat bread product?

Mr. CREED. Two-thirds flour.

Senator JORDAN. That would be what flour?

Mr. CREED. Wheat flour.

Senator JORDAN. What is the other third? I know you have some salt in it.

Mr. CREED. Salt, yes, sir, yeast, water, milk, shortening.

Senator YOUNG. Potatoes?

Mr. CREED. If you have potato bread it would run about 3 percent of the bread, 3 to 6 percent. But the Food and Drug definition of bread makes, as the mandatory ingredients flour, salt, yeast, and water and the maximum percentage of water is 38 percent in bread.

Now, part of that—

Senator JORDAN. 38 percent water?

Mr. CREED. That is right.

The CHAIRMAN. You mean after you cook it it is still—

Mr. CREED. No; in the mixing process.

Senator JORDAN. Oh, well, I thought you would be dripping when you got to the house with it. [Laughter.]

The CHAIRMAN. It is in fixing a batch.

Mr. CREED. That is right.

The CHAIRMAN. Any further questions?

If not, we thank you very much, Mr. Creed.

Mr. CREED. Thank you, Senator.

The CHAIRMAN. Has Mr. Mennel come in?

Has Mr. Woodworth come in?

The committee will stand in recess until 3 o'clock.

(Whereupon, at 11:45 a.m., the committee recessed, to reconvene at 3 p.m., the same day.)

AFTERNOON SESSION

The CHAIRMAN. The committee will come to order.

Mr. Mennel, you may have a seat, sir.

STATEMENT OF DONALD M. MENNEL, CHAIRMAN, GRAIN AND
LEGISLATIVE COMMITTEE, NATIONAL SOFT WHEAT MILLERS
ASSOCIATION, FOSTORIA, OHIO

Mr. MENNEL. I have Mr. Huffman with me. He is my statistician and expert.

The CHAIRMAN. Will you identify yourself for the record, please, and proceed with your statement.

Mr. MENNEL. My name is Donald M. Mennel. I am president of the Mennel Milling Co., of Fostoria, Ohio, and I am here today representing the National Soft Wheat Millers Association as chairman of their Grain and Legislative Committee.

The CHAIRMAN. Did you appear before this committee previously?

Mr. MENNEL. Yes, sir.

The CHAIRMAN. Have you anything different to say?

Mr. MENNEL. Yes, sir; I believe I do.

The CHAIRMAN. I wish you would add something new instead of repeating what you said before, if you don't mind.

Mr. MENNEL. I have tried very hard to do that.

Senator JORDAN. I don't remember what he said the other time.

The CHAIRMAN. Well, it is in writing.

Mr. MENNEL. The National Soft Wheat Millers Association has member companies representing approximately 80 percent of the total commercial Soft wheat milling production of the United States.

I want to thank you very much for granting me this opportunity. Our association appears in the past during other hearings. We hope, because of our intense interest in Soft wheat and the welfare of the eastern farmer who raises it, that we will be back again when there is a need for it.

In our earlier presentations we have repeatedly tried to prove that the idea that "wheat is wheat" is wrong. We have presented at length to your committee the very great differences in end use, in geographic origins, and in farm types raising the different kinds of wheat.

It is vital to the welfare of this Nation to keep wheat growing east of the Mississippi River on the many small farms where it has been a major crop since long before the areas raising the great surpluses of Hard Red Winter wheat were populated.

Soft Red Winter and Eastern White wheats are raised for a purpose. They are primarily consumed in the domestic market. They are not in surplus. They are not a problem. They are raised on the majority of the farms by a majority of the farmers in the United States. Any solution that fails to allow for this vital difference cannot possibly succeed.

At some time and in some way we must face the problem squarely. We have studied all the major proposals currently being considered and we do not feel any one of them, taken alone, will effect the cure.

President Johnson's annual Economic Report to Congress states:

The contribution of our Nation's economic growth made by rising agricultural productivity is too often overlooked.

We believe the job the eastern farmer has done of raising wheat for use is also "too often overlooked." Secretary Freeman, in Amarillo, recently asked the question:

Do you produce wheat in order to sit on it or do you produce wheat in order to sell it?

We have been asking this same question for years. We believe many American farmers do not raise wheat to sell to any market other than the Government. We further believe any legislation must recognize this and must take corrective action.

It seems to us that the wheat situation can and should be divided into four component parts in order to simplify and place in proper perspective the many complexities of it.

The first and very obvious component is that of domestic demand. The second is exports to friends with money. The third is exports to the developing nations, hoping to win their friendship. The fourth, then, is exports to our enemies.

I will skip momentarily the first, the domestic issue, because I believe it is the most vital and will come back to it when we have looked at the other three.

We believe that American productivity can be accelerated or decelerated at will by Government subsidies. The history of the Hard Red Winter wheat area has proven this year after year. It naturally follows then that we can raise sufficient wheat for whatever export markets we choose to serve. The choice and size of these markets is a matter for the State Department, the Defense Department, the executive branch, and Congress to make. Thus, exports have no direct relationship with a wheat control program.

So much for exports of wheat. I would like now to return to consideration of the domestic situation.

It seems to us to be of prime importance to raise the kind of wheat needed to supply the domestic demand economically. This need far overshadows any of the problems of exportation.

Any legislation should ultimately create a price structure which encourages production of the proper qualities and quantities of wheat and discourages production of improper qualities and quantities. None of the present and past legislation has done this.

While bringing production into this form of balance, it should include mechanisms to make the transition to logical production as painless as is economically possible.

Farmers who knowingly raise qualities and quantities of wheat which are not needed should not receive the same consideration as farmers who recognize the national welfare and plant wheats for real markets. The farmer who intentionally and repeatedly plants wheat which he is relatively sure will end up in Commodity Credit Corporation inventory has failed to raise a crop for a real market.

The support program was never intended to provide a market, a profitable market, for wheat. Its original concept, with which we have no quarrel, was to prevent disastrous price declines, to create a floor under the market, to reduce farmer risk, to stabilize the market for wheat. It has done all of this, but it has done much more. It has provided a built-in profit for certain farmers, certain warehousemen, and certain processors. It has created market and supply distortions and it has, above all, cost American taxpayers vast sums of money.

This is an old program. We believe it would be pertinent to ask how we have done in recent years. There are huge quantities of statistics on the subject and at the risk of oversimplification we would like to present the following idea. We have used the average domestic disappearance for the last 5 years as our basis. We have reduced usage to a weekly level by dividing by 52 weeks and we have compared the average weekly domestic usage to the carryover of wheat by types as of July 1, 1960, and the October estimates for July 1, 1964. We have also indicated the average weekly domestic usage by millions of bushels and then we have shown the July 1, 1963, ownership of wheat by Commodity Credit Corporation in terms of weekly usage.

Comparisons of wheat types by average weekly domestic usage

Type	Average weekly domestic usage, in millions	Expressed as weeks of domestic usage		
		Carryover September 1, 1960	Carryover September 1, 1964	CCC owned September 1, 1963
Hard Red Winter.....	5.1	196	97	178
Soft Red Winter and Eastern White.....	3.0	4	2	1
Hard Red Spring.....	2.7	81	60	67
Durum.....	.5	36	112	34
Other White.....	.3	217	23	30

There are several points which should be emphasized about this table, please note that Soft Red Winter and Eastern White constituted the second most important domestic demand. Note also that on July 1 last, CCC owned enough Hard Red Winter wheat to last for more than 3 years, but only enough Eastern Soft wheat to last for less than 1 week. It is also interesting to note that only a short 2 years ago Durum was sufficiently scarce to require special legislation and it is now a growing problem.

The CHAIRMAN. Isn't it a fact that the reason why this wheat, as you say, should be grown for the market and not for CCC storage, is that it is sold and not put in the loan program?

Mr. MENNEL. Yes, it is sold because there is a market for it to be sold in.

The CHAIRMAN. Yes. Well, what disturbs me is how would you handle the problem by way of supports? I don't think you are against supports.

Mr. MENNEL. I have a proposal here that I think may be quite interesting.

The CHAIRMAN. All right, proceed.

Mr. MENNEL. I think you have anticipated what I am going to say.

Senator YOUNG. You mentioned that Durum was a growing problem.

Mr. MENNEL. Durum, on the estimated 1964 column on my table, indicates a 112-week supply of domestic usage. I think the reason for this is simply because it is a very small domestic usage and a very small crop, and the new legislation allowed more acreage so that there was more grown, and it didn't take very much to develop a large quantity of surplus. That is the wrong word in this case. It is a half-million-a-week usage, and so it doesn't take many millions of bushels to be a large number of weeks of usage.

Senator YOUNG. Do you think the legislation was the cause of the surplus?

Mr. MENNEL. The legislation allowed more to be grown.

Senator YOUNG. But we had legislation for at least 3 years, it may have been 4, in order to get enough for our own domestic use.

Mr. MENNEL. That is right.

Senator YOUNG. The real reason is we developed new varieties which can withstand the rust and had two unusually good crop years.

Mr. MENNEL. This is the one reason why the kind of control program we have can't take those into account.

Senator YOUNG. This problem was taken care of and this is almost the sole reason why there is a big carryover now. The yields are greater for the first time in 5 or 6 years.

Mr. MENNEL. Which is wonderful.

Senator YOUNG. That is the reason, and not the reason you have given.

Mr. MENNEL. Didn't they also increase their acreage very substantially following the new legislation?

Senator YOUNG. They had a certain allotment, and it did permit them to increase some more.

Mr. MENNEL. The combination of the two.

Senator YOUNG. But we had to do this several times.

Mr. MENNEL. Yes.

Senator YOUNG. And the first three times—in fact, it didn't have any affect until we developed new varieties, at least not much affect. We were still not producing all we needed. I know something about Durum. I have lived with it all my life.

Mr. MENNEL. Yes, I realize that, sir, and I don't pretend to be an expert in the Durum field. The only thing that I had to mention it was because it indicated that there was a substantial surplus of domestic usage.

Senator YOUNG. Yes.

Mr. MENNEL. It was because it indicated that there was a substantial surplus of domestic usage.

Senator YOUNG. Yes.

Mr. MENNEL. And based upon the kind of figures that I was using.

Senator YOUNG. Most of this is disappearing now, with the sales.

Mr. MENNEL. Yes, it is.

Senator JORDAN. Does most of that go into spaghetti?

Senator YOUNG. Macaroni.

Senator JORDAN. Do they use the same kind of wheat for spaghetti and macaroni?

Senator YOUNG. Yes.

Senator JORDAN. It is the same?

Senator YOUNG. When it was short for several years they blended in other wheat, but it doesn't make as good macaroni and spaghetti. It is darker in color and it is more mushy. There is no substitute for good macaroni than Durum wheat.

Mr. MENNEL. Other wheats aren't more substitutable for Durum.

We do not, at this time, propose to tell you what a "normal" supply of various types of wheat might be. We can say, however, with definiteness that 2 weeks is not enough and over 3 years is too much.

We believe that we have exported every bushel of wheat possible during this period. We further believe that many conscientious

efforts and legislative actions have been made to solve the situation, but we seem to be making haste backward.

Because of our interest in the Soft wheat supply situation, we have discussed the problem of legislative needs widely throughout the area. There has been one possible solution suggested by a group of country elevator operators and farmers in the Soft wheat area which is fresh and novel enough to warrant presenting it to your committee.

We do not presume to tell you what form the legislation should take, but we do believe this solution sufficiently attractive from many viewpoints that it should receive consideration.

Mr. Chairman, this is the part that I think may answer the question that you asked me earlier.

Since a major source of the cost to taxpayers is CCC ownership of wheat, the problem should be attacked at this point. The county support price for wheat should be adjusted inversely with the amount of wheat taken over by CCC each spring. Sedimentation or protein premiums have no place in the support level, since the market demand for this will prevent the proper wheats from entering the loans. On the other hand, the grade factor premiums and discounts reasonably reflecting the prevailing market should apply.

The basic county support price should be set as at present, taking into account transportation costs from terminal markets and so forth, and then raised or lowered depending upon the proportion of the wheat raised in the county taken over finally by CCC compared to the total wheat raised in the county. It should be noted this would not prevent farmers from entering the shelter of the support system following harvest to obtain financing and to hold their wheat for more favorable markets later. It would only reflect the wheat which was not later sold and ended up in CCC inventory because there was no other real market for it at that price level.

The CHAIRMAN. Would that not entail quite a lot of administrative work?

Mr. MENNEL. It seems to me that all of the information that would be required is presently in the Department of Agriculture. They set a county support price, and they know what amount has been taken over by CCC by county. It would be simply applying a factor to that to raise or lower the price.

The CHAIRMAN. As I understand from your statement, you put some kind of restrictions on, wouldn't you?

Mr. MENNEL. No acreage restrictions.

The CHAIRMAN. They could grow what they want?

Mr. MENNEL. Grow what they want.

The CHAIRMAN. And give them a support price?

Mr. MENNEL. I suggested in a table here as a starting point, it would take some study by the Department of Agriculture to determine what should be the table, but if less than 1 percent were taken over by CCC, I would suggest increasing the support price at 5 percent. If there was 1 to 10 percent takeover, don't change it; 11 to 25, reduce it 5 percent.

The CHAIRMAN. How would you do that? When will you make the determination of this?

Mr. MENNEL. I would think this could be made the month following the takeover date.

The CHAIRMAN. Who would lose the 5 percent or increase the 5 percent that you speak of? How would that be handled?

Mr. MENNEL. The farmer who had planted the wheat already. This would be done on the crop that was growing or coming. Your support price is announced on July 1, I believe, of the new year.

The CHAIRMAN. That is correct, but the point I was making is when will you find out percentage-wise about the quantity that would be put into the Commodity Credit Corporation that would have the effect of reducing or increasing the price that he would be paid, the support price that he would receive for his wheat?

Mr. MENNEL. This lags on, is it March 31, in most States, when the final takeover date is?

Senator YOUNG. I think that is true.

Mr. MENNEL. I believe it is March 31. So as soon as the Department had put their statistics together, they would know how many bushels were taken over by county. This information is available to them, and at that point that would then be the new support price which they would announce.

The CHAIRMAN. The following year?

Mr. MENNEL. No, for the crop that was going to be harvested.

The CHAIRMAN. The support price is announced before the crop is made?

Mr. MENNEL. Your basic support price could be—

The CHAIRMAN. That is correct, isn't it?

Senator YOUNG. I think that the support price under the new law, it has to be announced by April 5.

The CHAIRMAN. Yes, it is in advance of production.

Senator YOUNG. The staff can correct that if it isn't true.

Mr. MENNEL. Is this April 15, say 1964, for the 1964 crop?

The CHAIRMAN. Yes, but the point is that the support price is announced before the crop is even planted, or should be announced. That is the theory under which the law works.

Mr. MENNEL. This theoretically could have a year's delay. I would not recommend a year's delay on this, however, because this would allow too many distortions.

The CHAIRMAN. Not only that, but the administrative part of this would be difficult if I understand what you are trying to do there.

Mr. MENNEL. I don't feel it would be nearly as difficult as the certificate program. They have all of this information available now.

The CHAIRMAN. As I understand it, you are against the certificate program.

Mr. MENNEL. Yes, sir. I have some comment on that.

The CHAIRMAN. All right, go ahead, but I will tell you, I don't believe that it would be possible to pass a brand-new wheat law this year unless you take the law as it now stands and—

Mr. MENNEL. I suspect this is perfectly true. I also believe, however, that if we get some new ideas fed into the ultimate legislative channel, we will still be hashing on these problems 20 years hence.

The CHAIRMAN. Oh, yes, the same as we have in the past. I agree with you that if we could work out a system whereby the farmers would be encouraged to plant and produce wheat for the market, and not for Uncle Sam—

Mr. MENNEL. Right, this is the idea. This came from a group of country elevator men in Ohio, and I wanted to pass it on because I thought it had some merit.

Senator YOUNG. There is a shortage of Soft wheat produced principally east of the Mississippi River. I have realized that for several years.

Mr. MENNEL. That is correct.

Senator YOUNG. What States would be included, all east of the Mississippi River?

Mr. MENNEL. Generally speaking, Soft wheat is raised in all of them east of the Mississippi River. Ohio, Indiana, Illinois, and Michigan are the largest producers.

Senator YOUNG. The farm organizations, and particularly the Farm Bureau tell our people in North Dakota that if we do away with price supports, the people east of the Mississippi River would quit raising wheat, and the production would go back to the commercial wheat-producing areas, such as ours. You wouldn't agree with that?

Mr. MENNEL. No, sir, I wouldn't. There is a market for it now. We are paying \$2.20 a bushel for wheat in our area right now.

Senator YOUNG. I think you are right because you are close to the market. We think we produce a better wheat though.

Mr. MENNEL. It is a very substantial price above the price support.

Senator AIKEN. About 40 cents a bushel higher.

Mr. MENNEL. 38 cents a bushel above the price support right now.

Senator AIKEN. 38 cents above the support level.

Senator JORDAN. I understand the same situation prevails with our millers in North Carolina.

Mr. MENNEL. Yes, that is certainly true.

Senator AIKEN. What is the reason for it?

Mr. MENNEL. Not enough wheat.

Senator JORDAN. They can't get enough wheat locally.

The CHAIRMAN. They grow the quality they want.

Mr. MENNEL. They raise the quality in the East on the very small farms. When they reduce acreage allotments, this thing is in very close balance. When they reduce acreage allotments, then there is just not enough wheat, period.

Senator AIKEN. How does the yield per acre compare with Hard Spring or White wheat?

Mr. MENNEL. Substantially above it.

Senator AIKEN. It is above it?

Mr. MENNEL. Yes, sir.

Senator AIKEN. Is it because they find soybeans more profitable, or is it because small farms have gone out of raising Soft wheat? Perhaps they have quit raising it.

Mr. MENNEL. This is a part of it, of course.

Senator AIKEN. Does increased demand have something to do with it?

Mr. MENNEL. There is increased demand in it. There is reduced acreage through takeover by highway programs and such things. We lose farms every year to this.

Senator AIKEN. Do you have increased export demand for Soft wheat?

Mr. MENNEL. There is a beautiful export demand for hard dollars.

Senator AIKEN. In Western Europe?

Mr. MENNEL. Western Europe, Spain.

Senator AIKEN. Yes.

Mr. MENNEL. I understand this year that we are going to export approximately 70 million bushels of Soft Red wheat, and only 5 million of this went out under Public Law 480 soft currency.

Senator AIKEN. The planting of that last fall, has there been any increase in planting?

Mr. MENNEL. No, sir; it is practically the same.

Senator AIKEN. The increase has been in the Hard Winter wheat?

Mr. MENNEL. As I understand it, yes, whatever increase there is. It is a very close thing. We also in Ohio and Indiana have had a very, very dry winter and dry fall.

Senator AIKEN. So you think it may be short next year?

Mr. MENNEL. We could well be.

Senator JORDAN. Is the subsidy the same on the soft wheat as it is the Hard Winter?

Mr. MENNEL. Yes, it is now, yes.

Senator JORDAN. It is the same.

Senator YOUNG. Export subsidy? I think the export subsidy on Soft Red Winter Wheat runs lower.

Senator AIKEN. No.

Senator YOUNG. Doesn't that export subsidy run lower?

Mr. HUFFMAN. I think right now it is the same at Atlantic ports and the gulf.

Mr. MENNEL. I think they equalized the ports this year.

Senator AIKEN. I hope they aren't paying an export subsidy on the kind that is short in this country.

Mr. MENNEL. There is only this about it. There is an historic export market for soft wheat.

Senator AIKEN. To Western Europe, the United Kingdom, Spain.

Mr. MENNEL. Yes, and it seems to me to be very unfair to subsidize heavily other kinds of wheat going out and not allow the eastern farmer to at least have his historic hard dollar.

Senator AIKEN. So we subsidize our merchant marine.

Mr. MENNEL. Any hard dollar export is subsidized unfortunately.

Senator YOUNG. Mr. Chairman, could we have the figures put in the record as to the amount of export subsidies for the various kinds of wheat at this point?

The CHAIRMAN. Yes, indeed.

Senator YOUNG. So we have it correct.

Senator JORDAN. At the different ports.

Senator YOUNG. Yes.

Senator JORDAN. That would be at New York, Houston, and New Orleans.

Senator AIKEN. What does your wheat sell for? Hard Spring wheat has been bringing a high price, hasn't it?

Senator YOUNG. Hard Spring wheat consistently sells over the support price, practically all of it. The highest percentage of any wheat produced that goes into baking is Hard Spring wheat.

Mr. MENNEL. I have some interesting statistics later on in here that bear that out. This county-by-country proposal that I made, the percentages in here were not picked at random.

While we believe additional studies should be made by the Department of Agriculture or others to determine the proper levels of premiums and discounts, we suggest the following as a starting point:

Percent of production taken over by CCC:	Change in county support price:
Less than 1-----	Plus 5 percent.
1 to 10-----	No change.
11 to 25-----	Minus 5 percent.
26 to 50-----	Minus 10 percent.
51 to 75-----	Minus 20 percent.
76 to 100-----	Minus 30 percent.

These percentages have not been picked at random, but are intended to reflect, at the bottom of the range, an approximation of the world market price backed off the country level, and at the top, a sufficient premium to be of value to farmers, without offering such a large inducement that other problems will be created later. Our suggestion is a continuing proposal which would require reevaluation annually, and as such would be self-policing and self-regulating.

In addition we believe the CCC sales price minimum should be 110 percent of the basic support price plus reasonable carrying charges and without restriction as to use.

Senator YOUNG. Let me ask a question at this point. The Farm Bureau and the GTA, which is a farmers union terminal association at St. Paul, are both advocating 115 percent of parity as the selling price for CCC wheat. Do think that 110 would be better than 115?

Mr. MENNEL. We took the figure of 110 simply to make it sufficiently higher above the market or above the quantities in the warehouse to keep it from being dumped. The 115 would be perfectly satisfactory with us, but 105 would be getting too low.

Senator YOUNG. Which it is now. I think it might be well to try out 110 to see how it works.

Senator AIKEN. Yes.

Senator YOUNG. There are some advantages to a little higher sales price.

The CHAIRMAN. Wouldn't that tend to force the Commodity Credit to keep more of its stocks on hand than necessary?

Senator AIKEN. They have only a year's domestic supply on hand anyway.

The CHAIRMAN. I know, but that is because of the recent sales.

Senator AIKEN. Yes, but they are selling abroad next year, too, anticipating exports of about 900 million bushels.

The CHAIRMAN. That is problematical. It depends on weather conditions.

Senator YOUNG. It would mean a higher export subsidy, but some of the advantages would be that the cash market would operate more freely. The cash price would be above the support levels, and farmers wouldn't be putting as much grain under loans. There would be several advantages such as this.

The CHAIRMAN. Mr. Freeman is going to be here tomorrow afternoon.

Senator YOUNG. Yes.

The CHAIRMAN. We might go into that.

Senator AIKEN. Here is a man representing the buyers of wheat.

Suppose there is no wheat legislation enacted in this Congress. What do you estimate the price of wheat will be next summer and fall when the new crop comes up?

Mr. MENNEL. On soft wheat, with the amount of acreage out and the dry growing conditions and so on, I honestly do not expect much reduction in price.

Senator AIKEN. Any reduction?

Mr. MENNEL. We paid at harvest this last year \$1.75 at our mill. It has gone up to \$2.20.

Senator AIKEN. That covers handling and storage charges?

Mr. MENNEL. And scarcities.

Senator AIKEN. Plus this increase.

Mr. MENNEL. Yes. I would not expect it to be much below \$1.75 at harvest.

Senator AIKEN. What did you pay at harvest time this year, Mr. Menzel?

Mr. MENNEL. \$1.75.

Senator AIKEN. The same?

Mr. MENNEL. Last July.

Senator AIKEN. You would buy for less if you can?

Mr. MENNEL. Not necessarily. We would much rather pay more and have enough acreage to be sure of supply.

Senator AIKEN. Do you buy other wheat, too?

Mr. MENNEL. Yes, we buy Hard Winter and Spring.

Senator AIKEN. What do you estimate the price of that is going to be?

Mr. MENNEL. Hard Winter I would estimate would be very low.

Senator AIKEN. \$1?

Mr. MENNEL. I don't know. I really don't buy enough of it to know, but I would think it would be the world market price, whatever that is, \$1.30.

Senator AIKEN. Production is supposed to be 200 million bushels short of requirements for the next marketing year. How would that push the price down? Would the trade take advantage of a lower Government support?

Mr. MENNEL. I don't know. There is no real surplus of high quality Hard Winter wheat.

Senator AIKEN. I am asking for information. If the trade is going to try to beat the price down to \$1.25 or \$1.30 a bushel, then I certainly should support a Government support level higher than that. But if they will let the market take its natural course without any collaboration or concerted effort to beat the price down, then I would say let the free market prevail without legislation. But if there is any indication that buyers will get together to push the price down, then I think the Government has to step in.

Mr. MENNEL. That is illegal.

Senator YOUNG. Senator Aiken, one of the reasons why prices can't go very high is that the Government will have 700 to 750 million bushels of wheat that can be purchased.

Senator AIKEN. That is right.

Senator YOUNG. All of which is available at 105 percent of price support plus reasonable carrying charges.

Senator AIKEN. You don't think the Commodity Credit would dump that on the market for the purpose of pushing the price down?

Senator YOUNG. Anyone wanting to buy it can buy it at this price.

Senator AIKEN. 115 percent.

Senator YOUNG. 105 percent plus carrying charges.

The CHAIRMAN. They couldn't dump it except if they got all their money back.

Senator YOUNG. Yes.

Senator AIKEN. Do they have to sell it at that price?

Senator YOUNG. Yes, they have to.

Senator AIKEN. It would be up to the trade whether they wanted to take that out of storage and beat the price down or not?

The CHAIRMAN. That is what I was going to ask the witness. You say that at harvest time you paid \$1.75 a bushel?

Mr. MENNEL. This year, yes.

The CHAIRMAN. Where are you getting the wheat now? The farmers have sold it.

Mr. MENNEL. The farmers have sold it, and it is going into the country or terminal elevators.

The CHAIRMAN. You mean private brokers bought it?

Mr. MENNEL. Yes.

The CHAIRMAN. Are making that difference?

Mr. MENNEL. Yes.

The CHAIRMAN. Between \$1.75 and \$2.35?

Mr. MENNEL. \$1.75 and \$2.20.

The CHAIRMAN. \$2.20?

Mr. MENNEL. Yes.

The CHAIRMAN. And have you bought any through the Commodity Credit Corporation?

Mr. MENNEL. They have none.

The CHAIRMAN. They have none?

Senator JORDAN. You are talking about soft wheat?

Mr. MENNEL. Soft wheat; yes.

The CHAIRMAN. So that the private concerns that have bought it I presume as cheap as you have, maybe cheaper—

Mr. MENNEL. I hope not; but maybe.

The CHAIRMAN. I am pretty sure they have, and they stored that and you are now paying through the nose.

Mr. MENNEL. Yes, sir; because there is no carryover. It was down to 4 million or 2 million, depending upon the statistics that we see.

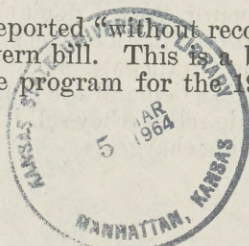
Senator YOUNG. And there is practically none of it in Government stocks.

Mr. MENNEL. None of it. As of last July, what was it, 1 week in Government stocks, 2 or 3 million bushels, something like that. That could just be lost in the bottom of some bins somewhere.

CCC out-of-condition sales should be at the best market prices obtainable by bidding through the marketplace and should be kept to a minimum.

Under our proposal acreage diversion would only be required, if at all, during the initial transition stages, since planting freedom is an integral part of maximization of farm profits.

The House Wheat Subcommittee recently reported "without recommendation" a bill very similar to the McGovern bill. This is a bill "to provide a voluntary marketing certificate program for the 1964 and 1965 crops of wheat."



The main difference as we understand it between the House and the McGovern bills is the size of the certificate payments.

We believe the proposals are not voluntary for wheat farmers, wheat millers, or wheat consumers.

To us, one of the most interesting features of the bill is that much the same so-called benefits, which the farmers rejected, are provided, but the opportunity for the farmers to reject it again is eliminated.

We do not believe this bill is voluntary for farmers. It creates economic compulsion. The choice between \$2 and \$1.30 wheat is not a free one. My farmer friends tell me they consider this to be a choice with only one alternative.

It can be argued that the choice is up to the farmer, and if the certificate were only worth 10 cents such an argument might not be challenged. But what if the certificate were worth \$1.90 and support price were only 10 cents.

There is certainly nothing "voluntary" to us in the wheat industry. Reduced to its simplest terms, we as wheat processors would have to pay the Government 70 cents per bushel for the "privilege" of transforming wheat into a usable form for domestic consumption and possibly a different amount for the same "privilege" for exported wheat or flour.

The CHAIRMAN. If that were done you wouldn't pay as much for your wheat as you are now paying.

Mr. MENNEL. Probably not.

The CHAIRMAN. Wouldn't that be a protection to you?

Mr. MENNEL. We would become tax collectors in this case, wouldn't we?

The CHAIRMAN. No; I don't think so. I think you assure the farmer that \$2 rather than \$1.75 you paid him, and the brokers are now getting the \$2.20. That is what it would do.

Mr. MENNEL. Of course we can solve the problem that we have this year by building more storage.

The CHAIRMAN. Yes.

Mr. MENNEL. And applying it ourselves.

The CHAIRMAN. Yes; in that event, of course, the farmer—

Mr. MENNEL. The farmer still doesn't get it.

The CHAIRMAN. That is right.

Mr. MENNEL. Unless he can hold it off the market.

The CHAIRMAN. That is right; and the average farmer can't.

Senator JORDAN. Incidentally, how much flour do we export, any great amount?

Mr. RONDAL M. HUFFMAN (National Soft Wheat Millers Association). It is usually 2 to 3 million hundredweight of Soft Red what flour. I don't know the total.

Senator YOUNG. It is a sizable amount.

Senator AIKEN. The Commodity Credit Corporation doesn't have to sell at 105 percent of the loan price plus carrying charges, do they?

Senator YOUNG. Yes.

Senator AIKEN. Isn't that a minimum? You mean they would have to sell for \$1.30 a bushel?

The CHAIRMAN. They would have to sell it as I understand it, if there is a demand for it and it can't be obtained on the market. When they do sell it, they sell it for 105 percent above the support price plus carrying charges.

Senator YOUNG. The Department of Agriculture has no choice as I understand it.

The CHAIRMAN. No.

Senator YOUNG. If anyone offers them 105 percent plus carrying charges, they have to sell.

The CHAIRMAN. Right.

Senator AIKEN. How are they controlling the exports now to keep from having the exporters buy Commodity Credit Corporation wheat instead of free wheat?

Mr. MENNEL. The market does that.

The CHAIRMAN. They can't sell free wheat on world markets.

Senator AIKEN. They can't?

The CHAIRMAN. No; they can't. It is too high. That is why they receive this cheaper price, that is world prices.

Senator YOUNG. The exporters buy wherever they can buy the cheapest. If they can buy free wheat cheaper, they buy this. If they can buy Commodity Credit Corporation wheat cheaper, they buy this.

Senator AIKEN. If CCC has to sell what wheat it has in storage in the domestic market, it is going to have just about enough to supply the domestic market for a year. They could use what the Commodity Credit Corporation has on hand then, to drive down the price of free wheat. Is that what you are worried about, Senator Young?

Senator YOUNG. Of course this is a depressing thing on the market as long as the Government has the wheat and it has to be sold. But the millers or the exporters, whoever it is, I think prefer to buy on the open market when wheat is available. But if the price on the open market is much higher than the price of Government wheat, they will buy Government wheat; am I correct? You folks would know.

Mr. MENNEL. If in Soft wheat, for instance, there was a supply of Soft wheat in CCC hands, we would buy it at the statutory minimum.

Senator YOUNG. Yes.

Mr. MENNEL. Whatever that is. We wouldn't be paying 20 or 38 cents over the market.

Senator AIKEN. They don't have any for you to buy.

Mr. MENNEL. They don't.

Senator AIKEN. You have to buy yours on the open market.

Mr. MENNEL. We buy it on the open market, right. An exporter does the same thing on Hard Winter wheat. If the free market price is below the statutory minimum, why he buys on the free market. The minute the free market becomes above the statutory minimum, why then he buys from CCC.

Senator AIKEN. The trouble lies in requiring the Commodity Credit Corporation to sell at 105 percent plus carrying charges; am I correct? They are only permitted to charge 1 year's storage?

Mr. MENNEL. I believe this is correct.

The CHAIRMAN. If you would increase that to 110, you would make it worse; wouldn't you?

Senator AIKEN. No.

The CHAIRMAN. Yet at 110 percent you would increase the price.

Senator AIKEN. They would have to pay \$1.45 instead of \$1.30.

The CHAIRMAN. They wouldn't pay any more, George. It is only when they sell it that they would have to sell it at \$1.10 plus carrying charges.

Senator JORDAN. I thought the support price is \$1.82.

The CHAIRMAN. Percent, not \$1.10. It is 110 percent of the support price plus carrying charges.

Senator JORDAN. Yes.

Senator AIKEN. That is, come the first of July they wouldn't have to charge \$1.82 plus 5 percent. They would have to charge \$1.25 plus 5 percent, plus carrying charges.

Senator JORDAN. You are talking about——

Senator AIKEN. I am talking about this year's crop.

Senator JORDAN. Yes.

The CHAIRMAN. That is different for this year.

Senator JORDAN. Yes.

The CHAIRMAN. If you don't have any program. That is why I believe it is important that we have a program for this coming year.

Senator JORDAN. Yes.

The CHAIRMAN. We have a law on the statute books now that the farmers could vote themselves into a program if they wanted to.

Mr. MENNEL. This would be for the 1965 crop; would it not?

The CHAIRMAN. Yes; but planted in 1964.

Mr. MENNEL. Yes.

The CHAIRMAN. That is right.

Senator AIKEN. I would think if we had simple legislation to prevent the Commodity Credit wheat from breaking the market and giving the free wheat the preference, that that would suffice, because with the supply of wheat compared with the probable disappearance coming up——

Senator YOUNG. It would boost cash prices.

Senator AIKEN. Would it make any difference whether a buyer buys Commodity Credit wheat for speculative purposes or for use? It doesn't; does it?

Mr. MENNEL. I wouldn't think so.

Senator AIKEN. They could buy Commodity Credit wheat for \$1.50 and then hold it for \$2 to \$2.25.

Senator YOUNG. I have these figures Mr. Casso got on export subsidies. Could he read them into the record?

Mr. HENRY J. CASSO (Senate Committee on Agriculture and Forestry). The Department of Agriculture announces every day at 3:30 what the schedule of export subsidies is going to be for the next 24 hours.

Gulf-east coast, St. Lawrence, or lakes:

	<i>Cents</i>
Northern Spring:	
Through Apr. 15.....	69
Apr. 16 to June 30.....	53
July 1 to Aug. 15.....	32
Other classes: Hard Red Winter, White wheat, or Soft Red Winter:	
Through May 23.....	62
May 24 to Dec. 31.....	10

West coast:

Hard Red Spring:	
Through June 30.....	53
July 1 to Aug. 15.....	32
Hard Red Winter:	
Through June 30.....	63
July 1 to Dec. 31.....	10
Other classes:	
Through June 30.....	50
July 1 to Dec. 31.....	4

The CHAIRMAN. You may proceed, sir.

Senator JORDAN. Let me ask you this before I forget about it: How long will flour keep without getting weevils in it?

The CHAIRMAN. You can keep the weevils out.

Senator JORDAN. I mean that. I opened some flour on the shelf in my apartment since I have been back there at Christmas, and it was full of weevils.

The CHAIRMAN. You have got those weevils in your apartment I suppose.

Senator JORDAN. No, it was a sealed package.

Mr. MENNEL. The only answer I can give to that, sir, is that the gestation period of the weevil is roughly 6 weeks I believe under ideal circumstances, but of course any flour coming out of our mill would not have this problem.

Senator JORDAN. Why?

Mr. MENNEL. We have machinery which is supposed to break all of the eggs and destroy any infestation that there might be in it, and it has been a good many years since we have had infestation complaints in our plants.

Senator JORDAN. Wouldn't all flour mills have that?

Mr. MENNEL. No, sir. Some are more progressive than others.

Senator JORDAN. How big is a weevil egg that you can smash it?

Mr. MENNEL. It is mightily small.

Senator JORDAN. I would think so. I wasn't saying that for the fun of saying it, because I would think that that would be a problem of flour that was being held for any great period of time that would be exported, or anywhere else, that you couldn't keep a great deal of flour ahead.

Mr. MENNEL. That is right.

Senator JORDAN. If that is a problem.

Mr. MENNEL. This is correct. It is a problem. We spend many thousands of dollars a year trying to prevent any infestation.

The CHAIRMAN. I have had some wheat, and I don't remember the name of the company, it might be your company for all I know, I have had it there for a year, and I have never seen any weevils in it. I use it in cooking.

Senator JORDAN. You mean in flour?

The CHAIRMAN. Yes.

Senator JORDAN. I didn't know whether it was in all flour or not. I know cornmeal gets it in it.

Senator AIKEN. What effects are the new grain standards that the Secretary set up the other day going to have on the supply?

The CHAIRMAN. It will improve it.

Mr. MENNEL. I am really only an expert in the soft wheat area. I wouldn't want to pretend to be an expert in any other area. I don't think it will have any effect on supply whatsoever. I think it will have a tendency to be of benefit long term.

Senator AIKEN. It will prevent the addition of foreign material to wheat destined for export.

Mr. MENNEL. This is a large problem again in the Hard Winter wheat area.

Senator AIKEN. Now you put in what, 15 percent?

Mr. MENNEL. It comes higher than that, I believe.

Senator JORDAN. What is it, 15 percent of what?

Mr. MENNEL. Foreign material, wheat seed, screenings, chaff, all of the other kinds of things that might be harvested at the same time wheat is harvested.

Senator AIKEN. Or accumulated after harvest.

Mr. MENNEL. Or accumulated after harvest.

Senator JORDAN. You mean they sell that to somebody?

Senator AIKEN. We had a hearing on that some years ago before you got here, and we discovered some of them, in order to meet competition, had to add foreign material up to, I think, 15 percent at that time on wheat destined for export.

Mr. MENNEL. It now reduces it to approximately 8 percent I think.

Senator AIKEN. It didn't increase your appetite any.

Mr. MENNEL. I think it will be of benefit personally.

Senator AIKEN. I do, too.

Senator JORDAN. That is what is known as loading; loading with something foreign to it.

Mr. MENNEL. It has also been called adulteration.

The CHAIRMAN. Proceed, sir.

Mr. MENNEL. At least one Member of Congress has called this a consumer tax.

The CHAIRMAN. Only one?

Mr. MENNEL. I only heard one.

The CHAIRMAN. I am surprised. He must be from the city.

Mr. MENNEL. Yes, a small city.

We are wondering whether there is not a better way.

Our county-by-county proposal has some attractive features, but we recognize its very freshness will work against it.

The proposed certificate plan violates our sense of fairness in that the eastern farmer who had not raised surpluses of unwanted wheat must now take the same licking as his western counterpart, who has raised wheat primarily for the Government. The uniform distribution of acreage reduction and certificate value without regard to the demands of the Nation to the action of the farmer to the Government ownership of wheat by type or to cost to the taxpayer is not proper.

Would it not be a great deal fairer for the domestic and export certificates to be issued to the farmers raising the kinds of wheat that are in demand domestically, and for both types of export in the proportion that they are used?

For example, according to Department of Agriculture statistics, domestic usage over the years accounts for something over 85 percent of Spring wheat, 70 percent of Soft Red wheat, but only a little over 40 percent of Hard Winter wheat. Additionally, commercial hard-dollar exports account for over 65 percent of all exports of both Soft Red and Spring wheat. In contrast, almost 90 percent of all Hard Winter wheat exports must go out under soft-dollar Government programs.

Surely to reduce acreage and proportion certificates to all farmers equally is unjust. To deny the eastern farmer his historic export market in order to provide a dumping grounds for the western farmer solves nothing.

Suffice it to say that it is vital to the welfare of this Nation to keep wheat growing east of the Mississippi River on the many small farms where it has been a major crop since long before the areas raising the great surpluses of Hard Red Winter wheat were populated.

Soft Red Winter and eastern White wheats are raised for a purpose. They are primarily consumed in the domestic market. They are not in surplus. They are not a problem. They are raised on the majority of the farms by a majority of the farmers in the United States. Any solution that fails to allow for this vital difference cannot possibly succeed.

We want to thank you again for the privilege of presenting our views and we wish you well in your considerations.

Thank you.

The CHAIRMAN. Thank you, sir.

Mr. MENNEL. I don't envy you.

The CHAIRMAN. I have been at it for a long time. I can take it.

Any further questions?

Senator YOUNG. Yes. As I said, I can understand and appreciate your problem east of the Mississippi River. You don't have a surplus. But it seems to me under a program such as this, that if the price was fair, that your farmers would try to produce your requirements. There wouldn't be any restrictions on them.

Mr. MENNEL. I think this is true.

Senator YOUNG. They could plant all they wanted.

Mr. MENNEL. I think this is true.

Senator JORDAN. Would you think that what you are talking about here—and of course it makes a lot of sense for my State—what you say, that the 15-acre farmer is not the fellow who got the wheat in trouble?

Mr. MENNEL. Absolutely not.

Senator JORDAN. That is what they say.

Mr. MENNEL. He has been damned by everybody.

Senator JORDAN. They accuse us 15-acre farmers in North Carolina of wrecking the whole crop.

Senator YOUNG. They make a few speeches and blame you fellows for all the trouble.

Mr. MENNEL. It is a pure coincidence that the surplus of Hard Red Winter is equal to the amount of wheat that is raised on 15-acre farms, and we didn't have the 15-acre farm raising Soft Red Winter wheat and eastern Soft White wheat, why we would have a real scarcity, and we would be in a mess. Cakes, crackers, cookies, pies, and all of the other good things to eat would be mighty scarce.

The CHAIRMAN. Are there any further questions?

If not we thank you very much.

STATEMENTS OF ROBERT C. WOODWORTH, CHAIRMAN, AGRICULTURE COMMITTEE, AND WALTER B. GARVER, MANAGER, AGRICULTURE DEPARTMENT, CHAMBER OF COMMERCE OF THE UNITED STATES

The CHAIRMAN. Mr. Woodworth, will you identify yourself for the record?

Mr. WOODWORTH. I will, Mr. Chairman. My name is Robert C. Woodworth. I am from Minneapolis, and am testifying today on wheat legislation on behalf of the Chamber of Commerce of the United States. I am a member of the national chamber's board of directors, representing agriculture. I am also chairman of the chamber's agri-

culture committee. Sharing the responsibility with me is Mr. Walter B. Garver, manager of the chamber's agriculture department.

Mr. Chairman, we appreciate this opportunity to appear before your committee.

The most important responsibility of the Congress today with respect to wheat, as with all other commodities, is to return all agriculture to primary reliance upon the free market mechanisms of supply, demand, prices, and technology for the guidance of producers and production.

This does not mean that we advocate the abandonment of all farm commodity programs at once. It does mean that we are advocating a transitional farm program to phase the Federal Government out of its intervention in the farm business.

This must be done on a systematic and orderly basis so as to avoid unwanted and unnecessary chaos in the production and marketing of farm products. The transitional program should provide, for some time, continuing assistance to producers. But the assistance should be programed on a gradually decreasing basis. This will give farmers time to adjust gradually to changing economic and market conditions.

Proposals before this committee while labeled "voluntary" require for participation by wheat farmers some compliance with a predetermined reduction in acreage, and implicitly therefore in wheat marketing. The proposals, however, are designed to be so attractive to wheat producers as to make nonparticipation unfavorable to the bulk of producers.

The meaning and significance of the outcome of the 1963 wheat referendum have been subject to a wide range of interpretation. Whatever reasons people may give to explain, or explain away, the thunderous "no" vote of wheat farmers, one thing is clear. The majority of wheat producers do not want further or deeper incursions by the Federal Government into the business of controlling production or the farm business. Every poll or summary of farmers' opinions has made it clear that the predominant sentiment is for less Government intervention and against more.

The CHAIRMAN. Would you say the same thing for cotton?

Mr. WOODWORTH. I would defer to Mr. Garver on cotton, Mr. Chairman. He is better acquainted with it than I.

The CHAIRMAN. Do you know why that resounding vote took place last year?

Mr. WOODWORTH. I can think of a good many reasons.

The CHAIRMAN. It was a brandnew program. Before that the Secretary of Agriculture under the law had to allocate at least 55 million acres of land to the farmer, whether we needed the wheat produced or not. We changed that. It took 5 years to do it.

Mr. WOODWORTH. Yes, I am aware of that.

The CHAIRMAN. Now, this is a brandnew program which I would like to see in effect, to see how it works. If it doesn't work, why we can change it. But what this committee was confronted with was a situation which was almost unbearable. When the Secretary of Agriculture was compelled under the law to allocate 55 million acres of wheat to plant wheat whether we needed it or not, and when this limitation of 55 million acres was put in the law, production was about 13 bushels per acre. Now, it is 25 or 26, and that is what caused us to have such difficulties in the wheat law.

Mr. WOODWORTH. Yes.

The CHAIRMAN. Don't think for a moment that the wheat people don't want some kind of program. If you think so, why you go out on the prairies and talk to them.

Senator YOUNG. Mr. Woodworth, you wouldn't say that the farmers in our area, the Minneapolis area and the upper Midwest, want to do away with price supports, would you?

Mr. WOODWORTH. No, I would not, Senator. Nor are we suggesting it here. We are suggesting, however, a way in which we think it might be better done.

The CHAIRMAN. What length of time do you think it would require to get the farmer to get away from a desire for price supports?

Mr. WOODWORTH. Mr. Chairman, this is certainly in the realm of speculation. Subsequently or later on in this report we set up an example.

The CHAIRMAN. That sets a time?

Mr. WOODWORTH. That would set the time.

The CHAIRMAN. How you would do it?

Mr. WOODWORTH. That is correct, sir.

The CHAIRMAN. All right. I am interested to hear that.

Mr. WOODWORTH. Again there is no pride of authorship, I might say. This is merely an example, and possibly not too far from reality.

May I continue?

The CHAIRMAN. Yes, surely.

Mr. WOODWORTH. It may be that—

The CHAIRMAN. You don't mind being interrupted?

Mr. WOODWORTH. Not at all, sir, no.

It may be that this committee and/or the Congress believes that it knows better than farmers what is "good for them" and the wheat economy. On such a basis it may choose to ignore, or explain away, this producer sentiment. Even so, there are compelling reasons why there should be no governmental intervention with respect to the level of wheat production in this country.

We have suddenly become conscious of the increasing demand for wheat. This is not alone the result of the current demand arising from Communist countries. World trade in wheat has been rising for several years. From less than 1 billion bushels, the average for 1955-59, it rose in 1961-62 to over 1.7 billion bushels, an increase of 72 per cent. More than three-fourths—546 million bushels—of this increase came in the 4 years from 1957 to 1961.

World production rose from an average of 7,950 million bushels in 1955-59 to 8,465 million in 1962-63. Production in the United Kingdom, Canada, and Western Europe rose during the same period by 12 percent to 20 percent. The U.S.S.R., Argentina, and Australia in total increased their production in the period by 496 million bushels, a 38.5-percent increase. Asia increased its production by more than 200 million bushels.

The annual average U.S. net export of wheat in the 1955-59 period was 426 million bushels. Exports have been running at more than double this rate in recent months. No one could rightly expect the United States to supply all of the increase in world trade. That is not the point we wish to underscore. The important consideration is that our exports have been achieved only by heavily subsidizing them

in order to offset the difference between the price at which we could sell and the artificially supported domestic producer prices.

These are unpleasant facts but they underscore the need for the U.S. wheat economy to get on a rockbottom competitive basis if we expect to remain an important factor in the world's wheat trade. There is serious reason to doubt that a domestic wheat economy can survive in any worthwhile form without a healthy and growing export market. We cannot expect to "hold our own" by continuing to tax citizens and our economy to stay in, let alone to win, the competitive export race.

To be sure, other countries also subsidize their exports. But this could become a race to see which country can "outsubsidize" the rest. Presumably in this kind of an uneconomic race the country providing the biggest subsidy to exports would win out. But we or any other country in such a race would lose out whenever an important competitor country decided to maintain a domestic producer price level enough below our own to minimize internally the export subsidy burden on the public treasury, thus compromising the pressures to accommodate producer and taxpayer conflicts.

The CHAIRMAN. Do you understand the law as it is now written on the statute books?

Mr. WOODWORTH. Yes, sir; I do.

The CHAIRMAN. Don't you think it would be an improvement over what we have had in the past?

Mr. WOODWORTH. Are you speaking now of—

The CHAIRMAN. Of the certificate plan?

Mr. WOODWORTH. The certificate plan?

The CHAIRMAN. Yes.

Mr. WOODWORTH. No, I do not think so.

The CHAIRMAN. You don't think so?

Mr. WOODWORTH. No, sir.

The CHAIRMAN. You are going to tell us why?

Mr. WOODWORTH. We will tell you why.

The CHAIRMAN. You are going to tell us why.

Mr. WOODWORTH. We are going to attempt to tell you why.

The CHAIRMAN. All right, very good. I don't want to anticipate you.

Mr. WOODWORTH. If the United States is truly an economical and efficient wheat-producing nation able to compete successfully and fairly for world wheat markets we should show it and get on that basis as promptly as possible. Meanwhile the American people have a right to ask why they do not share in the benefits of efficiency and effectiveness rather than having to pay higher wheat prices in order to subsidize competition abroad.

The present uncertainties both at home and abroad about production and wheat-growing conditions, and about the size of potential wheat demand make it imperative that the questions of how much wheat acreage and production there should be in this country be left to producers themselves. They, in turn, will and must base their decisions on the best analysis that can be made of markets and growing conditions from all the objective sources available, including those supplied by the U.S. Department of Agriculture and other Federal and private agencies.

It should be obvious that there are wide differences in efficiency and effectiveness between different wheat producers, and therefore in the profit they make from producing wheat. There are also important differences between areas and types of wheat farms that bear upon the character of the problems in the wheat economy. In table 1 there are shown the seven types of wheat-producing farms regularly reported by the U.S. Department of Agriculture. These figures are for 1962 operations. They are taken directly from, or directly calculated from, the reports in "Farm Costs and Returns—Commercial Farms by Type, Size, and Location", U.S. Department of Agriculture, Economic Research Service, Information Bulletin No. 230, August 1963. I won't attempt, Mr. Chairman, to go through the table in detail. I do elaborate somewhat on the table by reference.

The CHAIRMAN. Your whole statement will be put in the record including your table.

(Table 1 referred to follows:)

TABLE 1.—Wheat farms, selected data, 1962

Type of farm and location	Cash receipts from wheat	Wheat intensity		Acreage harvested	Yield bushels per acre	Labor earnings ¹	Labor effectiveness ²	Farm capital in thousands	Machinery effectiveness ³	Rate on capital (after capital costs) ⁴
		Harvested acres wheat to total cropland harvested	Ratio of cash receipts wheat to total							
		Percent	Percent							
Wheat-fallow, Washington and Oregon.....	\$18,792	30	76	270	35.9	\$3.02	\$6.52	\$146.3	\$4.40	7.2
Wheat-pea farms, Washington and Idaho.....	15,510	40	56	153	55.2	3.33	7.56	191.9	3.57	7.1
Wheat-grain sorghums, southern plains.....	10,178	67	54	245	21.6	2.11	5.81	118.5	3.72	6.0
Winter wheat, southern plains.....	10,080	65	61	215	24.2	2.63	5.54	103.4	3.50	8.0
Wheat-small grains-livestock, northern plains.....	8,494	22	54	127	31.3	3.87	5.88	54.1	3.79	13.0
Wheat-roughage-livestock, northern plains.....	5,191	19	38	100	25.7	2.70	4.54	50.5	3.22	13.3
Wheat-corn-livestock, northern plains.....	2,450	15	28	55	21.6	.99	2.48	56.1	1.89	4.1

¹ Returns per hour of operator and family labor used after deducting capital charges.

² Dollars of cash receipts per hour of labor used.

³ Dollars of cash receipts from crops per dollar of expenditure for machinery purchased and other machinery expense.

⁴ Net income per dollar of capital after deducting from net income an allocation of the cost of operator and family labor hours used figured at rates paid for hired labor.

Mr. WOODWORTH. These seven types break readily into larger scale and smaller scale groups. The four largest (at the top of table 1) all received \$10,000 or more from the sale of wheat. The four largest are also more intensive wheat farms. That is, they had either two-thirds or more of their total cropland harvested in wheat, or from one-half to three-fourths of their total cash receipts were from the sale of wheat. All four also had acreages in excess of 150, three of them exceeded 200 acres. The four had farm capital of \$100,000 or more, while the lower three types had less than \$60,000 per farm.

The three types at the bottom of the table had smaller cash receipts from the sale of wheat. They were much less intensely devoted to wheat, either in terms of the proportion of harvested cropland, or the relative importance of wheat in their total cash receipts. They had considerably less than half the acreage in wheat harvested than the larger four.

Yields of wheat per acre are too much subject to the climate and growing conditions in the respective areas to warrant any conclusion about efficiency or effective management. From other data it would appear that other things being equal the larger the acreage harvested in wheat the better the yields.

Labor effectiveness tended to be somewhat greater on the larger types, but the differences are not conclusive. Labor earnings were greatest where the yields were highest almost regardless of size. Effectiveness in the use of machinery appears also to be somewhat greater on the two largest types, but again the differences are not great except for the wheat-corn-livestock combination in the northern plains. In this area particularly the combination of small acreage and relatively low yield helped to produce low labor returns, as well as the lowest return on capital. Let us take this type as an example of factors tending toward poor returns. With only 15 percent of the harvested cropland in wheat, the ratings for machinery effectiveness, labor effectiveness, yields, and the productive use of machinery and equipment were the poorest of the seven types.

The wheat-, small grain-, livestock-type illustrates one of the basic wheat income problems of the northern plains—extreme variation in yields. For this type the yield of wheat per acre averaged 17.8 bushels in 1957-59 and rose to 21 bushels in 1960. It declined to only 9.1 in 1961 and then rose to 31.3 bushels in 1962. A similar condition is illustrated by the northern plains wheat-roughage-livestock farms which averaged 14.7 bushels of wheat per acre in the 2-year period, then ranged from 8.4 to 25.7 bushels per acre.

These and similar problems of some of our wheat areas and types of farm suggest the urgency of study or research on patterns of farming that would yield better and more stable incomes.

Senator YOUNG. Are you suggesting that we go out of the production of wheat up there?

Mr. WOODWORTH. No.

Senator YOUNG. What do you think we should do?

Mr. WOODWORTH. I think the farmers are going to make that decision for themselves, Senator, given the opportunity.

Senator YOUNG. Do you support the CED recommendations?

Mr. WOODWORTH. No, sir; we do not.

The CHAIRMAN. What was that recommendation?

Senator YOUNG. The CED, the Committee for Economic Development.

The CHAIRMAN. What was that recommendation, now? I don't recall it.

Senator YOUNG. It was a huge soil bank or land retirement program, and most of our area would be put in this.

The CHAIRMAN. That is the Farm Bureau?

Senator YOUNG. I think the chamber of commerce had a little to do with that, too, didn't they?

The CHAIRMAN. That is the Farm Bureau, you know. They work together I think. Don't you?

Mr. WOODWORTH. I beg your pardon, sir?

The CHAIRMAN. You and the Farm Bureau work together, the chamber of commerce?

Mr. WOODWORTH. No.

The CHAIRMAN. I thought you did.

Mr. WOODWORTH. We try to work with all. In specific answer to your question, though, Senator Young, "No, very definitely not."

In spite of what is generally contended to be an unsatisfactory farm wheat economy, the data in "Farm Costs and Returns" for 1962 show that each of these seven types increased in size from 1957-59 to 1962. The types added from 24 to 61 acres. Meanwhile the farm capital on all the types increased by \$7,000 to \$23,000 during the approximately 4-year period.

The CHAIRMAN. Is that additions in machinery or because of the cost of it?

Mr. WOODWORTH. Mr. Garver saw the figures.

Mr. GARVER. The increase in farmland buildings which we go into here, some of them showed modest increases in machinery, equipment. All of them showed some increase in livestock, but very minor compared to the total for land and buildings.

There is no way of telling, Senator, how much of this is a higher price tag and how much of it is money paid, capital paid for increased land and buildings. But I did divide this as we show here, to indicate what per acre the increase amounted to for the increase in size.

Mr. WOODWORTH. Most of this is shown as increase in the land and buildings capital. In five of the seven types, however, increases were also shown in the machinery and equipment capital. All seven showed increases in livestock capital.

If we ascribe the increases in land and buildings capital to the acquisition of additional land the value per acre ranges from \$166 on the wheat-roughage-livestock, northern plains farms, and \$264 on the winter wheat, southern plains farms, and up to \$533 per acre on the wheat-pea farms of Washington and Idaho.

A common feature of current wheat proposals is the use of wheat certificates to be paid to farmers for their share of the wheat used for domestic food consumption and representing supposedly the difference between a market price and a supported price of \$2. Certificates would then have to be bought, bushel for bushel, when the grain is processed.

This is a tax to which we are vigorously opposed. It is a tax whether it falls on processors, distributors, or consumers. We see no point in arguing about whom it falls upon or who will pay it,

except to say that with present- and long-time very narrow price margins per unit it is most likely that it would become a consumption tax. Complexities caused by other costs and the small proportion the tax would represent in end product prices do not change the fact that it would be a tax that had to be paid—that there is never something for nothing.

The CHAIRMAN. Would you put the price support in the same category? It is the same thing; isn't it?

Mr. WOODWORTH. Yes; I would say it was.

The CHAIRMAN. So you are against price support also.

Mr. WOODWORTH. Yes, sir.

The CHAIRMAN. All right, proceed.

Mr. WOODWORTH. Unlike other taxes this is not for general revenue. It is for the specific benefit of a limited number of people designated by Government. Its aim is to provide additional gross income or to sustain gross incomes of wheat producers. To the extent that administrators are responsible for deciding eligibility for the certificates their use puts farmer income totals in the hands of administrators.

This is the application of a dangerous taxing principle that could with the same logic be applied to other commodities and to other sectors of income—imposed for the benefit of other groups.

These certificates would not be given to producers on the basis of their effectiveness or efficiency, or even of the kinds or classes of wheat they produce. It is proposed to give them on the basis that the producer has a historical base of producing wheat, subject to his conformity with compliance requirements, and without regard for the proportion of each producer's wheat actually going into domestic human consumption.

Producers in areas where a high proportion of their wheat does in fact go into domestic human consumption have complained of the iniquitous share and share alike approach of the certificate plan. They have repeatedly said that their argument is being suppressed by the contention that the whole certificate scheme has been so delicately put together that any attempt to tinker with it to correct this inequity would run too great a risk of destroying its political chances.

The CHAIRMAN. You know that this plan hasn't been tried yet.

Mr. WOODWORTH. I realize that. It is in the talk stage.

The CHAIRMAN. Well, no. The law is on the statute books, but the only thing is that, as you said a while ago, the farmers, with a resounding "No," said "We don't want any."

Mr. WOODWORTH. Correct, sir.

The CHAIRMAN. And as I understand it, you interpreted that to mean that the farmers were against any kind of price supports?

Mr. WOODWORTH. No, I did not say that.

The CHAIRMAN. Or any kind of regulation or any kind of interference?

Mr. WOODWORTH. I think it could be interpreted that way. I am not saying that that is necessarily the interpretation.

The CHAIRMAN. Well, you had better change your language if you think otherwise. I thought from listening to you reading your statement, that this resounding "No" meant that the farmers did not want any kind of Government interference by way of supports or acreage

allotments or anything of the kind, that they wanted to be free. Isn't that your interpretation?

Mr. GARVER. I think we indicated that they wanted less Government rather than more.

The CHAIRMAN. No, they want less Government but they want support though. You will find that that to be the true situation.

Mr. GARVER. Perhaps less support—

The CHAIRMAN. Well, maybe so. The reason why I asked you about it, in respect to cotton, 94 percent of the farmers who grow cotton voted for the program. That would indicate to me just the contrary to what you have just said as to wheat. This resounding "No" in wheat and a resounding "Yes" in cotton doesn't seem to add up. One wants it and the other doesn't, if I interpret your presentation correctly.

Mr. WOODWORTH. I think, Mr. Chairman, you could probably go on for quite a while in attempting to size up exactly what prompted the wheat producer to vote "No" so predominantly. I am sure there were many things that concerned him. He probably voted "No" for many reasons.

I think, however, that the board area of the vote and the turn down of the referendum in areas where circumstances would be quite different than they would be in other areas which suggest that through it all there was a common reason.

The CHAIRMAN. In some States the percentage of votes was rather low in contrast to others. In some States, as I remember, some of them went 60 percent or above.

Senator YOUNG. Nearly 66 percent voted "Yes" in North Dakota.

The CHAIRMAN. Nearly 66 in some areas.

Mr. WOODWORTH. Yes.

The CHAIRMAN. You wouldn't find that in Ohio or in Indiana because they grow on small farms there principally, and they grow the kind of wheat that is purchased—

Mr. WOODWORTH. There is a ready market for it.

The CHAIRMAN. That is right.

Senator YOUNG. Senator Ellender, there was a more compelling reason there, this was the first time that 15 acre people were brought under acreage control.

The CHAIRMAN. That is what I was going to say. The 15-acre man is the one who beat the program. It was natural for him to vote "No," because he has had a market for his wheat throughout, and it may be that we are to submit the program to him again this year, that he might vote the same way.

Senator AIKEN. We will submit it if we don't have a new law.

The CHAIRMAN. That is right.

Senator JORDAN. There is something in that.

The CHAIRMAN. There was quite a lot of work done by certain organizations to prevent the farmers from voting.

(Discussion off the record.)

The CHAIRMAN. Proceed.

Mr. WOODWORTH. They say they have been told, in effect, that there is "more for all" with the certificate scheme than without it, and that they should forget the inequities for this general gain and in order to avoid the appearance of dissension among and between wheat growing areas.

This scheme would promote market contraction rather than expansion. Its use would invite substitutes and replacements for wheat by both processors and consumers. It would reward ingenuity in finding ways to avoil the tax or minimize its impact.

It is argued that because the demand for wheat domestically is inelastic (that is, large price increases diminish consumption proportionally less) taxing through the use of certificates will not greatly affect the total demand. This begs the question involved in the principle unless we are prepared to say, contrary to long-established public policy, that in any or every situation of inelastic demand the incomes should be greatly enhanced by throwing away a small portion of the demand.

The scheme is aimed ostensibly at sustaining or enhancing wheat-producer incomes. Our history of such "income benefits" clearly is that they are temporary income gains, but that they are soon capitalized into an asset. Thereafter their continuance is rationally justified on the ground that to terminate them would impose a capital loss on those who hold rights to receive the benefits.

If the certificate system were to be adopted the dubious benefits on the seven types of wheat farms previously discussed are shown in the following table. This is based on 70-cent certificates given on 600 million bushels and applied proportionally to the total 1962 production of each type of farm:

Per farm "benefits" from certificates, per year:

Wheat-fallow farms, Washington and Oregon.....	\$3, 096
Wheat-pea farms, Washington and Idaho.....	2, 698
Wheat-grain-sorghum farms, Southern Plains.....	1, 690
Winter Wheat, Southern Plains.....	1, 662
Wheat-small grains-livestock, Northern Plains.....	1,268
Wheat-roughage-livestock farms, Northern Plains.....	854
Wheat-corn-livestock farms, Northern Plains.....	382

These are the farms that were previously reported in table No. 1.

The CHAIRMAN. You mean the payments?

Mr. WOODWORTH. This is on the basis of 70-cent certificates, based on the production shown earlier in the statement. The certificate system would continue permanently the subsidized dumping of U.S. wheat now being done on a supposedly temporary basis. In countering this point it has been said that other countries are also subsidizing the competition of their wheatgrowers in the world market.

If this Nation is to persist in the competition to see which wheat exporting country can "outsubsidize" the rest, the world's economic health will suffer and we can win such a race ourselves only at the cost of damage to our own standard of living. Resort to it is an admission, whether justified or not, that the United States cannot compete as a world wheat producer without perpetually subsidizing its production and export.

Senator YOUNG. Could I ask a question at that point?

Mr. WOODWORTH. Yes.

Senator YOUNG. Do you think that we could compete with all of the other countries who subsidize their wheat if we had no program at all? Do you think we could compete favorably in that kind of situation?

Mr. WOODWORTH. Yes I do, in time.

Senator JORDAN. What does Canada subsidize their export wheat for? Do you know?

Senator YOUNG. I think Mr. Woodworth perhaps could tell you. Perhaps I could tell you also. It is a pool arrangement. The Federal Government operates the pool. They set the price each day. The Federal Government gets into, to some extent, supporting the price. In that way, they guarantee a part of the price. But they have other built-in subsidies.

For example, wheat moving from the prairie Provinces to export haven't had a freight rate increase since 1897, so their freight rate is only about 35 percent of ours. Their system works fairly well. When you get big exports any program works.

Mr. GARVER. Senator Young, the studies I have made under the wheat pool, the settlements result in a lower per bushel return to the producers than we are trying to maintain in this country.

Senator YOUNG. That is right, yes, but they have no restrictions now. In fact, they are encouraging their farmers to increase production.

Senator JORDAN. I know they are.

Senator YOUNG. A lot of farmers from my State are going up to Canada and going into the wheat business.

Senator JORDAN. In other words, our subsidy—I know we have to if we sell any wheat in the world market, unless they can't get it anywhere else, then they can sell it for whatever they can.

Senator YOUNG. The Canadian Government sets the price of wheat each day, and they set it at whatever price they think it necessary to sell on the world market. They sometimes undercut ours.

The CHAIRMAN. I think that the certificate plan is meant to take care of the wheatgrower in the domestic market, and insofar as the exports are concerned; that is, the amount of the certificate there would be reduced and would not cover all the wheat sold abroad. That would be the way the law would work eventually.

Mr. WOODWORTH. That is my understanding of the plan.

The CHAIRMAN. Yes. Very well, wouldn't that be a good idea?

Mr. WOODWORTH. I don't think so.

The CHAIRMAN. You just want it free. Just let them sell it for whatever it can get on the world market?

Mr. WOODWORTH. Not in a year. We are indicating and said earlier that we can't go from what we have had to a free market.

The CHAIRMAN. You're coming to that.

Mr. WOODWORTH. That is right.

The CHAIRMAN. All right.

Mr. WOODWORTH. The tax represented by the certificates would also be, like the artificially high support of wheat prices, a regressive tax putting the greatest burden on the heaviest consumers of wheat and its products rather than on the general taxpayer.

The appeal of the certificate scheme lies essentially in its effect of shifting the burden of costly price supports from the highly visible drain upon the Public Treasury to the much more easily hidden tax on the wheat economy, whether at the miller, processor, wholesaler, retailer, or consumer level.

An alternate approach: Instead of the current proposals the national chamber suggests an alternate approach which will have a minimum of the undesirable and destructive consequences of either the price support, supply control, or certificate programs.

We suggest that the Congress institute a transitional program under which wheat farmers can move gradually to free market conditions in

the production and marketing of wheat. Prior to, or at the beginning of, the transitional program all wheat referendum would be eliminated. Acreage allotments and marketing quotas would be abolished and the farmer left free to make his own decisions on the scale of his wheat production.

The transition would be accomplished by a gradually declining price support level carried out by direct adjustment payments. The basis for the payments would be a support target price declining proportionally each year until free market prices completely prevailed. The payments would be made directly to producers in the amount of difference between the target price for a given year and the average annual market price received by farmers for only their 1963 or comparable marketing quota. They would not be paid on any increase in production by anyone.

The CHAIRMAN. Would that be in the nature of a support price?

Mr. WOODWORTH. Yes, sir. To show how the approach affects Federal costs and producer incomes we have used specific figures to illustrate it. For example, starting with the average of 1961-63 as a target, it would decline each year to 95 percent of the average of the previous 3 years' market prices. The direct payments per bushel on the base quota would then work out thus.

The CHAIRMAN. That is the Farm Bureau?

Mr. WOODWORTH. The way they arrive at a support level.

The CHAIRMAN. That is their proposal. That is why I say that the chamber of commerce has worked mighty closely with the Farm Bureau, or the Farm Bureau has worked closely with you, I don't know which, but that is their proposal, to pay a support price 90 percent of the last 3 years' marketing price, sales price.

Mr. GARVER. Senator Ellender, I would like at this moment to interject to set the record straight on your repeated references to the Farm Bureau and the chamber of commerce working together.

We go on for weeks, if not for months, without even speaking to each other. It so happens that on a good many things we think much alike, and this idea, whether it is the Farm Bureau's or yours or somebody else's, we think has high merit in terms of providing stability, and so it has nothing to do with the Farm Bureau or anybody else per se.

The CHAIRMAN. I am not questioning that at all, sir, but I am just telling you that it is the same program that the Farm Bureau has put before this committee.

Mr. GARVER. It is not the same. As I remember it, their figure was 90 percent.

The CHAIRMAN. What have you got? I thought you said 90.

Mr. GARVER. Ninety-five.

The CHAIRMAN. Oh, 95. Well, it is the same theory.

Mr. WOODWORTH. And I think also, Mr. Chairman, let me say that I have had no contact with the Farm Bureau at all in the discussion of this bill.

The CHAIRMAN. I am not saying that, but I do know that the Farm Bureau has worked closely with the chamber of commerce.

Mr. WOODWORTH. They may have. I am not aware of it as to any of this.

The CHAIRMAN. I presume that a great many of the membership of the Farm Bureau are members of your chamber, for all I know.

Mr. WOODWORTH. It may be. I have obviously from time to time read Farm Bureau proposals.

The CHAIRMAN. Yes.

Mr. WOODWORTH. I do not think that I have ever read this proposal. Let me go back to pick this up to show how the approach affects Federal costs and producer incomes. We have used figures to illustrate. The direct payments per bushel on the base quota would then work out thus: For the year 1964, the target price is \$1.846.

The CHAIRMAN. That would be the average.

Mr. WOODWORTH. This comment is based on 95 percent of the 3-year average.

The CHAIRMAN. Of course, as you average——

Mr. WOODWORTH. Continuing with the table:

Year	Target price	Assumed free market price	Direct adjustment payment
			<i>Cents</i>
1964.....	¹ \$1.846	\$1.40	44.6
1965.....	1.754	1.40	35.4
1966.....	1.667	1.40	26.7
1967.....	1.584	1.40	18.4
1968.....	1.505	1.40	10.5
1969.....	1.430	1.40	3.0
1970.....	1.358	1.40	None

¹ Based on 95 percent of the 3-year average of \$1.83 in 1961, \$2.02 in 1962, and \$1.98 in 1963, or \$1.943.

Then we go down to 95 percent for the next 3-year period.

The CHAIRMAN. That is the same principle, the same idea.

Mr. WOODWORTH. Yes.

The CHAIRMAN. You would then end up at the end of 6 or 7 years in lowering the price?

Mr. WOODWORTH. That is correct.

The CHAIRMAN. As I said, I don't know whether you have worked with the Farm Bureau or not, but that is their program. You haven't appeared before this committee as often as the Farm Bureau has, but that is their program. All right, sir.

Mr. WOODWORTH. To make it 90 percent of the last 3 years' average.

The CHAIRMAN. Now you make it 95 percent, which is no change in the program, but you have a little better probably moneywise than they have, but it is the same principle.

Mr. WOODWORTH. I am reasonably certain that some parts of this are different than anything they have had.

The CHAIRMAN. Proceed. Let's see. I might be able to——

Mr. WOODWARD. In the event that the average farm market price in any year should drop below 95 percent of the previous 3 years' average, the direct payments then would also be formulated and made in the same way. This will provide a "floor" permanently against sudden and disorderly decline.

Using these figures the probable public cost can be estimated and compared with the cost of the certificate scheme, assuming no increases were to be made in the basis of eligibility for the certificates.

Then we take the same period of years covered in this table using the base of 600 million bushels and the payments that are proposed here, and the total cost, and then the total cost on the certificate.

Year	Base (bushels)	Payment	Total cost	Certificate total cost
	<i>Millions</i>	<i>Cents</i>	<i>Millions</i>	<i>Millions</i>
1964-----	600	44.6	\$586.8	\$420
1965-----	600	35.4	465.8	420
1966-----	600	26.7	351.3	420
1967-----	600	18.4	242.1	420
1968-----	600	10.5	138.2	420
1969-----	600	3.0	39.4	420
1970-----	600	None	None	420
Total, 7 years-----			1,823.6	2,940

The CHAIRMAN. That is the certificate.

Mr. WOODWORTH. That is correct.

The CHAIRMAN. How do you reach that figure when you have a limited production? You have no control of acres, do you?

Mr. WOODWORTH. No.

The CHAIRMAN. Let them plant whatever, is that right?

Mr. GARVER. No, sir. No limitation.

The CHAIRMAN. That is right.

Mr. WOODWORTH. You have a limitation on what you pay.

The CHAIRMAN. Yes, I understand that.

Mr. GARVER. The 1963 base stays.

The CHAIRMAN. Of course, your price would go down so that it would discourage production, and I presume that is what you have in mind. Make your price so low that the farmers who couldn't make it would simply go by the wayside.

Mr. WOODWORTH. Not necessarily. The result of it might be a much broader export business for the United States, with the increasing demand for wheat in the world.

The CHAIRMAN. I think you are optimistic. Proceed.

Mr. WOODWORTH. This approach would obviously put a substantial part of the burden of adjustment on wheat producers themselves over the 7 years in the form of lower total receipts from wheat unless they were able to expand production for a growing world market.

The CHAIRMAN. How much would the farmers obtain in the 7 years of your program per bushel?

Mr. WOODWORTH. In the seventh year they would get nothing.

The CHAIRMAN. Nothing.

Mr. WOODWORTH. That is right. And in the sixth year they would get 3 cents.

The CHAIRMAN. How much?

Mr. WOODWORTH. Three cents per bushel direct payment.

The CHAIRMAN. But how much would that be? Do you have a figure there to indicate how much the farmer would receive altogether for a bushel of wheat?

Mr. WOODWORTH. Yes.

The CHAIRMAN. How much?

Mr. WOODWORTH. Not for a bushel of wheat, but I can tell you the total cost of the direct payment on 600 million bushels in 1969.

Mr. GARVER. Excuse me, we are assuming the price, Senator Ellender, of \$1.40 which is an assumed parity price, and so he would get \$1.40 in that year.

The CHAIRMAN. I notice here in 1970 that the price would be—

Mr. WOODWORTH. \$1.40.

The CHAIRMAN (continuing). \$1.40.

Mr. GARVER. Target price.

Mr. WOODWORTH. The actual price would be \$1.40.

The CHAIRMAN. That would be the end of any Government payments.

Mr. WOODWORTH. That is on the assumption though that the free market price and the world price is roughly \$1.35.

The CHAIRMAN. Proceed.

Mr. WOODWORTH. In the highly unlikely circumstance that they did not change their farm production pattern or otherwise improve their economic effectiveness by the choice of other enterprises the reduction in targets and payments would also reduce their net incomes below the 1962 level. These range from about one-third for the wheat-fallow farms of Washington and Oregon, down to a reduction of about 15 percent for the wheat-roughage-livestock farms of the Northern Plains, and 12 percent on the wheat-corn-livestock farms in that area.

It is quite possible that some wheat producers would prefer to "discount" this program by making the transition in one step. This could be done by Government purchase of existing bushelage quota rights for probably \$1.10 per bushel, rather than paying out the adjustment payments each year for 6 years. At this price the current individual quotas could be retired and the wheat economy turned to the free market at a total cost of \$1,447 million. Thereafter, the bases would be canceled and there would be no price supports or payments, except for protective price supports against sudden, undue, and temporary declines. Nor would there be any other intervention by Government in the wheat business.

In summary, we urge that your committee and the Congress adopt a positive and forward-looking farm program for wheat that will return the farm business to farmers and permit free markets to operate without Government intervention. We recommend that this be accomplished by a transitional program gradually lowering the target prices for wheat, and supporting these targets by direct payments to farmers on their present quotas, with the payments gradually reduced until they are no longer required.

An approach along the lines, we have illustrated will reduce costs to the Federal Treasury, afford protection against sudden and undue dips in wheat prices, and give wheat a reasonable time in which to adjust their costs, their farming operations, or their occupations if that is their decision.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you very much. I want to correct my statement of a while ago that this program was the same as that of the Farm Bureau. It sounded like it, but your program would envision compensatory payments.

Mr. WOODWORTH. That is correct.

The CHAIRMAN. Of course the Farm Bureau is violently opposed to that.

Mr. WOODWORTH. Of that I am aware.

The CHAIRMAN. Yes, I know. And as I understand the Farm Bureau program, they envision also taking out of production as many as 60 to probably 80 million acres of land, and after that is taken out of production, then let the farmers be free, but let the Government pay on this acreage for keeping it out of cultivation. You don't believe in that.

Mr. WOODWORTH. No.

The CHAIRMAN. And it is your judgment that by paying compensatory payments through 1969 that the rates that you have indicated, that the farmer, the wheat farmer, could adjust his farming operations whereby he would produce the net wheat for both domestic and export production more or less on a free market, a free basis without Government control.

Mr. WOODWORTH. That is correct, sir, and I think I qualified somewhat the earlier part of your statement when I said that after all this is merely a man's judgment, suggestion as to prices. There might be some quarrel of \$1.40 as being a fair market price. You might decide that you wanted to arrive at this thing at the end of 6 years. This is merely an illustration of the way it would work. My personal feeling is that it is not wholly unrealistic at price levels.

The CHAIRMAN. What I failed to understand awhile ago was your 95 percent of the last 3 years' average.

Mr. WOODWORTH. On a continuing, moving average.

The CHAIRMAN. I know that, but the Farm Bureau's proposal is 90 percent of the last 3 years' average.

Mr. WOODWORTH. As a support, yes.

The CHAIRMAN. As a support.

Mr. WOODWORTH. Yes.

The CHAIRMAN. And yours is a direct payment?

Mr. WOODWORTH. That is correct.

The CHAIRMAN. That is the difference. Have you anything further, Senator Jordan?

Senator JORDAN. No, sir. I have no questions.

The CHAIRMAN. We thank you very much.

Mr. WOODWORTH. Thank you, sir.

The CHAIRMAN. And of course you realize that any program that is put on the statute books this year must not vary away too far from the law, the present law, if we are to have any legislation at all.

Mr. WOODWORTH. I think I do.

The CHAIRMAN. Any alternative of course would be to give the farmers another crack at the law that lies on the statute books, because I don't believe that the Congress can enact a brandnew wheat law in time for this year because of legislation that is to come to the Senate within the next 2 or 3 weeks, the civil rights bill. Unless we can get something in before the civil rights bill is taken up, I see—

Mr. GARVER. I assume your law would have to deal with control of acreage and quotas. If you did this, you could do it in the middle of September and still leave them with a very substantial support without interfering with their production.

The CHAIRMAN. You would have no program at all, though, except this planting of all you want, and the direct payments for the first

year. Of course I realize you could put that in. But I doubt that a program of this kind could be put on the statute books either this year or next year, because there would be a lot of opposition to it in my opinion.

Mr. WOODWORTH. I would hope that it would be given a try. I realize that this is something that has been talked of for many years.

The CHAIRMAN. Thank you very much, sir.

Mr. WOODWORTH. Thank you very much.

The CHAIRMAN. I have a statement here to be placed in the record at the request of Senator Mundt, a statement by Joseph Eichinger, of Cresbard, S. Dak. It will be placed in the record at this point.

(The statement referred to follows:)

STATEMENT OF JOSEPH EICHINGER, CRESBARD, S. DAK.

Under this program, the producer would receive 75 to 80 percent of parity on the wheat he produces. A stockpile of carryover should be 500 to 800 million bushels for national security. The Secretary of Agriculture should adjust the acreage from year to year, so the stockpile would not get below the minimum or above the maximum. Storage charges should be reduced to 12.15 cents a year instead of 13.4 or more. The reason the wheat would be 32 percent less in value is that it reduces the cost of insurance in proportion, and also the shrinkage and the deterioration.

The handling charge should remain the same, and protein premium also the same as it was in 1963 or reduced to a 20-cent maximum. Under this program the American miller, baker, and the public, who pay the tax, would be on equal basis as far as cost is concerned, with friends overseas and Soviet Russia. The American people would save about \$300 million from its food budget, which would be a great help for the poor and also the working man. The loan support should be \$1.30 for good Hard Winter wheat and Northern Spring wheat. The undesirable, 15 cents less. The producer who is willing to sign up and cut his acreage 10 percent, will get the first 50-percent payment when he signs up. After the local ASC office has checked and measured his fields, he will get the remainder. For example, a farmer who has 100 acres of wheat allotment under the 55 million national allotment, and his average yield is 22 bushels per acre will receive as illustrated by the following examples:

Formula A:

22 bushels, at \$1.30-----	\$28. 60
11 bushels, at \$1.10-----	12. 10
Total-----	40. 70
Average \$1.85 or 74 percent parity for idle acres \$12.10 per acre. Formula cost \$665.5 million.	

Formula B:

22 bushels, at \$1.30-----	\$28. 60
11 bushels, at \$1.00-----	11. 00
Total-----	39. 60
Average \$1.80 or 72 percent parity for idle acres \$11 per acre. Formula cost \$605 million.	

Formula C:

22 bushels, at \$1.30-----	\$28. 60
10½ bushels, at \$1.20-----	12. 15
Total-----	40. 75
Average \$1.85 or 74 percent parity for idle acres \$15 per acre. Formula cost \$675 million.	

The nice part of this program is that the farmer gets an insurance policy along; something no other program has ever offered. In case he gets hailed out or his crop is lost for other reasons, then under formula A he gets \$1,210; formula B, \$1,100; and formula C, \$1,149.

Formula C is the U.S. Senator Milton Young and Karl Mundt program, in which the producer gets 100 percent parity for 46 percent of the wheat and just guesses at the payment on the idle acres.

My thoughts on formulas A and B is that it is so easy for the farmer to understand and for the ASC, much more practical to figure out for payment. Furthermore, wheat certificates would not be needed. All of the redtape would be removed for the local elevator and flour mills. The local ASC office would handle all of the payments to the farmers, as they do now with the corn.

1. The producer would receive 100 percent parity for the wheat for local consumption.
2. He'll get an insurance policy.
3. It will increase the use of wheat.
4. It will give the Government a chance to control the stockpile.
5. It will put the American consumer on equal basis with the foreign countries.
6. We will have a free world market.
7. Our bakers would be able to sell a 1½-pound loaf of bread for 1½ cents less.

The above program is based at \$2.50 for 100 percent parity and 22 bushels per acre national average. It could be 23 bushels which would slightly increase the cost. On any of these formulas, you could use 90 cents, \$1, \$1.10, \$1.20, or \$1.30 per bushel. It depends on how much the Congress would want to spend on this program.

I believe this program is less complicated and easier to administrate than the wheat certificate system.

The CHAIRMAN. I have a statement here by Mr. C. Allen Tom.

STATEMENT OF C. ALLEN TOM, THE DALLES, OREG.

Mr. TOM. Mr. Chairman, I will make it simple and short.

The CHAIRMAN. Proceed.

Mr. TOM. My name is Allen Tom, from The Dalles, Oreg. I am a wheat, feed grain, and cattle farmer in the Columbia Basin which raises 75 percent of the wheat in Oregon and represents an area which voted in favor of the referendum.

I support a voluntary certificate plan for wheat. The simplest way to accomplish this is to amend the present law.

I am in compliance with my allotment for both wheat and feed grain, and most farmers in the wheat area are in compliance with their wheat allotment in Oregon. We are in compliance for one reason, we expect and want Congress to enact voluntary wheat legislation.

If wheat legislation is not enacted, most farmers that I have talked to say they will be forced to seed fence to fence and I feel this will happen all over the country. If this happens and the Anfuso amendment penalties are not forgiven, I am afraid these loss-of-history penalties would prevent maximum participation in any future voluntary program and would ultimately mean its failure.

Farmers are now experiencing credit problems for 1964. In my county in Oregon, over 50 percent of the farmers are renters and those who do not have leases of more than 1 year are not able to get adequate financing and in a few cases are actually planning to liquidate, as banks must use the \$1.25 support price as the basis for any loan.

The cost-price squeeze will be compounded if legislation is not enacted. One very serious problem affects State and local government. Property taxes on my farm jumped from \$1,906 in 1949 to almost \$4,500 in 1963.

The CHAIRMAN. Is that county and State tax?

Mr. TOM. This is county and local taxes, just ad valorem.

The CHAIRMAN. What was the cause of it? Schools?

Mr. TOM. Schools.

The CHAIRMAN. How much land have you got?

Mr. TOM. This particular farm has 4,400 acres in it.

The CHAIRMAN. About \$1 an acre?

Mr. TOM. Fourteen hundred acres of cultivated land each year, summer fallow area. Over 70 percent of this tax is for primary and secondary education and we know it will increase in the future. In addition, we are now faced with the necessity of greatly expanding our vocational education if we are to take care of our unemployment and retraining programs resulting from automation.

These are fixed costs that increase every year and over which we have no control. Also, all other production costs are increasing, which means that it will not be long before the wheat farmer is out of business if wheat is allowed to drop to \$1.25 per bushel.

May I have 60 seconds to comment upon some other testimony?

The CHAIRMAN. Surely. Proceed. We are glad to have it.

Mr. TOM. Mr. Mennel I believe it was commented about undesirable varieties. I am sure that the CCC does not support all varieties. I think there were almost 33 undesirable varieties which were exempt this last year from supports.

Now as to the chamber of commerce, I would say this. If we have to go it alone and they are willing to go it alone, I am willing to take my chances.

The CHAIRMAN. You mean if labor and industry—

Mr. TOM. That is right.

The CHAIRMAN. That has been my contention throughout. I don't presume that the chamber of commerce would advocate that all of the tariffs be taken off, and things like that. I know that, but I didn't want to bring that up.

Mr. TOM. But I feel that this should at least be brought out. Cost-plus contracts, tariffs, quotas, subsidies, maritime, post office, fast writeoff, depreciation allowances, expense accounts, special tax legislation for industry, individuals, and the individual corporations, legislation restricting competition, labor legislation, and so forth. That is all I have to say.

The CHAIRMAN. I have always contended that if the farmers were given an opportunity to start here with everybody else, they wouldn't ask for my privileges.

Mr. TOM. Right.

The CHAIRMAN. Or any price supports. But when you protect labor to the tune of \$1.25 an hour for common labor, and protect industries from outside interference by way of tariffs, we haven't given that up yet, and as long as that stays on, why the farmer has got to get it somewhere, and that is why I have been one of its chief advocates here, and I am going to continue to be as long as I am on this committee.

I am confident that if you permitted the wheat farmers to plant all that they wanted and let wheat go down to \$1.35 or \$1.40 a bushel, that somebody might go hungry some day.

Mr. KEN KENDRICK (National Association of Wheat Growers). Senator, we can grow 2 billion bushels if you just turn us loose, any year.

The CHAIRMAN. You can't grow it at a profit though.

Mr. KENDRICK. I know that.

The CHAIRMAN. I don't think you can.

Mr. TOM. I wanted to make it clear when I stated these things about the chamber of commerce, I am not criticizing the benefits they derive from the Government. I am not discriminating against them, and I don't want them to discriminate against me either.

The CHAIRMAN. I understand. Are there any further questions? Thank you very much. The committee will stand in recess until 10 o'clock in the morning.

(Whereupon, at 4:50 p.m., the committee was adjourned, to reconvene at 10 a.m., Tuesday, February 11, 1964.)

Mr. Ken Kessinger (National Association of Broadcasters) says we can grow 2 billion dollars if you just run it for a year.

The Chairman: You can grow it at a profit though.

Mr. Kessinger: I know that.

The Chairman: I don't think you can.

Mr. Tamm: I wanted to make it clear when I raised these things about the number of computers I am not talking about the number of bits from the Government. I am not interested in a general fund and I don't want them to be in the general fund.

The Chairman: I understand. Are there any further questions? I think you may think the committee will send in a report and to look in the morning.

The Chairman: At 4:30 p.m. the committee will adjourn to room 1000, Tuesday, February 11, 1964.

WHEAT PROGRAMS

TUESDAY, FEBRUARY 11, 1964

U. S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to recess, at 10 a.m., in room 324, New Senate Office Building, Senator Allen J. Ellender (chairman) presiding.

Present: Senators Ellender, Johnston, Eastland, Jordan of North Carolina, Neuberger, Aiken, and Young of North Dakota.

Also present: Representative Paul Jones of Missouri.

The CHAIRMAN. The committee will come to order.

We shall continue the hearings on wheat legislation, and we have this morning as the first witness Senator Burdick.

So you may proceed, Senator.

STATEMENT OF HON. QUENTIN N. BURDICK, A U.S. SENATOR FROM THE STATE OF NORTH DAKOTA

Senator BURDICK. Mr. Chairman, and members of the committee, I appear this morning on behalf of my bill, S. 2492.

First, I want to state that despite the folly of the American farmer at the last referendum, I don't think that we can afford the price drop of an estimated \$600 million of farm income at this particular time.

We have done everything here in Washington we can to stimulate the economy. But if we permit the price level to drop as I think it will do, it will be a cloud on the economy in the great agricultural areas.

Now, I will summarize the essential parts of my bill. May I have unanimous consent to introduce my prepared statement?

The CHAIRMAN. Without objection.

Senator BURDICK. I am just briefly going to touch upon the principal features of the bill.

The theory behind the bill is that 1 billion bushels of production will be supported at a blend price of \$2.25. Half of that will be supported by certificates for the domestic production, and half of it will be supported by a direct payment for the export. That will give a blend price between parity of \$2.50 for domestic consumption, \$2 for the exports and \$1.30 for the overage. The feature dealing with the domestic consumption is almost identical with provisions in the bill introduced by Senator Young of your committee.

The second feature of the bill is almost identical with the export feature in the McGovern bill, except that my bill would employ direct payments.

Now, this legislation has two distinct improvements: One is that diversion payments are eliminated. We found, talking to farmers throughout the area, that the very complicated regulations surrounding diversion payments caused irritations; so we felt that a compensation in price would take care of any loss in revenue resulting from the elimination of diversion payments.

The bill does, however, provide that if there is no surplus of particular grain and the Secretary so finds, that oil seed crops could be raised upon the diverted acres.

The bill has, like the others, most of the others, a 10-percent cut from the 55 million acre national base; it would be on that 10 percent acreage diversion that the oil seed crops, that you are familiar with, could be grown, if they are not in surplus.

The other improvement in the bill is that there is a family farm cutoff set at 12,000 bushels. There may be some obscurity or some conflict in the language of the bill before you, but I am having it clarified; the intention is to give support to only 12,000 bushels, which would be divided equally between the domestic consumption and the grain shipped abroad.

The reason for this provision is that I don't think it was ever the intention of the farm program to subsidize large industrial farming and I regard 12,000 bushels as a reasonable cutoff.

Now, it would take care of a great bulk of the farmers in the country. There are only about 8,000 wheatgrowers that have wheat allotments over 500 acres and a farmer with a 500-acre allotment would have price support for his entire crop, assuming normal production. I feel the cutoff is important because it is a question of philosophy.

And that, Mr. Chairman, is the essence of my bill. I urge favorable consideration.

(The prepared statement of Senator Burdick follows:)

I am pleased to have this opportunity to appear in support of a voluntary wheat program, specifically to urge favorable action on my bill, S. 2492.

The American farmer has made startling advances. A marvel of efficient production, he is the envy of Soviet Russia. He provides food for consumers at bargain prices. He should be the great American success story.

You would think the American farmer would prosper, because most industries in our economy are rewarded with improved income for efficiency and greater productivity.

But it has not turned out that way. The farmer, as a consequence of his greater productivity, faces lower prices and declining income.

A fundamental difference between agriculture and other industries is the great number of agricultural producers—in wheat, there are nearly 2 million.

Faced with decreased demand, a half dozen automobile manufacturers can simply close down a portion of their factories until consumers express a demand for more automobiles. Then they produce more cars. Prices remain stable.

Two million wheatgrowers can't operate in this way. Faced with oversupply and declining prices per bushel, each individual farmer feels he must produce more bushels to maintain his income. As we know, this is a losing proposition, because surplus mounts and prices drop further.

The single effective instrument we have found for obtaining collective action in agriculture to check production and maintain income is a farm program.

Mr. Chairman, many analysts interpreted the vote in the wheat referendum last May as meaning that farmers do not wish to cooperate in controlling production and desire a return to the free market.

Such an interpretation, in my judgment, is in error. I say this in spite of the fact that their rejection of the 1964 program ran counter to my advice and was deeply disappointing to me.

I say this is a mistaken interpretation because I believe farmers were protesting hundreds of individual grievances and irritations with the farm program. I am convinced they did not want to abandon the program in toto. In my State of North Dakota, 65 percent of the farmers voted in favor of the 1964 program, and I feel confident that if another referendum were held today, the percentage would be considerably higher.

It serves no purpose to dwell on the referendum further. The facts are that we face a sharp drop in prices in 1964. The wheat futures are positive indications of impending price loss. As farm income drops, thousands of farmers will be driven out of business—they will not be able to recover the costs of operation. We must face these unpleasant facts and look for the best immediate short-term solution which, in my judgment, must be based on voluntary farmer participation.

I have studied various proposals and have cosponsored bills with two of my Senate colleagues.

Last week, drawing on the best features of these plans, I introduced my own bill, S. 2492. It was designed to fall within the guidelines set by both Presidents Kennedy and Johnson.

My plan, to apply to the 1964 and 1965 crops, would raise farm income more than any proposal analyzed by wheat program experts—to \$2.54 billion, about 5 percent over the 1963 level. In a wheat State like North Dakota, income would be raised \$35 million over 1963 and more than \$100 million over the program we would have under existing law.

The increased income would attract a high percentage of participation by wheatgrowers—90 percent, according to unofficial estimates by the Department of Agriculture.

The program I propose would trim costs \$200 million below 1963 and whittle down surplus.

The plan keeps alive the principle that a farmer is entitled to full parity in the marketplace by insuring him for his share of domestic wheat production a return of \$2.50 a bushel, the amount required under current prices to give him 100 percent of parity. I want the record to show that I believe in parity for the American farmers and that my constituents on the farms of North Dakota, as in all other States, are entitled to receive it.

The plan would simplify administration by eliminating diversion payments, with their complicated formulas and irritating regulations. Paperwork and costs for administration would be substantially reduced.

Producers would be permitted to substitute or interchange wheat and feed grain, introducing a needed flexibility to farming operations, particularly in drought years.

The program also incorporates the principle that price supports should be available only to a reasonable level. They would stop at the 12,000 bushel mark, meaning that producers having up to 500 acres of wheat would have substantially all their production supported.

The program would operate in the following manner:

To qualify, a farmer would have to reduce his acreage 10 percent below his permanent allotment based on 55 million acres, the same requirement as for the 1962 program. Although he would receive no diversion payments, he could grow oilseed crops—guar, sesame, safflower, castor beans, mustard seed, canary seed, soybeans, flax, and others, without price supports, if those crops are not in surplus.

A participating farmer would receive a basic loan rate of \$1.30 a bushel. For his share of the 500 million bushels of wheat required for domestic consumption, he would receive certificates worth \$1.20 a bushel. For his share of the 500 million bushels of export wheat, he would receive an export payment of 70 cents a bushel. For his remaining production, estimated at 200 million bushels, he would receive the \$1.30 basic loan rate. The production goal under the program would be 1,200 million bushels.

Noncooperators would not be eligible for any of the above types of price support.

Under the program, sale by the Commercial Credit Corporation of wheat stocks would be at 115 percent of the support level plus handling charges.

Mr. Chairman, one of President Johnson's guidelines was that the wheat program should not raise the price of bread. There is no reason my plan should do so, since wheat in a loaf of bread currently constitutes only 2.5 cents of the

price, and Department of Agriculture statistics show that wheat would have to be increased to \$2.80 a bushel to justify an increase of 1 cent for wheat costs.

Mr. Chairman, a compelling case for tax reduction was made last week on the Senate floor, because of the need to strengthen the national economy.

The arguments are familiar—that the tax reduction would raise purchasing power, encourage investment, and increase employment. Even the prospect of a tax reduction has speeded up the economy, and the indicators point to prosperity.

In our optimism we must not overlook a cloud on the horizon—the snowballing effects on the agricultural economy and the national economy of an estimated \$600 million drop in the income of wheatgrowers. There is still time to avert this negative impact, and I am hopeful immediate action will be taken.

I have outlined the plan I think would be best. I would, of course, like to see the committee take favorable action on it.

However, I am keenly aware of the difficulty of obtaining a consensus on wheat legislation, particularly in this race against the clock. I believe my plan would return more income to the farmer, but I will support any other solution that will maintain farm income.

The CHAIRMAN. Now, your bill differs, of course, from the present law in that, as I understand the Secretary leaves the amount to be supported for domestic use and he fixes the supports on exports.

Senator BURDICK. Yes, estimated at \$500 million domestic and not less than \$500 million for export.

The CHAIRMAN. And you want, as I understand it, the export portion of the crop would be supported at \$2 per bushel.

Senator BURDICK. Yes.

The CHAIRMAN. How about the domestic?

Senator BURDICK. With certificates valued at \$1.20.

The CHAIRMAN. Plus?

Senator BURDICK. \$1.30. This is essentially the same as in the Young bill.

The CHAIRMAN. That is 100 percent of parity.

Senator BURDICK. That is right.

The CHAIRMAN. Well, you are asking for enough, all right. [Laughter.]

Senator BURDICK. Thank you.

The CHAIRMAN. All right, Mr. Patton, you may proceed.

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

Mr. PATTON. Mr. Chairman, I have three of our executive committee here. May they sit up here at the table with me?

The CHAIRMAN. Yes.

Mr. PATTON. For the record, I am James G. Patton, president of the National Farmers Union and I am appearing here today with Mr. Leonard Kenfield, president of the Montana Farmers Union, who is also chairman of the Farmers Union Economic Committee, and with Mr. Lail Schmidt, president of the Rocky Mountain Farmers Union which encompasses Colorado, Wyoming, and New Mexico and Mr. Ed Smith, who is president of the North Dakota Farmers Union and I also have the director of legislative services, Mr. Reuben Johnson.

Mr. Ben Radcliffe, who is president of our South Dakota Farmers Union couldn't be with us today.

Before I start my formal testimony, Mr. Chairman, I hope you will permit me to pay my respects to you, sir, and the leadership you have given over a long number of years.

As you know, of course, you and I have been sitting around this table for a long time and I have always felt that you represented the best interests of agriculture and did your best to do so. And the other important thing to me; is that under your chairmanship, Senator Aiken and Senator Young have given long leadership joining the Democratic side and the Republican side in giving the committee a bipartisan flavor which agriculture has needed.

The CHAIRMAN. And enjoyed.

Mr. PATTON. Yes, the approach has been one which has been necessary, as I see it in agriculture which a minority—

The CHAIRMAN. I hope we can be as successful in the future as we have in the past in getting this legislation through, because as I stated on several occasions, unless we can get a bill to the Senate before the civil rights bill starts, I can see no hope of passing an effective bill this session.

Mr. PATTON. That, Mr. Chairman, is what we are hoping that the House Agriculture Committee would be able to do.

The CHAIRMAN. They won't be bothered with it. They can act on theirs, you see.

Mr. PATTON. I know.

The CHAIRMAN. And if we can get ours enacted then the only thing left would be a conference, and we will use as a vehicle, of course, the House bill we have before us now, and we are hopeful we can work something out. But as I said in the early part of these hearings, it will be almost impossible to write a brandnew cotton bill or a brandnew wheat bill—we are going to have to act on legislation that amends laws we now have.

Mr. PATTON. Of course, I am confident with your long experience and ability in this field that it can be done.

The CHAIRMAN. I will do my best.

Mr. PATTON. I would like to present our statement, I want to present it first for the record and, second, it is that thinking of our people, and as their representative I present it.

The CHAIRMAN. Yes.

Mr. PATTON. We are most encouraged by the fact that President Johnson has expressed the view that farm income must be raised and that his opinion is shared by Secretary Freeman. The operators of the 3.6 million U.S. farms do not receive an equitable share of the Nation's income.

While farm output has increased 21 percent since 1947-49, net farm income has dropped by 21 percent. Farmers have received no reward for their increased efficiency—in fact, they have been penalized because of it. They continue to be grossly disadvantaged notwithstanding the small rise in their gross income.

We believe, Mr. Chairman, the parity ratio of 76 percent on December 15, 1963, is a distress signal which cannot be ignored.

The need for additional farm income and the need to raise prices of agricultural products in the face of the present cost-price squeeze is undeniable. The cost-price squeeze cannot be solved by any other route. To ignore this obvious truth is to turn away from the crux of the problem of poverty in rural America.

It is imperative that there be a wheat program to apply to the 1964 crop. It is apparent to us and to the Nation's wheat farmers that,

without legislation, price support this year will probably drastically drop to the 50 percent of parity level that present law provides. This means about \$1.25 per bushel and up to a \$600 million loss of income from the 1963 level.

Farmers Union wholeheartedly concurs with the statement released on December 13 in Washington by nine general farm and commodity organizations as to the adverse economic impact on the national economy that such a loss would bring. Their statement is as follows:

National economic growth cannot be expanded unless farm income is maintained and improved. The drag on the economy posed by an expected \$600 million loss in farm income, in the absence of an effective farm program, would be disastrous.

Prevention of this loss is therefore of prime concern to farmers, Main Street businesses of rural America, and factory workers whose job and livelihood depend on a healthy farm economy that must continue to contribute to the strength of the Nation's economy, receiving in the process its equitable share of the Nation's income.

We are greatly encouraged by the recent crop report which indicates that compliance with acreage allotments in Winter wheat plantings is the rule. It appears now that overplanting of all wheat may be only slightly above last year. This will mean a crop of about 1.4 billion bushels instead of the estimated 1.6 billion bushels. Present indications are that over 80 percent of the Winter wheat planted is within allotment. This voluntary action on the part of farmers is significant, we believe, because it demonstrates clearly the expectation and interest of farmers in having a workable supply-adjustment program.

Farmers Union has been intensely studying the various wheat program alternatives under discussion the latter part of 1963. We came to no hasty or premature decision as to the kind of program our organization will support.

On December 18, 1963, the executive committee of National Farmers Union met to formulate a program to be submitted for the consideration of Congress. We believe we have a program which will (1) substantially increase farm income, (2) reduce costs to the Government, and (3) simplify and streamline administration. The program is simple and would operate as follows:

(1) Price support level of \$2.50—100 percent of parity—on domestic consumption and exports for farmers who sign up in the program. The new program is voluntary. Noncooperators would receive no price supports and would sell wheat the the free market price.

(2) Program would cover 1964 and 1965 to permit congressional consideration of wheat and feed grain program for 1966 and after.

(3) The program would provide price support through the use of certificates on wheat consumed domestically and direct payments to farmers on the portion of wheat exported.

(4) To qualify for the program farmers would cut wheat acreage by 10 percent, which nationally would mean 49.5 million acres.

(5) Family farm cutoff of 12,000 bushels would apply in the allocation of each family's pro rata share of price-support payments and certificates under the proposed program. One bill has been introduced to place the cut or cutoff rather at 12,000 bushels.

(6) Interchange of wheat and feed grain plantings is permitted if producers participate in both the voluntary wheat and feed grain programs.

(7) Sales by the Commodity Credit Corporation of wheat stocks would be at 115 percent of the support level, plus handling charges.

(8) Cooperators in the program could grow oil seed crops on the 10 percent of diverted acres, but without price support.

Both certificates and payments are called for, with certificates applicable to domestic consumption and direct or price-support payments applicable to exports.

I call the committee's attention to the following table to further illustrate how the program would operate:

Utilization	Bushels (millions)	Price support	CCC loan ¹ level	Payments or certificates
Domestic consumption.....	500	\$2.50	\$1.30	² \$1.20
Exports.....	460	2.50	1.30	³ 1.20
Miscellaneous.....	240	1.30	1.30	-----
Total.....	1,200	\$2.26	-----	-----

¹ Cost to CCC of loan at \$1.30 would be negligible.

² Certificate.

³ Payment.

⁴ Average.

Under this program the total national income of wheatgrowers is calculated at \$2,750 million. This compares with \$2,363 million under the 1963 program and would, therefore, increase gross wheat income in 1964 by \$387 million over 1963.

Significantly, by using certificates on the domestic portion of the 1964 crop and payments on exports, cost to the Government less Public Law 480 shipments, would be about \$516 million. Inasmuch as the \$1.30 loan level would sharply curtail CCC lending operations and move wheat into commercial exports without Government assistance, administrative and storage costs as compared to past years could be reduced, we believe, substantially over several years.

The "National Food Situation" released on February 8 by the Department of Agriculture, states:

Marketing costs constitute a large share of the price of bread and many other wheat products; these costs probably will continue to increase despite the prospective decline in price of wheat * * *.

We have made a very careful study of the effect that the Farmers Union wheat program would have on the cost of bread.

In 1963, the average retail price of a 1-pound loaf of white bread was at an alltime high of 21.6 cents—0.4 cent higher than the 1962 price and 60 percent higher than the 1947-49 average of 13.5 cents.

The national average price for a 1-pound loaf of white bread was 21.6 cents in 1963 (68 loaves of 1 pound each can be produced from flour processed at an extraction rate of 72.5 percent from 60 pounds of wheat).

The farm value of wheat in a 1-pound loaf of bread was 2.5 cents in 1963.

These U.S. average prices, however, mask much variability. For example, in the 20 largest cities the average retail price in 1962 varied from a low of 17.4 cents in Houston to 21 cents in Los Angeles—61 percent higher than in Houston. Even more significant are the following statistics: The price of bread in Houston increased about 5 cents from 1947-49 to 1962 or about 40 percent, while the price in Los Angeles

rose about 14 cents or 100 percent over the same period. It is obvious that the price of wheat has little effect or relationship to the retail price of bread.

In 1962 it would have taken a 40-percent drop in the price of wheat (about 80 cents) to lower the price of bread by 5 percent or by a single cent. Conversely, a 40-percent increase in the price of wheat in 1962 would have increased the price of bread by only 5 percent.

Mr. Chairman, the central point in presenting these facts on wheat costs and bread prices is that the increase in price to the producer called for in the Farmers Union program, should not have material effect on the cost of a loaf of bread.

Furthermore, while I am in total sympathy with the desire of the administration to adjust the Nation's budget downward, I cannot agree that this admirable objective must be accomplished at the further expense of American farm families during a time that we will apparently spend over \$5 billion in the next budget year in a race to the moon.

Strong justification, we believe, for substantially increasing the income level in a voluntary wheat program is the fact that a high percentage of producers would participate. The Department of Agriculture in making the assumptions needed to estimate costs and income of the Farmers Union program, projected 90 percent participation. We believe that this feature of the Farmers Union proposal is highly important.

In behalf of the other members of the board of directors of National Farmers Union, we appreciate the opportunity to appear before you to discuss a wheat program for 1964.

A workable wheat program is essential, not only to wheat farmers, but feed grain producers and all segments of the national economy. We are confident that an increase in farm income would stimulate other sectors of the national economy, providing jobs for many of the 4 million unemployed.

We have always counted it a privilege to come before this committee and its counterpart on the House side, because we believe that you are desirous of maintaining farm programs and the income needed to strengthen and preserve our family farms. We know it has always been your aim to devise the kind of programs that will enable farmers to get their fair share of the Nation's income. We stand ready to cooperate with the committee and the Congress toward this objective and pledge our support in behalf of the earliest possible action in devising and enacting a new wheat program in time to apply to the 1964 crop.

Mr. Kenfield, Mr. Schmidt, and Mr. Smith and I will be happy to respond to any questions members of the committee may have, but before moving on I request permission to insert in the record of these hearings (1) the brief outline of the Farmers Union wheat program attached to this statement, and (2) a statement concerning relations of wheat price supports and exports to bread prices which was compiled by the staff of the division of legislative services of National Farmers Union.

(The information referred to follows:)

FARMERS UNION WHEAT PROGRAM

(Approved by the executive committee, December 20, 1963)

The program outlined below is predicated on the following objectives:

- (1) To increase income substantially toward the longtime goal of full parity returns to family farmers.
- (2) To reduce the cost of farm programs to the Government.
- (3) To simplify farm programs and streamline administration.

Major provisions of the program are as follows:

(1) Voluntary program applicable to 1964 and 1965 crops permitting feed grains and wheat to be considered in combination of 1966 and subsequent crop years.

(2) Both certificates and price-support payments are called for with certificates applicable to domestic consumption and price-support payments applicable to exports. Noncooperators would not be eligible for price support nor price-support payments and certificates.

Utilization	Million bushels	Price support	CCC loan level	Payment or certificates	Cost to Government
Domestic consumption.....	500	\$2.50	\$1.30	¹ \$1.20	(²)
Exports.....	460	2.50	² 1.30	³ 1.20	\$552,000,000
Miscellaneous.....	240	1.30	1.30	-----	(²)
Total.....	1,200	⁴ 2.26	-----	-----	-----

¹ Certificate.

² Cost to CCC of loan at \$1.30 would be negligible.

³ Payment.

⁴ Average.

(3) Ten percent reduction from 55-million-acre national allotment required for price support. This would mean 49.5 million acres in wheat.

(4) No land-diversion payment is called for but the Secretary is authorized to permit the 10-percent diverted acres to be devoted to the production of guar, sesame, safflower, sunflower, castorbeans, mustard seed, canary seed, soybeans, flax, and other oil seeds when such crops are not in surplus supply if permitted to be grown on the 10-percent diverted acres. Such production is not eligible for price support.

(5) A national safety reserve of 600 to 700 million bushels.

(6) A family farm cutoff of 12,000 bushels in the allocation of each family's pro rata share of price support payments and certificates.

(7) Sale by CCC of wheat stocks shall be at 115 percent of the support level plus handling charges.

Under the proposed program, the total national income of wheatgrowers is estimated at \$2,750 million. This compares with \$2,363 million under the 1963 program.

WHEAT EXPORT PROGRAM AND BREAD PRICES

(Supplement No. 2—Legislative analysis memorandum No. 56—4—Prepared by Reuben L. Johnson, director, and Walter A. Hasty, Jr., assistant director, division of legislative services)

The announcement by General Mills, Pillsbury, and others of price increases at \$0.40 per hundred pounds on flour that was purchased and committed even before the Canadian sale of wheat to the Soviets has caused a great deal of concern by consumer interests. This concern was first exemplified by Congressman Charles A. Vanik, Democrat, of Ohio, member of the Consumer Affairs Sub-

committee of the House Committee on Banking and Currency, in a statement made on the floor of the House October 24 in which he said: "It is apparent that manipulators and dealers in wheat futures are greedily parlaying profits from the proposed sale of American wheat to the Soviet Union and its satellites, with the sale price of wheat futures rising almost 10 percent since the Canadian sale of wheat was announced.

"The proposed American sale will provide even further pressure for flour price increases and the additional increase could well exceed another 2 cents per 5-pound bag. A price increase in bread is almost a certainty."

BACKGROUND ON WHEAT EXPORTS AND BREAD PRICES

In response to this announcement by certain millers and bakers concerning flour price increase and the alarm sounded by consumer interests caused by the resulting expectation of bread price increases, National Farmers Union Division of Legislative Services conducted an extensive investigation and study concerning the justification of a bread price increase based on the proposed wheat export policy and the resulting wheat market condition.

According to the wheat situation of October 1963, the wheat and flour exports in 1963-64 are currently estimated at 1 billion bushels, assuming that prospective sales to the Soviet bloc are realized. This estimated record export stems from poor crops in many traditional exporting countries although the world crop is a near record. As a result, if this export volume materializes, the carryover on July 1, 1964, would total about 725 million bushels—about 465 million below a year earlier. While this would mean the smallest carryover since 1953, it is still adequate. The carryover of all classes of wheat, except Durum, would be reduced with the greatest decline in stocks of Hard Winter. (Supply and distribution table No. A attached.)

Prices of most classes of wheat are above their loan rates, reflecting the sharp increase in export demand and the tight supply of privately held wheat. Prices of many classes have been so high that traders have purchased large quantities from the Government at the resale formula price. As a result of the strong market, there has been very little price support loan activity for 1963 crop wheat.

An important factor in American prices is the statutory level of Commodity Credit Corporation sales from its stocks, at 105 percent of the loan plus carrying charges. Some cash prices in a few areas are at the statutory levels, but futures on which 1963 wheat may be delivered are, according to the Southwestern Miller, (a leading trade publication) as much as 20 cents below the statutory sales figures of CCC.

However, as the Southwestern Miller points out, "A powerful strengthening factor in U.S. prices that is becoming increasingly important is the diminishing balance of free supplies, or wheat outside of loan impoundings and CCC stocks, as exports expand. The great enlargement that has developed in export workings is pointing increasingly to a shortage of free wheat. To overcome that deficit, the domestic trade may have to turn more and more to CCC stocks at 105 percent of the loan plus carrying charges. * * * It is conceivable that some wheat not available from CCC, particularly in the case of soft wheat and the top protein ranges, might reach still higher prices if great tightness prevails in the markets."

With reference to hard wheat, CCC-owned stocks are ample and of good quality. There is no shortage of good quality wheat which can be milled into good flour.

Most bread producers buy on a long-range future delivery basis, usually at the beginning of the availability of new crop wheat. In many cases they have arranged for their flour supplies through next March. The purchases were made at prices prevailing in the July-August period, well before Russia began its purchase program.

Millers operate on narrow margins, and prices for flour usually reflect changes in wheat prices on a current basis, taking into account the price of mill feeds. (The mill feed returns are used to offset the price of wheat in computing cost of producing flour.)

The Southwestern Miller in its October 8 issue states that: "The fact that the 1964 wheat program includes only a support rate of \$1.25 a bushel on farms to the growers complying with acreage allotments, as against \$1.82 on the 1963 crop, is a limiting brake on American advance. This difference is leading to inventory planning that will hold down accumulations of the grain and flour as well to a minimum on the eve of the 1964 harvest. The discounts on July 1964 wheat futures are now as much as 38 cents as compared with the old crop May 1964 deliveries. But the impact of the world demand is narrowing their discounts."

According to the trade, wheat markets have not yet completely appraised the influence of the Russian buying of wheat and flour over the world or the trades of current crop year of 1963-64. In fact the aggregate of the Russian purchases is yet to be revealed in the current crop year. However, the wheat futures market has already largely anticipated what is going to happen and has fairly well taken into account the prospective U.S. sales of wheat to Russia. Factors helping to strengthen nearby futures have been the huge exports to countries other than Russia and that the prospect for exports will remain high throughout the current year.

WHEAT PRICE EFFECT ON BREAD PRICE

The national average price for bread in 1963 was 21.6 cents per pound for a loaf of white bread (68 loaves of 1 pound each can be produced from flour processed at an extraction rate of 72.5 percent from 60 pounds of wheat).

The farm value of wheat going into a loaf of bread of 1 pound was 2.5 cents in 1963.

To justify an increase of 1 cent per loaf on the basis of wheat costs alone, the average farm price of \$2 (seasonal average received by producer in 1962 would have to be increased about \$0.75 or \$0.80 for a total of \$2.80 per bushel). However, it could be anticipated that bread prices would be increased a full cent on the basis of an increase of one-half that amount in cost of wheat or about 30 to 40 cents per bushel to about \$2.30 to \$2.40 per bushel at the farm level. The average price received by the producer in September 1963 was \$1.84 per bushel. At Kansas City, a principal market for hard wheat used for bread flour, No. 1 Hard Winter, ordinary protein, averaged \$2.23 per bushel for the 1962-63 crop year and was \$2.09 for September 1963. Since the current bread price is based on 1962 cost of wheat, it would appear that the price of wheat at Kansas City would have to advance to approximately \$2.70 per bushel before a 1-cent increase in a 1-pound loaf of bread could be justified, all other costs remaining unchanged.

Bakers, of course, buy flour from wheats other than Hard Winter ordinary, but the illustration would be relative. It takes 2.3 bushels of wheat to produce 100 pounds of flour.

THE FARMERS' SHARE: 3.1 CENTS

According to a recent study made by the Department of Agriculture and published in a booklet entitled, "The Food We Eat" (publication No. 280, revised August 1963) the wheat used in baking a 21-cent loaf of bread costs 2.6 cents. For all of 1963 this farm value of wheat in a loaf of bread dropped to 2.5 cents. Other farm products used in the bread add \$0.5 cent to its cost.

In 1962, when the retail price of a 1-pound loaf of white bread averaged 21.2 cents:

The farmer received 2.6 cents for his wheat and 0.5 cent for the milk, shortening, and other farm products in the bread; the miller received 1 cent; the baker-wholesaler 11.5 cents; and the retailer 4 cents. The other 1.6 cents went for transportation, storage, handling, and other processing.

TRENDS IN PRICES AND CONSUMPTION

Mr. Kenneth E. Ogren, Marketing Economics Division, ERS, in an address delivered on October 29, 1963, at Peoria, Ill., in discussing "Trends in Prices and Consumption" had this to say about bread prices:

* * * "Now let's go back to bread prices. The data for bread are U.S. averages that also mask much variability. For example, in the 20 large cities prices by BLS the average retail price in 1962 varied from a low of 17.4 cents in Houston to a high of 28 cents in Los Angeles, 61 percent higher than in Houston (table 2, fig. 1). Even more significant are the following statistics: The price of bread in Houston increased about 5 cents from 1947-49 to 1962 or about 40 percent, while the price in Los Angeles rose by 14 cents, or 100 percent * * *."

"What caused the rise in the average U.S. price of bread?"

"* * * Primarily, the higher costs of baking and distributing bread (table 2, fig. 2). The difference between the estimated cost to the baker of all ingredients and the wholesale price rose from 6 cents in 1947-49 to 11.5 cents in 1962, an increase of almost 100 percent. Gross spreads of millers and retailers also increased during this period. But these spreads increased by a smaller amount; they also are a much smaller part of the total price of bread, especially the millers'. The price of wheat has little effect or relationship to the retail price of bread. In 1962, it would have taken a 40-percent drop in the price of wheat to lower the price of bread by 5 percent or by a single cent. Conversely, a 40-percent increase in the price of wheat in 1962 would have increased the price of bread by only 1 cent—roughly 5 percent. We have not experienced such a large change in the price of wheat in recent years."

CONCLUSION OF INVESTIGATION AND STUDY

As a result of this investigation and study it is concluded that there is no justification for flour or bread increases based on the present or expected future price of wheat (see table I).

It was further found that proposed sale of wheat to the Soviet Union will not cause any significant shortage of stock for domestic use since the U.S. Government will still have a carryover of about 752 million bushels which would be more than adequate (see table 4). It should also be noted that although there will be an increase in the exportation of wheat caused by the recent decision by the President to permit the sale of wheat to the Soviet Union that an important factor in U.S. prices of wheat is the statutory level of CCC sales reflecting 105 percent of the loan plus carrying charges. The present policy of CCC is that sales generally are made at the higher of market or the formula price. CCC's large inventories of hard wheat is expected to have a stabilizing effect on wheat and flour prices. Hard wheats used for bread flour are in ample supply and are of good quality.

Flour prices will vary and wheat prices will fluctuate but are not expected to rise above last year's level. It is also very significant to note that although flour prices have remained constant for the period 1947-62, that bread prices continued to rise and that decreased flour prices have not resulted in decreases in bread prices (see table 2, fig. 2).

A recent analysis by the Economic Research Service shows a 40-percent increase in the price of wheat in 1962 would have increased the price of bread by only 1 cent—roughly 5 percent.

TABLE No. 1

Cash wheat prices

	Oct. 21, 1963	Year ago
Kansas City: No. 1 Dark Hard.....	\$2.16 $\frac{1}{4}$, at \$2.54.....	\$2.18 $\frac{1}{4}$, at \$2.65 $\frac{1}{4}$.
Minneapolis: No. 1 Dark Normal.....	\$2.31 $\frac{1}{2}$, at \$2.46 $\frac{1}{8}$	\$2.25 $\frac{1}{2}$, at \$2.65 $\frac{1}{2}$.
St. Louis: No. 2 Red Winter.....	\$2.18, at \$2.19.....	\$2.10 $\frac{3}{8}$, at \$2.11 $\frac{3}{8}$.

Wheat futures prices

	Oct. 21, 1963	Year ago
Kansas City:		
December 1963.....	\$2.12 $\frac{1}{8}$	\$2.13 $\frac{3}{8}$
July 1964.....	1.70	1.91 $\frac{5}{8}$
September 1964.....	1.70 $\frac{1}{4}$	1.93 $\frac{1}{2}$
Minneapolis:		
December 1962.....	2.27 $\frac{1}{4}$	2.33 $\frac{1}{2}$
July 1964.....	2.22 $\frac{3}{4}$	2.22

National average support price for wheat

Year	National average	Season average
1962.....	\$2.....	\$2 (preliminary).
1963.....	\$1.82 (plus \$0.18 price-support payment).	\$1.84 (Sept. 15, 1963).
1964.....	\$1.25.....	

Bakers flour prices

	Oct. 21, 1963	Oct. 22, 1963
Kansas City, Mo.: Hard Winter, Bakers short patent.	\$5.75 to \$5.80 per hundredweight.	\$6 to \$6.05 per hundredweight.
Minneapolis, Minn.: Spring wheat, Bakers patent.	\$6.10 to \$6.20 per hundredweight.	\$6.40 to \$6.45 per hundredweight.

TABLE 2

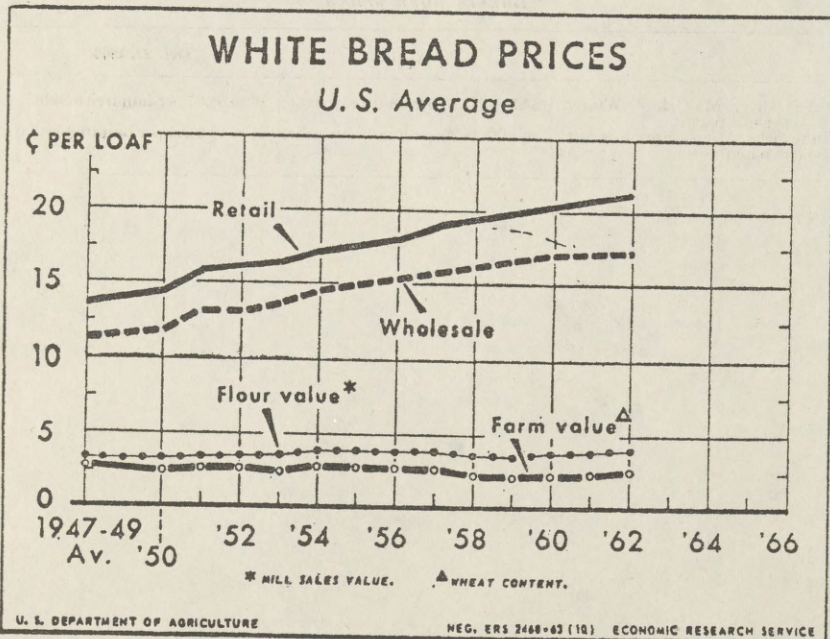
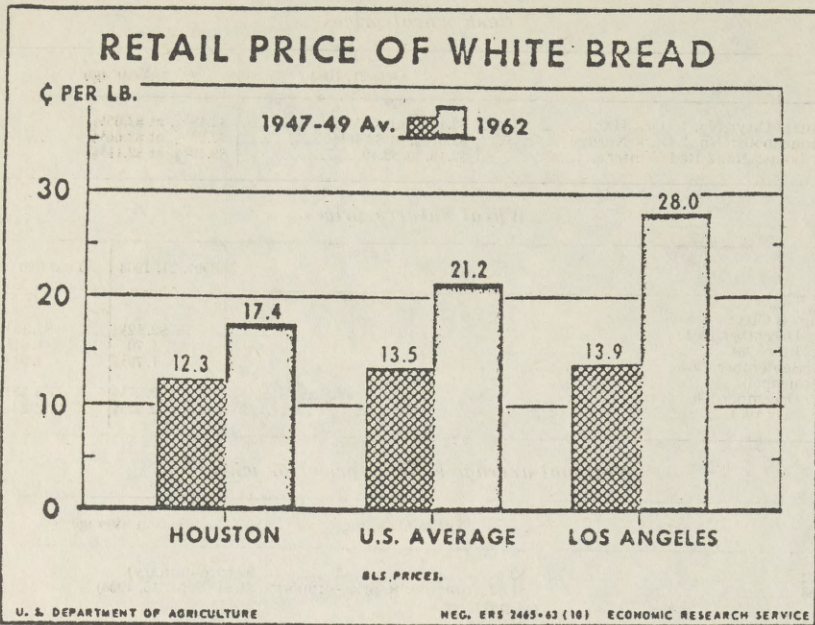


TABLE 3.—*Domestic food use of wheat by type, United States, 1959-60*

Product	Wheat (million bushels)			
	Hard	Soft	Durum	Total
Bread.....	200.15			200.15
Rolls.....	10.27			10.27
Biscuits and muffins.....		2.87		2.87
Crackers.....	3.40	18.53		21.93
Cakes.....		6.11		6.11
Pies.....		2.52		2.52
Other sweet goods.....	11.38	8.10		19.48
Alimentary paste products.....	8.20		22.00	30.20
Flour:				
All purpose.....	85.57	72.33		157.90
Whole wheat.....	2.38			2.38
Cake.....		12.21		12.21
Prepared mixes.....		22.34		22.34
Wheat cereals.....	9.65	1.99		11.64
Total.....	331.00	147.00	22.00	500.00

NOTE.—Commercial users of wheat flour in the United States absorbed a total of 130,160,000 hundredweight of flour (approximately 300,000,000 bushels of wheat) in 1958 according to the last census available; 92,000,000 hundredweight of flour or about 210,000,000 bushels was used for production of bread and related products.

TABLE 4.—Wheat: Supply and distribution
[Millions]

Beginning year July 1	Supply			Utilization				Production factors					
	Beginning stocks	Production	Imports	Total	Food	Seed and feed	Total	Exports	Total	Ending stocks	Planted acres	Harvested acres	Yield per harvested acre
1951.....	400	988	32	1,420	496	192	688	476	1,164	256	78.5	61.9	16.0
1952.....	256	1,306	22	1,584	488	172	660	318	978	606	78.6	71.1	18.4
1953.....	606	1,172	6	1,784	487	146	633	217	850	834	78.9	67.8	17.3
1954.....	934	984	4	1,922	486	125	611	275	886	1,036	62.5	54.4	18.1
1955.....	1,036	937	10	1,983	482	122	604	346	950	1,033	58.2	47.3	19.8
1956.....	1,034	1,005	8	2,047	482	106	588	550	1,138	909	60.7	49.8	20.2
1957.....	909	956	11	1,876	486	105	591	403	994	882	49.8	43.7	21.8
1958.....	882	1,457	8	2,347	497	112	609	443	1,052	1,295	56.0	53.0	27.5
1959.....	1,295	1,121	7	2,423	497	103	600	510	1,110	1,313	56.8	51.8	21.7
1960.....	1,313	1,357	8	2,678	497	108	605	662	1,267	1,411	54.9	51.9	26.2
1961.....	1,511	1,235	6	2,652	501	111	611	719	1,330	1,422	55.7	51.6	24.0
1962.....	1,322	1,093	5	2,420	501	92	593	638	1,231	1,189	49.1	43.6	25.1
1963.....	1,189	1,133	5	2,327	500	102	601	1,000	1,902	1,725	53.2	44.5	25.1
1964 ^a	725	1,400	5	2,130	-----	-----	750	680	1,430	700	60.0	57.0	24.5

Total.....	Beginning stocks		Ending stocks	
	1963	1964 ⁴	1963	1964 ⁴
Commodity Credit Corporation.....	1,189	725	725	700
Free.....	1,083	660	660	605
	1,106	65	65	95

The CHAIRMAN. I presume you would be satisfied with the present law if the supports were raised in accordance with the suggestion made by you in your prepared statement.

Mr. PATTON. Yes, I think in the main. Of course, Mr. Chairman, I want to make it clear so far as I was concerned I was for the law farmers decided they didn't want.

The CHAIRMAN. As I stated before, Mr. Patton, you realize that if we try to present a brandnew wheat bill it will be most difficult to pass this year. The only thing we can do is to add to what we have got, if it is possible to make it workable, or to make it so that it will be passed before the Congress—

Mr. PATTON. Mr. Chairman, I would like to say—

The CHAIRMAN (continuing). Before May.

Mr. PATTON. I would like to say to you and Senator Young, who has also been our friend on this committee, that we recognize the difficult situation, and at the same time we as an organization have to represent the point of view of our people which is a part of the legislative process.

The CHAIRMAN. I understand.

Mr. PATTON. And we appreciate your sympathetic understanding of our position on it also.

The CHAIRMAN. Any further questions?

Senator YOUNG. I assume, Mr. Patton, you take much the same position as I do. You would like to have your bill voted on, and if you can't get yours through you will help write a better bill.

Mr. PATTON. We want a wheat bill, Senator Young. We want something that is going to save the American farmer from a loss of several hundred millions of dollars.

Senator YOUNG. That is the position I am going to take. I am going to vote on mine, but if I can't get this I will help vote on something else.

Mr. PATTON. That has been the history of the Farmers Union in the past, Senator Young, and we appreciate what the chairman and you both have done over the years.

The CHAIRMAN. It may not be what we want but what we get for it.

Mr. PATTON. It is the art of the possible.

The CHAIRMAN. Yes, that is right.

Any further questions?

Any comments?

STATEMENT OF LEONARD KENFIELD, PRESIDENT, MONTANA FARMERS UNION, GREAT FALLS, MONT., ALSO REPRESENTING THE NATIONAL FARMERS UNION

Mr. KENFIELD. Senator, I would just like to call attention to this little demonstration here in support of Mr. Patton's statement on the amount of wheat that goes into a pound loaf of bread.

Here is what the farmer gets for that much wheat. In this jar is the amount required to make a pound loaf of white bread. The farmer gets 2½ cents for his part as the 1963 figures show. Here is what the consumer pays, 21.6 cents. I think there is a little confusion in the public minds about this matter of price and farm programs and it seems to me this clarifies it quite well.

I want to say, Senator, we certainly appreciate an opportunity to be here and present this testimony.

The CHAIRMAN. Well, I am glad that you are, because we tried to hold hearings last week, as you know, we had to cancel them out because of the tax bill being considered by the Senate. But I arranged to stay here, the same as Senator Young. He could be out making speeches on Lincoln's birthday but instead he is here doing his duty as a Senator, and so is Senator Maurine Neuberger there and quite a few others who were here yesterday. We have got—of course, I don't mean she would get out and make some Lincoln Day speeches.

[Laughter.]

The CHAIRMAN. But at the same time she is here, and I resolved last week to remain here in an effort to get all the hearings completed so that come the 18th or 17th when we, when the Congress reconvenes, after the holidays, that we would be able to meet in executive session and try to report a bill out, either that—not later than the 19th so that we can consider it on the 1st of March, before the 1st of March, and if we are able to do that it may be that we can get a bill through, otherwise, I fear that other legislation of less importance will be considered by the Senate.

Senator YOUNG. Mr. Chairman, we have with us today, the president of North Dakota Farmers Union, Mr. Ed Smith, and I would like to tell the committee that he is a very fine person. He and I have some differences of opinion but when we differ he doesn't go around the State misrepresenting my viewpoints and I don't go around the State misrepresenting his viewpoint as some other farm leaders do.

Mr. SMITH. I want to thank you for that, Senator Young.

STATEMENT OF ED SMITH, PRESIDENT, NORTH DAKOTA FARMERS UNION, JAMESTOWN, N. DAK., ALSO REPRESENTING THE NATIONAL FARMERS UNION

Mr. SMITH. I want to thank you for that, Senator Young.

Mr. Chairman, I want to thank you, and Senator Young for what you did in the wheat referendum in the last campaign. Certainly we tried to tell them the facts, and our farmers voted 65.8 percent for that program, although it was defeated, and we feel that conditions that could prevail if there is no emergency legislation coming about now would be rather chaotic, and if farmers are the biggest purchasers of petroleum and tires and steel, certainly these are segments of our economy that ought to be bolstered. We would like to see something done to bring us through this era.

Senator YOUNG. Mr. Chairman, I am amazed at the results of the referendum. There was almost a 66-percent favorable vote in North Dakota, even with the tremendous no-vote campaign that was put on. I never saw a political campaign better financed than the no-vote campaign and I never witnessed more inaccurate propaganda.

There were more inaccurate things said about the certificate program. They didn't get to the real faults and there were many. I am amazed at the yes vote that there was. This is an indication that about 85 to 90 percent of the farmers of North Dakota want some kind of a price support program.

Mr. SMITH. Yes, I would say that is very accurate.

Senator YOUNG. Yes.

The CHAIRMAN. It may be if we can give this measure a trial on a voluntary basis we might be able to take the bugs out of there.

Mr. SMITH. Yes.

The CHAIRMAN. Of course, after the plan is worked out, it may be necessary to put it on another basis, but we can meet that when we come to it.

Mr. SMITH. Certainly.

The CHAIRMAN. I listened to both sides, but I would hesitate to make a voluntary program permanent. I would rather try it out on a voluntary basis and see how it works and then give the farmers the option.

Mr. SMITH. We are in full agreement with you on that, Senator.

The CHAIRMAN. All right.

Any further questions, Senator Neuberger?

Senator NEUBERGER. I just wanted to ask Mr. Patton about this chart on page 6 of this testimony. Is this a pretty realistic amount of the consumption, utilization, 500 million bushels domestic?

Mr. PATTON. Yes, I think it is quite accurate, Senator Neuberger. You might move it down as low as 470 but I think 500—are you talking about the domestic, Senator, did I hear you correctly?

Senator NEUBERGER. And the export of 460, and the miscellaneous, does that include feed grain?

Mr. PATTON. No.

The CHAIRMAN. Just consumption.

Senator NEUBERGER. Does this include the sale of wheat to Russia, any projection?

Mr. PATTON. No.

Senator NEUBERGER. That would, in other words, maybe increase this?

Mr. PATTON. Reuben Johnson points out to me, Senator, that what they use here is an arbitrary figure of 460 million bushels but that we personally feel that the exports would be substantially higher, this is the amount on which direct payments would be made. This is an arbitrary figure as to the amount that would be supported, whatever you get above that would not be supported. Wheat exports are expected to be higher. Most of the miscellaneous wheat—240 million bushels—would probably go into export.

Senator NEUBERGER. Yes, I see.

I was interested in the exchange between Mr. Smith, is it, and Senator Young.

Mr. PATTON. Yes.

Senator NEUBERGER. About that high vote in support of our wheat bill in your State. Is that the position of the Farm Bureau in your State, too, or was it in support of that bill?

Senator YOUNG. I should say not.

Senator NEUBERGER. In other words, this vote reflected a difference of opinion with the Farm Bureau's proposition to get the Government out of the farm business.

Senator YOUNG. Yes. The Farm Bureau was very active in opposing it and they promised farmers that if they voted no that Congress would soon enact a new and better program.

Senator NEUBERGER. What is the membership of farmers in your State, of Farmers Union versus Farm Bureau?

Senator YOUNG. The Farm Bureau, I believe, claims around 16,000 to 18,000 and the Farmers Union has how many?

Mr. SMITH. About 40,000 now. We usually reach 42,000 before the end of the calendar year.

Senator NEUBERGER. All right. Thank you.

The CHAIRMAN. Any further questions?

If not, we thank you very much.

Mr. PATTON. Thank you, Mr. Chairman.

Next is Mr. Lynn.

**STATEMENTS OF JOHN C. LYNN, LEGISLATIVE DIRECTOR, AND
MARVIN L. McLAIN, ASSISTANT LEGISLATIVE DIRECTOR, AMERICAN FARM BUREAU FEDERATION**

Mr LYNN. Mr. Chairman, my name is John C. Lynn and I am accompanied by Marvin McLain, whom I would like to assist in answering questions that you might have.

We appreciate the opportunity to bring up to date our recommendations with regard to wheat legislation.

When we appeared before your committee on May 7, 1963, regarding feed grain and wheat legislation, we urged you to delay action on extension of the feed grain program until after the May 21 wheat referendum. We suggested at that time, if wheat farmers turned down the multiple price wheat plan, it would create an entirely different set of conditions for both wheat and feed grains. As you know, farmers did overwhelmingly reject the multiple price wheat plan.

We have a table attached showing the vote by States.

Since the essential features of the position presented to you on May 7, 1963, were reviewed and reaffirmed by the elected voting delegates of our member State organizations at our annual meeting in December, we will endeavor to be brief.

Farm Bureau members believe that a change of direction in farm programs is long overdue. They believe there is a need for changes which will:

- (1) Permit market prices to serve as the dominant influence in guiding the use of farm resources and the movement of farm output into consumption.

- (2) Provide for price supports which will facilitate orderly marketing without substituting Government price fixing for market prices that reflect the economic forces of supply and demand.

- (3) Protect markets for farm products against the burden of accumulated CCC stocks so that prices can rise above support levels as the balance between output and market requirements improves.

- (4) Provide Government assistance, by means of a cropland retirement program, to help farmers make needed adjustment in resource use and output during the transition to freer markets.

- (5) Eliminate price-depressing surpluses and clear the way for higher per family net incomes through a healthier supply-demand situation by bringing production into line with current market requirements.

THE PRESENT SITUATION

The result of the 1963 wheat referendum clearly indicates that a majority of wheat producers want to move away from restrictive Government programs and to assume greater personal responsibility in the production and marketing of wheat.

New legislation is needed to sweep away the debris of the restrictive programs that have been rejected; to provide assurance against the disruptive dumping of CCC stocks; and to remove uncertainties with respect to the direction of future policies for wheat and feed grains.

If no new legislation is enacted, it will be necessary to hold another referendum on the certificate plan in the spring. There is absolutely no evidence that the decision already rendered by wheatgrowers would be changed by another referendum. On the contrary, a 1964 referendum would only mean further delay in the solution of the wheat problem. Our wheat farmers are prepared to go all out to defeat the plan again, but we do not see how another referendum and delay could benefit anyone.

The present outlook for wheat is far brighter than the drab picture presented by the proponents of a "yes" vote in their efforts to influence the outcome of the referendum. In the fact of increased uncertainty with regard to future prices, producers exercised considerable and wise restraint in seeding Winter wheat for harvest in 1964. This is a natural reaction as uncertainty is one of the disciplines of a market system.

In a prereferendum statement entitled "Wheat—The Program for 1964, an Economic Analysis," the USDA said that with a "no" vote "growers might plant 70 million acres or more of wheat, compared with 49 million acres in 1962." If growers seeded Winter and Spring wheat in the same proportion as in the 5 years, 1958-62, plantings of 70 million acres would mean 54.5 million acres of Winter wheat and 15.5 million acres of Spring wheat.

In November, after it was clear that wheat acreage had not skyrocketed, the USDA's outlook experts discussed the wheat situation in terms of an assumption that farmers would seed about 60 million acres to wheat for harvest in 1964. In terms of the 1958-62 average, plantings of 60 million acres would mean 46.7 million acres of winter wheat and 13.3 million acres of spring wheat.

The first official estimate indicates that growers actually seeded only 43 million acres to wheat last fall. This is 2.3 percent more than was seeded a year ago when a voluntary (feed grain type) acreage reduction program was in effect.

But it is less than the 43.4 million acres seeded to wheat in the fall of 1960, when the 55 million acre national allotment was in effect without a special program to reduce the planting of allotted acres. This first official USDA estimate of 1964 wheat production further shows that earlier statements made by some top USDA officials were unwise and irresponsible and again proves that wheat farmers understand the economic facts of life better than some of the bureaucrats.

Export prospects have been improved by poor crops in Western Europe and the Soviet Union. The USDA now estimates that exports will reach a record 800 million bushels in the current marketing year without projected sales to Soviet bloc countries which could boost the total to 1 billion bushels. By way of comparison, exports totaled

639 million bushels last year and 720 million bushels in the previous record year of 1961-62.

As a result of increased exports, the carryover of wheat is being reduced. If exports actually reach 1 billion bushels the carryover will be down to about 725 million bushels on July 1, 1964, and the lowest for any year since 1953.

The market system has begun to work in wheat. The futures market has shown little regard for the prerferendum predictions that the farm price of wheat would drop to \$1 per bushel or less if farmers disapproved the certificate plan.

Furthermore, the market has begun to reflect changes in the supply-demand situation.

Senator YOUNG. Would you yield there?

Mr. LYNN. Yes.

Senator YOUNG. July futures in Chicago were down to \$1.52 a bushel several months ago; is that right?

Mr. LYNN. What date?

Senator YOUNG. This was when they first came out last fall. When July futures were first offered they were around \$1.50 a bushel, weren't they?

Mr. LYNN. I don't recall exactly.

Senator YOUNG. And they rose about 25 to 30 cents a bushel with the increased exports.

Mr. LYNN. They have increased, I think, up to 25, 30 cents from your figures.

Senator YOUNG. During the same period, export sales prospects and actual export sales have increased; is that correct?

Mr. LYNN. Yes, sir. Well, we say the market system is beginning to work, Mr. Young.

The CHAIRMAN. Well, that is because of more sales.

Mr. LYNN. Sure.

The CHAIRMAN. Certainly. Except for the drought in Europe, the shortage in Russia, the conditions might be terrible in wheat.

Mr. LYNN. This is correct.

The CHAIRMAN. I won't put it all in the fact that this referendum—

Mr. LYNN. No, we are not saying that.

Senator AIKEN. Primarily an increase in world consumption.

Mr. LYNN. This is correct.

Senator AIKEN. World consumption goes up 200 million bushels a year and we can keep the same production increase without having the situation change.

Mr. LYNN. Indications are that Russia will require even more wheat next year than they did this year.

The improvement in export prospects was almost immediately translated into higher prices in both the cash and the futures market. Those who lack faith in the market system may argue that the futures market is too high, but it may actually be too low. They could be as wrong now as they were when they predicted seedings of 70 million acres and a price of \$1 or less per bushel. There may never be a better time for wheat producers to make the transition to freer markets.

Let me just interrupt here to say that we have got to get away from this crutch. I don't think there has ever been a better time than now

to move away from these Government control programs with regard to wheat.

Farmers have expressed themselves. We have a good prospect for export, the market system is working and we will never have a better opportunity to do it, Senator Ellender and we just hope that this committee will act accordingly.

Senator YOUNG. May I ask a question, Mr. Chairman?

By that you mean you are not going to offer the Farm Bureau bill this year?

Mr. LYNN. Sure. This is what we are for.

Senator YOUNG. You have had this plan pending now for about 3 years, haven't you?

Mr. LYNN. Yes, just introduced this particular bill last year.

Senator YOUNG. This same bill was introduced for the first time some 3 years ago.

Mr. LYNN. No, no, it is a different bill, Senator Young. You know it because we have been over it in detail.

Senator YOUNG. I can't see any difference in it. Anyway, are you going to bring it to a vote this year?

Mr. LYNN. Well, that is up to you. I hope you will.

Senator YOUNG. If you can't get anybody else to do it I will offer it myself and say at the time I will vote against it. I think you ought to put it to a vote because you have been promising the farmers you are going to get them a better bill and I think it is time you put it to a vote.

Mr. LYNN. We would hope this committee would consider this proposal as you draft legislation. We are not inflexible, Senator Young, with regard to our proposal.

Senator YOUNG. Don't you agree you should bring it to a vote at last?

Mr. LYNN. We would like for you to sponsor it with the enthusiasm that you sponsored some of the other things and I think it would pass.

Senator YOUNG. No; I will offer it as a substitute but I will vote against it. [Laughter.]

Mr. LYNN. The major wheat bills introduced in the House and the Senate since the referendum fall in three general categories:

(1) Bills to extend the principal features of the present feed grain program—with additional undesirable provisions—to wheat,

(2) Bills to put the certificate plan into effect on a so-called voluntary basis without a referendum, and

(3) Bills to implement the approach recommended by Farm Bureau.

All of these bills, except those based on Farm Bureau's recommendations, involve further efforts to establish a Government supply-management program for wheat. This is not the direction we want to go. In our opinion, the outcome of the 1963 wheat referendum is a clear indication that a majority of wheat producers do not want such a program.

Efforts to control wheat and feed grain production have failed dismally. They have created inefficiencies in the production of farm commodities. They have increased production costs. They have shifted the surplus problem from one commodity to another. Acreage restrictions have stimulated offsetting increases in per-acre yields.

Program benefits have been capitalized into land values, a process which benefits landowners but creates problems for those who must rent or buy land in order to farm.

The CHAIRMAN. Mr. LYNN, won't you admit that the failure of the wheat program has been this minimum of 55 million acres where the Secretary of Agriculture was forced to allocate 55 million acres of wheat whether we needed it or not?

Mr. LYNN. Yes, sir; that was one of the real weaknesses.

The CHAIRMAN. That was the real reason.

Mr. LYNN. Plus the 15-acre minimum.

The CHAIRMAN. Yes; but the real reason was to force the Secretary of Agriculture to allocate 55 million acres of wheat when you didn't need that acreage to produce what we needed and what was needed first.

Mr. LYNN. You will recall 4 years ago, Senator, we worked with you to eliminate it.

The CHAIRMAN. Yes; and it took 5 years to change it.

Senator AIKEN. You weren't here yesterday when a witness testified that they had a real shortage of Soft wheat because there weren't enough 15-acre fields. It is developing that the 15-acre wheat producer is being given the blame for the oversupply.

Senator YOUNG. Mr. Lynn, the president of the North Dakota Farm Bureau came down to my hometown for a meeting last Friday. He had 45 people there and spent most of the time taking after me, but among the things he said was that the 15-acre producers were responsible for the North Dakota area losing acreage and that this wheat had little use except for chicken feed.

The 15-acre producers are mostly in the area east of the Mississippi River, aren't they?

Mr. McLAIN. Some in Missouri and other States; most east of the river, yes.

Senator YOUNG. Yes. Is there any surplus of the wheat produced east of the Mississippi River at this time?

Mr. McLAIN. Certain kinds, Senator Young, are. There are two kinds of wheat producers east of the river as you well know, part of it is very good milling quality Soft wheat, part of it is what they call bastard wheat which is raised primarily for Commodity Credit Corporation.

Senator YOUNG. How much Soft Red wheat produced east of the Mississippi River does the Commodity Credit Corporation hold at the present time?

Mr. McLAIN. They hold very little, as was testified here recently.

Senator YOUNG. Practically none?

Mr. McLAIN. That is right.

Senator YOUNG. It must have a pretty good market.

Mr. McLAIN. Well, it either has been used or gone in CCC inventory and moved out in some of our Government export programs.

Senator YOUNG. Do you think that if you abolished all price support programs that these 15-acre people would discontinue raising wheat?

Mr. LYNN. We are not for that. We are not for abolishing all price supports.

Senator YOUNG. If your program went into effect, do you think they would discontinue wheat production?

Mr. LYNN. No, sir, because we have a price support program.

Senator YOUNG. I mean if your program went into effect, do you believe that the 15-acre producers east of the Mississippi River would increase or decrease their production?

Mr. LYNN. Well, they would have a choice of increasing or decreasing in whatever the market would demand, they could produce for the market, and currently the demand for that kind of wheat is good.

Senator YOUNG. What do you think they would have to do?

Mr. LYNN. Well, I think they would choose between soybeans and wheat and other alternative uses of the land.

Senator YOUNG. What do you think they would do, increase or decrease their wheat production?

Mr. LYNN. I wouldn't be surprised if they wouldn't take a good look at soybeans in Indiana rather than wheat.

Senator YOUNG. Do you think the millers are wrong, then, when they say these farmers would have to decrease their production even more to meet the demand for this type of wheat?

Mr. LYNN. Well, if this price stayed up to \$2.20, as I understand some of these fellows are getting for the wheat, I think farmers might increase their production of these kinds of wheat.

Senator YOUNG. I have noticed in a lot of propaganda put out by the Farm Bureau they think there is something wrong in having 48 commercial wheat-producing States rather than 26 as we had under the old law. They seem to think there is something wrong in designating all these States as commercial wheat-producing areas.

Is this your opinion, was it wrong to do this?

Mr. LYNN. Well, we would like to call this information rather than propaganda, Senator.

Senator YOUNG. But do you think there is something wrong with doing it?

Mr. LYNN. Well, we think the 15-acre minimum acreage on wheat was wrong when it was passed and we said so at that time and we said so every time we testified.

Senator YOUNG. I am not talking about those areas. I am not talking about any of the commercial wheat-producing States. Remember a few years ago we designated some States which had less than 150,000 acres as noncommercial producing States and we permitted any farmer in these States to produce all the wheat they wanted to even above the 15-acre provision.

Do you think it was wrong to bring these States back into the commercial wheat producing category?

Mr. LYNN. Well, under our program we don't have commercial and noncommercial wheat. We repeal acreage allotments on wheat.

Senator YOUNG. I am not talking about that. You know that under the wheat certificate law the noncommercial State designation was abolished and all States were considered commercial wheat-producing States and brought under control.

Do you think this is wrong?

Mr. LYNN. On our program we would make all States wheat producing.

Senator YOUNG. Can't you give a direct answer to my question? Can't you tell me?

Mr. LYNN. We are against the certificate plan, Mr. Young.

Senator YOUNG. Do you want these 12 or 14 States to again be designated as noncommercial producing States?

Mr. LYNN. No. Under our program every State would be allowed to grow whatever they wanted to.

Senator YOUNG. You do think this is all right, then, to designate them now as commercial States?

Mr. LYNN. Every State is a commercial State if he can grow wheat for a profit under our program.

Senator YOUNG. Are you familiar with the law, Mr. Lynn?

Mr. LYNN. Yes, I am.

Senator YOUNG. Do you remember when these States were designated as noncommercial States and they could produce all the wheat they wanted to? You remember that, don't you?

Mr. LYNN. Sure.

Senator YOUNG. And now they are brought back into commercial status, is this right or wrong?

Mr. LYNN. Well, we will have them all under commercial status under our program.

Senator YOUNG. That is the answer I wanted.

Mr. LYNN. Sure.

The CHAIRMAN. Well, the heart of your program, of course, is that a certain number of acres be diverted, that the Government pay so much to keep them out of production.

Mr. LYNN. Well, this is a part of the program.

The CHAIRMAN. I know, but that is the heart of it.

Mr. LYNN. No, sir, it isn't. We would greatly deemphasize that part of the program. The heart of our program is going to a market system—

The CHAIRMAN. I know, but the way you are going to attain that going to the market system is by decreasing the number of acres to be planted and then after you decrease the number of acres let the farmers receive pay not to plant and you will then say to them, "Plant whatever you want on the rest of your land," isn't that it?

Mr. LYNN. This is not the heart of our program.

The CHAIRMAN. You have got a new program now? You have a new program now?

Mr. LYNN. You can eliminate that if you want to and we won't be unhappy.

The CHAIRMAN. I say you must have a new program.

Mr. LYNN. We have a bill.

The CHAIRMAN. Yes, I know you have but some of the bills you first started with, in my opinion, simply meant this, that if you were to take out of production from 60 to 85 million acres of land, and then say to the farmer, "Plant whatever you want on the rest of it, we are going to pay you not to plant on the 85 million," or whatever amount was necessary to carry out your program to me that was the essence of your program.

Mr. LYNN. We still are for a cropland retirement program.

The CHAIRMAN. Of course you are.

Mr. LYNN. We don't think it is essential to the wheat situation.

The CHAIRMAN. I am talking about the whole, though. You want to let the producers of wheat plant whatever acreage they want. You want to let the cotton people plant whatever acreage they want?

Mr. LYNN. No, we don't.

The CHAIRMAN. Do you?

Mr. LYNN. No.

The CHAIRMAN. Is it a new program?

Mr. LYNN. No, sir, we support the Agricultural Act of 1958. This was the basis for our statement.

The CHAIRMAN. Feed grain, corn, and other feed grains?

Mr. LYNN. Yes, sir.

The CHAIRMAN. Everything but cotton?

Mr. LYNN. No.

The CHAIRMAN. Was anything else—rice—

Mr. LYNN. Rice.

The CHAIRMAN (continuing). To be one?

Mr. LYNN. Peanuts.

The CHAIRMAN. You supported the present programs, nothing wrong with it.

Mr. LYNN. Well, there is something wrong with them but our delegates say—

The CHAIRMAN. They are kind of divided on them, but anyhow, the point is, as I remember, the program you had before us envisions the retirement of from 60 to 80 million acres of land.

Mr. LYNN. That is right, cropland.

The CHAIRMAN. Cropland, and that is still your program?

Mr. LYNN. That is part of our program. But I am trying to say we are not insisting on that as being an essential part of the wheat program in 1964.

The CHAIRMAN. Go ahead. You are going to have a program to submit, you said you had here.

Mr. LYNN. Yes.

The CHAIRMAN. I would like to find out how different it is from the one you have been offering in the past.

Mr. LYNN. It is the same as the Aiken bill that is before the committee.

The CHAIRMAN. The Anderson bill?

Mr. LYNN. The Anderson bill.

The CHAIRMAN. The Hickenlooper bill?

Mr. LYNN. The Hickenlooper bill. The Senator Holland bill.

Senator YOUNG. Mr. Chairman, I would like to ask one more question.

The CHAIRMAN. Yes.

Senator YOUNG. In mentioning these programs you state, "They have created inefficiencies in the production of farm commodities." Do you believe there is a lot of inefficiency in American agriculture?

Mr. LYNN. Yes, sir.

Senator YOUNG. If we really had an efficient agriculture how big a surplus would we have?

Mr. LYNN. Well, if we were on a market system or the market price was determining production, I think we would not have so many inefficiencies.

Senator YOUNG. With all our surpluses could we stand much more efficiency?

Mr. LYNN. We have too much cotton and we have a little too much wheat, but our surpluses are not really the problem that you indicate.

Senator YOUNG. Aren't our farmers the most efficient producers of food and fiber in the whole world?

Mr. LYNN. Yes; that is right.

Senator YOUNG. There isn't anything terribly wrong with our system when this is true, is there?

Mr. LYNN. Oh, this is very good, a very good system.

Year-to-year land diversion programs such as the emergency feed grain program have been extremely costly in relation to the limited results that have been achieved.

Feed grain stocks have been reduced, but this is largely the result of increased utilization that would have been achieved without the emergency feed grain program.

As a matter of fact, if the feed grain program is given credit for stopping the buildup in stocks, virtually all of the reduction in the carryover must be credited to increased utilization. If the proponents of the expensive feed grain program are going to take credit for the increase in utilization they must also take responsibility for the sharp drop in hog and cattle prices.

Payments under the feed grain program have increased from \$782 million in 1961, of \$844 million in 1962, and \$875 million in 1963. In 1963 after 3 years and the expenditure of \$2.5 billion for payments, plus additional millions for administrative expenses, feed grain production was the largest on record. The USDA now estimates that expenditures for payments under the feed grain program will rise to almost \$1.2 billion in 1964.

Such an experience does not recommend continuation of this program for 2 more years for feed grains or its extension to wheat. On the contrary, the need for fiscal responsibility at a time when we are experiencing balance-of-payments problems, large Federal deficits and the tax cut that is about to be enacted supports our view that this wasteful and ineffective feed grain program should be repealed.

The so-called Voluntary Wheat Certificate Plan, S. 1946 (McGovern, S. Dak.): To the best of our knowledge no one told wheat-growers prior to the referendum that defeat of the certificate plan would make it possible for the Government to continue to support wheat prices, without mandatory controls, at anything like the levels of recent years. There was not the slightest suggestion by anyone during the referendum campaign that the issue of wheat policy could be resolved by putting the certificate plan into effect on a voluntary basis. This was not the issue.

Any idea that objections to this complicated scheme can be overcome by making participation voluntary is completely false. This is true because the proposed voluntary plan still embodies a great deal of compulsion and Government allocation of the market for food wheat without regard to the quality of wheat a grower produces or the use that is actually made of it.

Senator AIKEN. Can you see any difference between this voluntary plan for the wheatgrowers and the right-to-work law for labor? Isn't it the same thing? The right-to-work law would do away with majority rule of labor unions and this would do away with the majority rule in the wheat program or do away with majority rule of the wheatgrower. I have been puzzled over why some of them take such a violent stand against the right-to-work laws, and I don't favor a national right-to-work law either, but come out with practically the

right-to-work law for agriculture whereby the purpose is to do away with majority rule.

The CHAIRMAN. Senator Aiken, we are having enough trouble with farm legislation, let's not bring labor in now.

Senator AIKEN. It is the same thing. There is a lack of consistency on the part of some of the advocates of one bill or the other.

The CHAIRMAN. I think the Farm Bureau was very active in the labor field at one time in my State. Do you know that?

Mr. LYNN. Oh, yes; we still are, trying to keep them from taking control of it.

The CHAIRMAN. Well, anyhow, let's get to the farm business.

Senator YOUNG. Let me ask another question now: Are you opposed to marketing agreements and orders which embody stiff marketing controls? These are the toughest kind of controls. Are you opposed to these?

Mr. LYNN. Marketing agreements and orders are on a regional and limited basis, they are voted in by producers by a two-thirds vote. No; we support the marketing agreements.

Senator YOUNG. On a voluntary wheat program such as the one I introduced if a farmer wants to stay out of the program he can produce all he wants and market his production free of penalty. Is this compulsion?

Mr. LYNN. We explain this on down here, I think, better than I could orally, Senator Young.

Senator YOUNG. You can't answer it without the paper?

Mr. LYNN. It is not a yes or no answer.

Senator YOUNG. All right.

The CHAIRMAN. Proceed, Mr. Lynn.

Mr. LYNN. Participation would not be voluntary for wheat processors who would be subjected to a processing tax that can, and would, be labeled a "bread tax."

Proponents say the certificate plan is not a bread tax plan because, in their opinion, it would not justify an increase in the cost of bread. Actually, in view of the fast changing world wheat situation, there is no assurance that a fixed value certificate would not require higher bread prices, but this is not the point.

The point is that any plan which forces the trade to make payments to the Government for the privilege of handling a commodity clearly involves a tax, the ultimate burden of which will be borne by the consumers. A tax on the processing of wheat would, of course, place the heaviest burden on the lower income groups who spend the largest proportion of their income for bread.

The penalties for nonparticipation in this so-called voluntary plan would be so great that many wheat producers would have little freedom of choice.

Senator YOUNG. Would you yield there? Millers are paying \$2 to \$2.35 a bushel for wheat now. Under the Purcell bill, which I think is administration-supported, the price support would drop to \$1.30 a bushel. The cash price may be somewhat above that. But then you add a 70-cent wheat certificate to that and you get a consumer price almost identical to what he is paying now.

How do you figure the consumers are being rooked under a program like this where they will pay almost identically the same price they are paying now?

Mr. LYNN. Well, this is quite a difference when a miller is willing to pay \$2.30 for a bushel of wheat on the market because it is worth that, and when he has to pay 70 cents or a \$1.20 for a certificate in order to have the privilege of processing this bushel of wheat.

Senator YOUNG. Are you opposed to the production payments under the sugar program and the wool program?

Mr. LYNN. Well, there are quite a different set of circumstances, Senator Young, in regard to sugar and wool. They both are deficit-produced commodities and we supported the wool program and the sugar program.

Senator YOUNG. But you are opposed to the payments under the wheat program?

Mr. LYNN. That is right, because it is a surplus commodity and the principle is quite different. You see, we have the payments, and the payments on the sugar program are quite different from that being proposed for wheat and other commodities.

Senator YOUNG. You have stiffer controls of production under the sugar program, particularly the sugarbeet program, than you have in the wheat but you are for that?

Mr. LYNN. Well, they are pretty free to produce about all the beets they can.

Senator YOUNG. At the moment. But in the past we have always had strict controls. If we went back to the same situation again that we faced in previous years, a farmer won't be able produce any more than the Government tells him he can, and if he does he can't market it, isn't that true?

Mr. LYNN. We were for the farmers producing more of our requirements for sugar all along, 75 percent rather than 55 percent.

Senator YOUNG. But you were for these kinds of production controls on sugar beets but not the wheat controls.

Mr. LYNN. Yes, sir. We supported the sugar program and the wool program, sir.

The CHAIRMAN. What is the essential difference between the certificate plan wherein you pay so much for the certificate or price support which the Government makes available to producers?

Mr. McLAIN. It shifts the tax load from the general taxpayer to the consumer of flour and bread.

The CHAIRMAN. It is paid the same way, it all comes from the Treasury.

Mr. McLAIN. On the domestic certificate approach the consumer of flour and bread is going to pay it. Whereas if you give him the price support the general taxpayer pays it.

The CHAIRMAN. Wait a minute, how do you figure that out?

Mr. McLAIN. Well, the whole purpose of the domestic certificate in the multiple-price plan—going back to the McNary-Haugen plan and it is involved in several of these bills, is to shift the cost of this certificate from the general taxpayer to the ultimate user of the bread and flour.

The CHAIRMAN. And even though the wheat serves the same or virtually the same under price support as it does on the certificate plan because that is what it is, there won't be any essential difference between.

Mr. McLAIN. The total cost is the same assuming that you end up with the same \$2.30.

The CHAIRMAN. It is just another way to do it, you may label one a tax imposition, and the other a—

Mr. McLAIN. I think you would agree if it is a domestic certificate plan that the consumer and the mill is going to pay, and it shifts the cost from the general taxpayer to the consumer of flour and bread.

The CHAIRMAN. But it is a different way to pay it, though.

Mr. McLAIN. It is quite different.

The CHAIRMAN. Yes.

Mr. LYNN. It gives a miller a good excuse to ship it and I think they will.

The CHAIRMAN. Well, they will buy their wheat on the market but to be able to mill it, as you put it, they will pay this difference which they would ordinarily pay if we had price supports. The price of the wheat ultimately would be the same.

Mr. McLAIN. It might or might not.

The CHAIRMAN. And how you folks can label one tax on the consumer and then a price support—

Mr. LYNN. You see our price support is nothing like the \$1.82 or the \$2—

The CHAIRMAN. I know this.

Mr. LYNN. It is \$1.35.

The CHAIRMAN. \$1.35, I know that, sure, but I am talking about, let's take on cotton. Use that as—you are for the cotton program.

Mr. LYNN. Well, we are for it.

The CHAIRMAN. What difference would it make to the taxpayer that I am talking about if we had a compensatory payment or price support if the cotton sold for the same, and the user of that cotton, the ultimate user of that cotton, had to pay the same for it, when it is manufactured?

Mr. LYNN. Well—

The CHAIRMAN. In other words, the cotton price would be the same thing whether you raised the price by a price support direct or by a compensatory payment. The only thing that is different is the method of payment.

Mr. LYNN. Well, if this point were the only point against the certificate plan, or the compensatory payment—but you know there are many others.

The CHAIRMAN. Yes, there are a lot of other differences, I know, but to label this certificate plan a tax on the consumer, I just can't follow you, as compared to price supports wherein the wheat or the commodity would sell to the ultimate consumer at the same price. I don't see how you can put one a tax and the other not a tax or vice versa.

Mr. LYNN. I think you will see that it will be if this plan—the domestic certificate plan for wheat is put in effect.

The CHAIRMAN. I am open to conviction.

Mr. LYNN. I hope we never prove it because I hope we never adopt this plan.

The proposal to require exporters to purchase marketing certificates would set up a mechanism that could be used to hold domestic wheat prices below the world level. The opportunity to stay out of the program would really amount to nothing more than a feed wheat exemption. Such a plan could be expected to restrict production of milling quality wheats and to encourage additional production of high-yield feed wheats.

Senator YOUNG. How do you figure that? The price support under the Purcell bill, my bill, all of them are about the same as yours, \$1.30 a bushel, isn't that correct?

Mr. McLAIN. Yes.

Senator YOUNG. That is correct and most of the wheat would sell in open market for whatever competition would provide. Isn't that right?

Mr. LYNN. This is right.

Senator YOUNG. So that the better quality wheat would command a better price, isn't that correct? So it is the same under all three, isn't it? Isn't this true?

Mr. LYNN. This is roughly true, but everybody would get this under your proposal irrespective of the quality of the wheat he had been producing or capable of producing, he would get his share of the domestic so-called food market, whether it was food wheat or not, you see. It could be this kind of wheat that Mr. McLain described a while ago but he would still get his certificate.

Senator YOUNG. Production payments or the diversion payments, are not based on the quality of wheat, are they?

Mr. McLAIN. You mean the diversion payment?

Senator YOUNG. The payments for diverting acres from crop production, these payments are not based on the quality of wheat?

Mr. McLAIN. No.

Senator YOUNG. How would you base wheat certificates on quality when they are paid to a farmer after he plants a crop, whether he produces or not?

Mr. McLAIN. We don't think you can base it on quality. That is another reason we are opposed.

Senator YOUNG. The certificates are only a small part of his income. The major part of his income is the wheat that he sells on the market, and he would sell it on the market exactly the same under the wheat certificate plan as under your plan, isn't that right?

Mr. McLAIN. Under the Burdick bill, of course, this certificate would be worth \$1.20, that isn't a small part of the value. That is about half of the value of the wheat.

Senator YOUNG. Under which one?

Mr. McLAIN. Under the Burdick and the Farm Union plan, around \$1.20.

Senator YOUNG. They would be a larger part of his income under those circumstances?

Mr. McLAIN. That is correct.

Mr. LYNN. Seventy cents would be a large part of his income, too.

Senator YOUNG. Do you think a farmer would stay in business to get that 70 cents a bushel if the rest of his production would not be economic?

Mr. LYNN. I am sure he would, sir.

Senator YOUNG. You think a farmer would purposely plant poor quality wheat when he can plant better quality wheat and get a better price in the open market? Do you think he would do that?

Mr. LYNN. No.

Senator YOUNG. What are you arguing about then?

Mr. LYNN. We aren't.

Senator YOUNG. You are trying to say under this plan that the farmer would purposely plant poor quality wheat.

Mr. LYNN. It would encourage the planting of high yielding kinds of wheat. Could I just explain to you—

Senator YOUNG. You don't deal with the same kind of farmers that I do, I am sorry. The farmers I deal with I think are a little more intelligent than that.

Mr. LYNN. Well, these are our same members that pay us annual dues up in North Dakota, too, and we think they are very intelligent farmers.

Could I just use an example?

Senator YOUNG. Yes.

Mr. LYNN. Let's take a farmer that produces a thousand bushels of wheat and let's say 500 bushels of this is under certificate, and this he would get either the 70 cents certificate or the \$1.20.

Senator YOUNG. Yes.

Mr. LYNN. This is a pretty good price.

Now, for the other portion of the wheat, let's say his export portion, let's say this was, well, 400 bushels or 300, take any figure that you want. He would get an additional incentive for this. Then the 100 bushels or the 200 bushels that he had left over would be feed wheat, you see, so he would be tempted—

Senator YOUNG. This feed wheat he produces sells on the market for whatever price the market will provide, isn't this correct?

Mr. LYNN. That is correct.

Senator YOUNG. Why would he try to raise poor wheat when he could get a better price for good wheat?

Mr. LYNN. He would do his best to increase his production to the limit because his blended price, the blended price would be higher.

Senator YOUNG. No, it wouldn't, because all of his wheat is sold on the market for whatever price the market will provide. This is the big portion of his income. This is where it pays to raise good wheat. He isn't going to raise poor wheat just because he is getting a small certificate. I don't think you know farmers when you argue that way.

Mr. LYNN. Well, Mr. Young, the experience we have had with these programs over the years indicates that they do it every time.

Senator YOUNG. The experience I have had with you folks is that you will build any kind of an argument against any program that you don't believe in. It is your program or none at all. You do quite a clever job of building opposition against programs that aren't your own. Your State president was down in my home county for a meeting last week and he got an audience of 45 people, probably 6 or 8 were for him.

Mr. LYNN. It sounds like a board of directors meeting.

Senator YOUNG. If you want to make my farm plan an issue in any election I would be glad to take you on.

Mr. LYNN. We don't want to take you on, Senator. We have got too much respect for you.

The CHAIRMAN. Proceed.

Mr. LYNN. The wheat producers who voted against the certificate plan don't want a control program with a feed-wheat exemption—they want an opportunity to compete for markets on the basis of comparative advantage.

We find it little short of incredible that Members of Congress who represent wheat-producing areas would even consider action to ef-

fectuate a plan that has already been rejected by a majority of wheat producers.

S. 2492 (Burdick, N. Dak.) is similar to S. 1946, but is much more generous with the value of both the domestic certificates and export compensatory payments. This bill would be much more costly and has all of the bad features of the McGovern bill.

The Humphrey bill, S. 2258:

The Humphrey bill includes the costly ineffective, year-to-year diversion and Brannan-type payment features of the feed grain program. It also resembles the so-called voluntary certificate plan in that (1) it would arbitrarily divide the wheat market into domestic and export components without regard to qualify or the use that is actually made of the wheat, and (2) the opportunity to stay out amounts to nothing more than a feed-wheat exemption.

All of these features are undesirable because they are wrong in principle, and destructive of the market system. In addition, the Humphrey bill would permit the acreage that is diverted to wheat to be used for soybeans, a commodity that appears likely to get into trouble soon enough under existing policies without being subjected to this additional burden.

It would also be noted that the Humphrey bill would merely postpone the question of what to do with respect to wheat until after election. The bill applies only to the 1964 and 1965 crops. Recommendations.

The basic fallacy of Government efforts to fix prices and control production cannot be overcome by shifting from compulsory controls to voluntary programs. A new approach is needed. The only sure way to solve our feed grain and wheat problems is to let the market system guide production and consumption.

We believe the wheat growers who voted no in the referendum understand this fact.

In order to provide for an orderly transition from the programs of the past to a program that will better serve the interests of both wheat producers and taxpayers, Farm Bureau favors the immediate enactment of legislation as follows:

(1) The existing authority for wheat allotment, marketing quota, and certificate programs should be repealed.

There is no justification for insisting that acreage allotments remain in effect for a crop for which marketing quotas have been disapproved. Wheat farmers have indicated a desire to move away from restrictive Government programs, and they should be permitted to do so. Our program would allow each farmer to decide for himself which grains he should grow and how much of each he can best produce.

(2) Beginning with the 1964 crop, price support for wheat should be set at the higher of the U.S. farm price equivalent of the average world market during the immediately preceding 3 marketing years—currently about \$1.30 per bushel (see table 1, p. 141) or 50 percent of parity—with premiums and discounts to reflect market demand for milling and baking quality.

This approach would eliminate administrative discretion with respect to price support levels. It would automatically adjust support prices to changing supply and demand conditions. It would also assure other wheat-producing countries that the change in our price support policy will not break world wheat prices.

Support prices set in this manner would not impede the working of the market; would not be an incentive to increase production; and yet, would provide real protection against any substantial drop in wheat prices.

Since price supports set in this manner would not be an artificial stimulant to production, it would not be necessary to couple them with restrictions on production or marketing. Price supports set at higher levels—as proposed in other bills now before this committee—would stimulate production and make impossible the elimination of controls on individual farms.

Senator YOUNG. Could I ask a question at this point?

The CHAIRMAN. Yes.

Senator YOUNG. You say your program would provide real protection against any substantial drop in wheat prices? You state that price support currently would be \$1.30 a bushel?

Mr. LYNN. Yes, that is right.

Senator YOUNG. If you dropped the price support from the present \$2 a bushel to \$1.30 a bushel, don't you think there would be a sizable, probably drastic, drop in cash wheat prices?

Mr. LYNN. We don't think that will happen.

Senator YOUNG. Why?

Mr. LYNN. The demand for wheat, the shift in production and so forth, would get supplies pretty near in line with demand and we think the market price for wheat would be higher than perhaps it is now.

Mr. McLAIN. The loan right now, Senator Young, it is \$1.82.

Senator YOUNG. We are faced with an expected carryover of wheat of about 750 million bushels, all of which is available to anyone who wants to buy it. Do you think this carryover would be a depressing factor on the market?

Mr. LYNN. I think, if I might stick my neck out, Senator, if conditions are as they are indicated with regard to Western Europe and the Soviet Union we may be allocating the license to export wheat a year from now.

Senator YOUNG. Do we know how long sales to Russia or the satellite countries are going to continue? The Farm Bureau is opposed to these sales, aren't you?

Mr. LYNN. No; we opposed the credit, we opposed the Export-Import Bank giving them credit.

Senator YOUNG. Did Mr. Shuman make any statement at any time in support of these sales?

Mr. LYNN. He made the statement against the credit sale. We did not oppose the sale of wheat to Russia.

Senator YOUNG. Will you supply this committee with any statement he made?

Mr. LYNN. Oh, yes.

Senator YOUNG. We would like Mr. Shuman's statements in support of these sales, with credit or otherwise.

Mr. LYNN. He made two statements; we will put them both in the record.

Senator YOUNG. Will you do that?

Mr. LYNN. Yes.

(The statements referred to follow:)

STATEMENT OF CHARLES B. SHUMAN, PRESIDENT, AMERICAN FARM BUREAU FEDERATION, SEPTEMBER 19, 1963

Recent Canadian and Australian sales of wheat to Russia are likely to strengthen the world wheat market and improve the opportunity for U.S. sales to other countries.

It should be emphasized that these are cash and short-term credit sales, payable in convertible currency. We understand this currency is not held in great volume by Russia.

In addition to improved prospects for U.S. wheat sales in free world markets, the occasion also may arise under which the United States would be asked to sell wheat to Russia. When and if that happens, the decision on such sales must be made on the basis of what is best for the national security of the United States. Current embargoes on trade with countries with which diplomatic relations have been severed should be continued in full force.

At the present time, there are very few restrictions on U.S. sales of nonstrategic items to Russia. We should continue these restrictions on all Government-financed export movements to the Soviet bloc.

The entire issue is a key one to be reviewed by Farm Bureau members gathered in county and State meetings that will develop the policy for this organization.

STATEMENT WITH REGARD TO SALE OF WHEAT TO RUSSIA, OCTOBER 8, 1963

The question should be decided by the Congress. It is in the best position to reflect the views of the American people. The Congress also is in a position to evaluate the security implications and to decide whether wheat should be sold to the Soviet Union at a price lower than is being paid by American consumers.

CHARLES B. SHUMAN,
President, American Farm Bureau Federation.

Mr. LYNN. These proposals for higher levels of price support would grant to the Secretary of Agriculture discretionary authority to increase the level to 90 percent of parity. We could not defend the high cost to taxpayers of such proposed programs, nor do we believe it wise to grant such discretionary authority to any Secretary of Agriculture.

(3) Wheat and feed grains should be placed on a comparable basis as soon as possible. The areas that produce wheat and feed grains overlap, and these commodities have historically competed with each other for land and markets. Farmers need the freedom to shift land from one grain to another to take advantage of changing market demands, to work out efficient crop rotation programs and to adjust to variations in weather conditions. It also must be recognized that programs for both wheat and feed grains affect the livestock, poultry, and dairy industries which account for roughly two-thirds of our total cash farm receipts. Wheat should be allowed to compete for feed markets, but it should not be forced into feed on a subsidized basis as would occur under the certificate plan, be they voluntary or compulsory.

Senator YOUNG. Let me ask you another question. To the extent that farmers subscribe to the voluntary wheat certificate plan and cut their acreage and production, wouldn't this benefit the farmer who wanted to plant all he wanted of any crop, and market it free of penalty? If you believe in a free market, wouldn't the farmer who wanted to plant all he wanted, be benefited by other farmers who cut their production?

Mr. LYNN. Well, I think the certificate plan on a voluntary basis as we have seen your bill and the Burdick bill is so lucrative that it would be very difficult for farmers to stay out.

Senator YOUNG. But if they went into the program they would have to cut their production, wouldn't they?

Mr. LYNN. Well, they would have to cut, they would have to comply with their bushelage allotments so far as their domestic portion is concerned.

Senator YOUNG. And so far as they cut their production there would be that much less wheat available to the cash market.

Mr. LYNN. Not necessarily, because when they decrease their acres they increase their production, as we have been in the emergency feed program we have produced more corn last year than we ever had in our history.

Senator YOUNG. Under your plan the farmer would be less efficient and produce less per acre then, isn't that what you are arguing?

Mr. LYNN. When you restrict the acreage under your program or under the feed grain program you tempt farmers to put on more fertilizer, put the rows closer together and produce more tonnage on less acreage, and this is exactly what we do every time.

Senator YOUNG. That is efficiency, isn't it?

Mr. LYNN. This is good, this is all right. We are not complaining about this.

Senator YOUNG. You were complaining a while ago about programs causing inefficiency, weren't you, I quoted what you had to say on that.

Mr. McLAIN. Prospective programs.

Mr. LYNN. You do that by encouraging people who ought to shift their production to stay in because you make it so lucrative with those certificates, Mr. Young.

Senator YOUNG. It is useless for me to argue with you.

Mr. LYNN. I believe you have got your mind made up.

Senator YOUNG. I think you have. If I can't get my bill approved I will try to get the best bill possible out of this committee.

Will you do the same thing?

Mr. LYNN. Yes, sir.

Senator YOUNG. Will you help amend some other bills?

Mr. LYNN. Oh, yes, we are right ready to help.

In order to clear the way for a coordinated wheat and feed grain program, the 1963 Feed Grain Act, which applies only to the 1964 and 1965 crops, should be repealed. Price supports for corn and other feed grains should be set at the higher of 90 percent of the average price received by farmers for these grains during the immediately preceding 3 years or 50 percent of parity (see table 2, p. 141).

Under the present conditions price supports based on the market average would be higher than 50 percent of parity. We would expect this to continue to be true under a program that permits the market system to function; however, we see no need to repeal the 50 percent of parity provision that is already in the law.

(4) To protect farmers against undue competition from the release of Government-owned surpluses the CCC should be prohibited from offering its stocks domestically at less than 115 percent, your bill provides that, doesn't it, Senator Young?

Senator YOUNG. There is no provision in my bill for this, but I think there is some merit in it.

Mr. LYNN. I think we could thoroughly agree on this point—of the applicable support level, plus reasonable carrying charges, except for

sales that are offset by open-market purchases. This exception is designed to provide needed flexibility for the maintenance of good inventory management practices. The proposed restriction would not apply to sales for export and it is assumed that existing export programs would be continued as long as CCC stocks remain at burdensome levels.

(5) In order to facilitate individual adjustments to freer markets, the Secretary should be authorized for a period of 3 years to enter into contracts for the voluntary retirement of cropland with emphasis on whole-farm retirement. Payment rates should be established through competitive bidding by farmers, and land placed in this program should be retired for periods of not less than 3 years.

May I just interrupt here to say, Senator Ellender, this is simply to give a farmer an option. If you don't think you can grow wheat at a Government guaranteed price at \$1.30 on a competitive bid basis we will rent your acres for 3 years.

The CHAIRMAN. At?

Mr. LYNN. At whatever you can bid it for.

The CHAIRMAN. What do you think the bidding would be for, what is your belief in that?

Mr. LYNN. I think \$15 to \$20 an acre would be about what it would be.

The CHAIRMAN. You mean on an average?

Mr. LYNN. That is right. And on the basis—

The CHAIRMAN. Is that on wheatland?

Mr. LYNN. This would be on all land, all cropland.

The CHAIRMAN. That would be planted to what?

Mr. LYNN. Grass and not harvested in any way.

The CHAIRMAN. But it would be on all cultivated acres?

Mr. LYNN. That is right.

The CHAIRMAN. Formerly planted to wheat, corn?

Mr. LYNN. Or other crops.

The CHAIRMAN. Cotton?

Mr. LYNN. Cotton or any cropland crop.

Senator YOUNG. This would be a 3-year contract?

Mr. LYNN. Yes.

A cropland retirement program of this nature would lead to the withdrawal of much greater productive capacity per dollar of cost and would eliminate most of the administrative problems associated with the emergency-type programs of recent years.

You can't adjust production by renting these acres year after year, because what we do as farmers, we turn under this good cover crop and put it back in the next year and produce more than we would have in the first place.

The CHAIRMAN. Well, if you let any land rest for 3 years, even though you let weeds run on it, it will fatten up.

Mr. LYNN. Sure, this is right.

The CHAIRMAN. But the program you are suggesting would be more or less continuous. You would have to keep that acreage out of cultivation for much longer than 3 years.

Mr. LYNN. You might, sir. In our opinion, though, with the price support that we are advocating here, that the adjustments would be made, and it would be far cheaper than it was—take the current feed grain program in 1964 is estimated to cost \$1,200 million.

The CHAIRMAN. Well, the price supports for corn that you suggest now is not different from what the law is, except for the——

Mr. McLAIN. Except for the emergency program.

The CHAIRMAN. Except the emergency program it is about the same thing except we have a little clause in there that says you can't produce an overage or the Commodity Credit can't take it if it will increase their surplus.

Mr. LYNN. Yes, sir.

The CHAIRMAN. So would you want that clause in your——

Mr. LYNN. Yes, sir.

The CHAIRMAN (continuing). So that the law that you are suggesting as to feed and other, corn and other, feed grains is the same as a permanent law?

Mr. LYNN. It is permanent law.

The CHAIRMAN. Yes.

Mr. LYNN. We would repeal the emergency feed grain subsidy because it is costing too much money.

The CHAIRMAN. I understand.

Mr. LYNN. In our opinion, the USDA has grossly exaggerated the cost of the cropland retirement program by assuming that 80 to 100 million acres would be retired under such a program. The amount of land that needs to be retired to bring production and markets into balance is related to price-support levels.

May I just add here, it would take 100 million acres or maybe more, if you are going to keep the price-support levels at the levels of wheat of \$1.82 to \$2 a bushel, but the secret to our program, if there is one, is the fact that you lower the price support, the guarantee, thus reducing the incentive to continue the increase in production.

The CHAIRMAN. What is your latest estimate as to the number of acres that you would have to——

Mr. LYNN. 50 to 60 million acres.

The CHAIRMAN. 50 to 60 million.

Senator YOUNG. You state further that this would be in addition to the land already in the soil bank.

Mr. LYNN. Yes.

Senator YOUNG. This would be about 80 million acres?

Mr. LYNN. Well, there were 26 million and 7 million came out December 31, there are about 19 million.

Senator YOUNG. 19 million acres of present soil bank land plus 50 to 60 million acres under your program makes a total of about 80 million acres.

Mr. LYNN. It included that. This includes that.

The CHAIRMAN. 60 million would be your maximum?

Mr. LYNN. 60 million and then 20 million from that would be about 40 additional million acres.

The CHAIRMAN. This is lower than Mr. Shuman testified before our committee 2 or 3 years ago, he said 60 to 80 million.

Mr. LYNN. Some of the land-grant colleges have made studies of this, Senator Young, and Iowa State has come to this conclusion with which we concur.

With the support levels we are proposing for wheat and feed grains we are confident that the job could be done with a cropland retirement program of 50 to 60 million acres, including the land already in the

conservation reserve. Such a program could be carried out for less than the annual cost of the present feed grain program.

Producers of all commodities should be given an opportunity to participate in the cropland retirement program. Producers should be required to establish and maintain proper vegetative cover on the retired acres. They should not be allowed to graze or harvest any crop off the land. The voluntary nature of this proposed cropland retirement program minimizes the likelihood that it could have any adverse effects on individual counties or communities; however, to make certain that no area would be adversely affected, the Secretary should be directed to place a maximum limitation on the percentage of total cropland which could be retired in any one State or county.

The legislation needed to carry out these recommendations is the Wheat and Feed Grain Act of 1963 which has been introduced by 17 Members of the Senate and 19 Members of the House as the Wheat and Feed Grain Act of 1963.

Senator YOUNG. This is a powerful array of Senators.

Mr. LYNN. It is.

Senator YOUNG. Are you going to bring this up for a vote now?

Mr. LYNN. We would hope you would in the committee.

Mr. McLAIN. If we get Senator Young's name on there we might do that.

Mr. LYNN. The Senate bill now before this committee, which carries out Farm Bureau recommendations, is S. 1617 and was introduced by Mr. Hickenlooper (for himself, Mr. Anderson, Mr. Aiken, Mr. Holland, Mr. Allott, Mr. Beall, Mr. Bennett, Mr. Dominick, Mr. Hruska, Mr. Jordan of Idaho, Mr. Lausche, Mr. Mechem, Mr. Miller, Mr. Morton, Mr. Scott, Mr. Simpson, and Mr. Dirksen.)

We are happy that members of both parties have joined in sponsoring this proposal in the House and the Senate.

While all major provisions of our proposal would make important contributions to the adjustments that are needed to place wheat and feed grains on a sound basis, the most urgent provisions are those relating to CCC sales policy; future price support policy for feed grains and wheat; and the termination of existing authority for wheat allotments; quotas and marketing certificates. The cropland retirement program would help many individuals make the adjustment to a market system; however, we are confident that greater dependence on the market system can cure our wheat and feed grain troubles either with or without additional authority for a temporary land retirement program.

This was the point that I was attempting to make a while ago. We urge the Congress to consider each provision of our program on its merits.

Mr. Chairman, we appreciate very much your patience and kindness in allowing us to testify. I might add that Mr. Shuman was very desirous to make this statement but he is in Spokane and could not.

The CHAIRMAN. Well, he had a good substitute.

Any further questions?

If no, we thank you very much.

Mr. LYNN. We appreciate it very much.

(The tables referred to follow:)

TABLE 1.—Wheat: U.S. average farm prices, export payment rates, and estimated world prices

[U.S. farm price basis]

Marketing year (July-June)	Average farm price received (dollars per bushel)	Export payment rate (dollars per bushel)	Estimated world price (dollars per bushel)
1956-57	1.97	0.74	1.23
1957-58	1.93	.61	1.32
1958-59	1.75	.47	1.28
1959-60	1.75	.53	1.22
1960-61	1.75	.50	1.25
1961-62	1.84	.54	1.30
1962-63 preliminary	2.00	.64	1.36

TABLE 2.—Feed grains: U.S. season average farm prices, per bushel

Crop year	Corn	Grain sorghum	Barley	Oats
1952-53	\$1.52	\$1.58	\$1.37	\$0.789
1953-54	1.48	1.32	1.17	.742
1954-55	1.43	1.26	1.09	.714
1955-56	1.35	.977	.920	.600
1956-57	1.29	1.15	.990	.686
1957-58	1.11	.973	.887	.605
1958-59	1.12	.999	.900	.578
1959-60	1.04	.858	.860	.646
1960-61	.997	.836	.838	.598
1961-62	1.08	1.01	.981	.640
1962-63 (preliminary)	1.11	1.02	.925	.622
1960-61 to 1962-63 average	1.06	.955	.915	.620
90 percent of 1960-61 to 1962-63 average	.954	.800	.824	.558
50 percent of November 1963 parity price	.795	.695	.625	.425

TABLE 3.—State-by-State final reports on the 1964 crop wheat marketing quota referendum

[Votes cast]						
State	Estimated number of eligible voters	For	Against	Total	Percent voting for	Number of challenged ballots disallowed
Alabama.....	5,736	1,719	1,243	2,962	58.0	6
Arizona.....	1,631	177	554	731	24.2	29
Arkansas.....	12,066	1,914	3,697	5,611	34.1	92
California.....	5,703	878	2,268	3,146	27.9	91
Colorado.....	31,159	7,916	8,280	16,196	48.9	169
Connecticut.....	45	8	22	30	26.7	2
Delaware.....	1,507	403	427	830	48.6	12
Florida.....	1,116	270	654	924	29.2	0
Georgia.....	18,387	13,143	1,985	15,128	86.9	81
Idaho.....	52,036	7,756	18,725	26,481	29.3	0
Illinois.....	128,995	21,262	49,783	71,045	29.9	1,316
Indiana.....	144,189	20,269	59,015	79,284	25.6	946
Iowa.....	17,399	5,709	3,255	8,964	63.7	137
Kansas.....	221,534	48,404	65,131	113,535	42.6	2,607
Kentucky.....	40,506	22,875	3,803	26,678	85.7	0
Louisiana.....	1,682	159	784	943	16.9	6
Maine.....	35	24	8	32	75.0	0
Maryland.....	8,529	963	4,802	5,765	16.7	220
Massachusetts.....	25	4	18	22	18.2	0
Michigan.....	143,020	15,871	61,987	77,858	20.4	0
Minnesota.....	83,648	32,310	16,850	49,160	65.7	802
Mississippi.....	2,543	428	1,415	1,843	23.2	45
Missouri.....	224,310	57,184	30,928	88,112	64.9	564
Montana.....	42,022	13,296	12,446	25,742	51.7	916
Nebraska.....	106,232	27,542	22,993	50,535	54.5	799
Nevada.....	653	87	276	363	24.0	0
New Jersey.....	2,724	559	1,181	1,740	32.1	15
New Mexico.....	4,847	1,087	1,457	2,544	42.7	23
New York.....	38,534	7,005	15,239	22,244	31.5	0
North Carolina.....	107,858	64,756	15,250	80,006	80.9	207
North Dakota.....	123,380	54,632	28,387	83,019	65.8	0
Ohio.....	180,840	20,169	68,722	88,891	22.7	383
Oklahoma.....	86,250	18,488	26,838	45,326	40.8	279
Oregon.....	24,501	4,992	5,191	10,183	49.0	0
Pennsylvania.....	51,564	7,345	26,031	33,376	22.0	618
Rhode Island.....	10	2	6	8	25.0	0
South Carolina.....	30,157	16,664	3,350	20,014	83.3	20
South Dakota.....	69,080	22,634	12,028	34,662	65.3	311
Tennessee.....	42,229	20,367	6,332	26,699	76.3	106
Texas.....	79,001	22,484	27,567	50,051	44.9	765
Utah.....	8,687	1,307	3,233	4,540	28.8	215
Vermont.....	54	5	38	43	11.6	0
Virginia.....	29,604	7,429	11,767	19,196	38.7	393
Washington.....	37,863	7,673	8,576	16,249	47.2	245
West Virginia.....	3,510	1,384	1,482	2,866	48.3	49
Wisconsin.....	10,153	3,519	2,827	6,346	55.5	198
Wyoming.....	4,450	1,212	1,721	2,933	41.3	73
Total.....	2,230,004	584,284	638,572	1,222,856	47.8	12,740

The CHAIRMAN. Mr. Farrington?

You may proceed, sir. I notice you have a prepared statement.

STATEMENT OF CARL C. FARRINGTON, VICE PRESIDENT, ARCHER DANIELS MIDLAND CO., MINNEAPOLIS, MINN., REPRESENTING THE MILLERS' NATIONAL FEDERATION

Mr. FARRINGTON. Yes, sir.

The CHAIRMAN. Do you wish to highlight?

Mr. FARRINGTON. It is not too lengthy and I would like to read it.

The CHAIRMAN. All right, proceed.

Mr. FARRINGTON. Mr. Chairman, and members, I appreciate this opportunity of appearing. My name is Carl C. Farrington. I am a vice president of the Archer Daniels Midland Co., Minneapolis, Minn., and chairman of the Committee on Agriculture of the Millers' National Federation.

I have with me here Mr. Fred Mewhinney of the Washington staff of the federation.

I am appearing here today on behalf of the Millers' National Federation. The membership of the federation includes over 90 percent of the flour milling capacity of the United States. We appreciate very much this opportunity of appearing before you to express our views.

In previous testimony before this committee we have expressed our desire for adequate but not excessive supplies of each of the classes and qualities of wheat in order to meet the demands of the consumer for many types of quality products. We have pointed out that each class of wheat has specific uses with limited degrees or interchangeability—that wheat is not just wheat. We have called attention to the effect of wheat production control and price support programs in creating large surpluses of some qualities of wheat and not surpluses or even shortages of other qualities of wheat. It has been shown that carryover supplies and CCC holdings are very large for some classes and qualities of wheat and very small for others.

It has been a policy of long standing for the Millers' National Federation to refrain from taking a position on farm legislation unless the milling industry was directly and adversely affected. We have generally refrained from making recommendations on the level of wheat price supports so long as the cost of our basic raw material—wheat—is competitively determined in the marketplace.

Senator YOUNG. Mr. Farrington, which type of wheat is in short supply now?

Mr. FARRINGTON. In short supply?

Senator YOUNG. Shortest supply now.

Mr. FARRINGTON. The Soft Red wheat and White wheat on the west coast.

Senator YOUNG. In fact, there isn't any surplus at all of Soft Red wheat produced primarily by 15 acre growers?

Mr. FARRINGTON. It looks like the carryover this year will be almost nominal.

Senator YOUNG. The Government owns practically none of this wheat?

Mr. FARRINGTON. That is correct.

Senator YOUNG. I am not defending the 15-acre exemption.

Mr. FARRINGTON. We have not, and are not now asking for cheap wheat. Our earnings are not enhanced by low wheat prices. Regardless of the level of wheat prices, our milling margins will be determined by the intensive competition which prevails in our industry. If the level of wheat prices is low, flour prices will be low. If wheat prices or associated costs are at a high level, flour prices will necessarily reflect such prices and costs.

We want wheat producers to have reasonable prices and adequate income from wheat. We are in favor of reducing total Government costs. We are in favor of adequate and balanced but not excessive reserve stocks of wheat.

Notwithstanding our reluctance to be involved in farm legislation, we feel that in fairness to our industry and our customers that we

must express our opposition to the enactment of mandatory purchases by flour millers of marketing certificates for the following reasons:

1. Requiring flour millers to purchase certificates is a processing tax regardless of terminology used or the immediate change in flour or bread prices that may occur.

A 70 cents per bushel certificate would be equivalent to at least \$1.60 per hundredweight of flour.

A \$1.20 certificate would be equivalent to about \$2.80 per hundredweight of flour.

All of this cost would have to be included in the price of flour. The milling industry is a large-volume, low-margin, and intensively competitive industry. A 70-cent processing tax would be equal to several times the gross margins available to cover all flour mill labor, power, interest, and other costs, and whatever small return may be obtained for flour mill stockholders.

The change in flour prices accompanying the imposition of the processing tax would, of course, depend on where it is measured from.

As measured from present and prospective world wheat prices, all of the processing tax would represent an added cost. As measured from present domestic prices which reflect high loan rates which necessitate large export subsidies, a decline in market prices for wheat probably would offset part of the processing tax cost with the result that flour prices would increase much less than the full amount of the processing tax.

This does not detract from the reality or the magnitude of the processing tax certificate. It merely calls attention to the artificiality of current wheat prices and the fact that we would be going from one artificial situation to a bigger and more obviously artificial flour price situation.

2. A processing tax which has to be passed on to consumers of wheat products is generally recognized as a regressive tax with most of the burden falling on the lower income groups.

Studies of consumers purchases made by the Department of Agriculture show wheat products occupy a much more important place in the food budgets of low-income families than those with higher incomes.

In fact, the percentage of the family food budget spent for wheat products is nearly twice as great for the less-than-\$2,000-income families as for the families with incomes over \$10,000.

3. The certificate purchase requirement will create a new competitive situation in the flour milling industry. Each of us will be uncertain as to whether our competitors are paying the tax on the same basis as we. Difference in moisture content of the wheat used and flour produced, differences in flour yield, differences in cleaning equipment, and other factors may affect the amount of certificates we are forced to buy and therefore the amount of taxes we actually pay.

The CHAIRMAN. Isn't it dependent, though, on quality? Your certificates will be the same.

Mr. FARRINGTON. It will be the same as measured by some standard.

The CHAIRMAN. Yes.

Mr. FARRINGTON. Yes.

The CHAIRMAN. How would that differ from a price support? Isn't that the same?

Mr. FARRINGTON. In price support we buy it in the marketplace under competitive conditions and we know what the moisture content is and we know what the quality is.

The CHAIRMAN. You buy your wheat the same way?

Mr. FARRINGTON. Yes.

The CHAIRMAN. There wouldn't be any difference.

Mr. FARRINGTON. Oh, yes, there would be a difference.

The CHAIRMAN. How? Why? Tell me, I would like to know. How would it be different? You buy it at the marketplace for whatever you can get it.

Mr. FARRINGTON. You meant wheat?

The CHAIRMAN. Yes. And then you pay for your certificate on a basis of—

Mr. FARRINGTON. Of what?

The CHAIRMAN. Whatever is fixed.

Mr. FARRINGTON. Yes, that is it.

The CHAIRMAN. It will be fixed in advance.

Mr. FARRINGTON. The rate per something would be fixed in advance?

The CHAIRMAN. Exactly.

Mr. FARRINGTON. But a bushel of wheat is not always just a bushel of wheat.

The CHAIRMAN. I understand that but the wheat, you may buy some wheat for \$1.30 and some for \$1.35 because it is a different grade.

Mr. FARRINGTON. Yes.

The CHAIRMAN. Something that you like better. But you would always have in mind to add to whatever price you pay in the marketplace whatever the certificate is.

Mr. FARRINGTON. Yes.

The CHAIRMAN. How does that differ from price support?

Mr. FARRINGTON. Well, wheat has different moisture contents; it has different amounts of cleanout materials in it, those factors we can evaluate; but the 70-cent certificate would be measured by something, some bushel of wheat, I don't know whether it would be the dirty bushel or the clean bushel or high-moisture bushel or a low-moisture bushel.

The CHAIRMAN. But since you can buy in the marketplace the wheat of your choice—

Mr. FARRINGTON. Yes.

The CHAIRMAN (continuing). Wouldn't you buy the best for your milling purposes?

Mr. FARRINGTON. Surely; we would buy the kind of wheat we needed.

The CHAIRMAN. Of course you would; just the same as you now do under price support.

Mr. FARRINGTON. Yes; we would evaluate all those factors in the purchase of wheat.

The CHAIRMAN. I don't know. I can't see the difference. If you can shed more light I would like to have it.

Mr. FARRINGTON. Some members of the industry may question the constitutionality of the certificate purchase requirement, having in mind that the earlier processing tax was in fact declared unconstitutional by the Supreme Court, and may be willing to gamble on a

similar court ruling with respect to the certificates and undersell their competitors who are trying to comply with the law and regulations issued thereunder. The federation does not profess to know the answer to that question and, of course, takes no position on it.

To attempt at this late date to put into effect this new revenue scheme before the 1964 crop is harvested would be particularly disruptive of industry operations.

4. While we recognize that the demand for flour in the United States is rather inelastic and it is difficult to show by statistical analysis that higher flour prices cause an appreciable reduction in flour consumption, we believe that over the long pull the imposition of a wheat certificate processing tax will curtail to some extent the use of this wonderful food product in the United States. Relatively high flour prices would discourage the search for new uses and efforts to halt the decline in per capita flour consumption.

5. There seems to be a tendency to look upon the forced sale of certificates to flour millers as an easy and painless way to obtain funds for enhancing grower incomes and controlling wheat production without considering the cost of the certificates as a Government cost.

The fact is that all of the certificates issued to growers will be eligible for redemption by CCC and are nothing more nor less than direct payments to wheatgrowers. They constitute a Government benefit and a Government cost and should be subject to usual appropriation procedures.

We believe such benefits should be paid for through the usual means of taxation and not force flour millers to become tax collectors. We regard the forced sale of certificates to flour millers as strictly a new form of taxation and we believe an undesirable and regressive form of taxation.

The CHAIRMAN. For your information, the Commodity Credit Corporation will handle that feature of it the same way as it does price supports, so that the method won't differ at all.

Mr. FARRINGTON. They will handle it as a direct payment to growers.

The CHAIRMAN. I know, just the same—

Mr. FARRINGTON. And exaction from the mills the other way.

The CHAIRMAN. But just the same as you fix price supports—identical.

Mr. FARRINGTON. Admittedly the high price support is regressive.

The CHAIRMAN. Well, of course, you are against price supports also, I presume.

Mr. FARRINGTON. No, sir.

The CHAIRMAN. No?

Mr. FARRINGTON. No, sir.

The CHAIRMAN. I can't see the difference between that and the certificate.

Senator YOUNG. What kind of price supports do you favor?

The CHAIRMAN. Low price supports.

Mr. FARRINGTON. I cover that point later, if I may.

Senator YOUNG. All right.

Mr. FARRINGTON. We should not pretend that Government costs have been reducing by hiding some of them behind a new form of Government revenue.

6. The use of certificate processing taxes tends to be associated with plans for minimizing returns in the marketplace and the use of a

high degree of Government control of production rather than the use of the marketplace as an indicator of market needs.

The analysis I have seen of the various certificate processing tax plans indicate that from one-third to two-fifths of the income available to wheatgrowers under these plans would be in the form of direct Government benefits and conditional payments. These direct Government benefits, of course, do not include the expenditures equal to another 25 to 30 percent of the gross farm value of wheat involved in financing exports of wheat and wheat products under Public Law 480 and other special export programs. These export expenditures are common to all of the programs considered for 1964 and are not at issue at this time.

With a large percentage of producer income in the form of Government benefits and conditional payments involved in the certificate processing tax plans, these plans would be voluntary in name only. The marketing quota penalties would be removed but the economic compulsion still would be overpowering. The result, we believe, would be continued freezing of production in an historical pattern which is not in alignment with current market requirements, continued excesses of some qualities of wheat with shortages of other qualities of wheat, and continued failure to capitalize fully on the domestic and world markets available to U.S. wheat producers.

Before closing I believe it is appropriate to call attention to the fact that during the past year there has been a drastic change in the U.S. and world wheat situation. With exports of wheat and flour approaching 1 billion bushels this year, the USDA has projected a reduction in carryover stocks this year of some 460 million bushels; i.e., from 1,195 million bushels on July 1, 1963, to some 735 million bushels on July 1, 1964.

Winter wheat production for 1964 was estimated in December 1963 at 959 million bushels. This production, plus a spring wheat crop of 240 million bushels, which is somewhat above average, would mean total production in 1964 of about 1.2 billion bushels. As compared with this production I believe we can count on U.S. wheat consumption and exports in 1964 of at least 1.3 billion bushels. This would mean a reduction in carryover stocks at the end of the 1964-65 marketing year to around, or possibly below, the 600-million-bushel level. This is the level the Secretary of Agriculture has mentioned as a desirable or perhaps a minimum reserve level.

The USDA has projected exports and domestic use of U.S. wheat in 1967-68 at 1,515 million bushels—800 million bushels for export and 715 million bushels for domestic use. This compares with average production for the last 5 years of 1,225 million bushels.

In the face of these statistics there does not appear to be any compelling need for the institution of wheat production controls with respect to the 1964 crop or the adoption at this time of permanent wheat price and production control programs of the type envisaged by the certificate processing tax plans.

There is need for the repeal of the wheat marketing quota and referendum provisions of existing law. There is need for authorizing the Secretary of Agriculture to establish a support level for wheat above 50 percent of parity to the extent necessary to assure U.S. growers of world prices for wheat within the limits established by

the International Wheat Agreement, and this involves a look at the net loan rate as well as the gross loan rate. There is need for CCC to follow sales policies which will assist wheatgrowers in getting maximum returns in the marketplace and minimize their competition from Government sales.

There may be need for some supplemental income payments to cushion the income effects of a drop in support prices from the highly artificial level that has prevailed to a world price level. There may be need to combine or coordinate wheat acreage adjustment programs with feed grain acreage adjustment and land use adjustment programs.

But we repeat that we strongly oppose and we believe there is no justification for enacting a certificate processing tax plan to help finance a rigid control program which the wheatgrowers themselves already have rejected.

Thank you, Mr. Chairman.

The CHAIRMAN. All right.

Senator YOUNG. Could I ask him a question?

The CHAIRMAN. All right, proceed.

Senator YOUNG. Mr. Farrington, you are an authority on wheat marketing and you know considerable about this whole subject. Some objection has been raised to the wheat certificate or other plans that establish a price support of \$1.30 a bushel on the basis that if cash prices went down to this level they would tend to upset our position under the International Wheat Agreement by permitting underselling or selling at a price below wheat agreement levels.

Mr. FARRINGTON. Yes, sir.

Senator YOUNG. I mean selling—selling below International Wheat Agreement price levels.

If you established a price support floor at the world price would this solve the problem of keeping our commitments under the International Wheat Agreement or would you still have a problem?

Mr. FARRINGTON. The present world price probably reflects about \$1.35 or a little better at the farm level.

Now, of course, you know at the beginning of the season they deduct 10 cents storage costs so if you had \$1.30 support you would only have a net loan of \$1.20 which would still be under price levels. There might be some basis for taking that factor into consideration and establishing a level a little above so that the grower at all times would get the full benefit of world prices.

Senator YOUNG. The reason the administration gives for wanting this 25 cents a bushel export subsidy is to protect the International Wheat Agreement. I wonder if you couldn't correct that by doing what the Farm Bureau wants and place your price support at the world price level. You don't think this alone would correct it?

Mr. FARRINGTON. Yes; I think it would, if you take into consideration the effective loan rate at all times, not just the gross loan rate.

Senator YOUNG. I think this is something to consider, Mr. Chairman. I don't like this export subsidy but the argument is that you have to have it in order to avoid undercutting the International Wheat Agreement prices. If you could resolve this thing by having your minimum support at the world price this would be a whole lot simpler and more effective.

The CHAIRMAN. Isn't it a fact that wheat that you sell other than through the wheat agreement, is sold at world prices?

Mr. FARRINGTON. All the wheat is sold at world prices.

The CHAIRMAN. What fixes that world price? Ordinary production uses, the same as we have in this country, that we would have in this country, minus the price supports?

Mr. FARRINGTON. The world price, of course, is the price at which wheat is trading in the world market. I would say that Canada and the United States have a lot to say about what that world price is, I think, within a given time but you have to take into consideration at all times the competition from Australia and Argentina and other exporters.

The CHAIRMAN. Well, what effect—

Mr. FARRINGTON. The fact is it has been around \$1.35 recently, world price.

The CHAIRMAN. What effect do you think that our programs have on fixing the world price?

Mr. FARRINGTON. Well, I think that Canada, through their monopoly marketing, and the Commodity Credit Corporation through its control of subsidies has considerable to do with the world price.

The CHAIRMAN. In holding it steady?

Mr. FARRINGTON. Yes, sir.

The CHAIRMAN. And high?

Mr. FARRINGTON. Not necessarily high. I think they have been very realistic about it.

The CHAIRMAN. Any further questions?

Senator AIKEN. Yes. What is the price of wheat in Fort William today?

Mr. FARRINGTON. I think around \$1.90, Canadian funds, or about \$1.80.

Senator AIKEN. What is the maximum price that can be charged under the International Wheat Agreement?

Mr. FARRINGTON. \$2.02½ Fort William, one Manitoba.

Senator AIKEN. And it could not go up to \$1.90?

Mr. FARRINGTON. I am sorry, that is American funds. It could go up a little more than that, probably 20 cents.

Senator AIKEN. That is U.S. dollars, not Canadian dollars?

Mr. FARRINGTON. Yes.

Senator AIKEN. So the price is pretty good there now?

Mr. FARRINGTON. Yes.

Senator AIKEN. And of that \$1.90, do you have any idea of what the Canadian farmer is getting out of it this year?

Mr. FARRINGTON. Well, the support price is equal to about \$1.40 Fort William.

Senator AIKEN. You say support price; that is the initial payment, isn't it?

Mr. FARRINGTON. That is the initial payment; yes, sir.

Senator AIKEN. And they are getting a lot more than that this year?

Mr. FARRINGTON. That is U.S. funds; I think it is \$1.50 Canadian funds. It would be, I would assume that they will get, an extra payment of 20 cents or something in that neighborhood.

Senator AIKEN. So the world market price—

Mr. FARRINGTON. I don't know, I am still guessing.

Senator AIKEN. Could still go up another 10, 12 cents a bushel before it hits the maximum of the International Wheat Agreement price?

Mr. FARRINGTON. That is right.

Senator AIKEN. That is all.

Senator YOUNG. How much could it go down before it hit the minimum?

Mr. FARRINGTON. It is about the middle. In the 40-cent range.

Senator AIKEN. \$1.55 minimum?

Mr. FARRINGTON. \$1.62½, sir.

Senator AIKEN. \$1.62½.

The CHAIRMAN. Any further questions?

If not, we thank you very much, sir.

Mr. FARRINGTON. Thank you very much.

The CHAIRMAN. All right, Mr. Schutte. You may proceed, sir.

**STATEMENT OF ALFRED SCHUTTE, PRESIDENT, WEBSTER COUNTY
FARM BUREAU, GUIDE ROCK, NEBR.**

Mr. SCHUTTE. Mr. Chairman and members of this committee, the Webster County Farm Bureau representatives are here today as bona fide farmers representing bona fide farmers. Our correspondence leads us to believe that we represent the thinking of the majority of these farmers. We know the problems of agriculture. We live with these problems. Our income is derived solely from raising agricultural products. Therefore, if agriculture is in trouble, we are in trouble.

As an effort to solve our problems, we are here today. If you and we work together, agriculture's problems are not unsolvable.

Because we are farmers and know what will help farmers most, we supported a "yes" vote in the referendum last May 21. It is still our choice as the solution which would benefit the majority of the farmers of our country. We believe the referendum would have carried had it not been for the hate sheets that were distributed among farmers. We believe these hate sheets were distributed for the sole purpose of generating fear and distrust of the American Government and the Agriculture Department, and we believe they played a major role in the referendum defeat.

At that time it was said that the wheat farmer would suffer economic losses of at least \$600 million if the referendum were defeated. The referendum was defeated, and farmers do stand to suffer a major loss on their 1964 crop unless Congress acts quickly. They stand to lose even though most producers of winter wheat stayed within their allotments; and even though we will probably export an additional 1 billion bushels of wheat this fiscal year.

Since the wheat farmers of the country chose not to go along with the mandatory program, it appears that the next best alternative is a voluntary program incorporating most of the same features, including the certificate plan.

We are prepared to support the basic principles of the McGovern bill as the one most favored by the farmers of Webster County and Nebraska.

Last October we polled, by secret ballot, our convention on five questions we felt were most important to our members. This poll showed that 100 percent of those responding do not want the American Farm Bureau's proposed legislation; 100 percent do not want to "get the Government out of agriculture," as some have proposed; 65 percent still favor the mandatory wheat law defeated in the referen-

dum. The Webster County Farm Bureau poll is proven correct by the Webster County referendum vote which was 65.7 percent in favor; 100 percent favor a wheat program with high price supports on the order of the feed-grain program. Most stipulated that the certificate price should be high enough to make the program work as well as if it were mandatory.

We, therefore, stand in favor of the McGovern bill with provision assuring a combined base with the substitution of feed-grain and wheat acres permitted. By this means, we believe grains will shift to their natural production areas. This bill will help maintain the income of the majority of farmers and let us stress here—we want the majority of farmers to benefit, not just the 9 percent of landowners who own 40 percent of the farmland in the United States (reference taken from National Advisory Committee on Farm Labor, 112 East 19th Street, New York, N.Y.).

We want the surplus reduced. We don't want the farm program to cost the Government and consumers any more than is necessary to assure an adequate income for farmers. The farmers' income must be brought up to the level of the Nation. If farmers don't become economically stable, they will drag the rest of the Nation into another depression and this we do not want. The empty farmsteads and dilapidated buildings are significant indications that the conservation reserve did not and will not benefit the grassroot farmers. We do not want to return to the soil bank, land retirement days. Farmers produce the original dollar, when it leaves the farm it multiplies into dollars that make up our national dollars. Every time 17 farmers leave the land, 1 business disappears from Main Street. Our present national economic level proves that Government programs have not failed, farm programs have not failed, neither will a wheat program fail if it is arrived at wisely, without partisanship, and if the interests of wheat farmers are not forgotten.

We stand ready to cooperate with any person, organization, or suggestion that will make the farmer economically stable. From stability of agriculture is born stability of the Government and the Nation. We as American citizens want all three. We hope you will follow our suggestion and vote the McGovern bill out of committee with the provisions that we have recommended.

We thank you for your time.

We have results of a poll here. Should I read that?

The CHAIRMAN. We will put that in the record.

Mr. SCHUTTE. Yes.

(The poll referred to follows:)

RESULTS OF THE WEBSTER COUNTY POLL AND QUESTIONS AS ASKED

Please answer "Yes" or "No" so we may have your opinion.

1. Do you favor a wheat program on the order of the corn program with cross compliance on corn and wheat acres with high price supports? Yes, 100 percent.
2. Do you favor Farm Bureau's land retirement program with support prices at 50 percent of parity or world market, whichever is highest? (At present about \$130 for wheat.) No, 100 percent.
3. Do you favor getting the Government out of agriculture as Farm Bureau and the CED suggest? No, 100 percent.
4. If you had the right to vote for the president of the American Farm Bureau, would you vote for Charles B. Shuman? No, 100 percent.
5. Do you favor the mandatory wheat program voted upon last May 21? Yes, 65 percent.

6. Do you favor the ASC informing farmers of provisions of the wheat and other laws? Yes, 100 percent.

The CHAIRMAN. I presume you heard Mr. Lynn testify a while ago?

Mr. SCHUTTE. Yes.

The CHAIRMAN. Did you make your views known to the American Farm Bureau?

Mr. SCHUTTE. They know our views. They have known for 4 years.

The CHAIRMAN. I notice they have on the map here quite a few other chapters of the American Farm Bureau in Nebraska. Are there many other Farm Bureau members who feel as you do; that is, in other counties?

Mr. SCHUTTE. I would like to give you—I can tell you for sure that we have a lot of support. But if you folks do not realize it, the Farm Bureau is not as democratic as they would like to have you think. It is quite a machine and, of course, for 4 years we have opposed them, because it seemed after the resolutions left the county immediately they began to get reversed, even at the State level already and, of course, if they did not reverse it there, they certainly did at the national level.

We were dedicated to the Farm Bureau for 4 years, and after about 4 years, we knew there was something wrong, we studied the situation; it took us about a year or two to understand how this machine could work, and we decided one thing or the other; either stay in, and if we could get newspaper support we could get someplace, if not we might just as well get out and, of course, some papers have gone along. They have printed our side of the story, and since 1959, I would like to read you these figures, we have original statements to prove them, if they ever want to contest them—now, in 1959 they reached a high of practically 21,000, they lacked a little bit there.

The CHAIRMAN. 21,000 what?

Mr. SCHUTTE. 21,000 members.

The CHAIRMAN. Where?

Mr. SCHUTTE. Yes.

The CHAIRMAN. In Nebraska?

Mr. SCHUTTE. Yes. I am talking about Nebraska now.

The CHAIRMAN. Yes.

Mr. SCHUTTE. Well then, the next year, which was in 1960, which was the year we really began to oppose them and began to make our views known, the membership dropped to 18,532. The next year it dropped to 18,088, and the next year they did have a dues raise, and they got a sharper drop, which dropped them down to 13,488, and they put on a terrific field force, they doubled their field force.

The counties, they organized from 61 counties to 90 counties in 1962, and still their membership was never raised and, of course, last year they had 13,086, which was right at the same membership the year before.

Now, we get an awful lot of mail. We get so much mail we can absolutely not answer it. But the thing is we have always asked other counties to stay in and help us, and it would look a little better, but Nebraska today, we are the only county standing there, the people have good intentions, but just as quick as the Farm Bureau gets hold of them, they get insulted, and so forth, and they absolutely get out, and when a lot of people see what is happening, the deception that is there, they simply will not have anything to do with the Farm Bureau.

Of course, in most of the 4 years with all of the members they have gotten new, they have lost at least 17,500 members, probably closer to 18,000, and today their membership stands at 13,486. Now, that is a loss of membership in Nebraska.

Senator YOUNG. Do you have other farm organizations there?

Mr. SCHUTTE. There is a co-op which I am no member of, but there are a lot of people who have joined the co-op.

Senator YOUNG. You do not have a Grange or Farmers Union in your area?

Mr. SCHUTTE. No; no Grange, and the NFO, I see they are outside and organizing closer, but there has been no NFO in our county.

Senator YOUNG. Then a high percentage of your farmers do not belong to any farm organization?

Mr. SCHUTTE. That is probably right. Of course, there is quite a lot of Farmers Union members, a lot sometimes—there is no opposition to Farmers Union policies whatsoever.

But now on the national level, and we again can say one Charlie Shuman says they represent 1,600,000 farm families, one of the falsest statements they ever made; they do not represent farm families. Many farm families have insurance. They live in the cities. Besides, so many farmers have insurance, to keep their membership, or to keep their insurance, they must pay their membership, and we know in Nebraska there are more farmers with insurance in the Farm Bureau because of the insurance than any other reason. But it is a setup and machinery that we have found it is hard to buck.

Since some of our newspapers have carried some of our story, it has helped us there, but it has not helped nationwide so much. If they would only stay in and help us we could get farther.

Of course, in this wheat referendum, I made some remark about the—I think you folks sit here and try to write up a good farm program, and we sit back there and go to these Farm Bureau meetings, and they literally tear down our democratic system of government. We think it is real serious.

I would like to read a statement here that our public relations director put in our local paper. It would probably give you a—

The CHAIRMAN. How long is it?

Mr. SCHUTTE. It is this long.

The CHAIRMAN. Suppose you read a paragraph and put the rest of it in.

Mr. SCHUTTE. All right.

Now, this public relations director, Frances Umstead, she had this to say:

The perverted statements.

These were the Farm Bureau statements—I do not say Farm Bureau, they were scattered among the farmers—

The farm program was written by Communists. They are still in Washington, D.C., and their influence and power are growing.

Now, here is another one:

We can prove that this farm program was instituted by the Communists in our Agriculture Department in Washington, D.C., and that the program is part of the Communist conspiracy to take over this country.

The CHAIRMAN. Whose language are you quoting?

Mr. SCHUTTE. That is what came out.

The CHAIRMAN. Came out where, the Farm Bureau?

Mr. SCHUTTE. Well, they were sent to a lot of members, and we know Farm Bureau members sent them out. These particular things were quoted by George Conitz, from North Dakota—Salem, N. Dak.

The CHAIRMAN. I never heard that as coming from the American Farm Bureau.

Mr. SCHUTTE. Well, we understand that, but it definitely took machinery to distribute it.

Senator YOUNG. I did not think that Mr. Conitz' organization got down to Nebraska.

Mr. SCHUTTE. Here is another one:

The persons who advocate quotas are traitors and should be indicted for treason.

Now, you fellows can see when the farmers get this mail, well, it comes through the U.S. mail, and you tell them there is nothing to it, and they say that they cannot send it through the U.S. mail if it is not.

Senator YOUNG. Mr. Conitz has a small organization, but he has a few members all over.

Mr. SCHUTTE. Yes.

Senator YOUNG. He was going to have me impeached one time, but I can say that in North Dakota he does not have anything to do with the Farm Bureau.

Mr. SCHUTTE. I realize that. But here is the thing. Farm Bureau welcomes anything that is helpful, even the John Birch Society, which I doubt very many Farm Bureau members believe in, and most of the Farm Bureau members are dedicated people, I realize that. I am not talking about the people themselves.

The CHAIRMAN. Well, so as to clear the record, you do not now state that what you read there came from the Farm Bureau?

Mr. SCHUTTE. No. But it was distributed by Farm Bureau members, I know that.

The CHAIRMAN. You mean locally?

Mr. SCHUTTE. Yes.

The CHAIRMAN. Do you know whether or not the head of the Farm Bureau knew about it?

Mr. SCHUTTE. Oh, he knew about it. They had to. It was too much of that mail went around, and we think it is certainly something which has deteriorated the democratic, our democratic, government. Farm Bureau is continually attacking the Government. If they were to attack the farm program as such and show the people what is wrong with the farm program, but they do not. They must get the people against their Government first, and then they can get them swung over, and that is the way this is done. The wheat vote—definitely they had a dozen different gimmicks. They promised you better wheat legislation and all of this and that. You probably heard a lot of it, but deterioration in our democratic process has been great.

Of course, since November 22, everything came to a halt, and I hope that we do not see any more of this out this way on any kind of a program.

The CHAIRMAN. Any further questions? If not, we thank you very much.

Mr. Lance.

STATEMENT OF W. H. LANCE, WEST TEXAS CHAMBER OF
COMMERCE, PERRYTON, TEX.

Mr. LANCE. Mr. Chairman, I have a telegram that I want to read after this.

The CHAIRMAN. Very well.

Mr. LANCE. Mr. Chairman and members of the committee, my name is W. H. Lance. I am a wheat farmer, of Perryton, Ochiltree County, Tex. I am a director and member of the Executive Committee of the West Texas Chamber of Commerce; a member and chairman of Small Grains Division of the Texas Certified Seed Producers Association, and have been for the past 3 years; and I produce and sell certified seed wheat.

At the present time, I am county Democratic chairman for Ochiltree County, Tex.

In the past, I was one of the charter members of the Texas and National Wheat Growers Associations, having attended the first meeting of these organizations in Amarillo, Tex., and Kansas City, Mo., in 1950. Because of my personal feelings that proposals advanced by these organizations were not in the best interests of all wheat-growers, I am no longer active in those organizations.

I am here today representing myself as a wheat farmer, the West Texas Chamber of Commerce, and the majority of farmers of Ochiltree County, Tex.

The opinions and statements I make here today represent the feelings and opinions of the vast majority of the farmers of Ochiltree County. There is a greater number of these farmers in Ochiltree County than there are members of the National Wheat Growers Association in the whole State of Texas.

1. The certificate plan as being proposed before the Congress at the present time, has, as I understand it, the same effect as the compulsory program proposed in last year's wheat referendum:

(a) The compulsory wheat program was defeated in that referendum in Ochiltree County by a vote of 693 against, to only 198 in favor of the program.

(b) In 1962 the compulsory wheat program was defeated in the wheat referendum by a 2 to 1 vote, and I could not get the figures for 1961, but it was also defeated in 1961, the wheat referendum.

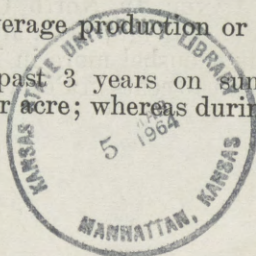
2. The wheat certificate plan being proposed by the National Wheat Growers Association is not a voluntary program for the following reason:

(a) Even though a farmer stays within his allotted acres and does not obtain certificates, he cannot sell his wheat for domestic consumption in the normal milling grain channels. Every bushel of wheat milled for human consumption must be accompanied by a certificate. The effect of this is that the farmer without certificates will be forced to sell his wheat at \$0.70 per bushel below the certificate price.

3. The wheat certificate plan being proposed by the National Wheat Growers Association discriminates against and is unfair to the dryland farmer for the following reasons:

(a) The certificates are issued on an average production or quota basis, based upon past history.

(b) Our average production for the past 3 years on summer-fallowed land has been about 15 bushels per acre; whereas during the



decade of the forties, our average on summer-fallowed land was well over 25 bushels per acre. Ochiltree County alone produced more than 1 percent of all of the Hard Red Winter wheat in the United States in the years 1944, 1947, and 1949.

(c) The only time a dryland wheat farmer ever makes very much money is when he produces an above average yield of wheat. For example, in several years, I have raised as much as 50 bushels of wheat per acre. Under the certificate plan, if consumption in the United States amounted to 60 percent of the gross production, I could only obtain certificates to sell 9 bushels of wheat to the acre. Last year the majority of wheat farmers in Ochiltree County, Tex., raised no bushels of wheat per acre, the crop being a complete failure due to disease and winterkill.

(d) Last year, crop year 1963, in Ochiltree County, since we raised no wheat, had there been a certificate plan there would have been encouraged a black market in certificates. In other words, farmers from this area could have bought excess wheat in other areas and then sold it under their issued certificates.

Our farmers voted down last year overwhelmingly the compulsory wheat program. We still don't want a compulsory wheat program, and the proposed certificate wheat plan would in effect be a compulsory wheat program, and if given an opportunity, I believe farmers will vote down the proposed certificate plan.

4. You will be surprised at my next statement and I urge you to check into this matter thoroughly.

There is no surplus of a quality milling wheat that millers can buy, that the commercial bakeries will purchase the flour of.

This is the kind of wheat produced in the dryland Hard Red Winter wheat areas in most instances.

As proof of the fact that there is no surplus of quality milling wheat, the price of wheat today in Perryton, Tex., is \$2.08 net to the farmer, whereas the CCC loan price is \$1.82, less storage and handling charges.

I know that you have been kicking around the figure of \$2.30 or \$2.20; wheat delivered to Texas common point, the highest is \$2.64.

Senator YOUNG. What is the price support locally down there?

Mr. LANCE. I beg your pardon?

Senator YOUNG. What is your price support in this area where you say wheat is selling for \$2.08?

Mr. LANCE. The price support is \$1.82 a bushel, the same as it is—

Senator YOUNG. \$1.82 plus 18 cents, or a total of \$2.

Mr. LANCE. That is if they took that additional 20 percent they could get the 18 cents.

Senator YOUNG. Do you know of any area in the United States where wheat is not selling about the same amount over the price support as here?

Mr. LANCE. Oh, yes, sir.

Senator YOUNG. Where?

Mr. LANCE. In North Carolina. I have a son-in-law who is a Ph. D. at Raleigh, N.C., and I was there last Easter, and wheat was 65 cents a bushel more in Perryton, Tex., than Raleigh, N.C. It is more than 40 cents in Perryton than Waco, however.

Senator YOUNG. The head of the National Soft Wheat Millers Association testified yesterday that all this wheat now is selling for about \$2.20 a bushel.

Mr. LANCE. That is what he said he was paying for wheat, and a soft wheat.

Senator YOUNG. He claims there is not any available.

Mr. LANCE. Well then he was not buying any. He should offer \$3 if he could not buy any.

Senator YOUNG. I think you had better check these prices.

Mr. LANCE. No, sir. These figures are right.

Senator YOUNG. When did you check that price in North Carolina?

Mr. LANCE. Last Easter.

Senator YOUNG. It is a little different now.

Mr. LANCE. There has only been 1 year in the past 10 years when our farmers could not have sold their loan wheat at a profit through the normal grain trade.

5. The crux of the whole wheat surplus problem is the low quality milling wheat. This is what we have a surplus of, and has come about by the U.S. Department of Agriculture granting a high-price support to all wheat, regardless of milling quality, excepting a few of the wheats that have been blacklisted.

High-price supports have encouraged a quantity of production rather than a quality of production.

The certificate plan as proposed would encourage a larger production of low quality wheat by irrigation in order that a farmer could increase his history and quota. This is because the certificate plan is a bushel allotment which we have always opposed. More bushels can be raised under irrigation, but the wheat will be of lower milling quality.

Farmers in our area are not too opposed to the incentive plan as proposed for wheat, for this would be similar to the incentive plan now in effect on grain sorghums and feed grains.

Personally, I would favor a phasing out of all incentive payments on wheat and feed grains over a 3-year period and permit the law of supply and demand to control the price of wheat and other small grains.

The effect of the law of supply and demand would put us in competition with other parts of the world to supply world needs.

We have no fear in Ochiltree County that our wheat will ever drop to \$1 per bushel as some have said, because of the superior milling quality of our wheat.

Without a high support price, these farmers who have been producing wheat for Government CCC loans will discontinue raising wheat and return to producing the products they produced before such high price supports were available.

We feel that during this period of high prosperity, that the price support program has served not only as a floor, but also a ceiling on the price of good quality milling wheat and without price supports forming a ceiling we feel that our wheat could be more valuable in the marketplace than it is at the present time.

As another alternative, if we must have a price support program, we favor the price support plan advanced by the National Farm Bureau which is based upon the average price for the past 3 years of

world market or 50 percent of parity whichever is the higher for a price support.

If it is good business—I guess I shouldn't have said this—to destroy our bombers with a bonfire, it should be good business to destroy our high surplus of low quality milling wheat by dumping it in the ocean.

My business is wheat. In 1953 before a House Agriculture Committee in Enid, Okla., I opposed a certificate plan as proposed by the Washington and Oregon Wheat Growers in meetings of the National Wheat Growers Association. I am as opposed to it now as I was at that time. We don't want to be a part of the problem, but a part of the solution.

Farmers last year voted down compulsory controls. I tell you now that the proposed voluntary certificate wheat plan is a compulsory program, in that if you don't go into this voluntary program, you cannot sell your wheat on the open market for domestic consumption.

We don't want more Government controls. We want less controls. We want to sell our wheat in the marketplace. Farmers said this loud and clear last year and farmers of Ochiltree County have sent me here to say it again before this committee.

Mr. Chairman and members of the committee, I appreciate this opportunity to appear before you and will gladly endeavor to answer any questions you may have.

I would like to read this telegram at the present time.

The CHAIRMAN. Go ahead.

Mr. LANCE (reading):

W. H. "BILL" LANCE,
Statler Hilton Hotel, Washington, D.C.:

Wheat resolution quote:

"Whereas the U.S. Department of Agriculture is proposing wheat legislation which will favor a certificate plan to subsidize the wheat producer and whereas a similar plan was voted down by the wheat producer in a referendum in 1963. Therefore, be it resolved that the West Texas Chamber of Commerce continue its policy and tradition of favoring a free market economy by opposing the wheat certificate plan as presently proposed by the U.S. Department of Agriculture. Be it further resolved that the West Texas Chamber of Commerce favor an interim wheat program which will provide wheat producers with loan plan based on the average price of the free world market for the past previous 3 years. This plan would eventually lead to a free market for our wheat producers."

JACK G. SPRINGER,
Executive Vice President,
West Texas Chamber of Commerce.

The CHAIRMAN. I may say, Mr. Lance, I have here two telegrams from Perryton, Tex., addressed to me as chairman, signed by R. Haley, and others, stating that you speak for them, so in connection with your telegram I will ask that these other two be placed in the record at this point.

(The documents referred to follow:)

PERRYTON, TEX., *February 10, 1964.*

Senator ALLEN J. ELLENDER,
Chairman, Senate Agriculture Committee,
Old Senate Building, Washington, D.C.:

We, the following named wheat farmers in Ochiltree County, Tex., want you and the members of the Senate Agriculture Committee to know we discussed the statement of W. H. Lance to be made before your committee and we support his statement 100 percent.

R. W. Haley, J. R. Stump, Gene Steed, Drew Ellis, Irvin Molesworth,
Jack M. Allen, Ray Wright, Oliver Carter, C. O. Peterson, Howard
Brillhart, Oras Busch, Charles Selby, Duane Thurman.

PERRYTON, TEX., February 10, 1964.

Senator ALLEN J. ELLENDER,
Old Senate Building, Washington, D.C.:

W. H. Bill Lance is going to testify before the Agriculture Committee on the wheat program. We ask that you favorably consider Mr. Lance's approach to the wheat problem.

OCHILTREE COUNTY FARM BUREAU,
H. A. WIEBE, President.

Senator YOUNG. Mr. Lance, you are a certified wheat producer?

Mr. LANCE. That is right.

Senator YOUNG. You do not produce for the commercial wheat market; do you?

Mr. LANCE. Yes, sir. I farm 3,400 acres. I cannot sell all of it as certified seed. I wish I could.

Senator YOUNG. 3,400 acres, that is a family-sized farm in Texas?

Mr. LANCE. I reckon. [Laughter.]

Senator YOUNG. Thank you.

Mr. LANCE. May I make an additional statement? With the certificate plan it will be the first time in the American market that the American farmer has something that there is a price for, a high price for, that he cannot sell. In other words, you understand what I mean, that he can only sell a certain percentage of his wheat at this supported price, and for the dryland farmer we think that it is the most unfair thing we have ever heard of.

Senator YOUNG. I do not think you have read the bill. Under the certificate plan, the farmer sells all his wheat on the market for whatever he can get for it.

Mr. LANCE. Yes; but you are taking 70 cents off.

Senator YOUNG. No; you are not. He gets the 70 cents in addition to the market price for that portion consumed in the United States, plus a smaller certificate payment on export wheat.

Mr. LANCE. Thank you.

The CHAIRMAN. All right.

Permission is granted to file a statement by Mr. and Mrs. Emmett Simmermon from South Solon, Ohio. It will be filed at this point.

(The document referred to follows:)

STATEMENT FILED BY MR. AND MRS. EMMETT SIMMERMON, SOUTH SOLON, OHIO

We are Mr. and Mrs. Emmett Simmermon, grain and hog farmers. We have 411 acres, almost paid for, of good farming land in central Ohio. We have farmed all our lives, sometimes supplementing our farm income with selling farm machinery, plumbing, and heating and one winter working in the International Harvester Co. and teaching school the year before we were married. This year we are retiring from farming, letting our son-in-law farm the land. His son, Alan Thompson, age 7, is one reason why we are here working for sound farm legislation. He says he would rather be a farmer than President.

We very much appreciate the Senate Agriculture Committee's consideration of wheat legislation at this time, which could stop some of 1964's estimated drop in the farmer's income.

The farmers, efficiently producing food and fiber, performing the most important service to the Nation, receive an income for this service that is a disgrace to the United States.

Today's economists estimate \$4,000 income as the dividing line between poverty and prosperity and the 1962 farm operator's cash income from farming including the free labor of his wife and children was \$2,482.

Farmers' total assets January 1, 1963, were \$214.1 billion divided by 1962's 3,688,000 farms gives \$58,053 average capital investment which at 4 percent gives \$2,322 income for capital subtracted from the \$2,482 leaves \$160 for 1962's operator and family's labor

The wheat farmers need a just support price for the necessary production that will give them a fair price for their labor and capital comparable to that of the nonfarmers. The surplus production starts from the soil or the farmer's acres. The past few years experience of diverting acres from production have proven that this can reduce the farm surplus.

Giving the farmers a support price for grains plus a payment for diverting acres usually discriminates against the small farmers, but paying a support price for the grains they actually produce after diverting a percent of acres from production is fair to both.

Wheat and all farm legislation should be simplified and understandable to all. We, therefore, suggest the following method for the 1964 wheat farmer on this order:

The Secretary would estimate the necessary percent of acres that should be diverted each year.

The wheat farmer diverting no acres would receive \$1.30 per bushel or the free market price.

The wheat farmer diverting the Secretary's estimated X percent of his allotted acres from farm production would receive an X fair support price from the balance of his allotted acres; e.g. 100 acres of wheat; 30 bushels per acre yield; 20 percent the Secretary estimates should be diverted; and the fair price \$2.50 per bushel.

No acres diverted: 3,000 bushels at \$1.30 per bushel support price is \$3,900 or the free market price.

Twenty acres diverted: 2,400 bushels at \$2.50 is \$6,000 support price from the farmer's production, which also includes the cost of diverting 20 acres.

For example: 100 acres of corn; 70 bushels per acre yield:

The Secretary's estimated 20 percent to be diverted at \$2.26 fair corn price per bushel (based on diversion cost and feed value comparable to wheat).

No acres diverted: 7,000 bushels at \$1.25 per bushel is \$8,750.

Twenty acres diverted: 5,600 bushels at \$2.26 per bushel is \$12,656.

Livestock prices should be supported comparable to the feed value of grains. Cotton, based on all theory, with no production experience, which is usually 90 percent wrong but the idea may help those interested in cotton.

For example:

100 pounds, none diverted; 100 pounds, at 20 cents, support price-----	\$20. 00
100 pounds, 20 percent diverted; 80 pounds, at 26 cents, support price-----	20. 80
100 pounds, 30 percent diverted; 70 pounds, at 29 cents, support price-----	20. 30
100 pounds, 40 percent diverted; 60 pounds, at 34 cents, support price-----	20. 40

Senator YOUNG. Mr. Chairman, I was going to make a statement concerning the bill that I introduced and which was cosponsored by Senator Mundt, Senator Carlson, and on the House side by Congressmen Andrews and Ben Jensen. I think the committee is familiar with it. It was drawn by the staff of our committee, and I would like to have inserted a statement that I made on the floor of the Senate explaining it, together with a technical explanation of the proposal.

The CHAIRMAN. Without objection, that will be done.

Senator YOUNG. I will discuss it later with the committee, at a later time.

The CHAIRMAN. Without objection, that will be done.

(The statement referred to follows:)

[From the Congressional Record, Senate, Dec. 4, 1963]

PROPOSED WHEAT PROGRAM

Mr. YOUNG of North Dakota. Mr. President, on behalf of myself, the distinguished Senator from Kansas [Mr. Carlson], and the distinguished Senator from South Dakota [Mr. Mundt], I introduce, for appropriate reference, a new wheat price support proposal. A companion bill is being introduced in the House of Representatives by Representative Mark Andrews, of North Dakota.

This bill would amend the present wheat certificate law providing a much simpler and more workable domestic parity program for wheat. Unless Congress enacts new wheat legislation, the present certificate program will have to be voted on again by wheat producers in a referendum early next year. Be-

cause of many complications and some undesirable features of the present law, it is highly unlikely that it would receive the necessary two-thirds vote in another referendum. This means that price supports would drop to about \$1.30 a bushel. It would be utterly impossible for wheat farmers to survive this drastic drop in prices when costs of operation continue to rise year by year. The repercussions of a chaotic wheat price situation would have direct and adverse effects on the prices of most other commodities.

This new proposal would amend the present wheat certificate plan. The improvements proposed would make this a simpler and more workable program. It would be completely voluntary and would contain no marketing penalties. It would assure wheat producers 100 percent of parity for that portion of their crop consumed domestically and world prices for the balance.

Under this proposal the Secretary of Agriculture would determine each year the amount of wheat necessary to meet domestic and export requirements. This could not be less than 1 billion bushels. The Secretary would announce the acreage needed to meet the desired annual production goal. The national allotments and the State, county, and farm allotments would be arrived at in the same manner as allotments are now determined.

Using this formula the national allotment for next year would be about 50 million acres which, it is anticipated, would produce 1.2 billion bushels. If present export levels could be maintained or even increased, as now appears entirely possible, acreage allotments would be much higher. There would be a minimum support level, as provided under existing law, which the Secretary has announced as \$1.30 a bushel. The farmer would receive, in addition to this, 100 percent of parity which is currently \$2.51 a bushel for that portion of his wheat which is consumed in the United States, or approximately 500 million bushels. This would give the farmer a blended price of about \$1.80 a bushel for all of his wheat. If the domestic market price were higher than \$1.30 a bushel, the farmers would, of course, receive a higher blended price.

In addition to the blended price of approximately \$1.80 a bushel, farmers who complied with the program would receive diversion payments for acreage reduction as is now the case under present wheat and feed grain programs.

Under the provisions of this bill, the President of the United States could elect to make payments for wheat certificates through the CCC as similar payments are now being made for both the wheat and feed grain programs; or he could elect to make the program largely self-financing by requiring the domestic processors to purchase the wheat certificates as is the case now under the wheat certificate plan. One of the great savings would be in the elimination of most if not all Government storage payments. There would be very few price support loans taken out by farmers at this much lower price support level.

This bill would repeal wheat marketing quotas and marketing penalties. It would, however, leave in effect the provisions for acreage allotments. Farmers who complied with acreage allotments would be entitled to marketing certificates and price supports. Those who failed to comply with allotments would not get any benefits from the wheat program but would be able to raise all of the wheat they wanted to and sell it free of penalty for whatever it might bring on the open market.

With these and many other simplifications, the program would be a true domestic parity plan, more commonly known as the two-price system. The bill utilizes the mechanics of the present law in allocating marketing certificates. These certificates, however, would be restricted to that portion of the wheat crop needed for domestic food consumption. A major advantage of such a program would be that wheat exporters would not be required to purchase certificates and wheat could move freely into export channels without expensive export subsidies. Presently, there is no restriction on the sale of most farm commodities to Russia and Communist-bloc countries. Only wheat, cotton, tobacco, and rice—because of the particular type of price support and the export subsidy involved—have run into trouble. This program would eliminate such problems with wheat, as no export subsidies would be required. Most of the noncertificate wheat would be disposed of on the world market at world prices.

Mr. President, I send this wheat bill to the desk for appropriate reference and ask that it be printed in full as a part of my remarks.

* * * * *

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. YOUNG of North Dakota. I yield to my friend.

Mr. MANSFIELD. Mr. President, the distinguished Senator from North Dakota—who in my opinion is one of the outstanding experts not only on wheat but also on

farm problems in general throughout the Nation—was good enough, about 10 days ago, to give me an advance copy of the bill which he is now introducing.

Unfortunately, because of the circumstances which occurred, I have not had an opportunity to study the bill, but I wish to assure the Senator that I will read his remarks with great interest and with great respect, as always, because I believe he realizes the difficulties which confront us in the wheat-growing regions and is likely to come up with a sensible proposal to help meet the situation which will confront the wheat ranchers next year.

Mr. YOUNG of North Dakota. I greatly appreciate the comments of our distinguished majority leader. He, of course, has long had great interest in agriculture and has always been sympathetic to the programs for wheat and to the needs of all farmers. I wish we had more friends like him in Congress.

The CHAIRMAN. Are there any other persons present who desire to be heard now who have statements to file for the record? If not, we will stand in recess until 2 o'clock to hear Mr. Freeman, Secretary of Agriculture.

(Whereupon, at 12:25 p.m., a recess was taken until 2 p.m., the same day.)

AFTERNOON SESSION

The CHAIRMAN. The committee will please come to order.

We are privileged to have the Secretary of Agriculture this afternoon to shed some light on the programs we have been talking about.

Mr. Secretary, since we are now considering wheat legislation, I would suggest that you read through, if you desire, your suggestions as to wheat, and follow that with cotton, and then we will take the questions on wheat and then on cotton.

STATEMENTS OF HON. ORVILLE L. FREEMAN, SECRETARY OF AGRICULTURE, AND HON. CHARLES S. MURPHY, UNDER SECRETARY OF AGRICULTURE

Secretary FREEMAN. On wheat and then on cotton.

The CHAIRMAN. At the end of the statement I will ask that a statement by Senator Mechem, of New Mexico, on wheat legislation be inserted in the record, following the questions put to and the answers by the Secretary.

You may proceed.

Secretary FREEMAN. Mr. Chairman and members of the committee, I am very pleased to be here with the Under Secretary to appear before the committee to discuss legislation for both cotton and wheat. The fact that you are moving ahead expeditiously is noted, and I can assure you appreciated by farmers around the country. Both the Under Secretary and I feel that this dispatch and vigor is of great importance and will so indicate in our statements.

We appreciate, Mr. Chairman, your leadership and that of the committee in moving so actively into these commodities.

The Under Secretary will devote his testimony primarily to the matter of cotton for, as you know, he has been working with the Committees of the Congress and the Members of the Congress as well as with farmers, processors, and all of the others in the cotton industry for some time to develop cotton legislation which will command the widest possible support.

I will concentrate, in my testimony, mostly on the program proposals for wheat.

It is clear that in the absence of new legislation the income of wheat farmers will fall sharply and all of agriculture will suffer a serious loss that will be felt adversely throughout our entire economy.

The President is deeply concerned about this loss of income—not only to the wheat farmers themselves, but to millions of others—those who live in the small towns and cities throughout the Great Plains area; in fact, throughout all of rural America and in our larger cities which produce and supply the machinery and materials used by wheat farmers.

In his message on agriculture, the President stated:

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

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

Legislation can effectively meet these price and income goals and yet hold the line on costs because of the understanding and restraint displayed by wheat farmers in planting the 1964 winter wheat crop. It is clear from the recent crop report that most of the winter wheat acreage—probably over 80 percent—has been seeded within the allotment which would have taken effect had farmers voted yes in the referendum. There was no massive expansion of wheat acreage as we had feared. There has been no massive acreage expansion because the wheat farmer this fall voted with his wheat drill for a continuation of wheat programs.

I am here to urge that this committee respond to this voluntary action on the part of farmers by enacting a voluntary wheat program. We can scarcely ignore the faith implied by the farmers' action. The overwhelming majority of wheat farmers recognize, as they indicated to me repeatedly this fall when I met with thousands of them, that a wheat program is essential. I agree, and am here to urge quick action by this committee on a voluntary wheat program.

Otherwise, despite the fact that acreages generally have so far been kept within allotments, the wheat farmer faces the prospect of a \$600 million decline in income. A decline in farm income of this magnitude will have a sharply adverse effect on the national economy at a time when all America is striving to increase the national economic growth rate.

It is clear, from the record of the past 3 years, that programs designed to be responsive to current needs can have a decisive influence on farm income. The feed grain program, the emergency wheat programs, and the administrative actions taken to raise support prices on a number of commodities—all these have combined to help increase farm income. Since 1960 farmers and the Nation have benefited from an increase in net farm income of some \$2.5 billion greater than if farm income had remained at 1960 levels. Gross farm income has been \$8 billion greater over the past 3 years.

This increase in farm income played an important part in the upturn of our economy. The \$8 billion cumulative increase in income since 1960 has enabled farmers to spend more for both the farm enter-

prise and family living. For example, farmers invested \$521 million more in tractors, \$900 million more in autos, and \$310 million more in other farm machinery and equipment in the past 3 years than otherwise would have been possible with a 1960 level of income. The increase in gross farm income also enabled farmers to spend about \$1,780 million more for purchased feed and about \$286 million more for fertilizer and lime. Furthermore, farm families were able to spend some \$1,560 million more for food, clothing, and household furnishings, because of their enhanced income position.

And, in 618 selected agricultural counties, deposits in insured commercial banks in June 1963 were some 20 percent higher than in June 1960. Indications are that this measure of financial activity rose about 8 percent during 1963.

Wheat legislation for 1964 is essential if we are to maintain income in rural America and to continue the progress of the past 3 years.

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

Specifically, we would suggest modifications in existing law to—

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

Under this type of program farmers are free to plant and harvest wheat as they desire. There should be no restrictions on marketing—no penalties—no marketing quotas. If a producer decides to cooperate and voluntarily reduce his acreage, he would then be entitled to use the price support mechanism—and to receive certificates and diversion payments. Under this type of program, wheat would move from producer to user at market prices, plus quality premiums, based on a loan rate of about \$1.30 per bushel. USDA would stand ready to assist producers in marketing certificates required for domestic milling and export wheat.

This type of program requires only a minimum of changes in existing law—as well as administrative regulations. This we believe is important. There is little time available to make a new program fully effective for the 1964 crop.

Several proposals pending before this committee embody the basic features necessary for a voluntary certificate program. In addition, a proposal containing these features has been developed by the House Subcommittee on Agriculture. Each proposal has certain advantages and some disadvantages. We stand ready to assist the committee in pulling together the best features from each of these proposals into

a combination which most nearly meets all of the goals and requirements for a new wheat program.

May I conclude this portion of my testimony by emphasizing the urgency with which I hope this committee will see fit to act. If the wheat farmer is to benefit from a new voluntary certificate program, there must be prompt action.

The CHAIRMAN. Since we are considering wheat legislation, that is, those hearings, suppose we start questioning on wheat. Would that be agreeable?

Mr. Secretary, as I understand your testimony, the law that was enacted last year with respect to wheat would need very little changes to carry out the views that you here expressed today?

Secretary FREEMAN. Yes, sir.

The CHAIRMAN. And I presume that would mean to remove from the bill all penalties?

Secretary FREEMAN. Yes, sir.

The CHAIRMAN. And make it purely voluntary?

Secretary FREEMAN. That is correct.

The CHAIRMAN. And with the same effort of allocating the acreage?

Secretary FREEMAN. That is correct.

The CHAIRMAN. And leave it entirely to the farmer to go into the program or not?

Secretary FREEMAN. That is correct.

The CHAIRMAN. It would be only those who would go into the program who would receive certificates for the sale of wheat?

Secretary FREEMAN. That is right.

The CHAIRMAN. And for which payments would be made?

Secretary FREEMAN. That is right.

The CHAIRMAN. And those who do not go into the program could produce all they desire and would be permitted to sell their entire output at world prices or whatever the market price would bring?

Secretary FREEMAN. Yes, sir.

The CHAIRMAN. Which is, in effect, world prices?

Secretary FREEMAN. That is right—about equal to the world price but also competitive with feed grains.

The CHAIRMAN. Any questions?

Senator AIKEN. I have one question. Do you think, Mr. Secretary, the time has come when we should abandon the practice of submitting farm programs to farmers for a vote, and then when two-thirds of them vote affirmatively, that their decision is binding on the other third?

Secretary FREEMAN. No, not necessarily.

Senator AIKEN. I am not referring to marketing orders; I am referring to the basic commodity programs.

Secretary FREEMAN. No, not necessarily, Senator. I think that each commodity needs to be considered on its merits, and from a very practical standpoint.

Senator AIKEN. But you are leaving optional to each farmer as to whether he should participate in a program or not.

Secretary FREEMAN. In this program, that is correct.

Senator AIKEN. I see. We are talking about wheat now.

The CHAIRMAN. That is right.

Senator AIKEN. Can you tell us what the disappearance is going to be this year on wheat? You had an estimate, I believe, in December?

Secretary FREEMAN. Yes. Let me see. You have in mind the present marketing year.

Senator AIKEN. I mean how much will disappear for domestic use and export from July to July?

Secretary FREEMAN. Of the year, the crop we are in now?

Senator AIKEN. The disappearance from July 1, 1963 to July 1, 1964.

Secretary FREEMAN. For the current year, we are estimating in the neighborhood of 900 million to 1 billion bushels by way of export, and in the neighborhood of 600 million bushels by way of domestic uses.

Senator AIKEN. Do you think that the disappearance will hold somewhere near that figure for the next year?

Secretary FREEMAN. No. We would expect that the exports will drop to the neighborhood of, let us say, 650 to 700 million bushels.

Senator AIKEN. What price are you getting for CCC wheat now?

Secretary FREEMAN. I do not know the exact figure.

Mr. EDWIN A. JAENKE (U.S. Department of Agriculture). About \$2.37 at the gulf.

Secretary FREEMAN. \$2.37 gulf now.

Senator AIKEN. I believe that by the beginning of the new marketing year, practically all the wheat will be in Commodity Credit hands, won't it? What would you estimate, about 750 million bushels?

Secretary FREEMAN. There will be about 750 million bushels at the end of this current crop year.

Senator AIKEN. And about all of that will be in the hands of the Government. Last year I think there were about 10 million bushels left outside the Commodity Credit.

Secretary FREEMAN. Yes.

Senator AIKEN. Just another question. Is the recommendation of the President to abandon appropriations for marketing facilities research going to affect farm income?

Secretary FREEMAN. We do not believe so, Senator.

Senator AIKEN. You do not think so. You think you can abandon marketing facilities research? I won't press that question. Perhaps it does not belong here anyway, but it is sort of a serious question in some parts of the country.

Secretary FREEMAN. Yes, sir; I realize that.

Senator AIKEN. I do not think I have any more questions. I noticed your reference to an \$8 billion increase in gross farm income.

Secretary FREEMAN. Yes, sir.

Senator AIKEN. Cumulative over the last 3 years.

Secretary FREEMAN. Cumulative.

Senator AIKEN. It seems to me about \$3.5 billion of that were Government payments, were they not?

Secretary FREEMAN. I don't have the exact figure.

Senator AIKEN. Apparently the increase in net farm income has not kept pace with the increase in gross farm income.

Secretary FREEMAN. Net farm income, of course, is not. Costs have climbed during that period, if that is the thrust of the question.

Senator AIKEN. Yes.

Secretary FREEMAN. Yes, they have. We are still fighting the cost-price squeeze, as you are well aware.

Senator AIKEN. That is what I was getting at. Gross farm income does not really give a true picture because if you took out Government

payments, you would not have had much net income increase except for Government payments, would you?

Secretary FREEMAN. Yes, they would have had some. But the payments since these programs have been an important part, certainly.

Senator AIKEN. I notice in 1961 gross farm income went up \$616 million, and net \$767 million; in 1962 gross went up \$1.242 billion, and net only \$131 million; and in 1963, that is an estimate, I believe, so far—

Secretary FREEMAN. Yes.

Senator AIKEN (continuing). It shows a gross farm income increase of \$200 million, and a loss on net farm income of about \$300 million. Was that loss due to the fact that cotton did not sell?

Secretary FREEMAN. I am not quite sure from where the figures the Senator called off came.

Senator AIKEN. I just got them off from yours.

Secretary FREEMAN. But we have a good many.

Senator AIKEN. I do not vouch for the absolute accuracy of these. I do not think I have any further questions.

The CHAIRMAN. Mr. Secretary, I failed to ask you, the law that you are proposing would be for what period, 2 years?

Secretary FREEMAN. At least 2 years; yes.

The CHAIRMAN. Senator Johnston?

Senator JOHNSTON. Is the surplus increasing or decreasing?

Secretary FREEMAN. The surplus of wheat, Senator, has dropped from 1.4 billion bushels, which it reached in 1961, to the estimate of about 725 million bushels at the end of this current crop year, crop in hand.

Senator JOHNSTON. Almost cut in half?

Secretary FREEMAN. Almost cut in half; yes, sir.

Senator JOHNSTON. To what do you give credit for that reduction?

Secretary FREEMAN. The programs that have been in effect have contributed significantly to it, those that were passed by the Congress in 1961, they took effect in 1962, and the program in 1963. Then we have had substantially increased exports in the current crop year of which we hope a significant portion of it will continue.

We have had a vigorous and active program of market promotion in wheat, but we must acknowledge that we will not hold the current level of exports because the likelihood is there will be an improved crop in Western Europe and in other areas which have provided markets which logically will not carry over for the next year.

Senator AIKEN. Isn't the consumption of wheat going up sharply around the world?

Secretary FREEMAN. In a number of areas.

Senator AIKEN. About 200 million bushels a year.

Secretary FREEMAN. It has been climbing in various areas; yes. We are fiercely competing for our share in places like Japan and others where the economies have been able to pay for it.

Senator JOHNSTON. Are you having any trouble with the price of wheat? That is, to dispose of it to other countries, are you having any trouble?

Secretary FREEMAN. Well, we of course, as the Senator well knows, meet world prices through the medium of the export subsidy program, and we have stayed competitive in most areas. We have had some competitive problems and some adjustments we are making be-

cause of changes in marketing practices and procedures of some of our competitors, particularly the Canadians.

Senator AIKEN. If a company came to you and said, "We want to buy 300 million bushels of Commodity Credit wheat," what would you charge them for it?

Secretary FREEMAN. Well, we would have to give careful consideration to such an offer but if it were sold it would be under the export subsidy that was in effect for the day in question, with one exception. We have had a procedure, since last July, of a special bid subsidy on Durum wheat because of the special nature of Durum and the limited market for Durum. In that instance if they came and asked for a significant quantity, why, if it was large enough, we would consider the amount of the offer in relation to the supplies on hand where Durum is concerned in determining whether we would accept that bid offer or not.

Senator AIKEN. But you could not sell for less than the minimum stipulated by law, could you?

Secretary FREEMAN. Well, there is no minimum stipulated—

Senator AIKEN. For export?

Secretary FREEMAN. By law for export.

Senator AIKEN. You could not sell for domestic consumption for less?

Secretary FREEMAN. No; by law, not for less than 105 percent of the loan rate.

Senator AIKEN. 105 percent plus carrying charge.

The CHAIRMAN. 105 plus carrying charge.

Secretary FREEMAN. Plus carrying charge.

Senator AIKEN. You could charge more.

Secretary FREEMAN. Yes, sir.

Senator AIKEN. All right.

Senator JOHNSTON. We have given the Durum wheatgrowers the right to plant more. Are you advocating that now?

Secretary FREEMAN. No, sir. May the record show that this Durum was one of the examples, as the explosion in cotton production is another, that gives the Secretary of Agriculture gray hair. In 1961—

The CHAIRMAN. I do not see any in your hair.

Secretary FREEMAN. Well, there are plenty there, Senator. [Laughter.]

In 1961 some of the people in the trade came to me expressing deep concern because the price of Durum was up to about \$3.50. There were some who even suggested we ought to embargo it, and my response was that they could pay the farmer the same price anybody else would and get the wheat, and so the Congress, in its wisdom, increased the allotments a little bit. The next year there was a bumper crop, and in 1963 there was a crop that was double the 10-year average. We ended up very shortly with a surplus of 2 years supply on hand, and with Durum, which has a restricted use, it was a good example of how the explosiveness of weather and ideal conditions can change the best laid plans.

The CHAIRMAN. Well, Mr. Secretary, in that connection—are you through?

Senator JOHNSTON. Yes.

The CHAIRMAN. In that connection it has been suggested by quite a few witnesses yesterday and today that we should grow quality wheat that is more in use. What is your view on that?

Secretary FREEMAN. I think that this is absolutely right, and we are striving to accomplish exactly that. The premiums for high-quality wheat have been instituted, and, by the same token, we are seeking to upgrade the quality of our wheat that moves into export so that we can meet competition, and to emphasize constantly the production of a high-quality product.

The CHAIRMAN. Well, you feel that you would have ample authority if we enacted the law as you suggested today?

Secretary FREEMAN. Yes, sir.

Senator AIKEN. I would just like to commend the Secretary for establishing the new standards for wheat. I think it should have been done a long time ago.

Secretary FREEMAN. And maybe we won't have so much trouble getting orders in a foreign market if we deliver the same quality of wheat that other countries do.

The CHAIRMAN. Senator Young?

Senator YOUNG. Mr. Secretary, you said awhile ago that you would sell the wheat CCC at 105 percent of price support, plus carrying charges. Is this mandatory, for example, if a buyer comes to you and demands any amount of wheat at 105 percent of price support plus carrying charges, you must sell to him?

Secretary FREEMAN. I do not think we must sell, no.

Senator YOUNG. You can hold out for a higher price?

Secretary FREEMAN. We could. It is not mandatory.

Mr. MURPHY. No; it is not mandatory.

Senator YOUNG. This is discretionary?

Secretary FREEMAN. No, sir.

Senator YOUNG. You cannot sell lower than that?

Secretary FREEMAN. No.

Senator YOUNG. Have the sales to Russia so far been for cash or commercial credit?

Secretary FREEMAN. So far for cash.

Senator YOUNG. All cash?

Secretary FREEMAN. So far as we know; yes.

Senator YOUNG. What do you recommend with respect to the Anfuso amendment with which I think you are familiar?

Secretary FREEMAN. Yes, sir. If this program is put into effect, why then, after 1 year, I think that the Anfuso amendment probably ought not to apply, because this ought to be a bonafide voluntary program.

For this year, when it has already had an impact on the planting of a significant part of our total wheat, I think it would be hardly fair to change the rules in the middle of the game.

The CHAIRMAN. I wonder if you could have the Secretary, for the record, indicate what the Anfuso amendment is so that one reading it will understand it.

Secretary FREEMAN. The Anfuso amendment is a provision which deems that when a wheat farmer's acreage exceeds his allotment he will lose acreage history credit and his allotment will be decreased by a

formula proportionate to the system established under the amendment. This decrease will be about 7 percent.

Senator YOUNG. It was proposed by one of the witnesses, I believe this morning, that for this 2-year period or for the duration of the legislation that might be passed at this time, that we suspend the operation of the Anfuso amendment to the extent that a farmer would not lose acreage by overseeding, but would not gain acreage either. Wouldn't that be a pretty fair approach?

Secretary FREEMAN. I would want to think about that a little, Senator. This is a very sensitive and complicated thing in its operations.

Generally, it would seem to me with about 43 million acres having been planted under winter wheat, with the Anfuso amendment in the offing, it would be hardly fair to change it now while we have another 12 to 13 million acres of spring wheat that will be planted yet.

Senator YOUNG. I am thinking of next year.

Secretary FREEMAN. Next year?

Senator YOUNG. Yes.

Secretary FREEMAN. I think it has real merit, generally speaking. I would tend to feel that if this would be a voluntary program, why, then, the Anfuso amendment would not play a part in it.

Senator YOUNG. What blended price for wheat do you think would be paid to farmers under the bill passed by the House subcommittee?

Secretary FREEMAN. About \$1.85 a bushel, as I recall. Is that right?

Mr. JAENKE. About \$1.80 as a minimum, based on a \$1.30 loan, and the 70- and 25-percent certificates on 500 million bushels domestic and 500 million bushels export. The probabilities are that the market price would be somewhat higher.

Senator YOUNG. If the wheat sold in the market for \$1.30 a bushel, then the farmer would receive \$1.80?

Secretary FREEMAN. Yes.

Senator YOUNG. If he received \$1.50 on the market, then he would receive a blended price of about \$2?

Secretary FREEMAN. Right.

Senator YOUNG. One of the reasons, Mr. Secretary, that the compulsory wheat certificate plan was defeated last year was because it was too complicated. Personally I do not like the complications in the House bill or in the McGovern bill. What is wrong with the approach that I have been suggesting that the farmer be assured full parity, \$2.52 a bushel right now, for that part consumed in the United States, about 500 million bushels, and the world price for the balance?

Secretary FREEMAN. I think there is very real merit in your bill, Senator Young. But I applied the two standards with respect to farm legislation: One is workability. I think your bill would be very workable. The other is passability, and I am concerned because it would represent an increase over the current price of wheat in the market and, as such, it would be subject to, I think, vigorous opposition.

Senator YOUNG. Under my bill I would leave it to the discretion of the Secretary of Agriculture as to whether he would pay for all of the wheat certificates from CCC stocks or through the tax on the certificate payments. You could make the payments the same as you are now, 70 cents a bushel under the wheat-certificate payment, and

the balance out of the CCC. That is what Congressman Hope testified to on the House side. He liked this approach better, and so do I.

Secretary FREEMAN. Well, it has real merit. I will only say that we operate under certain judgment factors here. So far as I am concerned if this bill could pass the Congress and go into effect, why, we would certainly administer it, and I am sure it would be very workable.

On the other hand, it would be my best judgment we would have very grave problems in passing it, and we would hear the familiar song of a bread tax very loudly made, and in this instance I think one of the real beauties of this program in terms of its acceptability is the price of wheat would not increase and, therefore, the cost of bread would not increase, and the cost to the taxpayer in terms of the budgetary costs would be constant as well and, as such, it does not bring on the opposition that I am afraid otherwise we would have to face.

Senator YOUNG. I do not think you got my point, Mr. Secretary. I am proposing that you make the same wheat certificate payment as they do under the House bill at 70 cents a bushel, and then the balance of the certificate value would be paid out of CCC stocks.

Secretary FREEMAN. Then we have the budgetary problem which would be an equal problem in many sources of trying to present and pass the legislation.

Senator YOUNG. I would eliminate the export subsidy which would be quite a saving in itself though. I understand one of the reasons why you want an export subsidy is to avoid undercutting the International Wheat Agreement price.

But couldn't you avoid this by setting the minimum price by the formula which is now part of the wheat certificate wheat law where you base the minimum price on the relationship to the price of feed grains. You would have a choice of using this or the world price, whichever is the higher? If you had the minimum support at the world price, wouldn't you get away from this problem of undercutting international wheat sales prices?

Secretary FREEMAN. Well, there are several things here. If you set it at the fee price relationship, one desirable feature which has been broadly supported, has been the substitutability between wheat and feed grains that would take place under the certificate plan as we presented it.

Another factor is when it all is costed out, costs to CCC would be increased at least our figures so indicate.

Senator YOUNG. A representative of the grain trade, Mr. Farrington, testified this morning that he thought this would be a workable method, especially if you give a 10-cent-a-bushel leeway. This was Mr. Farrington, of the Archer Daniels at Midland Co. The grain trade people believe they could figure out a way that you could use this world price bases. This would be a lot simpler than other certificate plans. These other plans offer certificates on wheat, part of which is for export. This is what makes the program so complicated. All I am doing is trying to get a simpler program.

Secretary FREEMAN. I realize that, and I think there is real merit. But I think there has been a little misunderstanding. I do not really think that this is very complicated in actual practice, and this is the route that a program of this kind would follow.

Here is the farmer, and he would start out with, let us say, \$1.30 wheat, and he would get a certificate, one based on exports, and one based on domestic.

He would carry that wheat at the market price to the local line elevator, and then he would go down probably and cash in his certificates at an ASCS office, and they would be routed through normal commercial channels.

The wheat that went into the elevator would move at normal market prices just as it does now. Some would move down going into export and some would move down going to the miller.

The miller before he could mill it would have to have the certificate equivalent which would be largely a bookkeeping transaction.

The exporter before he could export it would have to have the certificate equivalent, which would be adjusted according to the export subsidy picture, and that again would be largely a bookkeeping transaction. But all the farmers would do would be to take their wheat to the line elevator and sell it at the market price and take the certificates down to the ASCS office and get their money for them and that would be the end of it.

Senator YOUNG. I have not subscribed to too much of the Farm Bureau's program, but that is one part that I think may have a little merit if you based minimum price supports on world prices. It seems to me you could get away from the export subsidy. I still do not see any reason why you cannot. If you use that basis, and right now there is only about 5 cents difference between \$1.30 minimum, which you propose, and the world price it is about the same thing. I understand the world price now backed off to the farm price is only about \$1.35.

Secretary FREEMAN. It is very close, you are right, Senator. But we also face the problems when you get into discounts and different qualities, different grades, where we might find ourselves rather frequently below the international wheat agreement minimums.

With the flexibility that would come from an export certificate, why, we would not face that danger, and I honestly do not feel that the system is particularly complicated.

Senator YOUNG. I wish you would give this a little more thought. If you would accept one principle, I think you could get more bipartisan support. There are several Republicans in both the House and the Senate who might give you support if you could accept this one principle which, I think, is more simple and workable.

That is all, Mr. Chairman.

The CHAIRMAN. Senator Eastland?

Senator EASTLAND. No questions.

The CHAIRMAN. Senator Jordan?

Senator JORDAN. I have no questions.

Senator AIKEN. I have just one more question, Mr. Secretary. This is about a matter which has concerned me for a long time. Other countries of the world are now acquiring wheat for the purpose of setting up reserves to guard against famine or war or speculation, which creates famine in itself.

Am I right in thinking that the only way that you could hold back a reserve in time of real shortage would be to set the price of wheat at famine prices, which would contribute to rather than alleviate an

emergency situation? Do you have anything on the books that would authorize you to hold a reserve for the United States or are we the only country in the world that cannot set up a reserve?

Secretary FREEMAN. We could just not sell, we are not mandated to sell it.

Mr. MURPHY. Might I comment on that?

The CHAIRMAN. Refuse to export it.

Senator AIKEN. Refuse to sell.

The CHAIRMAN. Refuse export licenses.

Secretary FREEMAN. Yes.

Senator AIKEN. We have not had to face that yet.

Secretary FREEMAN. No.

Senator AIKEN. But I am thinking—

Secretary FREEMAN. Mr. Murphy would like to say something.

The CHAIRMAN. We did in cotton several years ago.

Mr. MURPHY. We do in sugar now.

Senator YOUNG. You did the same thing on wheat in 1947.

Senator AIKEN. You think you can simply refuse to sell or hold the price up.

Secretary FREEMAN. Yes. The big question that is not necessarily before the House, but I would take this opportunity, as I always like to take it, would be to say that we ought to see to it that we always have adequate reserves, and we ought to draw a clear line between what is a reserve and what is a surplus.

Senator AIKEN. I would hope we would not get below a year's domestic requirements for our carryover.

Senator JOHNSTON. Should this be on all commodities?

Secretary FREEMAN. It would vary from one to the other. We have sought in our department to study and watch this and have reached some general conclusions that we periodically review as to what reserves ought to be in existence, and in wheat it is a year's domestic supply. In feed grains it has been a bit less because of the diversity of feed grains and the magnitude of the quantities involved.

In soybeans, very frankly we are at a level which is critical in supply, and we ought to have substantially more on hand.

We do have plenty of cotton, thank you, and we have plenty of tobacco, thank you.

Senator AIKEN. It is not my fault.

Secretary FREEMAN. We have plenty of dairy products, thank you. [Laughter.]

Senator JOHNSTON. Are we doing anything in the field of wool?

The CHAIRMAN. We are short on that.

Secretary FREEMAN. We are in tight supply on wool and have been.

Senator JOHNSTON. If we have a war, that is one thing we would need very much.

Secretary FREEMAN. We would be in short supply of wool; you are right, Senator.

Senator JOHNSTON. What can we do in that field?

The CHAIRMAN. We are doing all we can now by encouraging the production, and it has not worked as well as we thought.

Senator JOHNSTON. It is 115 percent of parity, and also we are charging a heavy import duty for it to come in, and we are not growing but just a small percent, enough to carry us forward. That is what I am worried about.

Secretary FREEMAN. I think it needs some looking into; yes, sir.

The CHAIRMAN. Well, now, as I understand it, there are no further questions on wheat.

I would like to conclude by asking this question in respect to wheat. You mentioned all sales so far to Russia have been on a cash basis.

Secretary FREEMAN. Yes, sir.

The CHAIRMAN. Do you know the total amount sold?

Secretary FREEMAN. The total amount sold—

The CHAIRMAN. To Russia?

Secretary FREEMAN. To Russia was 1 million tons, and then it was 700,000 tons; so it is 1.7 million tons.

The CHAIRMAN. Were there sales to other countries, other countries behind the Iron Curtain, for cash, so far as you know?

Secretary FREEMAN. Do you know, Charlie?

The CHAIRMAN. Normal terms?

Secretary FREEMAN. They are all under normal credit practices and terms. Whether there was any reinsurance on some, I think there might have been with the Export-Import Bank with a few of the so-called ancillary Communist countries, but not to the Soviet Union.

(The statement of Senator Mechem referred to follows:)

STATEMENT FILED BY HON. E. L. MECHEM, A U.S. SENATOR FROM THE STATE OF NEW MEXICO

Wheat farmers in the May 21, 1963, wheat referendum demonstrated beyond all question of doubt that they wanted no part of a multiple-price wheat plan. The referendum required a 66 $\frac{2}{3}$ -percent favorable vote in order for the multiple-price wheat plan to carry and be put in effect. Only 47.8 percent of the wheat farmers throughout the whole country were willing to accept such a plan. So we have seen the spectacle of not only two-thirds of the farmers don't want the plan but not even 50 percent of them are interested in it.

I am firmly convinced that New Mexico farmers, including wheat farmers, want to move away from Government supply management programs. They overwhelmingly voted this way in the wheat referendum.

I have, therefore, joined 16 other Senators in introducing S. 1617, the Wheat and Feed Grain Act of 1963.

S. 1617 will provide for an orderly transition from the programs of the past. It will better serve wheat and feed grain producers as well as livestock farmers and ranchers. S. 1617 provides for the following changes in legislation:

(1) The existing authority for wheat allotment, marketing quota, and certificate programs would be repealed.

There is no justification for insisting that acreage allotments remain in effect for a crop for which marketing quotas have been disapproved. Wheat farmers have indicated a desire to move away from restrictive Government programs, and they should be permitted to do so. S. 1617 would allow each farmer to decide for himself which grains he should grow and how much of each he can best produce.

(2) Beginning with the 1964 crop, price supports for wheat would be set at the higher of the U.S. farm price equivalent of the average world market during the immediately preceding 3 marketing years—currently about \$1.30 per bushel or 50 percent of parity—with premiums and discounts to reflect market demand for milling and baking quality.

This approach would eliminate administrative discretion with respect to price support levels. It would automatically adjust support prices to changing supply and demand conditions. It would also assure other wheat-producing countries that the change in our price support policy will not break world wheat prices.

Support prices set in this manner would not impede the working of the market; would not be an incentive to increase production; and yet, would provide real protection against any substantial drop in wheat prices.

Since price supports set in this manner would not be an artificial stimulant to production, it would not be necessary to couple them with restrictions on

production or marketing. Price supports set at higher levels—as proposed in other bills now before this committee—would stimulate production and make impossible the elimination of controls on individual farms.

These proposals for higher levels of price support would grant to the Secretary of Agriculture discretionary authority to increase the level to 90 percent of parity. We could not defend the high cost to taxpayers of such proposed programs, nor do we believe it wise to grant such discretionary authority to any Secretary of Agriculture.

(3) Wheat and feed grains would be placed on a comparable basis as soon as possible. The areas that produce wheat and feed grains overlap, and these commodities have historically competed with each other for land and markets. Farmers need the freedom to shift land from one grain to another to take advantage of changing market demands, to work out efficient crop rotation programs, and to adjust to variations in weather conditions. It also must be recognized that programs for both wheat and feed grains affect the livestock, poultry, and dairy industries which account for roughly two-thirds of our total cash farm receipts. Wheat should be allowed to compete for feed markets, but it should not be forced into feed on a subsidized basis as would occur under the certificate plan.

In order to clear the way for a coordinated wheat and feed grain program, the 1963 Feed Grain Act, which applies only to the 1964 and 1965 crops, would be repealed. Price supports for corn and other feed grains would be set at the higher of 90 percent of the average price received by farmers for these grains during the immediately preceding 3 years or 50 percent of parity.

Under the present conditions, price supports based on the market average would be higher than 50 percent of parity. We would expect this to continue to be true under a program that permits the market system to function; however, we see no need to repeal the 50 percent of parity provision that is already in the law.

(4) To protect farmers against undue competition from the release of Government-owned surpluses the CCC should be prohibited from offering its stocks domestically at less than 115 percent of the applicable support level, plus reasonable carrying charges, except for sales that are offset by open-market purchases. (This exception is designed to provide needed flexibility for the maintenance of good inventory management practices.) The proposed restriction would not apply to sales for export and it is assumed that existing export programs would be continued as long as CCC stocks remain at burdensome levels.

(5) In order to facilitate individual adjustments to freer markets, the Secretary should be authorized for a period of 3 years to enter into contracts for the voluntary retirement of cropland with emphasis on whole-farm retirement. Payment rates should be established through competitive bidding by farmers, and land placed in this program should be retired for periods of not less than 3 years.

A cropland retirement program of this nature would lead to the withdrawal of much greater productive capacity per dollar of cost and would eliminate most of the administrative problems associated with the emergency-type programs of recent years.

The CHAIRMAN. If there are no further questions on wheat, we shall now proceed to questions with respect to cotton.

Thank you.

(Whereupon, at 3 p.m., the committee recessed, to reconvene in other matters.)

(Additional statements filed for the record are as follows:)

STATEMENT FILED BY HON. PETER H. DOMINICK, A U.S. SENATOR FROM THE STATE OF COLORADO

Mr. Chairman, members of the Senate Committee on Agriculture and Forestry, I appreciate your courtesy in allowing me to appear and make this brief statement.

As you know, I am a cosponsor of S. 1617, the Wheat and Feed Grain Act of 1963. The basic provisions of this bill have already been explored by many of the witnesses who have appeared before the committee. Basically, S. 1617, is more nearly in line with the type of program that the farmers themselves have requested.

The only logical interpretation of last year's wheat referendum is that the farmers want to move away from Government-controlled supply management programs and toward a more free production and marketing plan. Another referendum in 1964 would not solve anything and would only delay our embarking on a more sensible and reasonable course in this field. Even now the free market influence is being felt throughout the country. The dismal forecasts by those who advocated a "yes" vote last year have not come to pass. New wheat legislation should not take us back to the more restrictive Government-controlled programs of the past. Nor can we overcome the failures of past programs by switching to so-called voluntary programs. Such proposed solutions only beg the question.

We have an excellent opportunity to enact the kind of wheat program which is wanted and sorely needed. We can take advantage of this opportunity by giving favorable consideration to S. 1617.

FEBRUARY 10, 1964.

STATEMENT FILED BY HON. HUBERT H. HUMPHREY, A U.S. SENATOR
FROM THE STATE OF MINNESOTA

Mr. Chairman, I wish to be recorded in support of S. 2258, a voluntary wheat bill I introduced October 24, 1963, on behalf of myself, my colleague from Minnesota (Mr. McCarthy), and the Senator from North Dakota (Mr. Burdick). This bill would apply to the 1964 and 1965 crops.

The principles of our approach to the wheat problem, as contained in S. 2258, have wide support, including that of the AFL-CIO, the U.S. Chamber of Commerce, the Chicago Board of Trade, and the National Millers Federation. I urge the committee to give it careful consideration.

We will be faced with a great challenge this autumn—how to be of maximum assistance to the 1.8 million wheatgrowers and other farmers and ranchers of this Nation. I have given considerable thought to this matter and have discussed it with farmers of my State of Minnesota and throughout the Nation at every opportunity since the referendum. I also have taken the matter up with leaders in agriculture abroad, since our policy with regard to wheat could have a direct bearing on our commitments under the International Wheat Agreement.

We all recall the wheat referendum which was held May 21. There was much sincere work on both sides in an effort to affect the referendum, which was for the 1964 crop. Wheatgrowers rejected it at the ballot box. Whether we agree with the verdict or not, the decision has been made in the traditional democratic method. Therefore, we must be very careful to avoid even the appearance of a punitive response.

The referendum under present law, for the 1965 crop, must be held not later than June 14, 1964—a date when very little of the 1964 wheat crop would have been harvested, and farmers would not have yet experienced the expected lower prices. For these and other reasons there is no assurance that the verdict will be any different this year than it was last year.

What are the consequences of inaction?

First, in order for a farmer to be eligible for price support in the 1964 program, he must stay within his share of a 49½ million acre allotment. There are no marketing quota penalties for overplanting the allotment. Price support will be around \$1.25 per bushel. Therefore, the price for wheat will likely be below the 1963 levels, especially at harvesttime when many farmers are forced to sell.

Second, it must be remembered that in 1957 and 1958 laws were enacted covering the determination of future wheat acreage allotments. Under those provisions, the farm wheat history is only the allotment if the acreage allotment is exceeded. On the other hand, farmers who stay within their allotments receive credit in the determination of future allotments, not only for the acreage harvested, but also for the acreage diverted.

Thus, a producer who exceeds his allotment accumulates smaller acreage history relative to his allotment than a farmer who plants within his allotment.

Third, under the conservation reserve provisions of the soil bank, a farmer forfeits his payment if he exceeds the larger of the wheat acreage allotment or 15 acres.

Fourth, the President has delegated to the Secretary of Agriculture the authority vested in him by Congress under the International Wheat Agreement Act of 1949, as amended. This action was necessary because disapproval of market-

ing quotas in the 1964 wheat referendum introduced uncertainties in domestic and world markets.

Wheat prices in the United States could fall below levels equivalent to minimum prices specified for sales under the International Wheat Agreement. If exports by the United States at such prices were permitted, it would result in collapse of the agreement.

Fifth, income of wheatgrowers will drop by several hundred million dollars under the alternative now in effect. This spells rural trouble for the breadbasket of the Nation. It cannot occur without serious adverse economic effects on the main streets of our small towns and the factories of our cities. What we are concerned with is the economic well-being of this Nation. A rural dislocation of this dimension will cause urban factory job losses. It will cause job losses in transportation and distributing.

Sixth, the keenest students of agriculture warn me that the adverse economic impact of low wheat prices and lack of a better wheat program would spill over to feed grain and then to livestock producers. All of us have an interest in a viable wheat economy.

I am convinced that this Nation is blessed with a unique opportunity to use its agricultural resources to provide maximum benefit to all mankind. The food-for-peace program has enabled us to help feed a hungry world. Wheat has truly been the staff of life of this program. Our wheatgrowers have helped push back the frontier of hunger on the threshold of which a third of the world's population still lives.

Certainly, we must continue this great humanitarian program with its very beneficial foreign relations aspects. However, at the same time, we must be sure that reduced prices do not force the wheat farmers who make this possible into mining the soil in order to eke out a living. This would be disastrous in the long run. We must insure ourselves an adequate supply of wheat for the long pull to feed an expanding population. For this worthy objective we need to expand our area of conserving crops.

Mr. Chairman, in full recognition of a fundamental responsibility to our wheatgrowers, I introduced a voluntary wheat bill for the 1964 and 1965 crops. Fundamentally, the 2-year wheat bill I introduced is a voluntary conservation program. Farmers will have an opportunity to participate in a program which is designed to:

First, expand conservation and prevent mining of the soil;

Second, offer cooperators higher income through a higher price support than the \$1.25 a bushel now available, plus support payments, plus substantial conservation payments, plus an opportunity to obtain higher than support prices in the market;

Third, to provide for the resumption of the use of wheat for feed in areas where it has been used historically for this purpose;

Fourth, to minimize the amount of or eliminate export subsidies and diversion payments;

Fifth, avoid a massive governmental interference with the movement of wheat through the normal channels of trade because of our obligations under the International Wheat Agreement;

Sixth, induce a shift from wheat to oilseeds and other crops for which there are expanding needs;

Seventh, provide, as part of the legislative history, that the lower market prices for wheat be reflected in prices paid by consumers. American consumers will pay the same price for flour as consumers of importing nations. Conceivably, it could be lower.

Eighth, provide a program under which the more desirable grades of wheat will be sold by farmers to reflect their inherent premium values, and

Ninth, provide as part of the legislative history that the executive branch do everything feasible to meet the needs of hungry people through expanded use of Public Law 480.

These are the details of the wheat program I proposed for 1964 and 1965:

First, it is a voluntary 2-year special conversation program designed to reduce Commodity Credit Corporation stocks, induce the resumption of the use of wheat for feed, and to minimize or eliminate the amount of export subsidies and diversion payments. If it works well, we can extend it and eliminate marketing quota programs permanently for wheat;

Second, the wheat base will be the 1963 allotment. For small growers, it will be the average acreage of wheat planted for harvest on the farm in 1959, 1960, and 1961;

Third, price support will be provided to cooperators only at the farm equivalent of the world price level or about \$1.35 per bushel. In addition, a domestic consumption payment to bring average returns to \$2 per bushel will be made to cooperators on one-half of normal production. In addition, an export use payment of 25 cents a bushel on one-half of normal production will be provided to cooperators only. The farmer will get these payments. The need for an export subsidy virtually will be eliminated.

Fourth, in order to induce a shift in land use out of wheat, conservation payments will be paid directly to wheatgrowers. The Secretary will be encouraged to permit such diverted acreage to be devoted to the production of oilseeds in order to expand the supply of protein meals needed by an expanding livestock population. If the land is devoted to such a special crop, reduced conservation payments will be made. I have not provided for support for oilseeds produced on the diverted acreage because questions have been raised as to the advisability of increasing the costs to the Treasury. In a spirit of compromise, I am willing to go along with this view, although personally I would prefer making all flaxseed and soybeans produced eligible for price support.

Mr. Chairman, the export demand for soybeans and soybean meal is growing at an extremely rapid rate—something on the order of 10 to 15 percent per year. We need to fill that demand, and we can. Certainly, the General Motors Corp. would not be foolish enough to produce Oldsmobiles if it foresaw a sharp increase in demand for Buicks. Our market experts see a continued expansion in demand for soybeans and its products. Let us give the Secretary the authority provided in this bill to contract with farmers to induce a shift out of wheat into soybeans. Incidentally, there would be savings in Government costs if such agreements are made.

Furthermore, this approach fits in with the present administration policy to shift acreage from surplus crops into a use category. This makes sense and is superior policy to idling acreage.

Some will question the desirability of expanding soybean production because they know that substantial quantities of cottonseed and soybean oil are moving into human stomachs under the food-for-peace program. Let us make no apologies for this great humanitarian effort with its excellent economic and diplomatic overtones. The market development features of this program have enabled us to convert from foreign currency sales to dollar markets in Spain, Italy, and several other hard currency areas. It has taken hard work but it is paying multiple dividends.

Of all the crops produced in the United States, this one has the greatest growth potential. Not long ago Secretary Freeman indicated that he would not be concerned with a 100-million-bushel carryover to protect the American consumer and livestock feeder against a short crop. Our carryover will be only 10 percent of this level next October 1. Let us provide the legislative authority to nurture this growth;

Fifth, the objective is to reduce CCC wheat stocks by 100 million bushels per year, and the Secretary is instructed to use the above framework in developing a program to this end;

Sixth, no sales of Government stocks can be made at less than 115 percent of the support price, plus reasonable carrying charges. This will maximize the opportunities for the free market to function without the threat of Government interference;

Seventh, such a program also will enable us to meet our obligations under the International Wheat Agreement. The absence of a program could cause us difficulties with Canada, Australia, and the Argentine. Furthermore, in the absence of such a program to meet our obligations under the IWA, the executive branch would have to engage in a massive interference in the commercial export trade;

Eighth, it will significantly increase wheat farmers' income over the current outlook.

Mr. Chairman, most wheatgrowers will participate in the voluntary wheat program I have described. A substantial conservation payment for shifting his wheat acreage to conserving uses—or a small payment to shift into needed crops—are desirable alternatives. The Secretary and his technical experts can figure out the rates of payment needed to reduce CCC stocks by at least 100 million bushels per year. This would result in substantial savings in storage costs. At the same time, market prices would go above support, since the buyers would know that the Secretary could not sell at less than 15 percent above

the support level, plus reasonable carrying charges. This all adds up to a better program.

America's wheat is a tremendous asset in the world's struggle for peace and freedom—an asset still awaiting to be fully utilized with greater boldness and compassion.

Wheat is the common denominator of international life. A breakthrough in the conquest of hunger is more significant than the conquest of outer space. In areas of Africa, Asia, and South America, as well as other parts of the world, wheat and its products mean far more to millions of people today than any space satellite in the sky.

Bread, not guns, may well decide mankind's future destiny.

Our reserves of food and fiber, and our ability to produce such commodities in abundance, are resources to be prized; to be used boldly and imaginatively, and not to be dribbled away. This must be conserved.

We need to reappraise our own food resources, not in the light of our immediate domestic needs, but in light of world needs for the present and for the future.

Mr. Chairman, food production in the world is barely keeping pace with the growth in population. Hunger still is the daily companion to millions of people. Where there are hunger areas, there are tension areas—and where there are tension areas, there is danger of sparks igniting into war.

World population is growing at the fastest rate in history. One estimate puts world population at approximately 6 billion persons by the end of this century—double the population now.

Our policies must look ahead at least as far as the lifetimes of today's children. As a nation we cannot do less than plan for survival. We must strive for nothing less than world peace. In either case, our food resources are essential. Wheat is the key. Let us be fair to the producers of this key commodity.

STATEMENT FILED BY ROBERT C. LIEBENOW, PRESIDENT, BOARD OF TRADE OF THE CITY OF CHICAGO

My name is Robert C. Liebenow, and I am president of the Board of Trade of the City of Chicago. I reside at 700 Laurel Avenue, Wilmette, Ill., and my business address is room 568, 141 West Jackson Boulevard, Chicago, Ill.

I should first like to thank this committee on behalf of the Chicago Board of Trade for allowing us an opportunity to express our views and opinions.

The Board of Trade of the City of Chicago is composed of 1,402 members located in 37 States and 12 foreign countries. It is a commodity exchange providing a marketplace for farmers and their representatives and consumers and their representatives to meet to buy and sell agricultural commodities. It does no buying or selling.

The Chicago Board of Trade long and consistently has advocated the return of American agriculture to an open market system without Government control or interference.

We recognize, however, that a sudden and abrupt return to completely open markets might mean a period of chaos for those crops which for many years now have been operating under a system of high support prices combined with Government production restrictions.

We feel the most effective, and least objectionable, program to facilitate this transition back to open markets would be a system of direct payments to farmers supplementing the income they receive from the sale of their commodities in open markets in sufficient amount to assure them of a reasonable return for their efforts.

The disadvantages of the high support price system by this time should be obvious. Without dwelling on the subject, we would like to point out a few of the system's undesirable features which would be eliminated by direct payments:

1. It has been a principal factor in the accumulation in Government hands of huge stores of agricultural commodities whose costs for storage, transportation, and maintenance items have run into the billions. At one time these costs actually approximated a billion dollars a year.

2. They have raised prices on export commodities such as wheat and cotton far above world prices, necessitating an expensive export subsidy program which also has cost the taxpayers billions of dollars.

3. Perhaps even more important, they have made it difficult, if not impossible, to determine for those commodities grown under the high support price system, what the open market price really should be. This is destroying the function of the marketplace, a factor which the Communists have learned can be disastrous. Furthermore, the accumulation of inventories in Government hands and the activities attending upon feeding of commodities back into the market brings the entire market system more and more under Federal control. Coupling this with Federal control over production, we have gone a long way toward the regimentation of agriculture which has failed completely in Communist countries and which all of us wish to avoid here.

If there is to be legislation affecting 1964 wheat production, we favor the combination of lower supports and supplemental payments which is embodied in pending bills. Strongly recommend that payments should go directly to the producer and, if certificates are used, feel the farmer should be able to cash them at the local level upon proof of compliance. Any other arrangement, we feel, would make the program more cumbersome, more difficult to administer, and more costly.

We would like to mention a few of the points of a direct payment system which would appear to us to be highly advantageous:

1. By eliminating the artificially high support price and permitting farm commodity prices to reach their own natural level, it would mean lower prices for food and fiber to consumers in this country—a lower cost of living for all Americans. In addition to being a direct benefit to consumers, this would have the effect of relieving inflationary pressures inherent in proposals to maintain farm price supports at their present high levels or even raise them higher.

2. By permitting prices of U.S. commodities to become competitive in world markets, it would eliminate all need for costly export subsidies. It would facilitate the normal commercial sale of American agricultural goods abroad. No longer would we have a situation in which cheap-labor foreign textile producers can buy U.S. cotton, benefited by an 8½-cents-a-pound subsidy, process it into textile goods, and ship those goods back to this country for sale at a price cheaper than American textile mills can turn out their products.

3. It would mean that the bulk of Government expenditures for farm-aid programs would go directly to farmers. There no longer would be the need to spend huge sums on export subsidies or for storage facilities to store surplus commodities purchased by the Government to maintain farm prices—huge sums labeled "farm aid" but which go to nonfarmers.

4. It would permit the reemergence of an open and unregulated market system in which commodities would seek and reach their own natural levels. This would allow the open market to resume its natural function as a warning signal to farmers if a particular commodity is being overproduced—a warning that it probably will be more profitable to the farmer to switch his land to the production of some other commodity in shorter supply. This would bring about the flexibility so necessary to a successful agriculture. In effect, it would encourage necessary adjustment rather than continued maladjustment, as is the effect of the present system whereby a farmer is guaranteed high prices for whatever he produces on his allotted acres.

Critics of the direct-payments plan often say its cost would be huge, but the fact is that we are not in any sense advocating any blank-check plan. In the first place, we suggest payments only for those crops which have been operating under artificially high support prices and are in need of a transition program to facilitate their return to an open market. Furthermore, the rates for the payments should be set at the lowest feasible level to give farmers a reasonable return for their efforts. And finally, the cost of the program would be only that sum which Congress provided.

Some opponents of direct payments have charged that they would lead to socialization of America's agriculture. In our view, there is no basis in fact for this argument. Payments have been used, and are being used, in several different agricultural programs without detriment to the free enterprise of those involved. The fact is that programs advocated by many defenders of free enterprise would involve more Government regulation of both production and marketing, and more interference with the market system and free enterprise, than would payments.

The Chicago Board of Trade would prefer a situation that would make Federal programs for agriculture unnecessary, but it recognizes the prime importance of the contributions farmers are making to our national security and economic stability. For those commodities faced with the problem of an orderly transition back to the time-proven open market system, we urge a practical and flexible program which will make possible the reasonable return to which farmers are entitled for their efforts.

It is our belief that such a program should interfere as little as possible with the marketplace and with the operations of individual producers.

If a wheat program is enacted, we urge a combination of lowered supports which would fix a price floor coupled with compensatory payments to go direct to the producers themselves.

Thank you.



The University of Chicago is a private, non-profit, research-oriented institution of higher learning. It was founded in 1837 and is one of the oldest and most prestigious universities in the United States. The university is known for its commitment to academic excellence and its diverse range of disciplines. It has a long history of producing world-class scholars and leaders in various fields. The university's research output is highly influential, and it has a strong reputation for its contributions to knowledge and society. The University of Chicago is a member of the Association of American Universities and is ranked among the top universities in the world.

