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SUPPLEMENTAL APPROPRIATIONS, FOR THE
DEPARTMENT OF AGRICULTURE, 1963

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HEARINGS
BEFORE THE
COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE
EIGHTY-EIGHTH CONGRESS

FIRST SESSION

ON

H.J. Res. 284

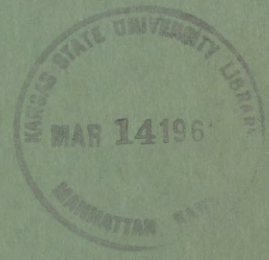
MAKING SUPPLEMENTAL APPROPRIATIONS FOR THE
DEPARTMENT OF AGRICULTURE FOR THE FISCAL YEAR
ENDING JUNE 30, 1963, AND FOR OTHER PURPOSES

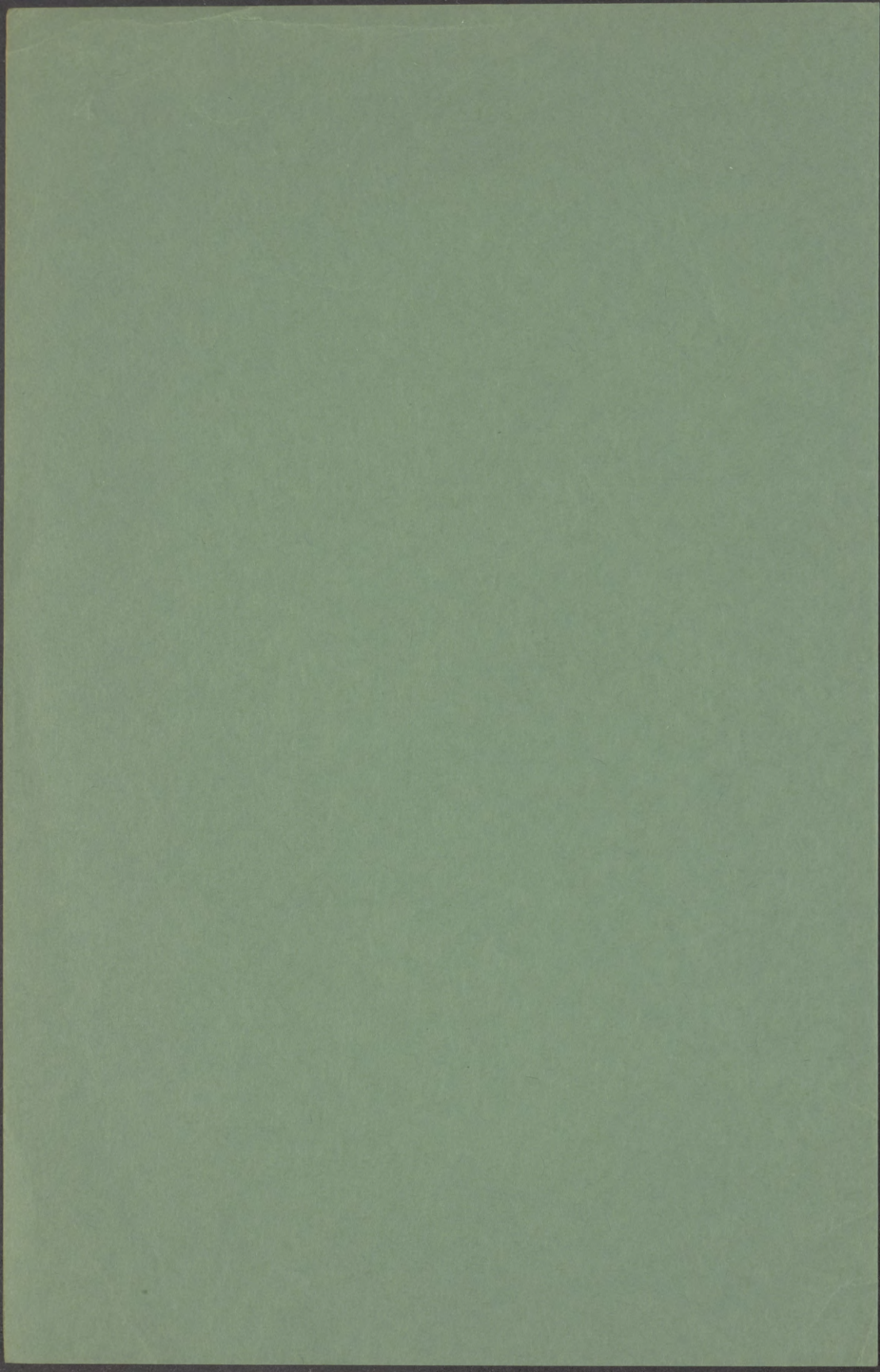
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DEPARTMENT OF AGRICULTURE, 1963**

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ENDING JUNE 30, 1963, AND FOR OTHER PURPOSES**

Printed for the use of the Committee on Appropriations



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WASHINGTON : 1963

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DEPARTMENT OF AGRICULTURE

(SUPPLEMENTAL)

THURSDAY, FEBRUARY 28, 1963

U.S. SENATE,
COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The committee met at 10 a.m., pursuant to call, in room 1223, New Senate Office Building, Hon. Carl Hayden, chairman, presiding.

Present: Chairman Hayden, Senators Ellender, Robertson, Holland, Stennis, Pastore, Kefauver, Monroney, Bible, Byrd of West Virginia, McGee, Young, Allott, and Case.

DEPARTMENT OF AGRICULTURE

SALE OF SURPLUS AGRICULTURAL COMMODITIES FOR FOREIGN
CURRENCIES (PUBLIC LAW 480)

STATEMENT OF HON. ORVILLE L. FREEMAN, SECRETARY OF AGRICULTURE ACCOMPANIED BY ROBERT P. BEACH, DEPUTY ADMINISTRATOR, MANAGEMENT, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE, AND CHARLES L. GRANT, DIRECTOR OF FINANCE AND BUDGET OFFICER, DEPARTMENT OF AGRICULTURE.

SUPPLEMENTAL REQUEST FROM AGRICULTURE

Chairman HAYDEN. The committee will consider the supplemental budget request carried in House Document 64. This estimate requests an additional appropriation of \$508,172,000 for fiscal 1963 under the head "Public Law 480" to restore the capital structure of the Commodity Credit Corporation.

A budget amendment revising the estimate for 1964 by a corresponding amount was also included in this document.

JUSTIFICATION

The justification of the estimate will be placed in the record at this point.

(The justification referred to follows:)

DEPARTMENT OF AGRICULTURE—FOREIGN ASSISTANCE PROGRAMS

(H. Doc. 64)

Justification for supplemental estimate, fiscal year 1963, for "Public Law 480: Sale of Surplus Agricultural Commodities for Foreign Currencies"

| Project | Appropriation to date, 1963 | Supplemental estimate, 1963 | Revised total, 1963 |
|--|-----------------------------|-----------------------------|---------------------|
| Sale of surplus agricultural commodities for foreign currencies..... | \$1,080,632,000 | +\$508,172,000 | \$1,588,804,000 |

This supplemental estimate is required to enable the Commodity Credit Corporation to carry out its mandatory price support programs in fiscal year 1963. Congressional action on the 1962 and 1963 appropriations placed financing of the foreign assistance programs on a current or pay-as-you-go basis, in order to relieve the Corporation of the burden of financing these programs from its borrowing authority. This has the effect of maintaining the Corporation's capacity to deal effectively with its major responsibility of domestic price support.

The 1963 appropriation for foreign assistance programs provided \$610 million less for the foreign assistance programs than the budget request. Three hundred and thirty-four million dollars of the amount appropriated for Public Law 480, title I, in 1963 was used for unrecovered 1961 and 1962 costs and it is expected that \$508,172,000 will be needed to meet 1963 costs as estimated in the 1964 budget. Approval of this estimate will make possible the reduction of the fiscal year 1964 budget request for Public Law 480, title I by a like amount, thus having no effect on the total amount of appropriations for the 2 years. An amendment to the 1964 budget has been submitted to reflect this reduction.

At the time the 1964 budget was prepared, it appeared that the Commodity Credit Corporation borrowing authority was sufficient to carry out authorized programs. Since then a combination of circumstances which could not be anticipated has adversely affected the timing of the use of borrowing authority resulting in unusually heavy demands on the borrowing authority in December, January, and to date, in February. These include:

- (a) Loans on the 1962 crop-corn are being made earlier this year than expected.
- (b) Receipts from feed grain sales are coming in slower than anticipated.
- (c) Cotton placed under price-support loans is far exceeding the quantity anticipated, caused primarily by uncertainties in the cotton trade concerning future prices next year under proposed legislation.
- (d) Continued heavy demands on the Corporation's financial resources for dairy products purchases, export payments, Public Law 480 costs and acreage diversion payments.

These developments have caused the available CCC borrowing power to decrease to \$161.7 million as of February 15. It is now expected that borrowing authority will be exhausted before the end of February unless supplemental funds are made available.

Approval of this request will make possible the continuance of essential CCC operations consistent with current estimates and at the same time avoid the necessity for appropriating this amount in 1964. This results from the change in timing of the use of CCC borrowing authority. It is believed that the total quantity of corn placed under loan will be in line with the budget estimate, that receipts from feed grain sales as estimated in the budget will be received later this year or early next fiscal year, and that the larger quantity of cotton placed under loan will be offset next fiscal year by sales and repayments.

The following tables show (1) a comparison of the transactions for the sale of surplus agricultural commodities for foreign currencies under the 1963 appropriation act with the proposed supplemental, and (2) the current status of the Corporation's borrowing authority with and without the proposed supplemental appropriation from June 30, 1962, through June 30, 1963.

Following is a comparison of fiscal year 1963 transactions under Public Law 480: Sale of surplus agricultural commodities for foreign currencies, included in the 1963 appropriation act with the proposed supplemental appropriation:

| Commodity or item | Unit of measure | 1963 appropriation act | | Supplemental estimate, 1963 | | Revised total, 1963 | |
|--|--------------------|------------------------|---------------|-----------------------------|---------------|---------------------|---------------|
| | | Quantity | Value | Quantity | Value | Quantity | Value |
| Wheat..... | Bushel..... | 320,000,000 | \$846,000,000 | -16,000,000 | -\$10,600,000 | 304,000,000 | \$835,400,000 |
| Corn..... | do..... | 15,000,000 | 34,650,000 | +5,000,000 | +4,210,000 | 20,000,000 | 38,860,000 |
| Barley..... | do..... | 5,000,000 | 6,513,000 | +3,500,000 | +3,542,000 | 8,500,000 | 10,055,000 |
| Beans, dry edible..... | Hundredweight..... | 100,000 | 500,000 | ----- | +205,000 | 100,000 | 705,000 |
| Sorghums, grain..... | Bushel..... | 5,000,000 | 7,660,000 | ----- | -1,090,000 | 5,000,000 | 6,600,000 |
| Rice, rough..... | Hundredweight..... | 12,100,000 | 61,200,000 | +1,500,000 | +6,800,000 | 13,600,000 | 68,000,000 |
| Cotton, upland..... | Bale..... | 700,000 | 119,000,000 | +550,000 | +84,125,000 | 1,250,000 | 203,125,000 |
| Cotton, extra long staple..... | do..... | 10,000 | 3,000,000 | -5,000 | -1,475,000 | 5,000 | 1,525,000 |
| Tobacco..... | Pound..... | 35,000,000 | 24,850,000 | -12,300,000 | -9,187,000 | 22,700,000 | 15,663,000 |
| Milk, nonfat dry..... | do..... | 70,000,000 | 11,480,000 | +30,000,000 | +5,522,000 | 40,000,000 | 5,958,000 |
| Vegetable oil..... | do..... | 625,000,000 | 75,000,000 | +350,000,000 | +61,500,000 | 975,000,000 | 136,500,000 |
| Butter..... | do..... | ----- | ----- | +30,000,000 | +17,762,000 | 30,000,000 | 17,762,000 |
| Other..... | do..... | ----- | 14,747,000 | ----- | +8,653,000 | ----- | 23,400,000 |
| Subtotal..... | ----- | ----- | 1,204,600,000 | ----- | +158,953,000 | ----- | 1,363,553,000 |
| Ocean transportation..... | ----- | ----- | 85,400,000 | ----- | +5,047,000 | ----- | 90,447,000 |
| Total expenses of shipments..... | ----- | ----- | 1,290,000,000 | ----- | +164,000,000 | ----- | 1,454,000,000 |
| Interest expense on unrecovered balance..... | ----- | ----- | 10,632,000 | ----- | +10,168,035 | ----- | 20,800,035 |
| Total expenses..... | ----- | ----- | 1,300,632,000 | ----- | +174,168,035 | ----- | 1,474,800,035 |
| Recoveries from sales of currencies, rental receipts and loan repayments (deduct)..... | ----- | ----- | -170,000,000 | ----- | -92,500,000 | ----- | -262,500,000 |
| Change in currencies to be sold for dollars in future years..... | ----- | ----- | ----- | ----- | 92,500,000 | ----- | 42,500,000 |
| Net expenses—current year costs recoverable from appropriation..... | ----- | ----- | 1,080,632,000 | ----- | +174,168,035 | ----- | 1,254,800,035 |

| Commodity or item | 1963 appropriation act | | Supplemental estimate, 1963 | | Revised total, 1963 | |
|--|------------------------|---------------|-----------------------------|----------------|---------------------|---------------|
| | Quantity | Value | Quantity | Value | Quantity | Value |
| Unrecovered prior years' costs included in 1963 and 1964 budget estimates, respectively: | | | | | | |
| 1961..... | | \$179,703,017 | | | | \$179,703,017 |
| 1962..... | | 32,604,983 | | -\$121,635,965 | | 194,300,945 |
| Total estimates, 1961, 1962, and 1963 costs..... | | 1,293,000,000 | | +205,804,000 | | 1,588,804,000 |
| Appropriation reduction..... | | -212,368,000 | | +212,368,000 | | |
| Appropriation (adjusted)..... | | 1,080,632,000 | | +508,172,000 | | 1,588,804,000 |

Commodity Credit Corporation—Estimated status of \$14.5 billion borrowing authority—June 30, 1962, through June 30, 1963

[Millions of dollars]

| Months | Without proposed supplemental | | | | Proposed supplemental | Balance available with supplemental |
|---------------------------------|-------------------------------|--------------------|--------|----------------------------------|-----------------------|-------------------------------------|
| | Regular activities | Special activities | Total | Balance available or deficit (-) | | |
| June 1962 (actual)..... | 12,727 | 1,165 | 13,892 | 608 | ----- | 608 |
| FISCAL YEAR 1963 | | | | | | |
| July 1962 (actual)..... | 11,852 | 1,122 | 12,974 | 1,526 | ----- | 1,526 |
| August (actual)..... | 10,799 | 1,178 | 11,975 | 2,525 | ----- | 2,525 |
| September (actual)..... | 11,234 | 1,192 | 12,426 | 2,074 | ----- | 2,074 |
| October (actual)..... | 12,066 | 1,141 | 13,207 | 1,293 | ----- | 1,293 |
| November (actual)..... | 12,730 | 601 | 13,421 | 1,079 | ----- | 1,079 |
| December (actual)..... | 13,322 | 675 | 13,997 | 503 | ----- | 503 |
| January 1963 (preliminary)..... | 13,703 | 587 | 14,290 | 210 | ----- | 210 |
| February..... | 13,988 | 746 | 14,734 | -234 | 508 | 274 |
| March..... | 13,886 | 808 | 14,694 | -194 | 508 | 314 |
| April..... | 13,765 | 957 | 14,722 | -222 | 508 | 286 |
| May..... | 13,559 | 1,145 | 14,704 | -204 | 508 | 304 |
| June..... | 13,313 | 1,432 | 14,745 | -245 | 508 | 263 |

PREPARED STATEMENT

Chairman HAYDEN. The Honorable Orville L. Freeman, Secretary of Agriculture, is appearing before the committee to support the supplemental request.

I notice you have a very brief statement, Mr. Secretary, and you may proceed with it.

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

I am here today not to request an increase in appropriations, but rather to ask for a shift in appropriations from fiscal year 1964 to fiscal year 1963.

REIMBURSEMENT TO CCC UNDER TITLE I, PUBLIC LAW 480

Your authorization of a supplemental appropriation of \$508,172,000 to reimburse the CCC for unrecovered 1963 costs for title I, Public Law 480, will be accompanied by a reduction in our budget request for 1964 by that identical amount.

Congress has given the CCC the responsibility for financing all Government price support and commodity purchase programs through the use of its own funds and a borrowing authorization limited to \$14.5 billion.

Because the nature of CCC operations and expenditures are to a considerable extent unpredictable—due to factors such as weather, insect damage, domestic and import demand, trade psychology, and other intangibles—Congress has seen fit to authorize such borrowing and to make up for realized losses by later appropriations for restoration of capital impairment.

REASONS FOR PRESENT SITUATION

There are two circumstances that have brought about the present situation in which the CCC, required by law to carry out price support programs by purchases or loans for such commodities as wheat, cotton, dairy products, and feed grains, is faced with resources now at the perilously low level of \$127.6 million.

The first of these circumstances is the fact that the Appropriation Act for 1963 as approved by Congress last year did not include \$831.6 million for reimbursement for past and estimated 1963 expenditures as requested in the 1963 budget.

The second is the combination of unpredictable factors that has resulted in: (1) heavier loans on cotton than expected, largely because mills have postponed buying in anticipation of lower prices; (2) heavier loans on corn than expected, largely because unusually favorable weather produced corn of such high quality that larger amounts went under loan earlier than anticipated; (3) lower sales from CCC stocks than were estimated a year ago.

FUNDS NECESSARY FOR AUTHORIZED PROGRAMS

Action is therefore necessary at this time to provide the CCC with enough operating capital to carry out the price support programs that are mandatory under law, along with its responsibilities for Public Law 480 operations, during the remainder of fiscal 1963. This action will have no effect on the total of the appropriations required for the 2 fiscal years of 1963 and 1964.

Might I say, Mr. Chairman, that the Secretary of Agriculture finds himself on the horns of a cruel dilemma. On the one hand, he is mandated by the Congress to do certain things, such as make loans on cotton and buy butter and do other things, and on the other hand he is so severely mandated that he cannot spend money he does not have. And, that means that the dilemma is a very sharp one.

I come here to ask that I may be removed from the horns of that dilemma, if you please.

Thank you.

CURRENT SUMMARY OF OBLIGATIONS

Chairman HAYDEN. Mr. Secretary, you stated that only \$127.6 million of the \$14.5 billion authorization remains. Do you have a current summary of the present obligations against the \$14.5 billion by major categories, such as loans, inventory stocks, and unreimbursed costs and losses?

Do you have a summary for the record?

Secretary FREEMAN. May I put such a summary in?

(The summary referred to follows:)

COMMODITY CREDIT CORPORATION

Reconciliation of "borrowing power in use" and investment in price-support and other program activities as of December 31, 1962

[Millions of dollars]

| | | |
|---|------------------------|------------------------|
| Borrowing power in use: | | |
| Borrowings | \$12, 884. 0 | |
| Obligations to Lending Agencies | 1, 113. 3 | \$13, 997. 3 |
| Investment in price-support: | | |
| Outstanding Loans | 2, 761. 4 | |
| Inventories | 5, 270. 6 | ¹ 8, 032. 0 |
| Difference | | <u>5, 965. 3</u> |
| Items reflected in "Borrowing power in use" not in "Investment in price-support": | | |
| Program cost Recoverable through appropriations authorized by specific statutes: | | |
| Public Law 480, title I | 477. 1 | |
| National Wool Act of 1954 | 103. 5 | |
| Public Law 84-654—CCC grain for waterfowl | . 2 | |
| Public Law 87-152—CCC grain for wildlife | . 2 | |
| Subtotal | 581. 0 | |
| Restoration of capital impairment: | | |
| Realized loss, fiscal year 1961 (Bal. Inv. Revaluation) | ² 1, 057. 0 | |
| Realized loss, fiscal year 1962 | 2, 799. 4 | |
| Realized loss, fiscal year 1963 | 1, 486. 9 | |
| Subtotal | ³ 5, 343. 3 | |
| Investment in: | | |
| Accounts and notes receivable (23 percent—barter and exchange contracts) | 279. 3 | |
| Fixed assets (98 percent—Storage structures and related equipment) | 102. 8 | |
| Cash and other | 83. 8 | |
| Storage facility and equipment loans | 73. 8 | |
| Subtotal | 539. 7 | |
| Total investment in items not in price support | | 6, 464. 0 |
| Less: Financing of assets other than by use of borrowing power: | | |
| Capital stock | 100. 0 | |
| Accounts payable and trust and deposit liabilities | 194. 5 | |
| Other | 204. 2 | 498. 7 |
| Net Total | | <u>\$5, 965. 3</u> |

¹ See table I attached.

² Balance of inventory revaluation.

³ See table II attached.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE—COMMODITY CREDIT CORPORATION

TABLE I.—Quantity, investment value, and net book value of commodities pledged for outstanding loans and commodities in price-support inventory as of Dec. 31, 1962

| Commodity | Unit of measure | Pledged for loans | | In inventory | | Total | |
|--|--------------------|-------------------|------------------|--------------|-------------------------------|------------------|------------------|
| | | Quantity | Investment value | Quantity | Investment value ¹ | Quantity | Investment value |
| Basic commodities: | | | | | | | |
| Corn..... | Bushels..... | 559,926 | \$616,199 | 1,044,325 | \$1,213,494 | 1,004,251 | \$1,826,693 |
| Cotton, Extra Long Staple..... | Bales..... | 9 | 2,384 | 16 | 4,350 | 25 | 6,734 |
| Cotton, Upland..... | do..... | 4,413 | 705,928 | 4,689 | 810,530 | 9,102 | 1,516,458 |
| Peanuts..... | Pounds..... | 241,412 | 27,276 | 37,957 | 6,343 | 279,369 | 33,619 |
| Rice..... | Hundredweight..... | 4,355 | 21,662 | 94 | 844 | 4,449 | 22,506 |
| Tobacco..... | Pounds..... | 657,079 | 461,219 | 1,044,993 | 2,034,726 | 657,079 | 461,219 |
| Wheat..... | Bushels..... | 258,961 | 526,874 | 6,000 | 345 | 1,303,954 | 2,561,600 |
| Wheat flour..... | Pounds..... | | | 14,722 | 812 | 6,000 | 345 |
| Bulgur..... | do..... | | | | | 14,722 | 812 |
| Total basic commodities..... | | | 2,361,542 | | 4,071,444 | | 6,432,986 |
| Designated nonbasic commodities: | | | | | | | |
| Milk and butterfat: | | | | | | | |
| Butter..... | do..... | | | 350,791 | 207,118 | 350,791 | 207,118 |
| Butter oil..... | do..... | | | 48,940 | 38,957 | 48,940 | 38,957 |
| Cheese..... | do..... | | | 111,588 | 41,788 | 111,588 | 41,788 |
| Ghee..... | do..... | | | 662,157 | 99,379 | 662,157 | 99,379 |
| Milk, dried..... | Bushels..... | 35,768 | 29,299 | 28,308 | 24,375 | 62,076 | 53,505 |
| Barley..... | do..... | 156,388 | 176,833 | 579,890 | 616,727 | 736,278 | 793,724 |
| Grain Sorghum..... | do..... | 32,831 | 17,570 | 15,352 | 9,219 | 48,203 | 26,793 |
| Honey..... | Pounds..... | 4,705 | 4,322 | 884 | 1,002 | 5,689 | 5,324 |
| Oats..... | do..... | | | | | 138 | 33 |
| Rye..... | do..... | | | | | | |
| Tung oil..... | Pounds..... | | | | | | |
| Total designated nonbasic commodities..... | | | 228,845 | | 1,038,924 | | 1,267,269 |
| Other nonbasic commodities: | | | | | | | |
| Beans, dry edible..... | Hundredweight..... | 1,962 | 13,954 | 893 | 5,998 | 2,855 | 19,952 |
| Cottonseed..... | Tons..... | (²) | 1 | | | (²) | 1 |
| Cottonseed oil, refined..... | Pounds..... | | | 8,340 | 1,015 | 8,340 | 1,015 |
| Flaxseed..... | Bushels..... | 3,648 | 10,287 | | | 3,648 | 10,287 |

[All figures in thousands]

| | | | | | | | | | |
|---|--|---------|--|-----------|--|---------|--|-----------|-----------|
| Naval stores: | | | | | | | | | |
| Rosin..... | | | | 17,153 | | | | | 17,153 |
| Turpentine..... | | 166,410 | | | | 1,730 | | | 1,730 |
| Soybeans..... | | 58,269 | | 130,184 | | 36,711 | | 87,433 | 217,567 |
| Vegetable oil products..... | | | | | | 145,204 | | 26,638 | 26,638 |
| Total other nonbasic commodities..... | | | | 171,529 | | | | 121,991 | 293,520 |
| Exchange commodities: Strategic and critical materials..... | | | | | | | | 38,222 | 38,222 |
| Total..... | | | | 2,761,416 | | | | 5,270,581 | 8,031,997 |

1 Represents acquisition cost plus cost of any packaging or processing performed after acquisition.

2 Less than 500.

TABLE II.—Commodity Credit Corporation—Restoration of capital impairment

[In millions]

| Commodity or program | Realized loss | | | Total |
|---|------------------|------------------|-----------------------------|------------------|
| | Fiscal year 1961 | Fiscal year 1962 | Fiscal year 1963 (6 months) | |
| Price support, export, supply and related: | | | | |
| Price support: | | | | |
| Basic: | | | | |
| Corn..... | \$364.1 | \$567.8 | \$108.9 | \$1,040.8 |
| Cornmeal..... | | 21.2 | 9.0 | 30.2 |
| Cotton: | | | | |
| Extra long staple..... | .5 | 1.9 | .1 | 1.3 |
| Upland..... | 15.3 | 12.9 | 11.7 | 39.9 |
| Peanuts..... | .6 | 8.2 | 2.7 | 11.5 |
| Peanut butter..... | | 3.9 | 2.1 | 6.0 |
| Rice..... | .7 | 15.8 | 4.4 | 20.9 |
| Tobacco..... | | 9.3 | 1.2 | 9.1 |
| Wheat..... | 603.1 | 28.6 | 33.0 | 664.7 |
| Wheat flour..... | (²) | 101.3 | 42.8 | 144.1 |
| Bulgur..... | | 3.4 | 5.2 | 8.6 |
| Rolled wheat..... | | 4.5 | 3.3 | 7.8 |
| Total basic..... | 984.3 | 776.0 | 223.0 | 1,983.3 |
| Mandatory nonbasic: | | | | |
| Barley..... | 13.4 | 10.0 | 2.2 | 25.6 |
| Honey..... | | | (²) | (²) |
| Milk and butterfat: | | | | |
| Butter (including oil)..... | 1.9 | 80.7 | 59.5 | 142.1 |
| Cheese..... | .1 | 50.9 | 29.8 | 80.8 |
| Milk, nonfat dry..... | 2.0 | 166.8 | 71.9 | 240.7 |
| Milk, fluid..... | | 25.9 | 4.5 | 30.4 |
| Oats..... | 2.6 | 4.1 | 2.1 | 8.8 |
| Rolled oats..... | | (²) | 1.2 | (²) |
| Rye..... | 1.5 | 1.1 | | 1.2 |
| Sorghums, grain..... | 260.6 | 127.4 | 69.8 | 457.8 |
| Tung oil..... | (²) | 1.3 | | 1.3 |
| Total, mandatory nonbasic..... | 282.1 | 465.4 | 239.6 | 987.1 |
| Other nonbasic: | | | | |
| Almonds..... | | | | |
| Beans, dry edible..... | .5 | 9.8 | 9.2 | 19.5 |
| Cottonseed products..... | | | (²) | (²) |
| Flaxseed and linseed oil..... | (²) | (²) | (²) | (²) |
| Naval stores: | | | | |
| Rosin..... | | | | |
| Turpentine..... | | (²) | (²) | (²) |
| Soybeans..... | | .9 | 3.9 | 4.8 |
| Vegetable oils..... | | 30.4 | 16.3 | 46.7 |
| Total, other nonbasic..... | .5 | 41.1 | 29.4 | 71.0 |
| Strategic and critical materials..... | 1.6 | 13.0 | 1.2 | 11.6 |
| Total, price support..... | 1,268.5 | 1,279.5 | 491.8 | 3,039.8 |
| Commodity export program..... | | 268.1 | 68.5 | 336.6 |
| Storage facilities program..... | | (²) | (²) | (²) |
| Supply and foreign purchase program..... | (²) | 14.5 | .2 | 14.3 |
| Vegetable oils, special program..... | | 13.9 | | 13.9 |
| Feed grain program..... | | 803.0 | 476.3 | 1,279.3 |
| Wheat stabilization program..... | | 65.1 | 230.3 | 295.4 |
| Interest (net)..... | | 290.7 | 181.7 | 472.4 |
| Administrative and nonadministrative (net)..... | | 83.6 | 38.4 | 122.0 |
| Total, price support, export, supply and related..... | 1,268.5 | 2,799.4 | 1,487.2 | 5,555.1 |
| Special milk program..... | | (²) | 1.3 | 1.3 |
| Total realized losses..... | 1,268.5 | 2,799.4 | 1,486.9 | 5,554.8 |
| Less: Portion of inventory revaluation received..... | 1,211.5 | | | 1,211.5 |
| Restoration of capital impairment..... | 1,057.0 | 2,799.4 | 1,486.9 | 5,343.3 |

¹ Denotes gain.² Less than \$50,000.

Secretary FREEMAN. We have a reconciliation of all the Commodity Credit Corporation's assets and use of borrowing power, which shows loans and inventories of about \$8 billion, and then the difference between that and the \$14.5 is made up principally of capital impairment for losses which have been incurred, some reaching back through 1961, not yet reimbursed.

Chairman HAYDEN. You can provide, then, a tabulation showing the volume of loan and inventory obligations by commodity, and the amounts involved?

Secretary FREEMAN. Yes, sir.

Chairman HAYDEN. As I recall, the Commodity Credit Corporation was originally limited in its use as a financing agency. In recent years it had been authorized to finance the various programs subject to subsequent reimbursement and appropriation action.

PROGRAMS FINANCED BY CCC BORROWING AUTHORITY

Can you list for the record the various programs now being financed from the CCC borrowing authorization? At your convenience, will you do that?

Secretary FREEMAN: Yes, sir.

(The material referred to follows:)

PROGRAMS NOW BEING FINANCED BY CCC BORROWING AUTHORITY

Regular activities:

- Price support.
- Commodity export.
- Storage facilities.
- Supply and foreign purchase.
- Special milk.
- Feed grain.
- Wheat stabilization.
- Operating expenses (administrative, nonadministrative, interest, etc.).

Other special activities (reimbursable programs):

- Military housing (barter and exchange).
- National Wool Act.
- Grain for migratory waterfowl.¹
- Surplus grain for game birds.
- Transfer of long staple cotton from national stockpile for sale by CCC.
- Loan to Secretary of Agriculture for conservation purposes.

Foreign assistance: ¹

- Public Law 480:
 - Title I: Sale of surplus agricultural commodities for foreign currencies.
 - Title II: Emergency famine relief to friendly peoples.
 - Title IV: Long-term supply contracts.
- International Wheat Agreement.
- Bartered material for supplemental stockpile.

¹ Financed by CCC to the extent that costs exceed appropriations available.

PRIORITY UNDER CURTAILED FUNDS

Chairman HAYDEN. What is the order of priority to be followed under these legislative authorizations if through lack of funds you had to curtail or discontinue operations?

Secretary FREEMAN. If we did not have any money, we would just have to stop. And that would mean that we would stop tomorrow buying butter, taking cotton under loan, taking grain under loan, and just close the doors.

Senator PASTORE. That is not what the Chairman asked. I think his point is: What if you do not get it all? What would happen?

Secretary FREEMAN. Our best projection now would be that we would just get by. We normally expect to have at least a \$500 million operating margin, and consider anything less than that as being very close, because of some of the fluctuations that are unpredictable.

We are now down to about \$100 million, and we are perilously near the end.

Senator PASTORE. Now, Mr. Secretary, I do not think that is, still, the question. The question is: In the event that you did not have enough money to do all these things that are mandated by law to do, and the amount of money was not sufficient to do it all, and you only had part of the money, would you have priorities?

Or, would you then be in a dilemma without priorities?

Secretary FREEMAN. I would be in the same position. This is all by law.

Senator PASTORE. In other words, there are no priorities. It is a mandate that you have to meet them all?

Secretary FREEMAN. No, sir, we would have to stop all operations. I am sorry I am so obtuse in not understanding the question.

CHANGES IN BORROWING AUTHORITY

Chairman HAYDEN. Congress increased the CCC borrowing authorization a number of times. Will you furnish for the record a table showing the changes in the borrowing authority? You can do that later.

Secretary FREEMAN. Yes.

(The material referred to follows:)

BORROWING AUTHORITY OF CCC

Borrowing authority of the Commodity Credit Corporation has been increased by Congress from time to time as the need has arisen. The original capital of CCC was only \$3 million in 1933, and there was no specific borrowing authority. The act of March 8, 1938, gave CCC its first borrowing authority—\$500 million—and this authority has been expanded as the tabulation below shows:

| Authorized by act of— | Borrowing authority |
|-----------------------|---------------------|
| Mar. 8, 1938..... | \$500,000,000 |
| Mar. 4, 1939..... | 900,000,000 |
| Aug. 9, 1940..... | 1,400,000,000 |
| July 1, 1941..... | 2,650,000,000 |
| July 16, 1943..... | 3,000,000,000 |
| Apr. 12, 1945..... | 4,750,000,000 |
| June 28, 1950..... | 6,750,000,000 |
| Mar. 20, 1954..... | 8,500,000,000 |
| Aug. 31, 1954..... | 10,000,000,000 |
| Aug. 11, 1955..... | 12,000,000,000 |
| Aug. 1, 1956..... | 14,500,000,000 |

CAPITAL STOCK OF CCC

The capital of CCC was established at \$3 million in 1933. The act of April 10, 1936, increased the capitalization to \$100 million, a level at which it has remained ever since.

DISPOSITION OF INVENTORY HOLDINGS AND CERTIFICATES

Chairman HAYDEN. The question has been raised as to the possibility of disposition by the Corporation of some of its inventory holdings and certificates to provide funds for additional loans.

What has been done in that regard?

Secretary FREEMAN. We are constantly selling inventory and replacing capital in the process. This is a constant process. And, as I say, the current amount of loans and inventory is roughly \$8 billion which will be reimbursed to the Corporation through loan repayments and sales, or a large part of it, in the normal course of the Corporation's business.

Chairman HAYDEN. Senator Young, any questions?

Senator YOUNG. Yes, I do have a few.

LIMIT ON BORROWING AUTHORITY

Was not your borrowing authority higher at one time than it is now?

Secretary FREEMAN. No.

Senator YOUNG. What was its limit? \$14.5 billion?

Secretary FREEMAN. It was increased, in 1956, from \$12 billion to \$14.5 billion, and it has not been increased since.

Senator YOUNG. And, you are nearly up to the \$14.5 billion mark?

Secretary FREEMAN. We are within \$100 million of this, roughly.

LOANS AND INVENTORIES

Senator YOUNG. What proportion of this is loans on grain?

Secretary FREEMAN. As of December 31, 1962, there was \$2,761 million of it represented by outstanding loans as shown by the statement inserted earlier. As of February 22, 1963, loans totaled \$3,502,600,000.

Senator YOUNG. How much in inventories?

Secretary FREEMAN. Total loans and inventories, which are the property of the Corporation, totaled \$8,032 million as of December 31, 1962, and \$8,013,800,000 as of February 22, 1963.

Senator YOUNG. You are reimbursed for a large part of this, under Public Law 480 which is really a foreign aid program. Are these reimbursements behind schedule?

REIMBURSEMENTS UNDER PUBLIC LAW 480

Secretary FREEMAN. Yes. This is exactly what is behind schedule. The reimbursements for Public Law 480 for funds expended in the fiscal year 1963 is what has fallen behind. That is the reason we are here, and I would repeat that this appropriation, if the committee and the Senate see fit to act favorably, will decrease the appropriation we have before this committee for fiscal 1964.

SALES OF CORN

Senator YOUNG. I think some place in your statement you mentioned something about corn, about your sales not having been as great as you expected.

Secretary FREEMAN. That is correct.

Senator YOUNG. What is the reason for that?

Secretary FREEMAN. We just have not been selling quite as much corn, because of concern for cattle and hog prices.

Senator YOUNG. You feel if you sold more corn, prices would be affected adversely?

Secretary FREEMAN. Yes, sir. We have been selling more corn in recent weeks, but we are somewhat behind where we previously were a year ago. As a matter of fact, in terms of dollars and cents, corn sales are \$205 million short of what they were a year ago.

Senator YOUNG. How do your corn and wheat stocks compare with a year ago, in inventories?

Secretary FREEMAN. Oh, in inventory? Down 81.8 million bushels in wheat; down 151.7 million bushels in corn.

SUPPLY MANAGEMENT PROGRAM RESULTS

Secretary FREEMAN. And may I say that we have on hand today in the Commodity Credit Corporation 1,077 million bushels less than was the case in 1961 before the supply management programs that have been in effect went into effect.

This includes both feed grains and wheat. Over a billion bushels less. The CCC budget, this fiscal year, includes \$246 million less for carrying charges in the fiscal year 1964 than would have been required if we had not cut down the surpluses, and \$813 million less than would have been in it if we had not had a program.

And, so there have been very sharp cuts in surplus grains on hand.

CUT IN SURPLUS UNDER PRESENT PROGRAMS

Senator PASTORE. Will the Senator yield for a question at this point? In other words, are you prepared to say that your proposal of last year did help the surplus problem?

Secretary FREEMAN. I most definitely am. The programs instituted by this administration have cut the surplus 1,077 million bushels, and there is \$246 million less in the budget for carrying charges than there would have been had CCC stocks remained at the 1961 peak levels. As compared with what would have been necessary if we had not had a program, we would have in this budget \$813 million more for carrying charges on inventories of grain.

Senator PASTORE. And, this is even in spite of the fact that the free trade is not selling as much this year as last year.

Secretary FREEMAN. The free trade, sir?

Senator PASTORE. When you say, "We are selling less corn," are you talking about Government stocks, or are you talking about the whole supply of corn?

Secretary FREEMAN. No, I am talking about Government holdings.

Senator PASTORE. I see.

Secretary FREEMAN. I am talking about Government holdings—the surpluses that we have to buy, pay storage charges for, interest, handling, and the rest.

Senator PASTORE. These figures you have just cited, on what commodities are they?

Secretary FREEMAN. Wheat and feed grains.

COST OF WHEAT CERTIFICATE PROGRAM

Senator YOUNG. I just had one additional question. Have you made any studies as to the estimates of costs of the wheat certificate plan if it were put into effect as against the present program?

Secretary FREEMAN. Yes, we have, Senator. And I would have to get those figures. But we have them, very definitely. I do not have them stored away right now.

(The information referred to follows:)

COST OF 1964 WHEAT PROGRAM

Certain tentative decisions have been made regarding the 1964 wheat program and have been announced in speeches by the Secretary and in material explaining the program. If these tentative decisions hold which assumed that 925 million bushels of wheat will be covered by certificates issued to producers and that the value of such certificates will be 70 cents per bushel (\$2 per bushel price support for certificate wheat and \$1.30 per bushel for noncertificate wheat), and further that acreage diversion payments will be 30 percent of the support price for the required 10-percent diversion and 50 percent on the acreage diverted voluntarily; the total cost of the 1964 program will be about \$1,152 million, compared with the estimated cost of \$1,429 million for the 1962 program and \$1,441 million for the 1963 program. In each of these years a major portion of these costs are associated with the export program—Public Law 480 and export subsidies.

Senator YOUNG. Since the wheat certificates are paid by the millers, and they in turn charge the consumers, this will be more of a self-financing program?

Secretary FREEMAN. This program is designed to phase out; so cost will be very sharply less than under the current wheat program.

Senator YOUNG. It has some shortcomings, in my opinion, but I think this is one of the better features of it. And, I think this would please the Senator from Rhode Island.

It is more along the line of a program you have been suggesting.

Senator PASTORE. If the Senator will permit: I must say at the outset that I have substantially supported these agricultural programs, even though I do come from a completely consuming State, and our interest primarily is in prices, and, secondly, in what this costs the taxpayer.

Naturally, from where we sit, we recognize the fact that you have to have a system under which you have an adequate supply of food for the American people not only today but for years to come.

REASON FOR REQUEST

But, now the point I wish to make is this: Primarily, are you asking for this shift in money because of the vicissitudes, or are you asking for this shift in money because we underestimated what we needed last year? In other words, does this prove that the program is a failure, or could it create the suspicion that this is due to a failure of the program, or is it because last year you knew that you needed this extra \$500 million, but that you were cut in the amount of money that was granted to you in the 1963 budget?

Secretary FREEMAN. That is right.

Senator PASTORE. Well now, I would like to get that on the record. You know the contention is being made now that the reason why you are coming in and asking for more money is because your proposal of last year did not work.

And I think you have got to make that record clear. I think you have got to give the reasons in the record why you are back here asking for this money.

THE 1963 APPROPRIATION ACTION

Senator YOUNG. It was cut by the House last year.

Senator PASTORE. I think that ought to go in the record, because I am told that the Republicans in the House were fighting this program.

Senator YOUNG. No, the actual fact is that the appropriation was cut in conference with the House by this amount.

Senator PASTORE. I am talking about this new request. Yesterday you got a little bit of competition in the House.

Senator ELLENDER. More than this amount was asked for last year, and it was refused.

Senator HOLLAND. In the first place, this request has to do only with Public Law 480, the restoration of corporation funds which you are required to pay out for foreign currencies in carrying on the national policy of our Government, as set by Public Law 480. Is that correct?

Secretary FREEMAN. That is correct.

Senator HOLLAND. In the second place, the appropriation you are requesting now for these general purposes is in part what you asked for last year, and it was cut out of the appropriation bill, was it not?

Secretary FREEMAN. Yes, sir.

NO RELATION TO RESTORATION OF CAPITAL IMPAIRMENT

Senator HOLLAND. In the third place, this has nothing to do at all with the restoration of capital impairment that takes place annually for losses incurred for price support operations, or for other reasons recognized by law.

This has to do solely with operations under Public Law 480.

Secretary FREEMAN. That is correct.

Senator YOUNG. Would you yield there?

It all comes out of the same fund, though, does it not?

ACTIVITY MANDATORY BY CONGRESSIONAL ACT

Senator HOLLAND. It all comes out of the same fund, but the point I am trying to make for the record is that here is something the CCC is required to do not in pursuance of its normal price-support function at all, but in pursuance of foreign policy set by the Congress as to the disposal of surplus commodities to foreign nations, under which CCC is required to accept foreign currencies and to turn them over to the General Treasury, because they cannot be used here by Commodity Credit Corporation.

Senator PASTORE. That may be so. But, in paragraph 2 of the statement we have here, I read:

* * * due to factors such as weather, insect damage, domestic and import demands, trade psychology, and other intangibles—Congress has seen fit to authorize such borrowing * * *.

ALTERNATIVE SOLUTIONS

Senator HOLLAND. I am going to bring that up next. In such a dilemma you can do two things at least, can you not? One is to come to Congress and ask for the restoration of your impaired capital occasioned by Public Law 480 operations.

Secretary FREEMAN. Yes.

Senator HOLLAND. The other is to sell more of your surplus commodities which you are holding than you think it is wise to sell at this time. That would bring cash on which you could operate. And you choose, instead of dumping surplus commodities on the market, which to that degree would defeat your whole purpose of sustaining price-support levels, to come to Congress asking it to fulfill its commitment made to you at the time this Public Law 480 was passed; is that correct?

Secretary FREEMAN. That is correct.

Senator HOLLAND. It seems to me that it is a matter of choice which the Secretary has to make, of either dumping these commodities on the market which could depress the market or he can choose to leave the market price at a decent level, and come back to Congress for the restoration of that part of the depletion which comes from the operations under Public Law 480.

SUPPORT OF SECRETARY'S POSITION

And, as far as I am concerned, I commend him on making this decision, rather than the other. And, I think that if Congress had acted as he requested last year in making this particular appropriation for this particular purpose, he would not have to be here.

Is that correct, or not?

Secretary FREEMAN. Yes. Thank you, Senator.

Senator PASTORE. If the Senator will yield:

All I am trying to do here is obviate the argument that is being made by the opposition, you see, that this request is predicated because of the failure of the program. And, it is not that.

Senator HOLLAND. Not at all.

Senator PASTORE. And, I am asking the record to be complete in that respect. In other words, all I am asking the Secretary to show is that his program has worked, that what we are asking here now is for money that we asked for in 1963 but was never allowed.

Am I correct?

Secretary FREEMAN. That is correct.

Senator PASTORE. And, therefore, that allowance compels him now to make the shift from the 1964 budget request in order to put it back into 1963, where we should have had it in the first place. I am on your side.

Senator HOLLAND. The Senator is exactly right.

Senator PASTORE. But, I want that record to show it. When somebody gets up and begins to talk about this program of this administration being a failure, I want to have the record clear that it is not.

Senator HOLLAND. The only particular in which I thought the Senator's questioning might have left an implication that is not exactly correct is this. He indicates that because the testimony indicates that because of prices, weather conditions, and other factors, he could not release stocks now, there might be some blame attachable in that connection.

As I understand it, there is credit to be attached for his decision, because he is releasing the grain, in such a way as will still sustain the price-support objectives which he and the Congress have in mind and which I think the mandate of Congress requires.

Is that correct?

Secretary FREEMAN. That is very well stated.

REQUEST NOT RELATED TO PRICE SUPPORT

Senator HOLLAND. I want the record to show, and I hope the public will understand, that this has no relation to ordinary price-support matters, but is simply a payment to CCC under a program that has been set up and required in national policy under Public Law 480, for which the appropriations which were requested last year but were refused by the Congress.

Chairman HAYDEN. Senator Ellender, have you any questions?

Senator ELLENDER. No, sir.

Senator PASTORE. May I ask a question, Mr. Chairman?

Chairman HAYDEN. Senator Pastore.

Senator PASTORE. The cotton situation, Mr. Secretary—

Secretary FREEMAN. Senator, in reference to your earlier inquiry, I have just distributed a statement here, because I am quite aware of some of the criticisms which are not pertinent, as Senator Holland has very ably pointed out, but they do exist, and this is complicated.

SUMMARY OF SUPPLY ADJUSTMENT

Therefore, I have set down a summary and then a documentation to establish clearly the fact that the programs of supply adjustment have cut back a billion bushels and will save close to a billion dollars by 1964, and this is all carefully documented in what I have just handed, and I do not know whether it would be appropriate for that to go into the record, or not.

Senator PASTORE. I move that it be placed in the record at this point. I think it ought to go into the record. That is precisely the point I am making here today.

Secretary FREEMAN. Thank you, sir.

(The material referred to follows:)

SUMMARY OF EFFECT OF WHEAT AND FEED GRAIN PROGRAMS ON CCC COSTS
(A.S.C.S., FEBRUARY 28, 1963)

HIGHLIGHTS INDICATING SUCCESS IN CUTTING SURPLUSES AND REDUCING COSTS

1. CCC holdings of wheat and feed grains were 1.077 billion bushels less on February 15, 1963, than the peak quantities held in 1961 before the new program was effective, and total stocks at the end of 1963 marketing year will be 2,509 million bushels less than they would have been in the pre-1961 programs had been allowed to continue.

2. The fact that the CCC does not now own the 1.077 billion bushels of grain it formerly owned is now saving the Government \$770,000 each day in carrying charges—\$280 million a year.

3. The 1964 budget includes \$246 million less for carrying charges on these grains than was spent in fiscal year 1961, and \$813 million—or \$2.2 million a day—less than the annual rate that would have occurred by 1964 if the pre-1961 programs had been allowed to continue.

These and other figures show that the new programs designed to eliminate the costly and unnecessary surpluses of wheat and feed grains, that had climbed to record levels in 1961, are working.

The Congress has given the CCC the responsibility to finance all Government price support and commodity purchase programs through use of its own funds and a borrowing authorization limited to \$14.5 billion. Each year the Corporation's realized losses are met by appropriations by the Congress for restoration of capital impairment. The amount of appropriations needed is determined by CCC's realized losses.

The realized losses of the CCC since 1960 are shown below:

| Fiscal year | Realized loss (millions) | |
|-----------------------|--------------------------|----------------------------|
| | Amount | Change from preceding year |
| 1961..... | 1 \$2,067.0 | +\$454.9 |
| 1962..... | 2,799.4 | +732.4 |
| 1963 (estimated)..... | 2,753.6 | -45.8 |
| 1964 (estimated)..... | 2,646.9 | -106.7 |

¹ Does not include inventory revaluation loss of \$1,268,500,000 applicable to 1961 and prior years.

(1) Fiscal 1962 losses were higher than the previous year, primarily because of—

(a) an increased loss on commodity sales in the disposal of large quantities of corn and grain sorghums acquired from the 1960 and prior years' crops; such grain was acquired at a higher price in the 1950's than market prices in 1962. Obviously as the grain is moved out of surplus into consumption realized losses take place.

(b) increased loss on donations, due to the donation of more dairy products, wheat flour, and corn meal, thus increasing benefits to millions of people at home and around the world by a more effective use of our agricultural abundance.

(c) acreage diversion payments to farmers as the immediate cost of launching supply adjustment programs enacted by the Congress—programs that by now have significantly reduced stocks of grain and the costs of both acquiring and carrying such stocks, while they have brought about substantial increase in farm income.

(2) Estimates indicate that realized losses for fiscal 1963 will be \$45.8 million less than for the previous year, and that this encouraging trend will be stepped up in 1964 by an estimated decrease of \$106.7 million below that for 1963.

(3) Stocks in CCC inventory in excess of needs for an adequate reserve have been substantially reduced—by a total of 1.077 billion bushels as compared with peak quantities on hand before programs for supply adjustment began to take effect. As a result, the 1964 budget estimates before the Congress show \$245.6 million less for carrying charges on wheat and feed grains for the fiscal year 1964 than the actual cost in the fiscal year 1961. The fact that the CCC does not now own the 1.077 billion bushels of grain it formerly owned is now saving the Government \$770,000 each day in carrying charges—\$280 million a year.

(4) Cumulative savings of \$480 million in carrying charges on feed grains and wheat from the record 1961 level have already resulted or are budgeted as a result of the decrease in CCC stocks, as follows:

[In millions]

| Fiscal year | Total carrying charges—feed grains and wheat | Savings from 1961 level |
|--|--|-------------------------|
| 1961..... | \$846 | ----- |
| 1962..... | 776 | \$70 |
| 1963 (budget estimate)..... | 682 | 164 |
| 1964 (budget estimate)..... | 600 | 246 |
| Cumulative savings through June 30, 1964, from 1961 level..... | | 480 |

(5) If the new supply adjustment programs had not replaced the pre-1961 programs it is a conservative estimate that carryover stocks at the end of the marketing year for the 1963 crop would have amounted to 3.8 billion bushels of corn and grain sorghums and 1.6 billion bushels of wheat, and the annual carrying charges on these quantities would have amounted to at least \$1.4 billion by 1964 as compared with the current estimate of \$587 million for these three grains in the 1964 budget. The difference is equivalent to about \$2.2 million per day.

(6) If pre-1961 programs had been allowed to continue and stocks had built up as indicated through 1963, it is estimated that ultimate carrying costs to the CCC before disposal of the additional quantities added to stocks would have amounted

to approximately \$3.3 billion. This would result from the time which would elapse before these added stocks would be disposed of, based on the annual rate of disposition which occurred prior to 1961. This would be 10 to 12 years for feed grains and between 6 and 7 years for wheat.

TWO-PRICE COTTON PROPOSAL

Senator PASTORE. My question is on the matter of cotton. As you know, a lot of us are interested in this two-price cotton system. Has that anything to do at all with this reluctance of foreign purchasers to buy this cotton?

Secretary FREEMAN. Well, at the moment purchases by both domestic and foreign mills are low, and inventories are low, because there has been a question as to whether price of cotton would be lower than it has been.

And, therefore, inventories, generally, are down.

Senator PASTORE. I realize that this may not be related to the request of \$508 million, but it is an important subject. How are we going to resolve this two-price cotton situation dilemma?

Secretary FREEMAN. Let me say this: We have been working very hard for the last year to try and develop a program which would both be workable and which, facing the practical political facts of life, would stand a chance of passing the Congress of the United States.

COTTON ADVISORY COMMITTEE PROGRAM

A program was recommended by an advisory committee, representing all segments of the cotton industry, which, in brief summary, would have contained a payment to seek to eliminate the inequity which the domestic mills presently face, because they have to pay more for cotton than their foreign competitors, which would also make available more acreage for producers, who would be willing to produce at world price.

Now, this combination of objectives has been incorporated in a bill that has been introduced in the House. Some hearings have been held in the House committee, and at the moment its future is uncertain. It would meet the objective the Senator refers to.

PROBLEM OF DOMESTIC MANUFACTURERS

Senator PASTORE. Well, the thing that concerns me is the fact that we presently have the very serious problem, as the Secretary knows, where domestic manufacturers of textile goods—and most of them are in the southern part of the country—have to buy their cotton at about 8 cents a pound more than this cotton is sold for abroad to meet the world price; and then, of course, these foreign purchasers make it into textile goods, and they send it back here and undercut us more.

Now, I can understand why this cotton price has to be subsidized in order to meet the world market. The only dilemma is that when it comes back in manufactured cloth, it puts the domestic manufacturer in a double jeopardy, because he cannot meet the labor costs abroad, which is the first dilemma, and, secondly, he cannot now meet the raw cotton price abroad, which makes it a double-horned dilemma.

I was merely stating my concern about it. And the fact that you say this is in a bill which is being contested in the House—it strikes

me that we might have to go through this year again without any relief.

We tried to adjust the tariff in order to compensate for the differential of 8 cents, and that, of course, was objected to.

Secretary FREEMAN. Yes, sir; the Department strongly supported that.

BILL PENDING IN HOUSE

Senator PASTORE. Now, is this bill that is pending in the House the administration bill?

Secretary FREEMAN. The administration is supporting the proposals that were made by the Cotton Advisory Committee; yes.

Senator PASTORE. And this bill is predicated upon those recommendations?

Secretary FREEMAN. That is correct.

Senator PASTORE. Have you appeared in the House on it?

Secretary FREEMAN. Yes.

Senator PASTORE. And supported it?

Secretary FREEMAN. Yes.

Chairman HAYDEN. Senator Monroney?

PRESENT REQUEST REIMBURSEMENT OF LOCAL CURRENCIES

Senator MONRONEY. The entire amount of this is for the reimbursement on local currencies. Is that correct? I mean the money asked here is to reimburse your funds in dollars for the commodities that you have sold for local foreign currency under title I of 480?

Secretary FREEMAN. Yes, sir.

Senator MONRONEY. Which actually is a foreign-aid expense, but it is charged up to you, because it provides for a disposal of large amounts of your surplus commodities.

Secretary FREEMAN. That is correct.

POSSIBILITY OF LISTING AS FOREIGN-AID FUNDS

Senator MONRONEY. Is there any chance that this will ever be shown as foreign-aid funds, rather than being charged against Agriculture?

Secretary FREEMAN. I think there is always that possibility, Senator.

Senator MONRONEY. But, there is no legislation pending to transfer this obligation to the foreign aid appropriation. What we get back in foreign currencies is not expendable and is unusable to us to a large extent.

Secretary FREEMAN. To a large extent, yes.

Senator MONRONEY. In other words, we lend them back more than half of the foreign currency for their local projects, and then the other half is frozen, which acts as a stabilization loan, really, on the local currencies themselves, because it withholds that much currency from circulation. So, it is heavily involved, I think, in your foreign aid program, and yet it is charged up to Agriculture in huge amounts as a part of the agricultural program.

Secretary FREEMAN. I have suggested administratively that the books might show this as a charge to the foreign aid program, but this has not been warmly welcomed by the other departments of government on whose books it would show.

CURRENCIES LOANED BACK AS WORK PROGRAM

Senator YOUNG. Would you yield at that point? I think over 80 percent of the foreign currencies are loaned back under work programs or programs of various kinds.

Senator MONRONEY. I do not think it runs as high as 80.

Senator ELLENDER. Sixty.

Senator MONRONEY. Sixty, I think. And, the rest of it is frozen, because we cannot use it for any of our purchases; a few little purchases perhaps in the country.

Senator ELLENDER. Sixty percent in round figures loaned back, and a good deal of the remainder is used by the State Department and other agencies abroad.

Senator MONRONEY. It is piling up in tremendous amounts.

Senator ELLENDER. In some countries, like the Congo, where you are giving a greater amount than you should. But, in the Congo we are not getting anything back. It is all going for the relief of the people there.

SALE FOR HARD CURRENCIES

Senator MONRONEY. And, we are not selling any now for the hard currencies, are we? We did for a while in France on cotton.

Secretary FREEMAN. Oh yes. We are beginning under title IV of Public Law 480 to move, and we are pushing hard in that direction for a relatively long-term modest interest sales, and this is growing. But, of course, it does not approximate the amount under title I.

Senator MONRONEY. But, this would be two hard currency countries? It is title IV, that you are talking about. No hard currency countries are going to buy it on loan, are they?

Secretary FREEMAN. No.

Senator MONRONEY. The types of countries you are talking about. It is still a foreign aid proposition, whether it is loans or local currency, and either way we do not have anything we can spend.

Secretary FREEMAN. Title IV would be paid back in dollars over a period of, say, 10 years.

TOTAL SALES IN LOCAL CURRENCIES

Senator MONRONEY. Do you know what the total of these sales has been in local currencies?

Secretary FREEMAN. \$9,068,660,000.

Senator MONRONEY. Over what period of time?

Secretary FREEMAN. Since the commencement of the program, July 1, 1954, through December 31, 1962.

Senator MONRONEY. And that all represents something for which you must reimburse the Treasury in cash?

USES OF FOREIGN CURRENCIES

Senator YOUNG. Would you agree to have a table inserted in the record as to the uses of these foreign currencies? According to this table, only 17.8 percent was set aside for U.S. uses. The rest are foreign uses.

Senator MONRONEY. I would like to have that table in the record. I think it would be very valuable.

(The most recent table appears on p. 24.)

Secretary FREEMAN. The percentages that I have are later than those Senator Young has and cover the period to be included in the next semiannual report on Public Law 480. They show the following breakdown: 45.7 percent loans to local governments, 23 percent U.S. uses, 18 percent grants, and then some miscellaneous smaller percentages.

Senator MONRONEY. Even that 23 percent is earmarked, and does not represent an expenditure, does it? Is there not a great deal of earmarking that has never been withdrawn? I mean they have just set it up in funds, as I understand it.

Secretary FREEMAN. Some of it would be represented in funds unexpended in the given countries, yes, sir.

ADJUSTMENT BETWEEN WHEAT PRODUCING AND SMALL GRAIN PRODUCING STATES

Senator MONRONEY. One further question. I compliment you on reducing the surplus stocks and getting the cost of the storage down. In this reduction, are you giving any attention at all to adjusting this downward level which should occur more equitably among the wheat-producing States and the small-grain-producing States?

We have a great problem in my State, which you have been kind enough to consider a number of times, where we have gone down to practically zero in storage, although we are a big wheat and small-grain-producing State, while other States around us have held up to 60, 70, or 80 percent of their normal storage capacity.

Secretary FREEMAN. As the Senator knows, we are deeply concerned with this problem, and it is a very difficult adjustment period, and under the law as it stands in both the charter of the Corporation and the mandate of the Congress, we are seeking to adjust the storage space as equitably as we can, consistent with sound business practices.

Senator MONRONEY. That would be among the States?

Secretary FREEMAN. Yes.

Senator MONRONEY. And it would be on the basis, of course, of not being at a greater expense to the Government than they are under now?

Secretary FREEMAN. Yes.

Senator MONRONEY. But, any program that would allow some adjustment, in fairness, in this area, that does not cost the Government anything extra, would be one in which your Department would be interested?

Secretary FREEMAN. Very definitely.

Senator MONRONEY. Thank you.

LOANS TO FOREIGN GOVERNMENTS

Senator ELLENDER. Awhile ago I stated that the amount of loans to foreign governments was around 60 percent. As a matter of fact, it is 57.8 percent. I am just giving the round figures. And, the amount under the so-called Cooley provision grants for economic development and loans—that amounts to 10.3 percent; and the common defense, 14.1 percent.

So we did not miss it very far. So will you put that in the record? (The table referred to follows:)

Uses of foreign currency as provided in title I, Public Law 480 agreements signed July 1, 1954–Dec. 31, 1962¹

[Amounts are in dollar equivalents at the deposit rate of exchange]

[In thousand dollar equivalents]

| Country | Total amount in agreements (market value including oversea transportation) | 104(c) Common defense | 104(e) Grants for economic development | 104(e) Loans to private enterprise | 104(g) Loans to foreign governments | For U.S. uses ² |
|-------------------------------|--|-----------------------|--|------------------------------------|-------------------------------------|----------------------------|
| Argentina..... | 64,100 | | | 8,250 | 36,500 | 19,350 |
| Austria..... | 42,940 | | | | 26,328 | 16,612 |
| Bolivia..... | 24,559 | | | 3,132 | 17,375 | 4,052 |
| Brazil..... | 386,420 | 2,000 | 34,400 | | 285,247 | 64,773 |
| Burma..... | 51,370 | | 8,134 | | 32,525 | 10,711 |
| Ceylon..... | 30,800 | | 5,280 | 5,465 | 12,720 | 7,335 |
| Chile..... | 71,900 | 100 | | | 56,330 | 14,620 |
| China (Taiwan)..... | 163,110 | 85,981 | | 15,800 | 26,840 | 34,489 |
| Colombia..... | 70,890 | 80 | | 11,270 | 41,180 | 18,360 |
| Congo..... | 18,750 | | 16,875 | | | 1,875 |
| Ecuador..... | 13,190 | | | 1,273 | 8,785 | 3,132 |
| Finland..... | 46,535 | | | 3,615 | 25,634 | 17,286 |
| France..... | 35,775 | | | 7,824 | | 27,951 |
| Germany..... | 1,200 | | | | | 1,200 |
| Greece..... | 109,300 | 5,040 | 7,470 | 9,171 | 53,450 | 34,169 |
| Guinea..... | 10,670 | | | 298 | 7,811 | 2,561 |
| Iceland..... | 13,930 | | 198 | 567 | 10,119 | 3,046 |
| Ireland..... | 2,428,306 | | 788,175 | 165,262 | 1,164,933 | 309,936 |
| Indonesia..... | 314,025 | | 25,312 | 21,086 | 213,497 | 54,130 |
| Iran..... | 50,971 | 5,763 | | 3,253 | 27,803 | 14,152 |
| Israel..... | 291,069 | | 32,589 | 46,891 | 172,899 | 38,690 |
| Italy..... | 152,900 | | | 6,250 | 100,500 | 46,150 |
| Japan..... | 150,800 | 700 | 600 | | 108,850 | 40,650 |
| Korea..... | 342,860 | 290,583 | | 5,891 | | 46,386 |
| Mexico..... | 28,200 | | | 7,100 | 13,600 | 7,500 |
| Morocco..... | 21,870 | | | 2,130 | 14,273 | 5,467 |
| Netherlands..... | 275 | | | | | 275 |
| Pakistan..... | 1,065,920 | 79,366 | 556,841 | 51,740 | 276,432 | 101,541 |
| Paraguay..... | 13,200 | | 3,420 | 1,170 | 6,000 | 2,610 |
| Peru..... | 37,280 | 100 | | 3,762 | 22,723 | 10,695 |
| Philippines..... | 36,150 | 8,102 | 3,045 | 6,438 | 8,027 | 10,538 |
| Poland..... | 425,700 | | | | | 425,700 |
| Portugal..... | 7,100 | | | | 3,400 | 3,700 |
| Spain..... | 505,630 | 9,910 | | | 253,480 | 242,240 |
| Sudan..... | 4,600 | | 1,150 | 690 | 1,610 | 1,150 |
| Syrian Arab Republic..... | 37,200 | | | 6,550 | 22,750 | 7,900 |
| Thailand..... | 4,600 | | | | 2,050 | 2,550 |
| Tunisia..... | 33,600 | | 7,700 | 4,020 | 16,665 | 5,215 |
| Turkey..... | 386,065 | 97,750 | 2,340 | 42,011 | 115,000 | 128,964 |
| United Arab Republic..... | 782,940 | | 25,731 | 77,504 | 554,047 | 125,658 |
| United Kingdom..... | 48,150 | | | | | 48,150 |
| Uruguay..... | 48,400 | | | 12,050 | 24,300 | 12,050 |
| Vietnam..... | 71,280 | 54,930 | | 5,725 | | 10,625 |
| Yugoslavia..... | 624,130 | | 143,092 | | 378,333 | 102,705 |
| Total..... | 3 9,068,660 | 640,405 | 1,662,352 | 537,038 | 4,142,016 | 2,086,849 |
| Uses as percent of total..... | 100.0 | 7.1 | 18.3 | 5.9 | 45.7 | 23.0 |

¹ Many agreements provide for the various currency uses in terms of percentages of the amounts of local currency accruing pursuant to sales made under each agreement. In such cases, amounts included in this table for each use are determined by applying the specified percentages to the total dollar amount provided in each agreement. Amounts shown are subject to adjustment when actual commodity purchases and currency allocations have been made.

² Fiscal year 1962 agreements provide that a specific amount of foreign currency proceeds may be used under various U.S. use categories, including currency uses which are limited to amounts as may be specified in appropriation acts. Included are uses specified under subsections 104(a), (b), (f), (h), (i), (j), (k), (l), (m), (n), (o), (p), (q), (r), (s) and sometimes (c) and (d), insofar as specified in agreements.

³ Amounts shown in this column may differ from amounts on table 3, which reflect purchase authorization transactions.

EFFECT OF FAILURE TO PASS GRAIN PROGRAM

Senator BARTLETT. Mr. Secretary, what would the effect have been if Congress had not passed the wheat and feed grain program? Secretary FREEMAN. If the wheat and feed grain programs had

not been passed, we would have on hand about 2.5 billion bushels more wheat and feed grains at the end of the marketing year 1963 than we will have.

We would have in this budget that goes before the Congress, for fiscal 1964, \$813 million more expenditures for carrying charges than is in it now.

Senator BARTLETT. Thank you. That is all, Mr. Chairman.

EDITORIAL ON SURPLUS PROGRAM

Senator PASTORE. May I ask another question, Mr. Chairman?

I am reading now, Mr. Secretary—that is the reason I brought up this subject—an editorial that appeared in the Providence Evening Bulletin of Monday, February 25, 1963. The caption of it is:

Mr. Freeman's guess goes sour.

Those optimistic forecasts from Agriculture Secretary Freeman already have begun to turn sour. He is the fellow, you will remember, who was assuring us only a little while ago that he had a good grip on the farm problem, and that things were looking rosier all the time. Well, some of the returns now are coming in. Far from indicating that the Government's mammoth piles of surplus are being whittled away, as Mr. Freeman forecasts, they indicate just the reverse.

The glut of dairy products has reached the value of \$400 million, nearly twice as much as it was a year ago. The Government's surplus pile of cotton has reached 10.4 billion bales, which is more than twice as large as it was last August.

The total value of all the surplus in Government hands has reached \$8 billion, which is about \$300 million higher than it was a year ago.

Meanwhile, the Government is running short on money on its price-propping fund, and the President has asked Congress to please provide an additional \$508 million in the coming budget, so the Government can buy up more of the surplus that nobody wants.

Here we go again.

Now, what have you got to say to it?

Secretary FREEMAN. The editorial is just simply inaccurate; and as such I am pleased to have the opportunity to set it straight. And, perhaps if I write a letter to the editor of that paper, he might correct it.

That might be a vain hope, because they often don't

Senator PASTORE. I would appreciate hearing this very much because I think this is precisely what is happening here. I think, after all, the thing should be understandable, and it should be factual, and if they are right, they should be told they are right, and if they are wrong, they, I think, ought to be corrected.

Secretary FREEMAN. I would be happy to do that, Senator, if you would let me have a copy of the editorial.

Senator PASTORE. Will you give it back to me when you are through with it?

Secretary FREEMAN. Yes, sir.

Senator PASTORE. All right.

MILK PROGRAM

Senator ELLENDER. In connection with the milk program, the Secretary can certainly agree with me in saying that we have been trying, ever since he has been in office, to change that program, but we have such a big milk lobby here in Washington that we cannot get the thing through.

And, I am having hearings fixed for the 18th of March—

Secretary FREEMAN. Very good.

Senator ELLENDER. So as to get this matter settled. Because, unless we change the law, we will continue to accumulate these huge surpluses and it is certainly not a fault of the Secretary, here, because Congress is the one that ought to change the law.

Senator PASTORE. I am not fighting the Secretary. He is a very good friend of mine.

Secretary FREEMAN. With 4.3 million fewer cows than 10 years ago, we are producing 11.1 billion more pounds of milk a year.

Senator ELLENDER. Within the last 12 months there were 400,000 cows less, but the milk production increased 500 million pounds. Think of that.

MOTION TO APPROVE BILL

Senator HOLLAND. Mr. Chairman, whenever the Senators are through questioning, I am perfectly willing to make a motion to approve this resolution because I think we have made a record here which clearly shows that this item relates solely to the reimbursement for payments out of the funds by CCC, which is required under Public Law 480 alone, and does not relate to the price-support program.

I make the motion at this time.

Senator ELLENDER. I second the motion.

Chairman HAYDEN. The motion has been made to favorably report the bill. All in favor say "aye." [General response, "Aye."]

I will ask Senator Holland to do it.

Senator ROBERTSON. May I ask a question of the Secretary of Agriculture before he leaves the stand?

Chairman HAYDEN. Certainly.

Senator ROBERTSON. Can you sound an encouraging note on the prospects for poultry in the European foreign market?

Senator HOLLAND. Mr. Chairman, since this matter does not relate to the bill, can we dispense with its having to be made a part of this record?

Chairman HAYDEN. All right.

(Discussion off the record.)

Chairman HAYDEN. The committee stands adjourned.

(Whereupon, at 11:10 a.m., Thursday, February 28, 1963, the committee adjourned.)

