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OTTO RESEARCH AND PROMOTION PROGRAM

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HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE HOUSE OF REPRESENTATIVES

EIGHTY-NINTH CONGRESS

SECOND SESSION

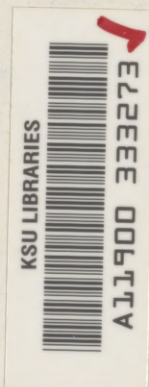
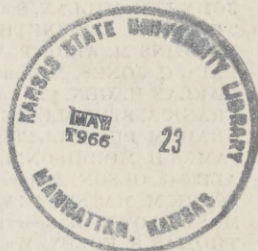
ON

H.R. 12322

FEBRUARY 8 AND 9, 1966

Serial X

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COTTON RESEARCH AND PROMOTION PROGRAM

TUESDAY, FEBRUARY 8, 1966

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

The committee met, pursuant to notice, at 10:10 a.m., in room 1301, Longworth House Office Building, Washington, D.C., Hon. Harold D. Cooley (chairman) presiding.

Present: Representatives Cooley, Poage, Gathings, Abernethy, Ab-bitt, Jones of Missouri, Hagen of California, Purcell, O'Neal, Foley, Stalbaum, de la Garza, Vigorito, Redlin, Bandstra, Greigg, Callan, Dague, Teague of California, Quie, Findley, Dole, Burton of Utah, Walker of Mississippi and Polanco-Abreu.

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

The CHAIRMAN. The committee will please be in order.

I want to make just a brief statement before we call the first witness.

I am certain that all of you know that this committee has been intensely interested in the cotton industry for many years, and for many years prior to January 1, 1953, our programs have operated very successfully and very well. We have maintained the farm income and have stabilized farm prices. Actually, that has been true for the last several years.

Prior to January 1, 1953, the market prices had averaged 100 percent of parity or more. On January 1, 1952, the cotton program alone showed a net profit to the taxpayers of roughly \$8 million. The price support programs on all of the basic commodities, through all of the years, showed a net profit of \$17 million.

Since that time we have accumulated tremendous surpluses, and we have sustained gigantic losses. The losses in the commodities run to more than \$2 billion at the present time, and we are still faced with the problem of dealing with surpluses which we now have on hand.

Our farmers have cooperated with the Government in every way possible. We have decreased production.

We have a cotton bill now in operation. We had one just preceding that which proved to be very expensive but which we think revitalized the textile industry of America.

The textile industry is important not only to the farmers but to all segments of the cotton economy. It is very important to my own State of North Carolina. We have more spindles in North Carolina than in any State in the Union. We have more people employed in our textile mills than in any State in the Union, and it is necessary for us to maintain the cotton industry.

In recent measures that we have enacted, and in the programs which have been in operation, and are now in operation, and which are for that purpose, we have tried to make cotton competitive. Synthetics are making inroads, and cotton, as a commodity, is in danger unless we can do something to stop this. The producers of these synthetic fibers are spending huge sums of money in research and in promotion. The bill which I have introduced has for its purpose some aid for cotton which we have not yet provided.

I want to say at the outset this will not be called a Cooley tax bill. Everytime we pass a bill out, it has been called a Cooley tax bill. [Laughter.]

This is a bill to authorize the farmers to express themselves freely in terms of a referendum, as to whether or not they want to make a contribution to this endeavor. It will be a voluntary contribution and I have a feeling that the farmers will accept it and will make the contribution necessary to finance the program.

One other effect will be that it will relieve the farmer of the criticism of being some sort of a parasite on Government funds. Actually, it is a program to permit the farmers to do something for themselves.

(H.R. 12322, introduced by Mr. Cooley, and departmental report follow:)

[H.R. 12322, 89th Cong., 2d sess.]

A BILL To enable cottongrowers to establish, finance, and carry out a coordinated program of research and promotion to improve the competitive position of, and to expand markets for, cotton

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act shall be known as the Cotton Research and Promotion Act.

LEGISLATIVE FINDINGS AND DECLARATION OF POLICY

SEC. 2. Cotton is the basic natural fiber of the Nation. It is produced by many individual cottongrowers throughout the various cotton-producing States of the Nation. Cotton moves in large part in the channels of interstate and foreign commerce and such cotton which does not move in such channels directly burdens or affects interstate commerce in cotton and cotton products. All cotton produced in the United States is in the current of interstate or foreign commerce or directly burdens, obstructs, or affects interstate or foreign commerce in cotton and cotton products. The efficient production of cotton and the maintenance and expansion of existing markets and the development of new or improved markets and uses is vital to the welfare of cottongrowers and those concerned with marketing, using, and processing cotton as well as the general economy of the Nation. In the years since World War II, United States cotton and the products thereof have been confronted with intensive competition, both at home and abroad, for foreign-grown cotton and from other fibers, primarily manmade fibers. The great inroads on the market and uses for United States cotton which have been made by manmade fibers have been largely the result of extensive research and promotion which have not been effectively matched by cotton research and promotion. The production and marketing of cotton by numerous individuals farmers have prevented the development and carrying out of adequate and coordinated programs of research and promotion necessary to the maintenance and improvement of the competitive position of, and markets for, cotton. Without an effective and coordinated method for assuring cooperative and collective action in providing for, and financing such programs, individual cotton farmers are unable adequately to provide or obtain the research and promotion necessary to maintain and improve markets for cotton.

It has long been found to be in the public interest to have, or endeavor to have, a reasonable balance between the supply of and demand for cotton grown in this country. To serve this public interest the Congress has provided for the com-

prehensive exercise of regulatory authority in regulating the handling of such cotton supplemented by price-support programs with the objective of adjusting supply to demand in the interest of benefiting producers and all others concerned with the production and handling of cotton as well as the general economy of the country. In order for the objective of such programs to be effectuated to the fullest degree, it is necessary that the existing regulation of marketing be supplemented by providing as part of the overall governmental program for effectuating this objective, means of increasing the demand for cotton with the view of eventually reducing or eliminating the need for limiting marketings and supporting the price of cotton.

It is therefore declared to be the policy of the Congress and the purpose of this Act that it is essential in the public interest through the exercise of the powers provided herein, to authorize and enable the establishment of an orderly procedure for the development, financing through adequate assessments on all cotton harvested in the United States, and carrying out an effective and continuous coordinated program of research and promotion designed to strengthen cotton's competitive position and to maintain and expand domestic and foreign markets and uses for United States cotton.

COTTON RESEARCH AND PROMOTION ORDERS

SEC. 3. To effectuate the declared policy of this Act, the Secretary shall, subject to the provisions of this Act, issue and from time to time amend, orders applicable to persons engaged in the harvesting, marketing, ginning, or other handling of cotton, hereinafter referred to as handlers. Such orders shall be applicable to all production or marketing areas, or both, in the United States.

NOTICE AND HEARING

SEC. 4. Whenever the Secretary has reason to believe that the issuance of an order will tend to effectuate the declared policy of this Act, he shall give due notice and opportunity for a hearing upon a proposed order. Such hearing may be requested and a proposal for an order submitted by any cotton producer organization certified pursuant to section 14 of this Act or by any other interested person or persons, including the Secretary. The consideration and formulation of the terms of any such proposed order for submittal to the Secretary or the carrying out or compliance with any provision of this Act or any order or regulation issued pursuant thereto shall not be held as to be in violation of any of the anti-trust laws of the United States and shall be deemed to be lawful.

FINDING AND ISSUANCE OF AN ORDER

SEC. 5. After notice and opportunity for hearing as provided in section 4, the Secretary shall issue an order if he finds, and sets forth in such order, upon the evidence introduced at such hearing, that the issuance of such order and all the terms and conditions thereof will tend to effectuate the declared policy of this Act.

PERMISSIVE TERMS IN ORDERS

SEC. 6. Orders issued pursuant to this Act shall contain one or more of the following terms and conditions, and except as provided in section 7, no others.

(a) Providing for the establishment, issuance, effectuation, and administration of appropriate plans or projects for the advertising and sales promotion of cotton and its products and for the disbursement of necessary funds for such purposes: *Provided, however,* That any such plan or project shall be directed toward increasing the general demand for cotton or its products but no reference to a private brand or trade name shall be made if the Secretary determines that such reference will result in undue discrimination against the cotton products of other persons: *And provided further,* That no such advertising or sales promotion programs shall make use of false or unwarranted claims in behalf of cotton or its products or false or unwarranted statements with respect to the quality, value, or use of any competing product.

(b) Providing for establishing and carrying on research and development projects and studies with respect to the production, ginning, processing, distribution, or utilization of cotton and its products, to the end that the marketing and utilization of cotton may be encouraged, expanded, improved, or made more efficient, and for the disbursement of necessary funds for such purposes.

(c) Providing that handlers or any class of handlers maintain and make available for inspection such books and records as may be required by the order and for the filing of reports by such handlers at the times, in the manner, and having the content prescribed by the order, to the end that information and data shall be made available to the Cotton Board and to the Secretary which is appropriate or necessary to the effectuation, administration, or enforcement of the Act or of any order or regulation issued pursuant to this Act: *Provided, however,* That all information so obtained shall be kept confidential by all officers and employees of the Department of Agriculture and of the Cotton Board, and only such information so furnished or acquired as the Secretary deems relevant shall be disclosed by them, and then only in a suit or administrative hearing brought at the direction, or upon the request, of the Secretary of Agriculture, or to which he or any officer of the United States is a party, and involving the order with reference to which the information so to be disclosed was furnished or acquired. Nothing in this section shall be deemed to prohibit (1) the issuance of general statements based upon the reports of a number of handlers subject to an order, which statements do not identify the information furnished by any person, or (2) the publication by direction of the Secretary, of the name of any person violating any order, together with a statement of the particular provisions of the order violated by such person. Any such officer or employee violating the provisions of this section shall upon conviction be subject to a fine of not more than \$1,000 or to imprisonment for not more than one year, or to both, and shall be removed from office.

(d) Terms and conditions incidental to and not inconsistent with the terms and conditions specified in this Act and necessary to effectuate the other provisions of such order.

REQUIRED TERMS IN ORDERS

SEC. 7. Orders issued pursuant to this Act shall contain the following terms and conditions:

(a) Providing for the establishment and selection by the Secretary, of a Cotton Board, and defining its powers and duties, which shall include only the powers:

(1) To administer such order in accordance with its terms and provisions;
(2) To make rules and regulations to effectuate the terms and provisions of such order;

(3) To receive, investigate, and report to the Secretary complaints of violations of such order; and

(4) To recommend to the Secretary amendments to such order.

(b) Providing that the Cotton Board shall be composed of representatives of cotton producers selected by the Secretary from nominations submitted by eligible producer organizations within a State, as certified pursuant to section 14 of this Act, or, if the Secretary determines that a substantial number of producers are not members of or their interests are not represented by any such eligible producer organizations, from nominations made by producers in the manner authorized by the Secretary, so that the representation of cotton producers on the Board for each cotton-producing State shall reflect, to the extent practicable, the proportion which that State's marketings of cotton bears to the total marketings of cotton in the United States: *Provided, however,* That each cotton-producing State shall be entitled to at least one representative on the Cotton Board.

(c) Providing that the Cotton Board shall, subject to the provisions of subsection (g) of this section, develop and submit to the Secretary for his approval any advertising or sales promotion or research and development plans or projects, and that any such plan or project must be approved by the Secretary before becoming effective.

(d) Providing that the Cotton Board shall, subject to the provisions of subsection (g) of this section, submit to the Secretary for his approval, budgets on a fiscal period basis of its anticipated expenses and disbursements in the administration of the order, including probable costs of advertising and promotion and research and development projects.

(e) Providing that each handler of cotton, as prescribed by the order, shall collect from the producer or other person for whom the cotton, including cotton owned by the handler, is being handled, and shall pay to the Cotton Board, an assessment prescribed by the order, on the basis of bales of cotton handled, for

such expenses and expenditures, including provision for a reasonable reserve, as the Secretary finds are reasonable and likely to be incurred by the Cotton Board under the order, during any period specified by him. The initial rate of assessment prescribed by the order shall be \$1 per bale of cotton handled, and such rate may not be changed except by amendment of the order, recommended by the Cotton Board, approved by the Secretary, and adopted by cotton producers in a referendum pursuant to section 8. The Secretary may maintain a suit against any person subject to the order for the collection of such assessment, and the several district courts of the United States are hereby vested with jurisdiction to entertain such suits regardless of the amount in controversy: *Provided*, That the remedies provided in this section shall be in addition to, and not exclusive of, the remedies provided for elsewhere in this Act or now or hereafter existing at law or in equity.

(f) Providing that the Cotton Board shall maintain such books and records and prepare and submit such reports from time to time, to the Secretary as he may prescribe, and for appropriate accounting by the Cotton Board with respect to the receipt and disbursement of all funds entrusted to it.

(g) Providing that the Cotton Board, with the approval of the Secretary, shall enter into contracts or agreements for the development and carrying out of the activities authorized under the order pursuant to section 6 (a) and (b), and for the payment of the costs thereof with funds collected pursuant to the order, with an organization or association whose governing body consists of cotton producers selected by the cotton producer organizations certified by the Secretary under section 14, in such manner that the producers of each cotton-producing State will, to the extent practicable, have representation on the governing body of such organization in the proportion that the cotton marketed by the producers of each State bears to the total cotton marketed by the producers of all States, subject to adjustment to reflect lack of participation in the program by reason of refunds under section 11. Any such contract or agreement shall provide that such contracting organization or association shall develop and submit annually to the Cotton Board, for the purpose of review and making recommendations to the Secretary, a program of research, advertising, and sales promotion projects, together with a budget, or budgets, which shall show the estimated cost to be incurred for such projects, and that any such projects shall become effective upon approval by the Secretary. Any such contract or agreement shall also provide that the contracting organization shall keep accurate records of all its transactions and make an annual report to the Cotton Board of activities carried out and an accounting for funds received and expended, and such other reports as the Secretary may require.

(h) Providing that no funds collected by the Cotton Board under the order shall in any manner be used for the purpose of influencing governmental policy or action, except as provided by subsection (a) (4) of this section.

REQUIREMENT OF REFERENDUM AND COTTON PRODUCER APPROVAL

SEC. 8. The Secretary shall conduct a referendum among cotton producers for the purpose of ascertaining whether the issuance of an order is approved or favored by producers. No order issued pursuant to this Act shall be effective unless the Secretary determines that the issuance of such order is approved or favored by not less than two-thirds of the cotton producers voting in such referendum who, during a representative period determined by the Secretary, have been engaged in the production of cotton, or by cotton producers voting in the referendum who, during such representative period, have produced at least two-thirds of the volume of the cotton produced.

SUSPENSION AND TERMINATION OF ORDERS

SEC. 9. (a) The Secretary shall, whenever he finds that any order issued under this Act, or any provision thereof, obstructs or does not tend to effectuate the declared policy of this Act, terminate or suspend the operation of such order or such provision thereof.

(b) The Secretary may conduct a referendum at any time, and shall hold a referendum on request of 10 per centum or more of the number of cotton producers voting in the referendum approving the order, to determine whether cotton producers favor the termination or suspension of the order, and he shall

suspend or terminate such order at the end of the marketing year, as defined in the order, whenever he determines that suspension or termination of the order is approved or favored by a majority of the producers of cotton voting in such referendum who, during a representative period determined by the Secretary, have been engaged in the production of cotton, and who produced more than 50 per centum of the volume of the cotton produced by the cotton producers voting in the referendum.

(c) The termination or suspension of any order, or any provision thereof, shall not be considered an order within the meaning of this Act.

PROVISIONS APPLICABLE TO AMENDMENTS

SEC. 10. The provisions of this Act applicable to orders shall be applicable to amendments to orders.

PRODUCER REFUNDS

SEC. 11. Notwithstanding any other provision of this Act, any cotton producer against whose cotton any assessment is made and collected from him under the authority of this Act and who is not in favor of supporting the research and promotion program as provided for herein shall have the right to demand and receive from the Cotton Board a refund of such assessment: *Provided*, That such demand shall be made personally by such producer in accordance with regulations and on a form prescribed by the Board and approved by the Secretary within thirty days from the date on which such assessment was collected, stating the name and address of the handler making the collections, the date of the collection, and the quantity of cotton involved, supported by statements in writing from the handlers in the manner and form prescribed by the Board and approved by the Secretary that the sum for which refund is sought was collected from such producer. A record of each demand for a refund shall be made and such record shall be a matter of public record. No producer requesting a refund shall be eligible to vote in any subsequent referendum until all amounts refunded to him have been repaid to the Cotton Board unless the Cotton Board in accordance with regulations issued under the order waives such repayment.

PETITION AND REVIEW

SEC. 12. (a) Any person subject to any order may file a written petition with the Secretary, stating that any such order or any obligation imposed in connection therewith is not in accordance with law and praying for a modification thereof or to be exempted therefrom. He shall thereupon be given an opportunity for a hearing upon such petition, in accordance with regulations made by the Secretary. After such hearing, the Secretary shall make a ruling upon the prayer of such petition which shall be final, if in accordance with law.

(b) The district courts of the United States in any district in which such person is an inhabitant, or has his principal place of business, are hereby vested with jurisdiction to review such ruling, provided a complaint for that purpose is filed within twenty days from the date of the entry of such ruling. Service of process in such proceedings may be had upon the Secretary by delivering to him a copy of the complaint. If the court determines that such ruling is not in accordance with law, it shall remand such proceedings to the Secretary with directions either (1) to make such ruling as the court shall determine to be in accordance with law, or (2) to take such further proceedings as, in its opinion, the law requires. The pendency of proceedings instituted pursuant to subsection (a) of this section shall not impede, hinder, or delay the United States or the Secretary from obtaining relief pursuant to section 13(a) of this Act.

ENFORCEMENT

SEC. 13. (a) The several district courts of the United States are vested with jurisdiction specifically to enforce, and to prevent and restrain any person from violating any order or regulation made or issued pursuant to this Act.

(b) Any person who willfully violates any provision of any order issued by the Secretary under this Act, or who willfully fails or refuses to pay or remit any assessment or fee duly required of him thereunder, shall be liable to a penalty of not more than \$1,000 for each such offense which shall accrue to the United States and may be recovered in a civil suit brought by the United States.

CERTIFICATION OF COTTON PRODUCER ORGANIZATION

SEC. 14. The eligibility of each cotton producer organization to represent cotton producers of a cotton producing State to request the issuance of an order under section 4, and to participate in the making of nominations under section 7(b) shall be certified by the Secretary and shall be based upon a factual report submitted by the organization which shall contain information deemed relevant and specified by the Secretary for the making of such determination, including the following:

(a) Geographic territory within the State covered by the organization's active membership;

(b) Nature and size of the organization's active membership in the State, proportion of total of such active membership accounted for by farmers, a map showing the cotton-producing counties in such State in which the organization has members, the volume of cotton produced in each such county, the number of cotton producers in each such county, and the size of the organization's active cotton producer membership in each such county;

(c) The extent to which the cotton producer membership of such organization is represented in setting the organization's policies;

(d) Evidence of stability and permanency of the organization;

(e) Sources from which the organization's operating funds are derived;

(f) Functions of the organization; and

(g) The organization's ability and willingness to further the aims and objectives of this Act:

Provided, however, That the primary consideration in determining the eligibility of an organization shall be whether its cotton farmer membership consists of a sufficiently large number of the cotton producers who produce a relatively significant volume of cotton to reasonably warrant its participation in the nomination of members for the Cotton Board. The Secretary shall certify any cotton producer organization which he finds to be eligible under this section, and his determination as to eligibility shall be final.

REGULATIONS

SEC. 15. The Secretary is authorized to make such regulations with the force and effect of law, as may be necessary to carry out the provisions of this Act and the powers vested in him by this Act.

INVESTIGATIONS: POWER TO SUBPENA AND TAKE OATHS AND AFFIRMATIONS: AID OF COURTS: SELF-INCRIMINATION

SEC. 16. (a) The Secretary may make such investigations as he deems necessary for the effective carrying out of his responsibilities under this Act or to determine whether a handler or any other person has engaged or is about to engage in any acts or practices which constitute or will constitute a violation of any provision of this Act, or of any order, or rule or regulation issued under this Act. For the purpose of any such investigation, the Secretary is empowered to administer oaths and affirmations, subpoena witnesses, compel their attendance, take evidence, and require the production of any books, papers, and documents which are relevant to the inquiry. Such attendance of witnesses and the production of any such records may be required from any place in the United States. In case of contumacy by, or refusal to obey a subpoena issued to, any person, including a handler, the Secretary may invoke the aid of any court of the United States within the jurisdiction of which such investigation or proceeding is carried on, or where such person resides or carries on business, in requiring the attendance and testimony of witnesses and the production of books, papers, and documents; and such court may issue an order requiring such person to appear before the Secretary, there to produce records, if so ordered, or to give testimony touching the matter under investigation. Any failure to obey such order of the court may be punished by such court as a contempt thereof. All process in any such case may be served in the judicial district whereof such person is an inhabitant or wherever he may be found.

(b) No person shall be excused from attending and testifying or from producing books, papers, and documents before the Secretary, or in obedience to the subpoena of the Secretary, or in any cause or proceeding, criminal or otherwise,

based upon or growing out of any alleged violation of this Act, or of any order, or rule or regulation issued thereunder on the ground or for the reason that the testimony or evidence, documentary or otherwise, required of him may tend to incriminate him or subject him to a penalty or forfeiture; but no individual shall be prosecuted or subjected to any penalty or forfeiture for or on account of any transaction, matter, or thing concerning which he is compelled, after having claimed his privilege against self-incrimination, to testify or produce evidence, documentary or otherwise, except that any individual so testifying shall not be exempt from prosecution and punishment for perjury committed in so testifying.

DEFINITIONS

SEC. 17. As used in this Act:

- (a) The term "Secretary" means the Secretary of Agriculture.
- (b) The term "person" means any individual, partnership, corporation, association, or any other entity.
- (c) The term "cotton" means all upland cotton harvested in the United States, and, except as used in section 7(e), includes cottonseed of such cotton and the products derived from such cotton and its seed.
- (d) The term "handler" means any person who handles cotton or cottonseed in the manner specified in the order or in the rules and regulations issued thereunder.
- (e) The term "United States" means the continental United States.

SEPARABILITY

SEC. 18. If any provision of this Act or the application thereof to any person or circumstances is held invalid, the validity of the remainder of the Act and of the application of such provision to other persons and circumstances shall not be affected thereby.

AUTHORIZATION

SEC. 19. There is hereby authorized to be appropriated out of any money in the Treasury not otherwise appropriated such funds as are necessary to carry out the provisions of this Act. The funds so appropriated shall not be available for the payment of the expenses or expenditures of the Cotton Board in administering any provisions of any order issued pursuant to the terms of this Act.

EFFECTIVE DATE

SEC. 20. This Act shall take effect upon enactment.

FEBRUARY 7, 1966.

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

DEAR MR. CHAIRMAN: This is in reply to your request for a report on, and a section-by-section analysis of, H.R. 12322, a bill to enable cotton growers to establish, finance, and carry out a coordinated program of research and promotion to improve the competitive position of, and to expand markets for, cotton.

The Department supports the bill and recommends that it be passed. There are several provisions of the bill, however, which merit special attention by the committee. These will be discussed later in this report.

The need for this legislation is ably stated in the legislative findings set forth in section 2. This need is underscored by the high and rising costs of Government cotton programs, the recent rapid increase in carryover, and the continued decline in cotton's share of the fiber market. The expanded research and promotion programs provided by the bill, if carefully conceived and responsibly carried out with complete and close coordination with existing Federal and State programs, should make a desirable contribution toward increasing the markets for cotton.

The following are some of the facts concerning the problem to which the bill is addressed:

Realized losses incurred by Commodity Credit Corporation on upland cotton price support and related programs and expenditures under direct payment programs have totaled \$3,006 million during the past 10 years—ranging from

\$62 million in 1956 to \$601 million in 1965. In addition, losses on loan and owned inventories as of June 30, 1965, were estimated at \$541 million. These losses and expenditures do not include administrative costs or costs incurred in operation of the Public Law 480 programs that have accounted for substantial volumes of cotton exports. In spite of these expenditures, the carryover of cotton has mounted steadily since 1961, reaching a near record high of 14 million bales in 1965, and a projection of about 16 million bales in 1966.

Cotton has been confronted with strong competition from manmade fibers in domestic outlets for the past two to three decades, but within the last 5 to 10 years the competition has become increasingly stronger.

Annual consumption of all fibers in the United States has increased from 6.7 in 1955 to 8.4 billion pounds in 1965. In contrast, total consumption of cotton has held fairly steady at about 4.4 in 1955 to 4.5 billion pounds in 1965. Manmade fibers have accounted for the increased consumption of all fibers in recent years. In the mid-1950's, about 2 billion pounds of manmade fibers were consumed annually, compared to about 3.6 billion pounds in 1965.

For the three decades, from 1930 to 1960, the cotton share of the total U.S. fiber market dropped from about 85 percent to 65 percent. Since 1960, cotton's share has declined at a much greater rate, dropping to 53 percent in 1965. In contrast, the manmade fiber share of the U.S. fiber market increased from 3.9 percent in 1930 to 29 percent in 1960, to 41 percent in 1964, and to 42.5 percent in 1965.

Per capita consumption of cotton has declined from about 26.5 pounds in 1955 to 23 pounds in 1965; whereas, per capita consumption of manmade fibers increased from 11.5 pounds in 1955 to 18.3 pounds in 1965.

Comparisons of production data also illustrate the growing competition confronting U.S. cotton. From the mid-1950's to the mid-1960's, production of manmade fibers doubled from an equivalent of about 5 to 10 million bales of cotton. Noncellulosic fibers have accounted for most of this increase, rising from less than 1.7 million bales in 1955 (cotton equivalent) to 6 million bales in 1964. Plant expansions now underway will increase capacity by another 2 million bales within the next 12 months, and industry reports indicate that non-cellulosic production will probably double within the next 5 years.

Rayon production in cotton equivalents has remained fairly stable at about 4 million bales for the past several years, although the cost of cotton to mills has been greater than the cost of rayon. In contrast, many of the noncellulosic manmades, which are rapidly claiming uses previously held by cotton, sell for two to three times more than cotton. Clearly, noncellulosics have been winning markets from cotton on the basis of some advantage other than price per pound.

In contrast to the hundreds of thousands of cotton producers, U.S. production of noncellulosic manmade fibers is highly concentrated in a few firms. The eight largest firms account for about 90 percent of total output of the major types of noncellulosic fibers. This concentration of production in a few firms facilitates the financing by noncellulosic producers of research for specific fibers and the promotion of their use, and hence contributes to the substantial gains noncellulosic fibers have made in uses previously held by cotton.

It has been estimated that all U.S. producers of noncellulosic fibers will spend about \$135 million in 1965 on research and development. It is estimated also that another \$70 million will be spent for sales promotion. Thus, manufacturers of noncellulosic fibers will spend over \$200 million for developing and promoting their product. By comparison, this expenditure is about seven times greater than the combined public and private outlays for development and promotion of cotton in 1965.

Attached is the requested section by section analysis of the bill; however, its important provisions may be summarized as follows:

H.R. 12322 provides enabling legislation for a program of advertising and trade promotion and research and development to promote the sale and use of domestic cotton, with direct costs to be financed by producer assessments. This is to be done through "cotton research and promotion orders," to be issued by the Secretary after notice and hearing and following approval by two-thirds of cotton producers participating in a referendum, by number or by volume of production.

The orders would contain one or more of four permissive provisions, i.e., (1) for advertising and sales promotion projects, (2) for research and development projects, (3) for handler reporting and recordkeeping, and (4) for incidental terms and conditions needed to effectuate other provisions of the order. How-

ever, any such advertising and promotion projects would be limited to improving the general demand for cotton or its products. No reference to private brand may be made if the Secretary determines undue discrimination would result, and false or unwarranted claims or statements may not be used on behalf of cotton or cotton products or in derogation of competing products.

Each order would also contain certain required terms. The order must provide for a cotton board with authority to administer the order, issue implementing regulations, report violations, and recommended other amendments. Such board must be composed of producer representatives from each cotton State, with proportionate representation reflecting relative importance of each States in cotton marketing. Representatives from each State are to be selected from nominations made by producer organizations to be certified by the secretary for each State, but nominations may otherwise be made if the Secretary determines that certified organizations do not adequately represent producers of the State.

The board also must develop and submit to the Secretary for approval, all plans and projects for advertising, promotion, research or development, as well as budgets covering all anticipated costs and expenses. However, as written, this would be subject to a further requirement that such plans and budgets must originate with an exclusive contracting organization which would, in fact, develop and carry out all such plans and projects.

Under section 7(g), the cotton board, with the Secretary's approval, must enter into executive contracts with an organization or association controlled by producer representatives selected by State producer organizations certified by the Secretary under section 14 for the carrying out of all advertising, promotion, and research and development projects. Under such contract, such organization also must annually develop project programs and budgets and submit them to the board for its review and recommendation to the Secretary, such projects to be effective upon approval by the Secretary.

The order also must provide that prescribed handlers of cotton shall collect assessments from producers and pay them over to the board. Such assessments are to meet anticipated expenses of the Board, including program disbursements. The initial rate in an order is to be \$1 per bale and such rate is not to be changed except by an amendment of the order recommended by the cotton board, approved by the Secretary, and approved by producer referendum.

The order also must require records, reports, and accounting by the cotton board with respect to all funds it handles.

Despite the provision for mandatory assessments against producers, section 11 provides for refunds thereof by the cotton board to individual producers, who personally must make written request for such refund within 30 days after payment by them, upon prescribed forms and supported by statements in writing from the handlers to whom the assessment was paid. Producers requesting refund are to be ineligible to vote in subsequent referendums until all refunds are repaid or the board, by regulation, waives repayment.

Section 14 specifies the procedure and criteria for the Secretary's certification of producer organizations in each State for purposes of nominations for membership on the cotton board and selection of the governing body of the exclusive contracting organization which is actually to develop and carry out the promotion and research projects and spend the money therefor.

The bill also provides for statutory review of the lawfulness of orders or obligations thereunder; civil and criminal enforcement; the issuance of regulations by the Secretary, and power to conduct investigations, issue subpoenas, etc.

The Department favors the enactment of the bill, but wishes to suggest several desirable modifications that merit consideration by the committee. These are:

1. Section 7(e) appears to place the primary obligation to pay assessments on individual producers, with collection to be made by handlers for turnover to the cotton board. It also provides for suits by the Secretary to enforce collection of such assessments.

This section is susceptible to the construction that a handler's obligation to pay assessments is conditioned upon his ability to collect from producers. If this is so, then any enforcement action to collect assessments, where the handler has failed to collect from a producer, would have to be taken against the producer. This could result in numerous law suits against individual producers for the collection of relatively small amounts of money. Any such attempts to enforce collection from producers may be further complicated by the fact that the amounts so collected from producers would be subject to immediate refund under section 11.

It is our understanding that the intention of section 7(e) is to require handlers to pay assessments, irrespective of whether they collect such assessments from producers. If our understanding is correct, the committee may wish to clarify section 7(e) by placing unequivocally on handlers the primary obligation to pay assessments, as is done in marketing orders under the Agricultural Marketing Agreement Act of 1937, after which the bill is patterned. This could be coupled by a direction to handlers that they reimburse themselves by collections from producers or other persons for whom the cotton is handled.

This method of handling assessments has not proven to be too burdensome on handlers under our fruit and vegetable marketing orders. Those handlers have been able to reimburse themselves through contractual arrangements with producers. It is assumed that handlers of cotton will be able to adopt a similar approach.

Section 7(e) also provides that the initial assessment rate of \$1 per bale shall not be changed except by an amendment to the order "recommended by the cotton board." Other amendments to the order can be proposed by any interested person, including the Secretary. Conceivably, important producer or other industry groups may wish to propose revisions of the assessment rate and the Secretary may find reason to believe that the proposed revisions may tend to effectuate the policy of the act. Yet, a hearing on the proposals could be blocked by the failure or refusal of the cotton board to recommend the revisions.

While the rate of assessment is important, there may be included in an order other provisions of equal importance. We are unable to ascertain a justifiable reason why the procedure for amending the assessment provision should differ from that applicable to other amendments. We therefore suggest the desirability of amending the bill to remove this difference in treatment.

If the committee should desire to modify section 7(e), this could be done by substituting the following in the place of the first two sentences of section 7(e) (p. 9, lines 14 to 24, and p. 10, lines 1 to 4) :

"(e) Providing, that each handler of cotton, as prescribed by the order, shall pay to the Cotton Board such handler's pro rata share, on the basis of bales of cotton handled, including cotton of his own production, of such expenses and expenditures, including provision for a reasonable reserve, as the Secretary finds are reasonable and likely to be incurred by the Cotton Board under the order, during any period specified by him; such rate of assessment shall be fixed by the Secretary in the order. The initial rate of assessment under an order shall be \$1 per bale of cotton handled, and such rate may not be changed except by amendment of the order duly approved by the Secretary on the basis of a hearing and subject to approval by cotton producers in a referendum pursuant to section 8. The order also shall provide that handlers who pay such assessments shall collect such amounts from the producer or other person from whom or on whose behalf the cotton was acquired or handled * * *."

2. A technical amendment of section 12(a) also may be desirable. As the section is now written, a petition for review addressed to alleged unlawfulness of an order is limited to the entire order, but would not extend to review of a particular provision of an order. We suggest that the phrase "or any provision of such order" be inserted after "any such order" in the first sentence (p. 14, lines 18 to 19). As so modified, this section would conform more closely to section 8c(15) (A) of the Agricultural Marketing Agreement Act of 1937, as amended (7 U.S.C. 608c(15) (A)).

3. In section 14, dealing with certification of cotton producer organizations by the Secretary, it may be desirable to permit the Secretary to use information otherwise available to him outside the report in evaluating the qualifications of the applicant. Thus, records of the Department may contain valuable data pertinent to such determination. It is therefore suggested that the words "in addition to other available information," be inserted immediately after the word "based" in the first sentence of section 14 (p. 16, line 14).

Enactment of this proposed legislation would require an initial estimated cost of \$400,000 for referendum, hearings, and related items and a recurring annual cost of approximately \$50,000 for Federal administration associated with the program.

The Bureau of the Budget has advised that time considerations have not permitted the determination as to the relationship of this bill to the administration's program.

Sincerely yours,

JOHN A. SCHNITTKER,
Acting Secretary.

SECTION-BY-SECTION ANALYSIS OF H.R. 12322, A BILL TO PROVIDE FOR AN INDUSTRY-FINANCED COTTON RESEARCH AND PROMOTION PROGRAM

The first section of the bill specifies its short title as the "Cotton Research and Promotion Act."

Section 2 contains legislative findings and declarations of policy. Findings are made that all cotton produced in the United States is subject to the Federal commerce powers, that new or improved markets and uses are vital to cotton producers and others in the cotton industry as well as to the general economy of the Nation, that U.S.-grown cotton is confronted with intensive competition from foreign-grown cotton and from manmade fibers arising largely from extensive promotional efforts for such fibers, and that a national program for cotton research and promotion is necessary.

A finding also is made that the Congress heretofore has exercised its regulatory powers so as to adjust the supply of cotton to demand and that it is necessary to supplement that regulation with a means of increasing the demand for cotton so as to reduce or eliminate the need for restricting marketings and for supporting the price of cotton.

Section 2 then declares it is to be the policy of Congress, in the public interest, through the exercise of the powers conferred by the bill, to provide for an effective program of research and promotion designed to improve cotton's competitive position and improve markets and uses for U.S. cotton and to finance such program through assessments on all cotton harvested in the United States.

Sections 3, 4, and 5 of the bill provide for the issuance of orders applicable to handlers of cotton after notice and hearing and a finding by the Secretary, based on evidence introduced at such hearing, that the issuance of such order and all of its terms and conditions will tend to effectuate the declared policy of the act.

The substantive terms and provisions of such orders are provided for in sections 6 and 7 of the bill.

Section 6 covers permissive terms in orders and provides that they shall contain one or more of four specified terms and conditions and, except as provided in section 7, no others. Section 6(a) authorizes appropriate plans or projects for the advertising and sales promotion of cotton and its products and disbursing necessary funds for such purposes. Any such plan or project must be directed toward increasing the general demand for cotton or its products and may not refer to private brands or trade names if the Secretary determines that such reference will discriminate unduly against the cotton products of other persons. Further, such programs shall not use false or unwarranted claims in behalf of cotton or false or unwarranted statements concerning any competing product.

Section 6(b) authorizes provisions in orders for research and development projects with respect to the production, processing, distribution, or utilization of cotton and its products and for the disbursement of necessary funds for such purposes.

Section 6(c) authorizes order provisions for the maintenance by handlers of books and records and for making them available to the Cotton Board and to the Secretary in connection with the administration and enforcement of the program. Such information is to be confidential except as otherwise provided in section 6(c).

Section 6(d) provides general authority to include in orders, terms and conditions which are incidental to and not inconsistent with the terms and conditions expressly specified in the act and necessary to effectuate other provisions of such order.

Section 7 of the bill specifies terms that will be required to be included in orders. Such required terms are as follows:

Section 7(a) requires that an order provide for a Cotton Board to be established and selected by the Secretary which shall have only the powers (1) to administer such order in accordance with its terms and provisions; (2) to make rules and regulations to effectuate the terms and provisions of such order; (3) to receive, investigate, and report to the Secretary complaints of violations of such order; and (4) to recommend to the Secretary amendments to such order.

Section 7(b) directs that such Cotton Board be composed of representatives of cotton producers, to be selected by the Secretary from nominations submitted by certain producer organizations within a State, as certified pursuant to section 14

of the bill, or if the Secretary determines that such producer organizations do not adequately represent producers in the State, from nominations made by producers as otherwise specified by the Secretary. The producer representation on the Cotton Board for each cotton-producing State shall, insofar as possible, reflect the proportion of that State's marketings of cotton to total marketing of cotton in the United States, with at least one member for each cotton-producing State.

Section 7(c) provides that the Cotton Board shall, subject to the provisions of section 7(g), develop and submit to the Secretary for approval any advertising sales promotion or research and development plans or projects, which plans or projects must be approved by the Secretary before becoming effective.

Section 7(d) provides that the Cotton Board shall, subject to the provisions of section 7(g), submit to the Secretary for his approval budgets of anticipated expenses and disbursements of the Board in administering the order, including estimated costs of such projects.

Section 7(e) provides that each handler of cotton, as prescribed by the order, shall collect from the producer or other person for whom cotton is handled and shall pay to the Cotton Board, assessments as prescribed by the order for expenses and expenditures found by the Secretary to be reasonable and likely to be incurred by the Cotton Board under the order. It further provides that the initial rate of assessment under the order shall be \$1 per bale of cotton handled, which rate cannot be changed except by amendment of the order, recommended by the Cotton Board, approved by the Secretary, and adopted by cotton producers in a referendum. Provision also is made that the Secretary may maintain suits against any persons subject to the order for the collection of such assessments, and jurisdiction is vested in the district courts of the United States to entertain such suits.

Section 7(f) provides for accounting by the Cotton Board for all funds entrusted to it and for the maintenance of appropriate books and records and the submission of reports by it to the Secretary.

Section 7(g) provides that the order shall require the Cotton Board, with the approval of the Secretary, to enter into contracts or agreements to develop and carry out activities authorized under sections 6(a) and 6(b), and for the payment of the costs thereof with funds collected pursuant to the order. Such contracts or agreements must be made with an organization or association governed by cotton producers selected by the cotton producer organizations to be certified under section 14 of the bill, with mandatory provision for appropriate representation by States, depending upon volumes of cotton marketed, subject to adjustments to reflect lack of participation in the program because of refunds under section 11 of the bill.

Section 7(g) further specifies that any such contract or agreement must provide that the contracting organization or association is to develop and submit, each year to the Cotton Board for its review and recommendation to the Secretary, a program of research, advertising, and promotion projects together with an estimated budget for such projects, and that such projects shall be effective upon approval by the Secretary. Any such contract or agreement must also provide that the contracting organization maintain adequate records and make annual reports to the Cotton Board concerning activities and accounting for funds received and expended and such other reports as the Secretary may require.

Under section 7(h) no funds collected by the Cotton Board may be used to influence Government policy or action, except only for the purpose of enabling the Board to make appropriate recommendations to the Secretary for amendment of the order.

Section 8 of the bill provides that no such order shall be effective unless the Secretary determines that its issuance is approved by at least two-thirds of the producers of cotton voting in a referendum, either by number or by volume of production in a representative period.

Section 9 provides for termination or suspension of an order or any provision thereof if the Secretary finds that the order or any such provision obstructs or does not tend to effectuate the declared policy of the act. It also provides for termination or suspension of the entire order upon a finding, after referendum, that a majority of cotton producers voting in a referendum, who produced more than 50 percent of the cotton of producers voting therein, favor termination or suspension of the order.

Section 10 provides that the requirements of the act applicable to orders shall be applicable to amendments to orders.

Section 11 provides that any cotton producer who has paid an assessment under an order may demand and receive from the Cotton Board a refund of such assessment, provided that demand therefor is personally made by the producer on a prescribed form and in accordance with regulations within 30 days from the date the producer paid the assessment, which demand must be supported by a statement in writing from the handler to whom payment was made substantiating such payment. Each such demand for refund is to be a matter of public record and no producer obtaining such a refund is to be eligible to vote in subsequent referenda until the refunds have been fully repaid to the Board or unless the Board, by regulation, waives repayment.

Section 12(a) provides that any person subject to an order may file a written petition with the Secretary contesting any order or any obligation imposed thereunder as not in accordance with law, and praying for modification or exemption therefrom. After hearing in accordance with regulations, the Secretary is to rule on the petition and such ruling is to be final, if in accordance with law.

Section 12(b) provides for appeal from the Secretary's ruling to a U.S. district court, provided appeal is taken within 20 days from the date of the entry of such ruling. If the court finds that the Secretary's ruling is not in accordance with law, it shall remand to the Secretary with instructions, or direct further proceedings. The pendency of such review proceedings before the Secretary is not to interfere with enforcement under section 13(a) of the bill.

Section 13 deals with enforcement by civil actions. Paragraph (a) vests the district courts of the United States with jurisdiction to enjoin violations and to order specific performance of any order or regulation. Paragraph (b) provides for a civil penalty of not more than \$1,000 for willful violation of the order or willful failure or refusal to pay any assessment or fee due under an order.

Section 14 specifies the terms of eligibility to be met by cotton producer organizations in each cotton producing State for purposes of requesting issuance of an order and submission of nominations for membership on the Cotton Board. Each such organization would be required to submit to the Secretary a factual report specifying certain information. The Secretary would certify organizations which he finds meet the requirements of the section; such determination as to eligibility being final.

Section 15 authorizes the Secretary to make such regulations, with the force and effect of law, as may be necessary to carry out the act and the powers vested in him by the act.

Section 16 authorizes investigations by the Secretary to carry out his responsibilities under the act or to determine whether the act is being violated or about to be violated. In connection with such investigation, the Secretary would be empowered to administer oaths, subpoena witnesses, and require the production of documentary evidence relevant to the inquiry. The section also provides for enforcement of subpoenas by district courts and specifies that no person may refuse to testify on grounds of self-incrimination, but no individual may be prosecuted with respect to any matter concerning which he is compelled to testify or produce evidence, after claiming privilege of self-incrimination, except for perjury committed in so testifying.

Section 17 defines the terms "Secretary," "person," "cotton," "handler," and "United States."

Section 18 is the usual separability clause providing that if any provision of the act or its particular application is held invalid, the validity of the remainder of the act and its application to other persons and circumstances shall not be affected thereby.

Section 19 authorizes appropriations necessary to administer the act, but expressly provides that such appropriated funds shall not be available to pay the expenses or expenditures of the Cotton Board in administering an order.

Section 20 provides for an effective date upon enactment of the bill.

The CHAIRMAN. We want to accord everyone a full opportunity to be heard, to freely express their views, either for or against this measure. There might be some other program that may be as good, or better, but if so we are not aware of it.

We appreciate the importance of this legislation. We hope that you do, too, and that we can avoid repetition in the interest of saving

time and can conclude the hearings, certainly, not later than tomorrow afternoon. We have numerous witnesses listed who will be called.

The first one is Mr. Clarence H. Girard, Deputy Administrator, Regulatory Programs, Consumer and Marketing Service, U.S. Department of Agriculture. We will be glad to hear from you now, Mr. Girard.

STATEMENT OF CLARENCE H. GIRARD, DEPUTY ADMINISTRATOR, REGULATORY PROGRAMS, CONSUMER AND MARKETING SERVICE; ACCOMPANIED BY CHARLES W. BUCY, ASSISTANT GENERAL COUNSEL; W. D. MACLAY, DIRECTOR OF RESEARCH PROGRAM DEVELOPMENT AND EVALUATION STAFF; FRANK LOWENSTEIN, ECONOMIST WITH THE STAFF ECONOMIST GROUP; AND JOSEPH A. MOSS, DIRECTOR OF COTTON POLICY STAFF, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Mr. GIRARD. Mr. Chairman and members of the committee, I am accompanied by a number of specialists from the Department who will assist me, with the chairman's permission, in answering any questions the committee may care to ask with respect to this legislation.

On my far right is Mr. Frank Lowenstein, economist, with the staff economist group; next to me on my right is Dr. W. D. Maclay, who is Director of the Research Program Development and Evaluation Staff, and to my left is Mr. Charles W. Bucy, Assistant General Counsel, and to my far left is Mr. Joseph A. Moss, Director of the Cotton Policy Staff, Agricultural Stabilization and Conservation Service.

As the chairman indicated, we, too, in the Department, believe this to be a very important bill, and that is one reason why we wanted to have with us those specialists in the various fields of cotton operation who would be available to answer questions which the committee may direct to these gentlemen and myself.

It is always a pleasure to appear before this committee, and I am particularly happy to have the privilege of presenting the Department's position on this bill.

We are pleased to appear before this committee to support H.R. 12322 and recommend that it be passed.

The Department's report on the bill refers to several modifications which we believe merit consideration by the committee. These are discussed in the report.

The bill is intended to enable cottongrowers to establish, finance, and carry out a coordinated program of research and promotion to improve the competitive position of, and to expand markets for, cotton.

The bill provides for a program of advertising, trade promotion, research and development activities designed to promote the sale and use of domestic cotton. The direct costs of these activities are to be financed by industry assessments. The mechanism for effectuating the act is through "cotton research and promotion orders" to be issued by the Secretary of Agriculture. H.R. 12322 further provides that the orders are to be issued after notice and hearing and following approval of cotton producers participating in a referendum. Each

order issued by the Secretary would provide for a Cotton Board with authority to administer the order, issue implementing regulations, report on violations and recommend amendments.

A private organization controlled by producer representatives selected by State producer associations is given the exclusive right to contract with Cotton Board in carrying out all advertising, promotion, and research and development projects. Under such contract, such organizations also must annually develop project programs and budgets and submit them to the board for its review and recommendation to the Secretary, such projects to be effective only upon approval by the Secretary.

The orders would provide for one or more of the following:

- (1) Advertising and sales promotion projects;
- (2) Research and development projects;
- (3) Handler reporting and recordkeeping; and
- (4) Incidental terms and conditions needed to effectuate other provisions of the order.

A number of facts concerning cotton, its production, marketing, uses, and the many problems associated thereto, are pertinent in the consideration of the objectives of the proposed legislation.

1. Cotton is the Nation's No. 1 cash crop: It has an annual farm value of approximately \$2.5 billion. Millions of persons—workers and dependents—are involved in growing cotton and producing finished cotton products for customers.

2. Realized losses incurred by the Commodity Credit Corporation on upland cotton price support and related programs and expenditures under direct payment programs have totaled \$3,006 million during the past 10 years: These have ranged from \$62 million in 1956 to \$601 million in 1965. In addition, losses on loan and owned inventories as of June 30, 1965, were estimated at \$541 million. These losses and expenditures do not include administrative costs or costs incurred in operation of the Public Law 480 programs that have accounted for substantial volumes of cotton exports. In spite of these expenditures, the carryover of cotton has mounted steadily since 1961, reaching a near record high of 14 million bales in 1965, and a projection of about 16 million bales in 1966.

3. Cotton has been confronted with strong competition from man-made fibers in domestic outlets for the past 3 decades, but within the last 5 to 10 years the competition has become increasingly stronger. From 1930 to 1960, cotton's share of the total U.S. fiber market dropped from about 85 percent to 65 percent. Since 1960, cotton's share has declined at a much greater rate, dropping to 53 percent in 1965. In contrast, the manmade fibers' share of the U.S. fiber market increased from 3.9 percent in 1930 to 29 percent in 1960, to 41 percent in 1964, and to 42.5 percent in 1965.

Many of the noncellulosic manmades, which are rapidly claiming uses previously held by cotton, sell for two to three times more than cotton. However, they continue to win new markets. Clearly, these noncellulosics have been winning markets from cotton on the basis of some advantage other than price per pound.

Better varieties and improved production practices have resulted in increased yields of about 15 pounds per acre per year during the past 5 years.

Inherent fiber quality characteristics have been greatly improved, important diseases and nematodes controlled, and insect resistance imparted.

Practical uses of chemicals for insect, fruit setting, and weed control are commonplace.

Considerable advances have been made in the field of biological controls of insects.

Mechanical harvesting has become commonplace and better equipment has been developed for planting, fertilizing, cultivating, and applying pesticides.

In the processing field, rapid advances have been made in cotton ginning to increase yield and grade.

There have been advances in seed cotton cleaning and the development of microspinning equipment has allowed for early selection in breeding programs for high quality.

In the use field, wash-wear and other cotton products and processes have retained or regained some of the markets for cotton equivalent to 2.5 million bales annually, more than 25 percent of domestic consumption.

WITH RESPECT TO COTTON RESEARCH

Following discussions between representatives of the cotton producers and Department research administrators, a task force of inter-agency representatives was established to consider what was needed in research on cotton. The group concluded that a well-balanced research and extension program directed toward lowering costs, increasing demand, and pricing effectively are the areas of research with greatest potential for returning substantial benefits to cotton farmers. These conclusions were discussed with the producers' technical representative and a general consensus effected. The substance of the conclusions was:

1. Development and adoption of new production technology can help reduce costs but reductions cannot be fully realized without adjustment of acreage allotments and/or increased sales.

2. There is an urgent need for research to develop what might be called complete systems—to determine the market needs and the optimum complete system of producing, processing, and marketing to fill these needs.

3. Research in five broad research groupings is most urgent. These are cost reduction, demand expansion, effective pricing, improved quality evaluation, and evaluation of alternative ways to promote cotton more effectively.

It is contemplated that the research programs and allocation of funds under the order to carry out research would be closely coordinated with existing Federal and State research programs. Such coordination is essential if duplication and waste are to be avoided and maximum results are to be achieved.

WITH RESPECT TO COTTON PROMOTION

Consumption of cotton is determined in large part by its competition with other fibers, especially manmade fibers. In this competition there are at least two major forces. One is the relative price for the competing fibers and another is the acceptability of the fiber for par-

ticular processes and end uses. In addition to decisions by consumers, there are other particularly critical points in the marketing channels where decisions are made to use certain fibers. The acceptability of a fiber is determined in part by the knowledge or frequently only with the belief of the manufacturer and personnel in the marketing channels as to the characteristics and performances of the various fibers.

Manufacturers of manmade fibers have devoted much effort to promoting their products so that manufacturers will use high proportions of manmade fiber in their products. These efforts include advertising in the conventional sense of the term, service work with processors and manufacturers so they can utilize the performance characteristics of the fibers to their best advantage, making modifications in fiber characteristics so that the fibers are "hand tailored" to particular uses, working with sales personnel at all levels so that they know how to sell the fibers and explain their assets, and helping to finance advertising of individual outlets such as cutters of apparel and retail stores.

Thus, promotion has played an important part in increasing consumption of manmade fibers and the declining consumption of cotton in this country. Although there has been some promotion for cotton it has been so small in relation to the effort made by manmade fibers that the consumption of manmade fibers has steadily and continuously outpaced cotton. A sharp increase in the promotional effort for cotton is needed if cotton is not to continue to lose ground to manmade fibers because of their massive promotion program.

Summarizing, Mr. Chairman:

1. Cotton is the No. 1 cash crop of the Nation.
2. Cotton is also the No. 1 surplus problem and has become progressively acute in recent years.
3. Cotton is faced with extreme competition from manmade fibers which held 42.5 percent of the U.S. fiber market in 1965. It is also faced with severe competition in foreign markets.
4. The production and marketing of manmade fibers is concentrating in a few large companies and this facilitates the financing of research and promotion of their products. This is estimated at around \$200 million annually and had been the primary factor in that industry's rapid expansion in the last 20 years. This expenditure is about seven times that of cotton.
5. Advertising and promotion contribute substantially to the successful sale of any product in a highly competitive market.
6. Governmental and private research on cotton has been productive and advances made have been a primary factor in maintaining cotton in as competitive a position with manmade fibers as it is today.
7. The expansion of research can contribute materially to (a) reducing the costs of producing cotton sufficiently to make it more attractive for producing cotton products in competition with products of manmade fibers, and also enhance its position in foreign trade, (b) developing new and improved cotton products with properties that will allow successful competition with other textile fibers, and (c) instituting pricing policies based on sound scientific and economic information.

If producers are willing to finance a self-help program such as that contemplated by the bill, we believe they should be encouraged to do so by enactment of this legislation.

Mr. Chairman, we approve this bill. If it is enacted and a cotton research and promotion order receives widespread support among cotton producers, we in the Department pledge ourselves to assist in every way to make the program successful.

I will be happy to answer any questions.

The CHAIRMAN. Mr. Girard, I want to congratulate and thank you for presenting such a well-prepared statement. I think you have covered the subject very thoroughly.

Are there any questions that anyone wishes to ask?

Mr. FINDLEY. Mr. Girard, on the first page of your statement you say:

The direct costs of these activities are to be financed by industry assessments.

As a practical matter, the Federal Government would be collecting the money for trade promotional activities and also would pay the bills; is that not correct?

Mr. GIRARD. No, that is not. The bill is not set up that way, sir. The only direct expense of the Federal Government would be the cost of holding hearings and holding the referendums, getting the program underway, which we estimate will be in the neighborhood of \$400,000, and after that first year the cost would be reduced to about \$50,000 which would be used to coordinate the research activities, in consultation with the Cotton Board. But the organization of the producers, if this is set up, would prepare a program of research and promotion and put a price tag on every project that they feel should be undertaken. This would go before the Cotton Board, and if they approved, they would recommend the project to the Secretary, and if the Secretary approved, these would go into operation, but there would be no cost on the part of the Federal Government with respect to those projects.

Mr. FINDLEY. But the Cotton Board would operate under the Secretary of Agriculture, would it not?

Mr. GIRARD. That is correct.

Mr. FINDLEY. And they would make no expenditures, unless the Secretary gave them approval?

Mr. GIRARD. That is correct; they have to prepare a budget.

Mr. FINDLEY. The money spent would be disbursed then by the Federal Government, even though it came from the people in the industry; is that not correct?

Mr. GIRARD. The disbursements would be technically made by the Cotton Board. If we draw on our experience from our other marketing agreements, the administrative agency that is set up from nominations in the industry and appointed by the Secretary, collects the assessments, and, of course, does the physical writing of the checks, to spend the money. All of that is subject to the budgetary control and approval by the Secretary of Agriculture.

Mr. FINDLEY. That is the point that I wanted to make. What I want to know is, if there is any precedent for this type of Federal handling of commodity promotion?

Mr. GIRARD. No, there is no program exactly like this.

Mr. FINDLEY. This would be a first?

Mr. GIRARD. Well, not exactly, sir. Last year, the Agricultural Marketing Agreement Act was amended to add 14 specific commodi-

ties, for which there could be advertising promotion under the marketing agreements and orders for those commodities.

Last month, we held our first hearing under this new authority that dealt with nectarines in California, and we are now going to a hearing in Texas on Texas citrus, to amend that order to permit the use of funds for advertising under that program.

So, presumably, if the record justifies that type of activity under those programs, they will be the first.

Mr. FINDLEY. But up to now, the Federal Government has never engaged in the direct promotion of commodities within this country. I understand that under Public Law 480 they have to some extent.

Mr. GIRARD. No, that is not quite correct. We do it under the wool program.

Mr. FINDLEY. Under the wool program? Is there anything assessed against the wool producers to finance that?

Mr. GIRARD. The way it operates is that there is a direct payment to the wool producers.

Mr. FINDLEY. Correct.

Mr. GIRARD. And they vote on whether they want any part of that payment to be devoted or diverted to an advertising and promotion program. And it requires two-thirds of the producers voting to approve that part of the payment which would, otherwise, go to them to be put into a fund to be used by the Secretary in promoting wool, and, of course, under that program we enter into a contract with the Wool Council, and they carry out the program, somewhat similar to what the Cotton Board and the private producer organizations would be doing under this particular legislation.

Mr. FINDLEY. Am I correct that under this proposal there would be a similar two-thirds approval required before it could take effect?

Mr. GIRARD. Yes, sir. This proposal provides for the alternative of two-thirds by numbers or two-thirds by volume of cotton produced. The wool program also provides for alternative approval by numbers or volume.

Mr. FINDLEY. At the bottom of page 2, you state that cotton has an annual farm value of approximately \$2.5 billion. Is that the value under the present program; in other words, the gross payment to the farmers?

Mr. GIRARD. I would like to have Mr. Lowenstein answer that. He is our economist in charge of all of our statistics.

Mr. LOWENSTEIN. Thank you for the promotion.

This is the actual value of the cotton cottonseed. These are the 1964 figures.

Mr. FINDLEY. It is not based on the program which would take affect later this year?

Mr. LOWENSTEIN. No.

Mr. FINDLEY. I noticed at the top of page 3 that you show for 1965 realized losses:

Realized losses incurred by the Commodity Credit Corporation on upland cotton price support and related programs and expenditures under direct payment programs have totaled \$3,006 million during the past 10 years. These have ranged from \$62 million in 1956 to \$601 million in 1965. In addition, losses on loan and owned inventories as of June 30, 1965, were estimated at \$541 million.

Adding the two figures brings a total of \$1,141 million, representing the cotton program cost to the Government for 1965, not including administrative costs. This is very illuminating when you compare that with the total value of the cotton crop of \$2,500 million. It looks like the cost to the taxpayer is pretty close to one-half of the value of the crop. Am I correct in my assumption?

Mr. GIRARD. There is a duplication in those figures. I would ask Mr. MOSS to explain the difference.

Mr. FINDLEY. The words "in addition" would lead me to believe that \$541 million is an extra expense beyond the other. Is that correct?

Mr. GIRARD. That figure is the amount of losses CCC expected to incur on cotton in its inventory on June 30, 1965. When that cotton is sold and the loss is actually incurred, it will be a realized loss and be added to the accumulated \$3,006 million figure. The \$601 million figure represents the realized losses in 1965 on cotton stored in fiscal 1965 and prior years.

Mr. FINDLEY. But you say that it would extend beyond the 12 months' period?

Mr. GIRARD. Yes, sir.

The CHAIRMAN. That is what is contemplated by this bill—to use up the cotton rather than to keep it stored in the warehouses.

Mr. GIRARD. That is correct.

The CHAIRMAN. I pointed out a moment ago that our losses have been gigantic.

Mr. FINDLEY. I agree. I was surprised and somewhat gratified to see the statement of Secretary Freeman on January 27 when he commented upon this. In this statement he said, "We were wrong" about the 1964 cotton program.

Mr. GIRARD. Yes.

Mr. FINDLEY. Continuing to quote Mr. Freeman, "Moving to a one-price cotton would increase the domestic consumption by more than a million bales, to bring about a reduction in the cost of the cotton to the consumer. We were wrong." It is gratifying to see that he acknowledges the error.

One concern I have about this new proposal, though, is as to whether it would be fair to the producer of manmade fibers to have the Federal Government engage in a trade promotion activity which would tend to work to their disadvantage.

Do you anticipate that we will be establishing a precedent here that could lead to trade promotion activities for other commodities?

Mr. GIRARD. That, of course, is always a possibility, that other commodities may want to engage in a similar activity, but right now, of course, we do have the cotton producers who number some 500,000-plus, and it is very difficult for them to amass any sum of money without some concerted action which will in any way come near to matching the tremendous expenditures of the eight largest manmade fiber producers who are able to amass and spend to promote their products.

Mr. FINDLEY. I understand that it is completely a voluntary operation, operating entirely within the private section without Federal involvement, that it has been for a number of years on a voluntary checkoff basis, for purposes of promotion.

Has this approach been tried within the cotton industry, do you know?

Mr. GIRARD. Yes, it has. The Cotton Producers Institute has attempted that approach, and for reasons that I would prefer they would explain themselves, it has not worked.

There is one provision in this bill, I believe section 11, which permits a producer to get a refund if he requests it; so, to that extent, in a sense, it is voluntary, although the collection would be made first, and then he has to make an application to get it back. So, to that extent, it is not voluntary. But he can recoup his money if he exercises the option provided in section 11.

Mr. FINDLEY. That is all. Thank you.

The CHAIRMAN. I would like to point out the fact that we have a tobacco organization which is financed by the farmers called the Tobacco Associates. Each producer is assessed a certain amount per acre and if he does not want to pay, all he has to do is to ask for it to be refunded. I have asked about the constitutionality of such a program. Nobody can attack the tobacco program, because he would not have a cause of action as no one is required to make a contribution. Now, if I understand correctly, in this bill you say that if I make 10 bales of cotton, \$10 is deducted from my proceeds and if I am unhappy about it, I can ask for the money back; is that right?

Mr. GIRARD. That is right.

The CHAIRMAN. I also want to compliment the cotton growers in North Carolina, because I think that we in North Carolina have the only cotton promotion committee in the whole country that is financed by a contribution made by the farmers, and this organization has done the best that they could do to promote the use of cotton. We are here proposing to do the same thing on a nationwide basis, and it seems to me that no one would be able to justify an objection to the bill simply on that basis, since it is a self-help program and we hope to minimize the losses to the Government and to the taxpayers. That is the main objective of the bill, and to make cotton competitive with manmade fibers.

I do not think it is unfair to the manmade fiber manufacturers for us to look after the No. 1 cash crop in American agriculture. I think that there are more people earning their livelihood out of cotton than any other crop in America. I am sure that this is true; that is, when you take into consideration those in the production, the processing, the shipping, the handling, and the distribution, the wholesale and retail level—there is no one other commodity in American agriculture that can compare with the cotton industry as such. Do you not agree with that?

Mr. GIRARD. Well, the figures I have seen recently, Mr. Chairman, with respect to the number of people who are working with cotton from the producer to the consumer, numbers in excess of 9 million.

That would be a pretty sizable segment, I would say.

The CHAIRMAN. I think that it is closer to 10 million.

Mr. GIRARD. Over 9 million.

The CHAIRMAN. Over 9 million?

Mr. GIRARD. Yes.

Mr. ABERNETHY. I would like to ask you this question: Is this under the Federal law?

The CHAIRMAN. No; it is under State law.

Mr. ABERNETHY. I wonder if you and your associates could in a few minutes' time give us some details about the mechanics of the program.

Your statement as to the necessity for it is fine. I think we all agree that there is some need for a program which will enable some segment of the industry to promote research and further consumption of this product. I am familiar with the need, but I think that everybody is familiar with the need, and I think that is fine, and we all are familiar with the need, but I would like to know more about the mechanics of the program.

I wonder if you could have some member of your staff go into that, to give us a rundown on that? That is what I would like to have at this time.

Mr. GIRARD. The details, of course, would have to be worked out in the order itself. In other words, this is enabling legislation, and the order would have to do a lot of the defining and deal with the specifics, but, generally, drawing on our experience with other commodities under marketing agreements and orders we would first have to have a proposal from responsible industry groups which would set up the committee, precisely how the appointments to the committee were to be made, and so on.

Also, then, we would have the Secretary examine that, work with the industry groups on the proposal, and if there was agreement, why, then, we would go to a public hearing which would be a due-process, cross-examination-type of hearing, and witnesses would be sworn. Then, after the hearing, briefs would be filed, and if the Secretary found that the program would effectuate the policy of the act as it was structured, then there would be a recommended decision to which all of the industry could file exceptions.

Following that, the Secretary, if he still found that the program would effectuate the policy of the act, would make the necessary findings and conclusions. Then, he would issue a final decision, and have a referendum among all of the cotton producers.

If two-thirds of the cotton producers approved, why, then, the program would go into effect.

Mr. ABERNETHY. You say that the program would go into effect. Illustrate one program.

Mr. GIRARD. The legislation provides for alternatives. You could have a program which would have promotion only. You could have a different program which would provide for research and development. But, as I understand the proponents, they want one program that will encompass both research and development as well as promotion.

The responsible producer organizations in the various States would nominate members to the Cotton Board, the representation being based upon the marketings of cotton in each State in relation to other States.

Mr. ABERNETHY. How many people would serve on the board?

Mr. GIRARD. It would depend on what the order provided, as to what the representation is. The act says that no State shall be without any representation. In other words, there must be a minimum of one from each State. If the smaller State had two members, why, the larger States would get proportionately greater representation.

Mr. ABERNETHY. Then, what is the authority invested in the board?

Mr. GIRARD. The board would administer the program, collect the funds and expend the funds pursuant to a budget of projects which would be recommended by another organization which consists of representatives of the various cotton organizations in each State. In other words, as I understand it, the way the program would work, this organization would be constituted somewhat similar to the Cotton Producers Institute which has been functioning in this field.

Mr. ABERNETHY. Let me interrupt there, does this board, or will this board, have the exclusive authority to make a determination as to what will be spent, how much will be spent and when it will be spent?

Mr. GIRARD. No; the way this is structured—

Mr. ABERNETHY. You said "No." Then who has that authority?

Mr. GIRARD. It is a combination, sir. The individual project must be recommended by the producer organization which is going to be set up.

Mr. ABERNETHY. All right. What producer organization?

Mr. GIRARD. The bill contemplates that the organization of the producers, certified by the Secretary as representing producers in the various States, will organize an association similar to the Cotton Producers Institute from representatives of these various cotton-producer organizations. This organization, in turn, would prepare a budget of promotion and research projects, and estimate the costs thereof. This, they would recommend to the Cotton Board for its consideration. The Cotton Board, if it approved some of these and disapproved others, would take those that it approved to the Secretary for final approval, and only those projects that have been initiated by the producer organization, approved by the Cotton Board and the Secretary, would become operative.

Mr. ABERNETHY. When this goes to a referendum, the referendum returns may be based upon the number of producers or the quantity, the volume?

Mr. GIRARD. Yes, sir.

Mr. ABERNETHY. Who makes that decision?

Mr. GIRARD. That will have to be determined by the Secretary in regulations that he issues with respect to the referendum. In other words, he would have to issue implementing regulations concerning how the referendum is to be conducted, by mail or by ballot, whether the determination—

Mr. ABERNETHY. You have answered it. It would be made by the Secretary. Let us say that the vote is 50 to 50, just say that it is 50 to 50 by numbers, but by volume it would be 80 to 20. When will we know which will prevail, by numbers of producers or by volume?

Mr. GIRARD. Presumably the Secretary would issue the regulations prior to the referendum; he would do that so that the folks would know on what basis the results will be determined. And so, in that case, if it was a number determination, why, then, it would fail. On the other hand, if it were a volume determination, it would carry.

Mr. ABERNETHY. You anticipate that there may be instances when the number of farmers voting in the referendum would be greater in opposition to those voting by volume, but that the quantity in production would be greater?

Mr. GIRARD. That is conceivable, sir. We figured out that 25 percent of the cotton producers would be sufficient to carry a volume vote.

So that if all of the large producers voted one way, it is possible that you could have 75 percent of those voting against it and 25 percent for it, if you restricted your approval to volume alone.

Mr. ABERNETHY. Well, now, if you restricted your approval to volume alone, and this situation happened, as you say it could, when only 25 percent of the producers voted for it, who will protect me when I return to my district from the thousands of my small farmers?

Mr. GIRARD. I think that is an area——

Mr. ABERNETHY. I am not being facetious.

Mr. GIRARD. No, no. We recognize that it is a very serious problem. As you know, in our cotton quota program, it is numbers. In fact, in most of our quota programs, numbers are the factor. It is on a numbers' basis rather than on a volume basis. So, I think that this is an area that the committee may very well want to consider quite seriously, and the committee, of course, could strike out the alternatives if they thought, in their wisdom, that would be desirable.

Mr. ABERNETHY. I have another question: Let us suppose that I gin my cotton. I have 10 bales. Incidentally, I have quite a number of farmers in my district who produce only 10 or 12 or 15 bales of cotton. I pay in my \$10. I ask for it back. What then?

Mr. GIRARD. Well——

Mr. ABERNETHY. I fill out the form provided by the administrator of the program for the return of the fund I have paid. Then I cannot vote in any subsequent referendum, is that right?

Mr. GIRARD. That is the way that the bill is now written.

Mr. ABERNETHY. What is the objective for excluding those farmers from voting in a subsequent referendum?

Mr. GIRARD. I think that you would have to ask the proponents and the sponsors of the bill on that.

The CHAIRMAN. If you are talking about the little farmer, who does not want to get into this program, he does not have to get into it. This means that the big farmers would be financing the entire program and that the little farmer would benefit from the program.

Mr. ABERNETHY. I am not now quarreling about anything. I am just trying to find out about this bill.

The CHAIRMAN. Why then discuss the voting?

Mr. ABERNETHY. And the next time they will not check him off.

Mr. GIRARD. He would have to ask for a refund each time.

The CHAIRMAN. He can ask for the refund. It is just as simple as that; he gets his money back.

Mr. ABERNETHY. It is the same as in the other program. He would be put on the blacklist.

The CHAIRMAN. They cannot put him on a blacklist, and it is beneficial to him as well as to others.

Mr. ABERNETHY. I just want to be sure—I want to know what will happen. I want to be sure that I know what will happen if this bill becomes law.

The CHAIRMAN. I do not see how the small farmer could possibly suffer.

Mr. ABERNETHY. I do not say now that he will suffer. I just want to know what the mechanics of this will be. Then I can decide whether anyone will suffer.

The CHAIRMAN. Under the volume part of the program, if it is such, 25 percent of those will pay the cost of the program.

Mr. GIRARD. Presumably those who vote for the program are those who are going to support it and not ask for refunds; at least, that is what we envision.

Mr. ABERNETHY. Suppose that 50 percent of the farmers ask for a refund, then they are, from then on, excluded from participating in the referendums, are they not?

Mr. GIRARD. That is correct.

Mr. ABERNETHY. Then, the next referendum would be imposed by two-thirds of only 50 percent?

Mr. GIRARD. Yes, those who are participating in the referendum.

Mr. ABERNETHY. And you could reach the point in the third referendum of the fee being imposed by only two-thirds of one-fourth of the growers.

Mr. BUCY. If you got down to that point, there is a provision in there to the effect that if 10 percent of the producers voting in the original referendum petition the Secretary to hold a referendum to repeal the program, then he has to hold a referendum and conduct it at that time, and then if 50 percent of the producers producing 50 percent of the cotton crop vote in favor of terminating the program, it must be terminated.

Mr. ABERNETHY. The only reason that I am raising this question, Mr. Chairman, is that I am trying to find what happens to the fellow who does get out.

The CHAIRMAN. For example if I pay in \$10 on 10 bales of cotton and ask for the money to be refunded, will it be refunded?

Mr. GIRARD. You get it back.

The CHAIRMAN. It does not cost him anything to get out?

Mr. GIRARD. Merely the postage.

The CHAIRMAN. It does not cost him anything to stay out and he gets the benefit of the program.

In our State we have had in operation a tobacco program in Flue-cured tobacco, and I do not recall ever having heard of anybody asking for a refund of the little amount of money that he paid in. Perhaps they have in a few instances.

Mr. DOLE. Is that like a section 14-B?

The CHAIRMAN. We are talking about agriculture. I am not getting off on something else. Go ahead.

Mr. STALBAUM. Will you yield?

Mr. ABERNETHY. Yes.

Mr. STALBAUM. In line with this voting on the referendum, I just want to make it clear in the record that this applies only to the referendum under this order; is that right?

Mr. GIRARD. That is correct, sir. This is a separate bill from the marketing agreement act. While it is patterned after the Agricultural Marketing Act, there is no connection between the two, or a tie-in.

Mr. STALBAUM. So that the failure to contribute, or requesting refunds and obtaining them would not preclude him from any other cotton program referendum activity; anything of that kind?

Mr. GIRARD. It only has to do with this particular promotion program and nothing else.

Mr. ABERNETHY. Well, would you object to amending the bill so as not to deny this particular farmer, who asks for a refund, participation in future referendums?

Mr. GIRARD. The Department would have no objection to an amendment deleting that provision.

Mr. ABERNETHY. You would not have any objection to such an amendment?

Mr. GIRARD. If the committee desires to do that.

Mr. ABERNETHY. I just want to know.

Mr. HEIMBURGER. I just want to suggest that the spokesman for the Cotton Council, in their testimony, will suggest an amendment to this provision you are discussing.

Mr. ABERNETHY. Perhaps, we could save a lot of time by hearing him now.

The CHAIRMAN. Any further questions?

Mr. STALBAUM. I would like to ask some questions.

The CHAIRMAN. Mr. Hagen is first.

Mr. HAGEN of California. How do you determine the volume of production by each voter?

Mr. GIRARD. There are very few commodities concerning which we have more information than the production of cotton, because of our other programs. So, the producers would have to declare, and then, of course, we have ways of checking through our county offices as to whether that declaration is accurate.

Mr. HAGEN of California. You verify it, then?

Mr. GIRARD. We could verify it.

Mr. HAGEN of California. Another question.

Since production practices, and so forth, vary from State to State, do you contemplate individual State programs or just a national program?

Mr. GIRARD. There is nothing in the bill which would preclude a State program, but, as I understand the desires of the sponsors, they feel that it should be a national program, to make it work properly.

Mr. HAGEN of California. But the language of the bill—

Mr. GIRARD. I am sorry. I was in error.

Mr. HAGEN of California (continuing). Seems to me to indicate otherwise.

Mr. GIRARD. It says all production areas. I stand corrected.

Mr. HAGEN of California. The language of the bill seems to contemplate State programs rather than a national program.

Mr. GIRARD. That is, from a State-participation standpoint. In other words, say that a State which reduces its contributions by asking for refunds, its representation on the Board would be reduced accordingly. So, that is how the States get into the picture, plus the fact that each State must be given at least one representative on the Board.

Mr. HAGEN of California. I understand the construction of the Board, but say that you want a production research program for Mississippi, which is not applicable to California—say that you wanted that, who would determine whether or not that program would be conducted?

Mr. GIRARD. I was in error when I first made that statement, Mr. Chairman.

Section 3, page 4, the last sentence of that section of the bill provides:

Such orders shall be applicable to all production or marketing areas, or both, in the United States.

It would be impossible under this bill as now written to have a State program.

Mr. HAGEN of California. I see. That is all. Thank you.

The CHAIRMAN. Mr. Stalbaum.

Mr. STALBAUM. I noted that in setting up the program, you have a Cotton Board, which is on page 10, with the approval of the Secretary, and then you have a Promotion Board—I guess that is about the only term that I can give it—which comes up later, apparently coming from the same groups and subject somewhat to the same approval of the Secretary. Perhaps my question should not be directed to you, maybe it should be to the author or to those who have promulgated this plan, why the need for two Boards?

They are really representing the same group, and both are specifically designated under section 14 as the parent group from which they come and then going back, one reviewing the work of the other.

Mr. GIRARD. I would prefer that they, the sponsors of the program, answer that question, Mr. Stalbaum. All I can say is that this is a new and novel approach, insofar as our programs are concerned.

Mr. STALBAUM. I would like to ask the chairman on that point. Maybe he would rather defer the answer to that question to someone who will testify later. The question that I raised pertains to the fact that there are two boards set up under this bill, a Cotton Board from the various groups, and then later a sort of a Promotion Board, also, from the various groups, both coming from the same area, all certified by the Secretary, and my question is: Why the two groups for the two Boards?

The CHAIRMAN. If I understand it, the first group would be a larger group, so that everybody could participate, is that right, that, is in all areas? Then, the final decision is based upon the recommendation of the first group, which would be recommended or rejected by the second Board, and then it would go to the Secretary.

Mr. GIRARD. That is the way that the program is set up.

The CHAIRMAN. Then, the Secretary at the top level issues the order.

Mr. STALBAUM. Both Boards come from the same group—both refer to the same section in the bill, section 14—both have to have their action approved by the Secretary. I am wondering why the need for two Boards.

The CHAIRMAN. I will be delighted to go into that, unless you would like to answer the question.

Mr. GIRARD. I prefer that Mr. Cortright answer the question.

The CHAIRMAN. We can have the industry do that.

Mr. GIRARD. Yes.

The CHAIRMAN. Let us go off the record just a minute.

(Discussion was had outside the record.)

The CHAIRMAN. Back on the record.

Mr. DOLE. I have just one question.

It is with reference to section 11, mentioned in the letter from Mr. Schnittker and the attachment thereto, which, probably, relates to

the same question raised before: Is the demand for the refund under this bill to be made by the producer, or how is it to be made?

Mr. GIRARD. Certainly, by the producer, rather doing it through the processor or the handler acting as his agent. It is contemplated that the producer himself should be the one to make the application and not somebody else.

Mr. DOLE. You feel that section 11 in its entirety is necessary?

Mr. GIRARD. Well, if you are going to give it a voluntary twist, I think it would have to have some basis for getting the refund; otherwise, the producer could not obtain a refund. In other words, whether this is written the way that it ought to be is one thing.

Mr. DOLE. Could it not be written so that the assessment would not be made in the first place, so as not to have the burden put on the producer?

Mr. GIRARD. It could be written that way; it could also be written whereby if the producer who did not want to have the assessment made would issue some sort of a statement or a request, or something of that sort, but that is not in the present bill.

Mr. STALBAUM. Will you yield for a question there?

Mr. DOLE. Yes.

Mr. STALBAUM. It states, also, in order to get his refund he has to get a statement from the purchaser. Supposing that the purchaser will not give him a statement, might it not be possible, for instance, to merely provide that adequate documentation that the assessment had been paid would suffice?

Mr. GIRARD. Paid on his behalf?

Mr. STALBAUM. In other words, that the final bill that receives for it, some certification of that be made on that, might not that suffice?

Mr. GIRARD. Yes; there is one thing that must be kept in mind. We construe this bill as applying the assessment against the handler irrespective of whether he collects it from the producer or not. It is conceivable that some handler may have paid the assessment but has not collected it. Of course, in that case, the producer should not be entitled to recoup what he did not give. It is a question of how that should be structured to make sure that the refund requested has been paid.

Mr. STALBAUM. To follow up my inquiry, a statement clearly showing that he had made the payment through various deductions—that this might be sufficient for the purpose of the refund?

Mr. GIRARD. That could be—that is a possibility, but we have to make sure that the aggregate of the statements matched the aggregate of the payments for that particular handler, so that we could have some kind of a check in there.

Mr. STALBAUM. I recognize that.

Mr. ABBITT. Will you yield?

Mr. DOLE. Yes.

Mr. ABBITT. I notice on page 14, line 11, that the man who requests the refund, that such record shall be a matter of public record.

What is contemplated by that matter of public record?

Mr. GIRARD. Well, I suppose it means that if somebody wants to find out who did not make the refund, they could go to the Cotton Board and ascertain that information. That is all that I can see on that.

Mr. ABBITT. It would be a piece of paper, or something like that?

Mr. GIRARD. It is a matter of public record. Whether the Cotton Board would publish a list, that would depend on how the order is written. I think under this language, conceivably they would have authority to do it.

Mr. ABERNETHY. Who is the custodian of the fund?

Mr. GIRARD. The Cotton Board. And they operate like our other marketing order programs. They would have to deposit their funds in a bank account, insured, as Federal funds are; they would have bonded employees, and they would be subject to an audit by the Office of the Inspector General to make sure that their funds were properly accounted for.

Mr. HELMBURGER. May I ask just one question?

The CHAIRMAN. Yes, sir.

Mr. HELMBURGER. Mr. Girard, I would just like to clear up in my own mind a question as to the handling of the money which is collected from the producer. Does that money at any time go into the Federal Treasury?

Mr. GIRARD. No, sir.

Mr. HELMBURGER. And the Federal Government has no discretion as to the expenditure? It must be spent for the purposes for which it is collected?

Mr. GIRARD. That is correct.

Mr. HELMBURGER. Or not spent.

Mr. GIRARD. Or not spent.

Mr. HELMBURGER. It cannot be spent on a bridge out in Iowa or a national park in New Jersey, or something like that?

Mr. GIRARD. No.

Mr. HELMBURGER. Thank you.

The CHAIRMAN. I said in my opening statement that I had some misgivings about this legislation as to its constitutionality. Well, are you satisfied that the bill as it is now written is constitutional?

Mr. BUCY. You will notice that there is a finding in there that this is supplemental to the regulatory program and a part of it. On that basis, you will recall that under the Defense Production Act, during the war, that we controlled milk the same as marketing orders control milk, and we collected assessments to pay the expenses of that program, and the courts sustained those as being a proper assessment. The question of whether the dollar reflects the expenses or not would be a matter that presumably the proponents of an order would establish as a matter of record, so as to justify the flat sum being collected as being an assessment with direct reference to the cost of administering the program.

The CHAIRMAN. Mr. Hagen.

Mr. HAGEN of California. Was there not a similar proposal made some 4 years ago with respect to a meat board?

Mr. BUCY. It was a different situation that you are speaking of, in relation to the meat board.

Mr. HAGEN of California. With reference to meat?

Mr. BUCY. The meat board situation.

Mr. HAGEN of California. Yes.

Mr. BUCY. That was a voluntary program.

Mr. HAGEN of California. Mr. Poage had a bill.

Mr. BUCY. That bill was because of a provision in the Packers and Stockyards Act controlling the marketing agencies in their fiduciary capacity which said that they could not deduct from their principal's money sums without the principal's prior consent. The bill that Mr. Poage sponsored and which was passed said that that act should not be construed as prohibiting a marketing agency from deducting the money, so long as they notified the party that they could get it back on request.

Mr. HAGEN of California. That is the Meat Board situation?

Mr. BUCY. That is the Meat Board situation today.

The CHAIRMAN. Thank you gentlemen very much.

We will now call Mr. Cortright, chairman of the board of the National Cotton Council of America.

STATEMENT OF G. C. CORTRIGHT, JR., CHAIRMAN OF THE BOARD OF THE NATIONAL COTTON COUNCIL OF AMERICA

Mr. CORTRIGHT. Mr. Chairman and gentlemen of the committee, my name is G. C. Cortright, Jr. I am a cotton farmer of Rolling Fork, Miss. I also am a member of the board of trustees of the Cotton Products Institute, and board chairman of the National Cotton Council of America.

My purpose in being here is to testify as a cotton farmer in support of H.R. 12322. I also speak in behalf of thousands of other cotton farmers who have endorsed this approach toward financing a fully adequate program of cotton research and promotion.

In announcing his introduction of this legislation, Chairman Cooley said:

I am proud to sponsor this rather unusual piece of farm legislation—one that the taxpayers will not be called upon to pay for.

I, too, am proud of this legislation, under which cotton farmers are proposing to use their own money to finance an essential program of self-help.

As producers, we realize and deeply appreciate what our Government has done to help us. Without its vital assistance in research, cotton would long since have ceased to be a major fiber. It goes without saying that we, like other segments of agriculture, count heavily on a continuing and expanding effort in research through the USDA and State experiment stations.

Our Government has provided immensely important promotional assistance in foreign countries, through Public Law 480; this will continue to be essential to our effort to expand raw cotton exports.

And, through the Agricultural Acts of 1964 and 1965, our Government has moved to make cotton fully competitive in price, certainly an essential ingredient in the drive to hold and expand our markets.

Let me repeat: These programs have helped save cotton as a major industry, and their continuation of a sound basis is vital to us. But after coming before you so often to support measures involving treasury funds, it is most gratifying now to support a proposal which recognizes the producer's responsibility to himself, and which is the

long run promises a great reduction in the most costly part of the Government's program for cotton.

There can no longer be any doubt—absolutely no doubt—about what must be done if we are to have a sound, healthy cotton industry.

Those who have said that price is virtually the same basis for meeting modern fiber competition have been proved wrong.

Without question, price is, and certainly will remain, of crucial importance, especially in competing against rayon and foreign-grown cotton.

But the price of American cotton has dropped sharply in recent years. Under the acts of 1964 and 1965, the Government has demonstrated its willingness to give great help in making out fiber competitive in price. Our losses have been slowed by this action, but they continue. Our surplus mounts.

The reason for this is abundantly clear. We are losing out to the noncellulosic fibers—fibers such as nylon and polyester—all much higher in price than cotton.

And why are we losing to these expensive fibers? Certainly not because of price. We are losing to them because of their massive outlays of money, effectively spent, for quality improvement, for development of new and different products, and for sales promotion at all levels from the textile mills to the ultimate consumers.

Ever since the mid-1950's, it has been evident that the great new thrust in textiles was coming from these expensive fibers. It has been evident that cotton, to survive, would have to raise some really big money to fight back—especially in the areas of product development and promotion.

The National Cotton Council, which is supported by all branches of the industry, recognized the new dimension in fiber competition in 1956; the council doubled its finance plan and its income. The council has produced excellent results in terms of the money it has spent. But even with a doubling of its income, the council's resources were hopelessly inadequate. It was obvious that the council had reached a practical limit on how far it could go in raising dues for all interests. It was apparent that cotton producers themselves were the only members of the industry who were in a position to put up the big money that was needed.

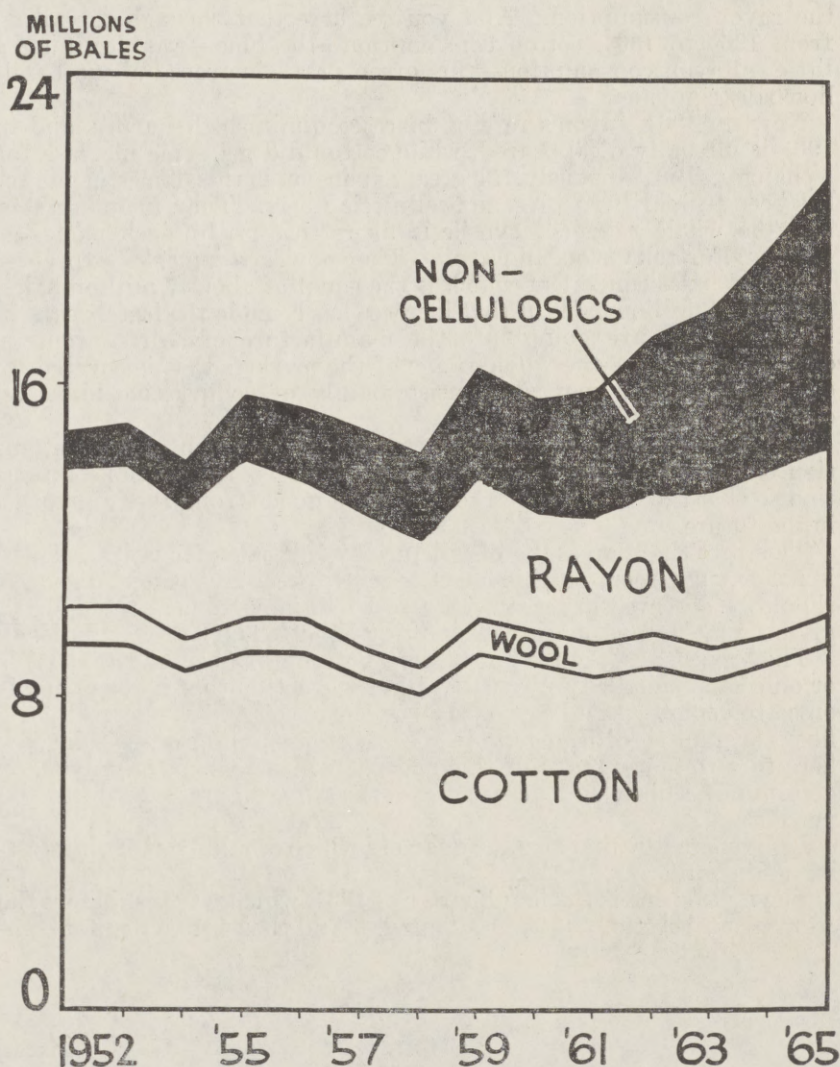
Accordingly, in 1960, producer leaders took steps which led to the formation of the Cotton Producers Institute, whose whole purpose was to supplement the work of the council and other groups in research and promotion, and move us to the point where we could compete.

The institute, financed by voluntary contributions of a dollar a bale from producers, quickly achieved an income of \$3 million a year. Then its income leveled off and threatened to drop—for a reason which led us to the proposal now before this committee. I will discuss this reason a little later. But at this point, I would like to get before you some basic economic facts about our present market situation, and the critical role that research and promotion will play in making cotton's outlook take a great new turn for the better—or for the worse. I want to call on Dr. M. K. Horne, the council's chief economist, to review these facts with you.

STATEMENT OF M. K. HORNE, JR., CHIEF ECONOMIST, NATIONAL
COTTON COUNCIL OF AMERICA, MEMPHIS, TENN.

Mr. HORNE. Mr. Chairman and members of the committee, for the record I am M. K. Horne, chief economist of the National Cotton Council. I live at Memphis, Tenn., and with your permission, sir, I would like to make use of some charts in order to present my statement. I believe I can make it more clear by doing it this way.

EXHIBIT I
FIBER CONSUMPTION
IN THE U.S.



This first chart presents the record of fiber consumption in the United States, across the period of years from 1952 to 1965. These numbers are all expressed in equivalent bales of cotton, in millions of cotton bales. What you will notice immediately is that in recent years there has been a very strong and great increase in total fiber consumption in this country. It has gone up from 14 million bales equivalent, in 1958, to well above 21 million bales equivalent in 1965.

The cotton portion of this market is shown by the blue section at the bottom of the chart. You see that in 1964, and again in 1965 the consumption of cotton increased in this country, but it did not increase appreciably through all of these recent years. During these recent years, cotton has failed to share in this total market expansion sufficiently so that we could get the market growth that was needed so much.

It is very interesting to note the fibers which have achieved this market gain. It was not wool, as you can see. Wool is represented by this narrow band here. The green portion of this chart reflects the rayon consumption. And you see here that through the years, from 1960 to 1963, cotton consumption—the blue—was declining a little. Rayon consumption—this green part—increased about 1 million bales equivalent.

Now, in 1964, rayon's rate of increase diminished sharply, and in 1965 it virtually disappeared, while cotton did get some increase for a change. But, obviously, the great expansion in this domestic market has been primarily in these noncellulosic fibers. They include nylon and the whole range of synthetic fibers that go by such names as Dacron, Fortrel, Orlon, and so on. They now have a market expressed in cotton bales equivalent which is the equal of about 7 million bales, and over 2 million bales of that increase has come in the last 2 years.

These fibers are going into the manufacture of shirts, trousers, dresses, bedsheets—the whole range of the markets that is covered by cotton, and these increases consist mainly of competitive losses by cotton.

If the cotton program which has received so much of your attention is to work successfully, obviously cotton has to meet its competition so that the domestic market can get a good strong rate of growth in the future.

This first chart gives the big picture by full calendar years. There is not enough room on this chart to show precisely some things that should be observed in recent years, so I will move to my second chart, giving some figures on the consumption of cotton on cotton spindles.

This gives some figures on the consumption of fiber in cotton mills or on cotton spindles. Virtually all of the cotton that is consumed is on cotton spindles, and a great deal of the rayon and the noncellulosic fibers is spun right into yarn in these cotton spinning mills. I show here that the percentage of this market, which was cotton, rayon, or noncellulosic fiber, and in every case the three figures add up to 100 percent.

I give here certain calendar quarters which would be most interesting and significant.

The middle one is the first quarter of 1964, which was just before the Agricultural Act of 1964 was adopted. And then I give you for com-

EXHIBIT 2 CONSUMPTION ON COTTON SPINDLES

	COTTON	RAYON	NON-CELLULOSICS
1960 (1st Qtr.)	88.6 %	8.4 %	3.0 %
1964 (1st Qtr.)	79.0 %	13.8 %	7.2 %
1965 (4th Qtr.)	77.2 %	12.1 %	10.7 %

parison the same quarter 4 years earlier, the first quarter of 1960. And then the bottom one is the very latest quarter, the fourth quarter of 1965.

Look at rayon. You see back in that earlier period rayon was gaining upon us very rapidly. It was a most alarming thing. But after the price of cotton for domestic consumption was lowered under the act of 1964, rayon was turned back, and everyone must certainly recognize that the action of this Congress in lowering the price of cotton for domestic consumption was the essential thing in checking these serious inroads against our markets. But then we have to look at these noncellulosic fibers which I described to you before. They were gaining upon us back in this earlier period, and they have kept on gaining in this later period very seriously. In fact, these gains by the noncellulosic fibers have been so great, in spite of our success against rayon, that cotton's share of this market has still continued to decline.

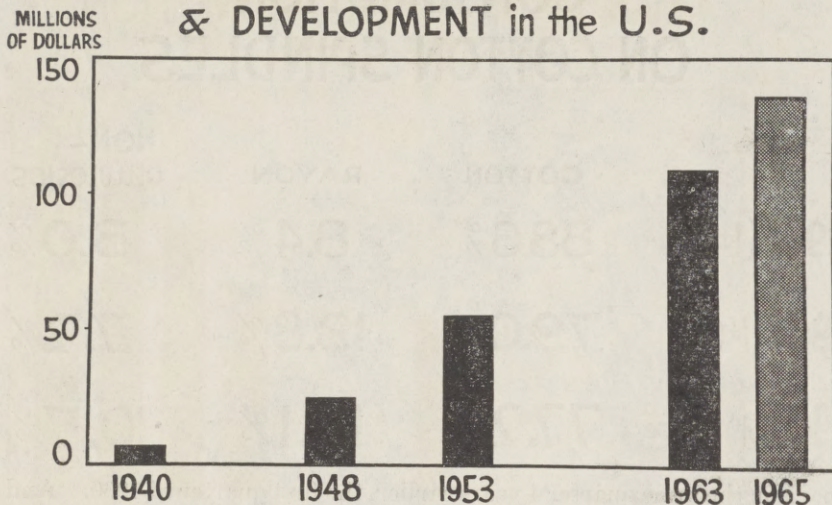
The key to an understanding of this matter is that rayon competes without us mainly by means of price, whereas these noncellulosic fibers compete with us mainly by means of something other than price. They are exploiting these great programs of promotion, and the like.

The price of rayon delivered to a consuming plant today is about 27 cents a pound. The price of cotton, back in this period of 1964, for domestic consumption, expressed in terms of the 15 official spot market average was about 33 cents a pound, but today it is below 24 cents a pound. And this is, essentially, why we are meeting this competition.

But the prices of the noncellulosic staple fibers are three and four times as much as that. Orlon is 80 cents a pound; Dacron is 84 cents a pound; and nylon is 88 cents a pound, and they are the ones that are gaining on us today.

Here is the record of estimates of the investment in research and development on the manmade fibers by the small group of companies that manufacture these fibers in this country. The

EXHIBIT 3 MAN-MADE FIBER RESEARCH & DEVELOPMENT in the U.S.



great bulk of this money was spent upon the noncellulosic fibers. I have the figures here for certain years, 1940, 1948, 1953, 1963, and 1965. The solid red bars are estimates that were published by the Chemstrand Corp. Chemstrand Corp. is one of the big manufacturers of synthetic fibers, doing a great deal of this research. It is in a position to make a good sensible estimate of what the whole industry is doing. This figure is also based on a projection that was published by Chemstrand Corp. We have other sources of information that indicates that this is a conservative estimate for 1965.

Look at that. It goes from \$6 million back to 1940, to about \$135 million in 1965.

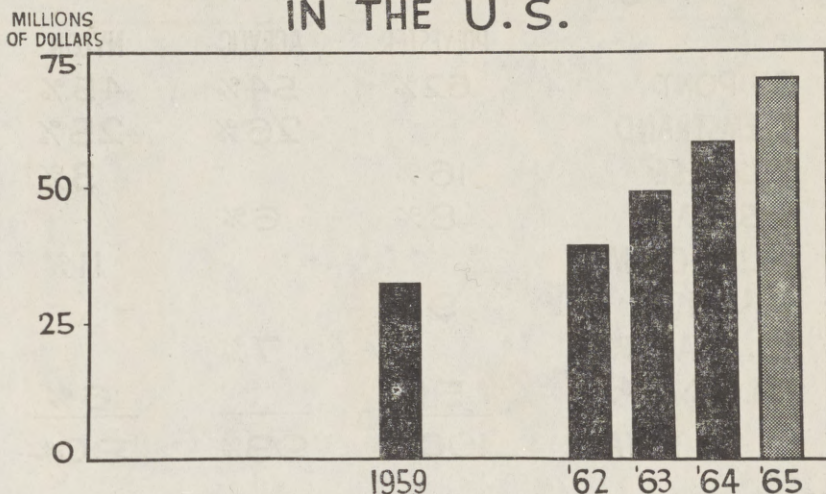
Now a comparison of what is going on in cotton research. The figures that we have compiled represent what is done by all agencies, public and private, for cotton in the field of research. We find that it comes to about \$26,500,000 about one-fifth of this figure; \$26 million is a big sum of money but not enough to keep us in the running with this kind of competition.

And now let me turn to the subject of "Promotion." Here I have some figures that I also obtained from the Chemstrand Corp. These figures are more recent. The first figure that they put out was for 1959. The scale is different from the other charts, but again you see the dramatic picture of this great increase. This is money spent for advertising—the promotion of these synthetic fibers.

We have to put those two things together. Keep in mind the chart that I just showed you on research. This one is on promotion. It is the way that they work together that really explains how our markets are being taken away from us.

Most of the research on synthetics that I showed to you is in the field of what is called product development, turning up something new to promote—a new yarn, a new fabric, a new finish, and so on.

EXHIBIT 4 MAN-MADE FIBER PROMOTION IN THE U.S.



These promoters are here to spend these millions and millions of dollars on advertising, in the consumer magazines, in a great range of promotional devices. This can be done for cotton, too. It certainly can be done for cotton. But it takes realistic sums of money.

I neglected to say that the figures that compare with this \$70 million for synthetic promotion, in the case of cotton is about \$4 million. That consists largely of what is being done by the Cotton Producers Institute and by the National Cotton Council. Four million dollars for cotton promotion against \$70 million—odds of 17 to 1 against; and \$26 million for cotton research against \$135 million for the synthetics. Those are two great odds.

Perhaps, we should make an exception for wool, because wool has also been putting out very inadequate sums of money for research and promotion to compete with some of these programs, but I do not know of another case in agriculture where the odds against the farmer in research and promotion are so great and where such great human and economic values are at stake and where the competition is essentially that of a few large corporations against hundreds of thousands of farmers.

Now, finally, let me show you this table which just gives a little light on how it is that these synthetic manufacturers are able to raise these huge sums of money for research and promotion.

These are the three principal types of noncellulosics, polyester, such as Dacron; the acrylics, such as Orlon; and nylon. I have listed here some of the big corporations that make these products.

I show the estimated percentage of the total manufacture that came from each company last year. The first one you see there is Du Pont, which made about 62 percent of all the polyester fibers in this country; about 54 percent of the acrylics, and about 45 percent of the nylon.

EXHIBIT 5

Percentage of Synthetic Production: 1965

	POLYESTER	ACRYLIC	NYLON
DU PONT	62%	54%	45%
CHEMSTRAND		26%	25%
CELANESE	16%		3%
EASTMAN	8%	6%	
ALLIED CHEM.			11%
BEAUNIT	9%		
AM. CYANAMID		7%	
AM. ENKA	5%		6%
TOTAL	100%	93%	90%

You see the five companies made about all the polyesters last year, the four made very near all of the acrylics last year, and these five [indicating] accounted for 90 percent of the nylon production. We could add three more, and it would be about 98 percent for the whole thing.

Everyone of those companies, of course, has a board of directors which can sit down at one table and allocate out of the revenues of that company whatever amount of money for research and promotion they think is needed to build a strong, outstanding market for their products.

This is the cotton farmers' competition. There are one-half million cotton farmers. Where would you find such a contrast in the way of such direct competitive setup with which to do business? This, Mr. Chairman, is why the cotton farmer just has to have a mechanism to finance some of his research and promotion on a realistic modern scale.

Thank you.

The CHAIRMAN. Thank you very much.

Mr. CALLAN. Just one question.

Next year, won't about 12,500,000 bales of cotton be produced? That is an estimate.

Mr. HORNE. I do not know of any authentic estimate at all which has been made, because we have not yet, of course, obtained information on which option the farmers will elect.

Mr. CALLAN. I take it on the present program it might be about 12,500,000 bales; if you charge \$1, that will raise \$12,500,000, and if you are spending \$26 million now, that puts you up to about \$38 million, and they will still be outspending you 6 to 1 under this program; is that not right?

Mr. HORNE. Yes, sir; that is right, but we do not mean to suggest at all that you have to match this money dollar for dollar. Cotton has a great many rich opportunities to make progress in research which are

being neglected. We can get a much greater return dollar for dollar than can the synthetic producers, and I feel sure that we could have a major impact on this whole situation.

Mr. CALLAN. You still will be behind 5 or 6 to 1, even after this program is enacted.

Mr. HORNE. Yes. We have some factors on our side, however, that might offset that. We have a mighty good fiber.

Mr. FINDLEY. I am wondering why the cotton council, being able to recognize the promotional efforts by the manmade fiber manufacturers, has not been doing more about cotton promotion on its own years ago?

The CHAIRMAN. I fully explained that a moment ago. The cotton council is composed of certain segments of the industry but not all of the segments of the industry. In other words, all farmers do not participate in contributions to the council.

Mr. CORTRIGHT. I pointed out that in 1960 our revenues were at about a \$3 million level. Since then the farmers have put up an additional \$3 million which now gives us about \$6 million total in a program within the framework of the cotton council and the CPI.

The CHAIRMAN. And that is not adequate.

Mr. CORTRIGHT. That is not adequate.

Mr. FINDLEY. Are the expenditures for manmade fiber promotion financed in their entirety by these four or five big companies, or are they financed by merchants, too, who have goods made out of these fibers?

Mr. HORNE. The figures that I showed to you consist exclusively of the money that is put up by the manufacturers of the synthetic fibers. Of course, there will be other funds in addition, as you indicate. Those that are along the way.

(The prepared statement submitted by Mr. M. K. Horne, Jr., reads in full as follows:)

STATEMENT OF M. K. HORNE, JR., CHIEF ECONOMIST, NATIONAL COTTON COUNCIL OF AMERICA

First, let me show you exhibit 1, which gives the record of fiber consumption by the textile industry of the United States across the period of years since the Korean war. The annual figures are plotted here, and we show every year, beginning with 1952 and including careful estimates for last year, 1965. All the figures are expressed in equivalent bales of cotton.

Notice how total consumption of the main textile fibers has expanded, especially in recent years. It rose from just over 14 million bales or bale equivalents in 1958 to more than 21 million last year.

Cotton consumption did increase last year and the year before, but not enough. Through all the most recent years we have failed to share in this growing market to the extent that we needed to, and it is interesting to see who did get the lion's share of this market growth. Not wool, obviously.

Notice the band representing consumption of rayon. Between 1960 and 1963, while cotton consumption declined slightly, rayon gained by the equivalent of about a million bales. But rayon's gain slackened in 1964 and virtually disappeared in 1965, while cotton consumption rose.

Obviously the big competitive gain has gone to the broad class of fibers which goes by the term, "noncellulosics." This includes nylon and the whole list of synthetic fibers which sell under such names as Dacron, Fortrel, Orlon, and Acrilan. These fibers now have a total market in this country which equals nearly 7 million bales of cotton, and they have gained over 2 million bales of that in the last 2 years. They are going right into the manufacture of shirts,

dresses, trousers, bedsheets—virtually the whole range of markets served by cotton. Their gains consist mainly of competitive losses by cotton. If the cotton program, which has received so much of your attention, is going to work satisfactorily, we have to meet this competition so that cotton consumption can expand as it should.

Exhibit 1 gives the big picture by full calendar years, but it does not show some of the recent changes precisely enough. So let me show you some figures which tell a great deal more about our competition. These are given in exhibit 2.

Here we are just talking about fiber consumption in cotton mills or on cotton spindles. This is where nearly all the cotton is consumed, and a lot of the rayon and noncellulosic fiber is spun into yarn right on these same cotton spindles. Naturally this is where we get our very closest competition from the manmade fibers. I show what percentage of this consumption was cotton, rayon, on non-cellulosic fiber. The three figures (reading horizontally) add up to 100 percent in each case.

And I have selected certain calendar quarters which ought to be the most significant. The middle line in exhibit 2 is the first quarter of 1964. That was right before the Agricultural Act of 1964 was adopted, lowering the price of cotton for domestic consumption. On the first line, for comparison, I have the same quarter 4 years earlier—the first quarter of 1960. Then on the bottom line I have the very latest calendar quarter—the fourth quarter of 1965. The figures underlying this are seasonally adjusted and are expressed in cotton equivalents.

Rayon was gaining tremendously upon us back in that earlier period—from 8.4 to 13.8 percent. But after the price of cotton came down in 1964, rayon's gains were halted and it was pushed back to a smaller share of the market. We all must recognize that the action of the Congress in lowering the domestic market price of cotton checked our competitive losses here.

But the noncellulosics, which had been gaining before, went right on gaining at a rapid rate after the price of cotton came down. In this recent period they have moved up from 7.2 to 10.7 percent. Their gains were so big that, in spite of our success against rayon, cotton's share of this market has still declined, you see.

The key to an understanding of this situation is that rayon gives us our main price competition, while the noncellulosic fibers depend mainly on something other than price. They are exploiting tremendous programs of research and promotion. Rayon staple sells for approximately 27 cents a pound, delivered to the consuming plants. The price of cotton for domestic consumption, expressed in terms of the 15 official spot market average, was reduced from a little over 33 cents in the first quarter of 1964 to a little under 24 cents in the last quarter of 1965, and that is essentially why rayon's inroads against us were checked.

But the noncellulosic staple fibers sell for three or four times as much as that, per pound. Orlon staple, for example, is 80 cents a pound, Dacron 84 cents, nylon 88 cents a pound. And yet they are the ones that are still gaining on us. Why?

Exhibit 3 presents estimates of the amount of money which has been invested in certain years in manmade fiber research and development by the small group of companies which manufacture these fibers. The great bulk of this money is spent upon the noncellulosic fibers. We have the years 1940, 1948, 1953, 1963, and 1965. The solid bars represent estimates which were published by the Chemstrand Corp. Chemstrand is one of the largest manufacturers of these fibers; it is doing a lot of this research, and it is in position to make very good estimates for the whole industry. The figure for 1965 was extrapolated with the use of some projections into the future which were also published by Chemstrand, and we have several other sources of information which make this look like a conservative estimate.

Please look at the rate of growth that has occurred in manmade fiber research—from \$6 million in 1940 to \$135 million in 1965. Now how does cotton research compare with this in terms of the total dollar investment in the same year? We have compiled estimates of the amount spent on cotton research by all agencies, public and private, and it adds up to about \$26½ million—less than one-fifth as much—a big sum of money but not enough to keep us in the running with this kind of competition.

I also present to you in exhibit 4 some estimates, which I obtained from the Chemstrand Corp., as to the amount of money spent to advertise and otherwise

promote the sale of these fibers. These figures begin more recently, with 1959, and the scale of this chart in exhibit 4 is different; but you see once again the rapid rate of increase. Last year an estimated \$70 million was spent for man-made fiber promotion by the producers of such fiber.

For cotton the comparable figure is only about \$4 million. Most of this represents the work of the Cotton Producers Institute and the National Cotton Council. About \$70 million to promote our competition against \$4 million to promote cotton. The odds against us are more than 17 to 1.

We have to put these two things together—the promotion and the research—to understand how the synthetic manufacturers are taking over our markets. These huge research programs are engaged mainly in product development—in turning up something new that can be promoted—new yarns, new fabrics, new finishes, and so on. And the promoters are there to sell those things to the members of our affluent society by means of advertising on television and in consumer magazines, and of many other promotional devices. The same thing can be done for cotton, but it takes realistic sums of money.

We have 4 million against 70 million in promotion, and 26½ million against 135 million in research. We might make an exception of wool, which has also been putting up very inadequate sums of money across these years to compete with some of these same synthetic programs. But aside from this, I do not believe there is another case in all of agriculture where the odds against the farmer in research and promotion are so very large—where such great human and economic values are at stake—and where the competition is so clearly that of a few large industrial corporations against hundreds of thousands of farmers.

Finally let me show you in exhibit 5 just how it is that our competitors are raising such huge amounts for research and promotion. We have here the three main types of noncellulosic fiber: the polyester such as Dacron, the acrylic such as Orlon, and the nylon.

We list several corporations in exhibit 5 and show by careful estimates how much of the total American production comes from each of them. One company, Du Pont, produces about 62 percent of all the polyester, 54 percent of the acrylic, and 45 percent of the nylon. You see that five companies accounted for just about all of the polyester fiber, four for 93 percent of the acrylic; and five for 90 percent of the nylon.

In each case here there is a board of directors which can sit down around one table and make a decision to allocate from the company's revenues whatever amount of money they think is needed for research and promotion to build profitable markets for it. This is the cotton farmer's competition, and there are half a million cotton farmers. Where else could you find such a contrast in the way direct competitors are set up to do business? This is why the cotton farmer has to have an effective mechanism to finance some of his own research and promotion on a realistic scale.

The CHAIRMAN. Continue with your statement, Mr. Cortright.

STATEMENT OF G. C. CORTRIGHT, JR.—Resumed

Mr. CORTRIGHT. Cotton's efforts in both research and promotion have had the characteristic of being "too little and too late." Right now our competitors are literally beating us to death with new products of their research. Take permanent press, for example. Garments that require no ironing—made from synthetic and blend fabrics—are biting off big chunks of some of cotton's major end uses.

These new products are given enormous promotional support at every level of the trade, and especially with consumers themselves. Let me illustrate with the advertisements from the February 1966 issue of Seventeen magazine, which is now on the newsstands. There are 64 ads which identify fibers. Four identify wool. Nine identify cotton—and incidentally, three of the nine were paid for by the Cotton Producers Institute, and two others were directly attributed to CPI. But 51 of the ads, which we have put together in accordion form to show you, feature the manmade fibers. Here in this one issue of one

magazine we see how great the promotional weapon of the synthetic fiber products really is.

To further document the nature of our challenge, and what cotton must do about it, I have attached to my testimony some excerpts from remarks made just last week by Mr. Robert E. Brooker, president of Montgomery Ward, which is the third largest merchandiser of textiles in this country. Mr. Brooker made these remarks during an address to the National Cotton Council. I will not read these remarks, but I would ask that they be incorporated in the record.

The CHAIRMAN. They will be made a part of the record at the conclusion of your statement.

Mr. CORTRIGHT. Mr. Brooker made it crystal clear what cotton must do. He also made it clear that cotton does indeed have the potential for becoming a strong competitor and seeing its markets turn upward.

Without a doubt, our industry has all the know-how and the ability it needs in research and promotion. What we are lacking—the one and only thing we are lacking—is the big money it takes to make these programs go in the modern world of fiber competition.

There is no question as to who must put up the money. The producer must do it; and I can assure you that producer leaders and organizations across the belt are confident that cotton farmers are not only willing, but determined, to raise this money.

Through the Cotton Producers Institute, we have developed the broadest possible base of understanding and support for what must be done.

In my judgment, CPI has had behind it the greatest organizational effort ever put together in behalf of an agricultural commodity. The initial beltwide organization was brought on down to the State and area and county levels. Thirty-eight cotton producer groups across the belt threw their full support behind it. Included here were all of the State farm bureaus in the 14 major cotton-producing States; the State Granges; the cotton cooperatives; and other area or State cotton producer groups.

Some 8,600 of the country's top cotton farmers were brought together into various CPI committees. All told, 2,135 meetings have been held for CPI, with a combined attendance of 111,250.

After all this, we know how our producer leadership feels about putting up the money. They are ready to do it.

So why has the present CPI finance plan failed to measure up to the hopes we had for it? Why is CPI on the verge of heading downhill?

The answer has to do with the fact that there are around a half-million cotton farmers spread across the southern one-third of the country.

Du Pont and Celanese and other huge synthetic producers have to look no further than a small board of directors to get the money that they want to spend on research and promotion.

But how in the world do you go about the job of getting and accounting for money from a half-million cotton farmers? It would be self-defeating, and prohibitive in cost, for a central organization to try to deal with each farmer individually. The only possible approach is to collect the money where cotton becomes concentrated, and this calls for a high degree of cooperation from the processor and handler branches of the industry.

The basic defect in the CPI finance plan—the basic reason we have proposed the approach embodied in H.R. 12322—is that we have not been able to attain enough cooperation to establish a uniform collection.

Take the gins, for example, where most of the CPI money has been collected up to now. Normally, there are several gins serving a given area, and they compete very strongly with each other to get volume—which, in ginning, is synonymous with efficiency and profits.

If all gins in an area are collecting the dollar a bale, it doesn't become a competitive factor.

But if just one gin fails to make the collection—so that it seems he has reduced the price of ginning by a dollar a bale—the other gins are placed in an untenable position. They start pulling out too, and the whole program comes apart in that area.

This is the one great defect in the present CPI approach. We must correct it. We must effect a uniform collection to eliminate the competitive factor among processors and handlers. We must have help from the Congress in establishing a suitable mechanism for bringing this about. We have searched for some other way. We have found none.

The proposal before this committee is the only answer we have found. It has a tremendous base of support from the CPI leadership, from producer organizations and from the rest of the cotton industry. Last week, at the Council's annual meeting, producer delegates voted 43 to 7 to endorse this approach. Support from delegates of other branches of the industry was unanimous.

There is no point in my discussing the various details of the cotton research and promotion bill that is before you, but I would like to make a few brief comments on it.

First, I think this bill just as nonpolitical as any legislation could be. It specifically bans the use of any funds for the purpose of influencing Government policy or action. It should have bipartisan support. It should not become embroiled in controversy.

Second, I want to emphasize that participation in the program would be voluntary on the part of the individual growers. While the bill effectively provides for a uniform collection—as it must to eliminate the competitive factor among processors and handlers—any farmer can request and receive a complete refund of his money.

Third, the program cannot go into effect unless cotton farmers themselves vote affirmatively for it in a referendum. It will take two-thirds of the farmers voting, or two-thirds of the volume represented by the vote for approval.

Fourth, the bill provides for participation of cotton producer organizations in the program. We feel that this participation is not only highly desirable, but completely necessary, if the program is to be successful.

Fifth, the bill provides for administration of the research and promotion fund by a beltwide producer organization, set up on a basis comparable to that now followed by the Cotton Producers Institute. We recognize the Government's responsibility to see that the money is spent for the purposes intended. We think the bill contains fully adequate safeguards in that respect. At the same time, we do think that producers can and must have the right to decide how their own money will be spent.

Our understanding of how the program would work is this: The beltwide producer organization would have the authority for initiating and developing and supervising the program; in so doing, it would have the authority to consult with and utilize the resources of the National Cotton Council, the U.S. Department of Agriculture, the land-grant colleges, private research and promotion agencies, and any other groups or organizations which can contribute toward the program's objectives. The program would be subject to review and approval by the Cotton Board and by the Secretary of Agriculture. After approval, the Board would contract with the producer organization and provide funds for the programs. But the intent is for producers themselves to make the decisions on how their money is to be spent, in essentially the same manner as they now make the decisions for CPI.

In conclusion, I want to stress the urgent need for speedy passage of the bill. We feel it is imperative for the program to go into effect on the 1966 crop. The present CPI program is being held together at its present level only in the belief that a uniform collection can be achieved for the coming season.

If action should be long delayed—and especially if there should be serious doubt about final approval of the bill—the present CPI program would almost certainly receive a jarring setback. It would be tragic if we lost the momentum that CPI has generated in research and promotion. We can't afford a cutback, at the very time we need a great expansion.

The legislation before you represents a make-or-break proposition for cotton producers, as well as the rest of the industry.

All we are asking is a fair, fighting chance to use our own money to build a program that will truly be capable of expanding our markets and preserving an industry that means so much to so many millions of Americans. We feel that we deserve this opportunity. We trust and hope that you will permit us to have it.

Since H.R. 12322 was introduced on January 26, 1966, cotton producer leaders from across the belt have been intensively studying and discussing the various provisions of the bill. It has received widespread support. However there are a few relatively minor changes which producer leaders have agreed upon and with which we agree. Most of these are in the nature of clarifying amendments. I would like to give you the substance of the suggested amendments and submit language to the committee counsel which would effect these changes. The proposed amendments are as follows:

1. The bill should be made clear that the order which the Secretary issues specifies that the Cotton Board would make the determination as to the handler responsible for collecting the producer assessment.

2. The bill specifies that the refund must be claimed by the producer within 30 days after he paid it to the handler and prescribes certain other procedures which must be followed for the producer to obtain a refund. These determinations both as to the time period and other steps to be taken by producers in obtaining a refund are matters that could best be worked out by the Cotton Board rather than to be specified in the law.

3. The bill provides that no producer requesting a refund would be eligible to vote in any subsequent referendum until all amounts refunded to him had been repaid to the Cotton Board. Some objection has been voiced to this provision. It is not considered an essential part of the bill and the suggestion is that it be eliminated.

4. In introducing H.R. 12322 the chairman made it clear in his press release that the referendum requires approval by two-thirds of cotton producers voting or two-thirds of the volume of cotton produced by such producers. The language of this bill is not completely clear on this point, and should be clarified accordingly.

5. The bill provides that each cotton-producing State would have at least one member on the Cotton Board. While there are 19 States in which some cotton is produced, it is of major importance in only 14 of these. The largest of the minor States produces a little over 15,000 bales whereas the smallest of the major States produces more than a quarter of a million bales. Accordingly it is proposed that only the 14 major States be guaranteed 1 member on the Cotton Board with the minor States joining their nearest neighbor in nominations to the Board for members who would represent their interests.

6. In a number of places in the bill, the term "cotton marketed" is used. A question has been raised as to whether cotton placed in the loan would be considered to have been marketed. Obviously, for the purposes of this bill, such cotton should be considered to have been marketed.

Mr. Chairman and gentlemen of the committee, I would say that we are of open mind and are willing to consider any further amendments to the bill and work with you in perfecting them. The main thing that we want is an effective answer, a workable plan for the cotton producers to operate their own research and promotion programs.

I thank you, sir.

The CHAIRMAN. Thank you very much.

Mr. GATHINGS. I agree with Mr. Cortright. Mr. Abernethy put his finger right on the point with regard to this legislation, that part which he discussed earlier in his questions, which had to do with the blacklisting of a cottongrower. I believe that you recognize that fact and would recommend that that language be deleted. It would not stay in there anyhow. This committee would knock it out because it is not proper.

I want to commend Dr. Horne for his reply to a question raised, I believe, by Mr. Callan with regard to the small amount of money expended by the cotton producers as compared to that which is available to the synthetic fiber producers. Dr. Horne did not go far enough. I am sure that Mr. Cortright can tell the whole story.

For example, the National Cotton Council supported legislation that was introduced 2 years ago by Representative Frank Smith, of Mississippi, which was written into law. Every garment must state what type of fiber went into it. Is that not true? You are proud of your products—is that not right?

Mr. CORTRIGHT. Yes. We think it was a very beneficial piece of legislation to the industry.

The CHAIRMAN. Let me say that we have quite a list of witnesses here and we have only 2 days for these hearings. Are there any further questions? Let us go off the record.

(Discussion off the record.)

The CHAIRMAN. Back on the record.

Mr. Horne has placed his prepared statement in the record and without objection, it will be made a part of the record at that point where it was placed in the record.

Mr. GATHINGS. The council brought to us recommendations in 1964 that we write into that legislation \$10 million for a program of research on cotton. We hoped that we could get a program of that kind, if the funds were made available, so as to get a crash program underway and get some results, but will you tell us, Mr. Cortright, just what has been done with reference to that?

Mr. CORTRIGHT. This was an authorization for \$10 million to be used specifically for research to reduce the cost of producing cotton. It was implemented to the extent of about \$5,400,000 in the last fiscal year. Of course, the matter is again before Congress and the Appropriations Committee as to how much more they will appropriate during the current session.

Mr. GATHINGS. Have any results been obtained?

Mr. CORTRIGHT. Yes, sir. I think quite significant results are being obtained on this.

Mr. GATHINGS. I wish that you would furnish for the record specifically just what has been done.

Mr. CORTRIGHT. Mr. Buck, I will ask you to answer that. You followed this program closer than I have. Would you specifically answer the question? Dr. Buck is on our staff as a technical consultant.

Mr. GATHINGS. Yes.

**STATEMENT OF GEORGE S. BUCK, JR., DIRECTOR OF RESEARCH,
NATIONAL COTTON COUNCIL, MEMPHIS, TENN.**

Mr. BUCK. The effort has been underway just a couple of years, but very substantial progress has been made in developing new systemic insecticides to lower the cost of controlling insects and viruses for use against boll worms and better methods for controlling weevils by chemicals and improved herbicides. Progress has also been made in quality evaluation to permit more effective marketing of cotton. All of these have promising areas, Mr. Gathings, but we still do not have the full level of effort that we need in that area.

The CHAIRMAN. If you will yield.

Mr. GATHINGS. Yes.

The CHAIRMAN. You plan to introduce this program again to the Appropriations Committee?

Mr. CORTRIGHT. We will be before the Appropriations Committee again this year.

The CHAIRMAN. Mr. Dole.

Mr. DOLE. What you propose to do, apparently, according to your statement, from reading page 5 where you discuss uniform collection is that you really mean compulsory collection, because as you indicate you do not get enough voluntary contributions; therefore, it will have to be a compulsory assessment. This interests many of us. Would you have any objection to providing in the bill that the burden would not be placed on the producers? If he does not want to be assessed,

he would not be assessed? As it is set up now, he must make a personal demand for the refund.

Mr. CORTRIGHT. No, sir; we think that the producer has all of the protection that he needs or is entitled to under the refund provision of the bill. We think that the uniform collection is necessary if the program is to be operated effectively.

Mr. DOLE. I would point out to you that in Congress now we are talking about compulsion to join a union and not to join a union, as in section 14(b). I cannot see much difference in what you propose and what they propose.

Mr. CORTRIGHT. If you analyze it you can see a great, great amount of difference. We have been following these procedures where people in many, many areas of government, by a simple majority vote, impose the will of the majority upon the minority. I would suggest to you that in my area we have had drainage districts for years where a simple vote of a majority built a drainage district which was a needed improvement in an area without consideration of the other 49 percent. This is much more comparable with this type of thing than it is with your 14(b) thing.

Mr. DOLE. I am in sympathy with what you want to do. It might be the better part of wisdom to appropriate the money, rather than to tell the people that they must pay in, pay tribute.

Mr. CORTRIGHT. They must not pay tribute. They must have the money collected to eliminate the competitive factors; then if they want, they can obtain a refund.

Mr. DOLE. That is the same argument that the unions used.

Mr. CORTRIGHT. It is not comparable at all, in my judgment.

Mr. HAGEN of California. On page 2 of your statement, item 4, how would you suggest that language on page 12 of the bill be changed to clarify it?

Mr. CORTRIGHT. I filed with the counsel of the committee a statement. Do you have that, Mr. Heimbarger?

Mr. HEIMBURGER. I do not have it with me, the language that they suggested.

Mr. CORTRIGHT. A package of them. I have simply not had the time to look through them closely.

Mr. HAGEN of California. It refers to two-thirds of the number or two-thirds of the production volume necessary to carry a referendum.

Mr. CORTRIGHT. It is to clarify that two-thirds of the volume of the people voting—that is what they are talking about—not two-thirds of the volume of the crop.

Mr. HAGEN of California. Either two-thirds of the number of voters or voters producing two-thirds of the volume of cotton could carry the referendum.

Mr. HEIMBURGER. The volume of the production represented in the referendum.

Mr. HAGEN of California. Correct. I do not know whether you can answer this question or not. The wool people have been putting on quite an attractive promotion campaign of late. Do you know whether that is producing any results? Maybe some of the industry people could answer that.

Mr. CORTRIGHT. I think that one of the industry people could answer that. I will call on Mr. Lipscomb.

STATEMENT OF ED LIPSCOMB, DIRECTOR, SALES PROMOTION,
NATIONAL COTTON COUNCIL, MEMPHIS, TENN.

Mr. LIPSCOMB. I would say that it is too early to evaluate the results. They have been putting most of their promotion money on lamb and not wool.

Mr. HAGEN of California. They have got quite a promotional deal with that symbol of theirs.

Mr. LIPSCOMB. It has only been in operation just a few months.

Mr. HAGEN of California. So that you have not had time to check it?

Mr. LIPSCOMB. We have had no time, we have had no chance to check it. What they are doing or were doing before was not enough to do more than just cause a little ripple on the surface.

Mr. HAGEN of California. I would like to ask another question. For example, Du Pont which has one of these brand name synthetics, do they have tie-in with, for example, J. B. Stevens, we will say, on fabrics, or maybe with Lord & Taylor on dresses—and do they pay the whole cost of that advertising, or does J. B. Stevens Co. or Lord & Taylor pay for part of it?

Mr. LIPSCOMB. That works every way in the world. You can find as many different arrangements as you can find companies. The normal procedure is for the fiber manufacturer to pay one-half and the manufacturer to pay the other half.

What is hurting us even worse in magazine advertising is that the same thing is applied at the retail level. You see in your papers in Washington that they are full of synthetic fabric advertising.

Mr. HAGEN of California. And that will be in a given store?

Mr. LIPSCOMB. A given store, yes; and the chances are 9 to 1 that this is done on a 50-50 basis, with the fabric manufacturer and the retail store paying for it. We have none of that whatsoever in our cotton program.

As to the magazine advertising, it will vary greatly with each manufacturer.

Mr. HAGEN of California. Thank you.

Mr. CALLAN. Why do you give the Secretary of Agriculture the veto power over the actions that might be developed?

Mr. CORTRIGHT. My understanding is, and this would, of course, have to come from an attorney—this is necessary to provide the lawful expenditure of money that they participated in collecting.

Mr. CALLAN. Thank you.

Mr. STALBAUM. Have you seen Mr. Schnittker's statement that he filed with the committee?

Mr. CORTRIGHT. No, sir; I have not seen it.

Mr. STALBAUM. Primarily, on page 5 of that statement, and this is in the record—he points out that the bill as now drafted would provide that the obligation to pay the assessment technically rests with the producer, not with the buyer or the handler, and that there is a problem of collection. Under the present law it would have, in effect, gone to the producer, and he suggests some language here when the burden of collecting it would rest with the buyer, to pay him, and if you got into any legal problems, the collection would have to be made from the buyer. Having worked with marketing orders in other commodi-

ties I, personally, feel that this is an improvement. I urge your group to look at it with the thought that you might want to incorporate it to make it easier of enforcement.

Mr. CORTRIGHT. I am not an attorney, but our intent is that the producer pay, that the handler collect, and that the handler remit to the Cotton Board.

Mr. STALBAUM. That is correct, but the technical language now is such that if the producer does not pay then the Cotton Board would have, in fact, to go to each producer, whereas with a slight change in the language the obligation of collecting can be placed on the buyer, and if he does not collect he still has to pay it.

Mr. CORTRIGHT. We will, certainly, listen to the advice of the committee counsel on this.

The CHAIRMAN. Mr. Heimbürger, will you make a note of that suggestion?

Mr. HEIMBURGER. Yes, sir; I am already familiar with it. We will consider it very seriously.

Mr. STALBAUM. One other question. I asked this question earlier, and the chairman said that I should refer it to you. So you know what is coming. That is the question on having two boards made up of representatives, in each instance from the same producer group basically, on a proportionate basis. I have been scratching my head since asking the question and I still cannot understand why you should have two boards.

Mr. CORTRIGHT. I can enlighten you to a degree if I may. The first is a quasi-governmental board. It is appointed by the Secretary from nominations made by the producer groups.

In addition thereto the Secretary, if he finds that a number of producers are not represented by these producer groups, he can make additional appointments. This is the board that represents Government and is responsible to the Secretary and appointed by him.

The other board is the board that initiates and develops and operates the program. It is selected solely by the producer groups themselves. The Secretary has no authority whatsoever in the appointment of the members of this board. This is to insure the tie-in and the enthusiastic belief that producers themselves are operating and initiating the programs to expend the moneys that they have put up.

Mr. STALBAUM. Actually, your point is well taken. I do want to point out for you and for the record that the Secretary does have some control in here because he certifies that the cotton producing groups from which this board shall get its membership, and to that extent he has, basically, something to do with it.

Mr. CORTRIGHT. He has criteria to go by written in the statute that he will certify if he finds they meet this criteria.

Mr. STALBAUM. Is this, Mr. Cortright, with the original board, too?

Mr. CORTRIGHT. Yes, sir.

Mr. STALBAUM. But you cannot deny that the membership of the original board—the Cotton Board—shall be composed of people coming from groups certified under section 14 of this bill which is, also, true of the second board.

Mr. CORTRIGHT. That is right.

Mr. STALBAUM. I still firmly believe and I throw this into the record at this point, that you will have a much better operating program if you would consider making this one board. I truly believe this.

Mr. CORTRIGHT. Our point is that the Secretary does have the authority to appoint the first board, the Cotton Board.

The second board he only certifies producer groups, and they themselves then select the membership of this board. The Secretary has no authority other than the certification of the group.

Mr. STALBAUM. Except that it is recognized that both are coming from the same cotton producing groups.

Mr. CORTRIGHT. Yes. And, again, the Secretary has additional authority on the Cotton Board that he does not have in this other board.

Mr. STALBAUM. Thank you very much.

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

Mr. FINDLEY. I have a question, sir.

The CHAIRMAN. Very well.

Mr. FINDLEY. This committee has passed legislation intending to improve the income of the producers, and yet this program would take money out of the producers' pockets. It would cost him money. Since the enactment of cotton legislation about a year and a half ago, the cotton textile mills have had rising profits. Their profits have gone up steadily. Have you given consideration to having the mills finance this cost instead of passing it on to the producers?

Mr. CORTRIGHT. In my judgment, if you ask the mills to do this, it would drive them ever more rapidly to the use of substitute fibers, instead of to the use of cotton.

Mr. HAGEN of California. I want to ask you this question. I assume that these assessments are totally income tax deductible; in other words, the farmer can deduct them?

Mr. CORTRIGHT. Here, again, I am not an attorney, but it would be my assumption that they would be a cost of doing business. Advertising would be a legitimate cost of it.

Mr. HAGEN of California. How about requiring gins to participate in this? Have you given any consideration to that—not the textile mills, because your conclusion is quite valid about them, but how about some of these intermediaries in the cotton business, like the gins, who make money off of cotton and, presumably, would be better off with more cotton being sold.

Mr. CORTRIGHT. My feeling is that the producer has the primary interest in this. The producer wants to put up his money and he wants to control the program. If we had intermediary interests represented we would have to share control with them. We are not willing to do that. In addition the money paid by the gin would almost certainly be passed back to the farmer in the form of higher costs of ginning.

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

Mr. BURTON. May I ask a question?

The CHAIRMAN. Yes.

Mr. BURTON. I understood you to say, Mr. Horne, that your non-fiber competitors are spending about \$100 million a year in promotion.

Mr. HORNE. About \$70 million in promotion and \$135 million in research.

Mr. BURTON. As opposed to \$6 million being spent by these allied groups in cotton.

Mr. HORNE. That is right. Altogether about \$4 million on promotion.

Mr. BURTON. Suppose that this bill passed and that you raised another \$10 million or \$11 million, do you really think that this will solve the problem with those kinds of odds stacked against you? Suppose that added another \$10 million to the \$6 million, would that really do anything for you?

Mr. HORNE. We cannot tell you the exact amount of response that we will get, but we are completely confident, and we have had all kinds of evidence that the response would be out of proportion to the amount of response that we would get from that much money on synthetics. This provides the opportunity for productive research and promotion which is a very great need and is being neglected now. Relatively small amounts would have bigger leverage effect upon the market for cotton, because cotton sells from such a low base which you do not have in the case of synthetics.

Mr. BURTON. I was trying to figure out in my own mind how better off you would be in relation to your competition by spending maybe \$17 million or \$18 million as opposed to \$6 million.

Mr. HORNE. Experience would be the only answer to that.

Mr. BURTON. Let me say this, we really do not have any assurance, do we, that some of these groups that are now spending money would not come back in if we passed this bill.

Mr. HORNE. The National Cotton Council, which is putting up this promotion money now would continue to do so in my judgment. Mr. Cortright has explained the relationship of the Cotton Producer Institute program to the proposal now before you.

Mr. BURTON. The membership in the council and the institute is voluntary.

Mr. HORNE. Yes, sir.

Mr. CORTWRIGHT. Mr. Burton, let me point out one thing to you: We do not know exactly what we could expect in the way of results from this. We know that our competition is doing it, and they are being very successful with it. We feel that we must give it a try. This legislation has within it provisions for amending the order if the direction in which we are pursuing proves to be correct, so that we have complete authority in here to amend the order with further referendums to change the level of assessments. If it looks that more money was indicated and desired.

Mr. BURTON. We have the subject of wool which is in about the same position that you are in. I am sympathetic with your objective. I still have this question in my mind, however. I am just wondering what sort of impact you think that you could accomplish with this and what would stop the competition from raising the ante. According to what I have heard here this morning they are capable of doing that. What is to prevent them from cutting back on what they have to spend and saying, "Now that everybody is in on the act, we do not need to spend this much money," and maybe we would be right back where we are now. These are questions that are in my mind.

Mr. CORTWRIGHT. Obviously, nobody can tell what a voluntary proposal will be in the future.

The CHAIRMAN. If there are no further questions, thank you very much, Mr. Cortright.

EXCERPTS FROM REMARKS BY MR. ROBERT E. BROOKER, PRESIDENT, MONTGOMERY WARD BEFORE THE NATIONAL COTTON COUNCIL OF AMERICA, JACKSONVILLE, FLA.

Synthetic product marketing has provided \$70 million for promotion, compared with \$4 million devoted to cotton. The difference is even more significant when related to the respective market shares. Synthetic fiber manufacturers have spent \$1,700,000 for market development of each 1 percent of market, while cotton spends \$66,000 for each 1 percent of market to prevent market erosion.

Faced with these odds it is not difficult to understand why the fine promotion programs developed for cotton have not competed as effectively as they might have.

* * * * *

The manufacturers of competitive fibers have provided a constant stream of new developments and ideas to broaden the market appeal of the products made from the fibers they supply. The producers of the competitive fibers have been concerned with the handling of their product every step of the way—from the spinning until it is in the hands of the consumer whose satisfaction they guarantee.

Our research would indicate that synthetic manufacturers have capitalized on their innovation in fiber and in the esthetics they obtained by stressing the colors, the durability, the easy care which were predetermined as being desirable to the consumer.

* * * * *

* * * the most prominent marketing success stories of (your) competitors follow the same five steps: First, the needs of the consumer were determined through consumer research; second, close working relationships with the textile mills, cutters, and designers assured that the fiber was properly used and adequately promoted; third, close cooperation with the retailer provided technical guidance and promotional assistance regarding properties of the fiber in its end use; fourth, educational programs were directed at consumers to assure that they recognized the ability of the fiber to meet their needs and wants; finally, the existing properties were improved and new uses for the product were developed to broaden the market appeal of the products made from these fibers.

The synthetic fiber manufacturers have developed strong programs in each of the aforementioned areas. * * *

My appeal to you is to step up the cotton message to the (textile) producer and through him to the consumer. Why is this need greater today than it has been in the past? When the council was organized almost all of the fiber and textile industry was predominantly concerned with cotton. The proportion of the industry concerned exclusively with cotton has shrunk substantially. Much of this attrition has occurred in those parts of the industry that are closest to the consumer—the textile mill, the cutters, and the other manufacturers of consumer products. The competition has made major efforts to win the support of this part of the industry away from cotton in favor of competitive products. I strongly believe that you have the same opportunity through your plan to develop a modern marketing program for the cotton industry. * * *

Cotton has a lower cost than competition and it is important to maintain that competitive advantage. In many ways cotton has superior performance, but competition in synthetic manufacture has been able to muster technical know-how in the usage of product and direct product development to a known consumer demand or preference.

Match the efforts of competitors and technical help in consumer research and tell the story to the consumer through strong promotions and you will effect a marked improvement in demand for cotton.

The implementation of the programs which appear essential to your industry in order to increase the demand for cotton requires both money and well-developed marketing programs. The Cotton Producers Institute has already taken the first step to create the funds by proposing a uniform participation. I was glad to read in the paper of its successful adoption here of \$1 a bale for all producers which will be devoted to these programs.

The challenge * * * is to provide a dynamic program to go with the money. Create demand for cotton that will hold your share of the market. When

through product development with the processor you hold your share of the market, your tonnage will increase with expansion of the population and the growth of the standard of living. Increased tonnage will benefit the economy of the cotton industry and each of the constituents represented here today.

The CHAIRMAN. I want to ask unanimous consent to insert into the record at this point the communication from Mr. H. Wesley McAden of the American Cotton Compress & Warehouse Association, a letter dated February 8, 1966.

(The letter dated Feb. 8, 1966, follows:)

AMERICAN COTTON COMPRESS & WAREHOUSE ASSOCIATION, INC.,
Washington, D.C., February 8, 1966.

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

DEAR MR. CHAIRMAN: This association, comprised of owners and operators of cotton concentration warehouses, located in both interior and port points, appreciate very much this opportunity to be heard in support of H.R. 12322, Cotton Promotion and Research Act.

First, we wish to commend the Cotton Producers Institute for taking the initiative in developing and proposing this program, because we believe that it is a very significant indication of their determination to regain and expand both the foreign and domestic markets for American cotton.

Second, we wholeheartedly support their premise that the future well-being of U.S. cotton will depend to a very large extent on the effort and resources the industry is willing to invest in research and promotion today.

Third, we believe that all parties interested in maintaining and expanding the production of raw cotton in the United States have an obligation to support the efforts of any segment of the industry that are consistent with that objective.

In conclusion, we recognize this as a major effort on the part of cotton farmers to help themselves, and we respectfully urge the favorable consideration of this proposal by each and every member of this very distinguished committee.

Yours very truly,

H. WESLEY MCADEN,
Executive Vice President.

The CHAIRMAN. It is now 12:25 o'clock. The House is in session. We have numerous other witnesses yet to be heard. And they are scheduled to be heard today. We have a full list of witnesses for tomorrow. We will come back here at 3 o'clock this afternoon and resume the hearings.

We will recess now until 3 o'clock.

(Whereupon, at 12:25 p.m., the committee recessed to reconvene at 3 p.m. the same day.)

AFTERNOON SESSION

The CHAIRMAN. The committee will please be in order.

We will proceed with the call of the witnesses we have listed here.

Mr. Hervey Evans, Jr., we are very glad, Mr. Evans, to have you with us, and we will be very glad to hear from you now.

STATEMENT OF HERVEY EVANS, JR., CHAIRMAN, COTTON PRODUCERS INSTITUTE STEERING COMMITTEE FOR NORTH CAROLINA

Mr. EVANS. Thank you very much, sir.

Mr. Chairman, gentlemen, my name is Hervey Evans, Jr., from Laurinburg, N.C. I am a cotton producer, a cottonseed breeder, a cotton ginner, and have interests in other types of cotton handling

and processing business. I am serving as the chairman of the CPI Steering Committee in North Carolina and am also president of Cotton Council International, an organization that is engaged in coordinating cotton promotion programs in 16 foreign cotton consuming nations. I am appearing today in my capacity as CPI chairman in North Carolina.

It has been well established in previous testimony that thoughtful and responsible cotton growers know they must have a vastly larger program of research and promotion and are willing to pay for it.

Our growers in North Carolina are no different. We were one of the last States to initiate CPI on its planned time schedule, but support for its program has been excellent wherever it has been introduced.

Our problem is the vast number of small growers and the prohibitive costs of reaching them through meetings or other means. We know from previous experience with other agricultural commodities in our State that the big majority of all growers will support worthwhile programs of self-help if a mechanism like that embodied in H.R. 12322 is employed. We already have a North Carolina Cotton Promotion Association which the growers in our State organized to help promote the cotton industry in North Carolina. For a number of years, such programs have also successfully operated within our State on tobacco and on peanuts.

The basic principles found in this enabling legislation have been carefully considered by all of the producer organizations in North Carolina that represent cotton growers. These are the North Carolina Cotton Promotion Association, North Carolina Farm Bureau Federation, North Carolina State Grange, and the North Carolina Cotton Cooperative Association. I am happy to say that these groups are backing the proposal. It has also received the endorsement of the Carolinas Ginners Association and other handler-processor groups.

Mr. Cooley's release announcing the introduction of this bill stated he was proud to sponsor this rather unusual piece of farm legislation—one that the taxpayers will not be called upon to pay for. We are proud of it for the same reason and being from North Carolina, we are especially proud our distinguished fellow North Carolinian is sponsoring such an act.

In closing, I can't stress too strongly the urgent need for this program to go into effect with the 1966 crop. Even one year's delay will cost us cotton markets and cotton acreage that will be difficult, or even impossible, to recover. I haven't talked to a single cotton farmer in our area who doesn't agree that we need to find an effective way to raise the research and promotion money so desperately needed to be able to stand up against our synthetic fiber competition.

Mr. Chairman, I would like permission also to read into the record a statement that I was asked to put on record by Mrs. Harry B. Caldwell, who is the Master of the North Carolina State Grange.

The CHAIRMAN. Without objection, you may include it in the record.

Mr. EVANS. I read her statement as follows:

Mr. Chairman and members of the committee, we appreciate your interest in the problems confronting cotton farmers and the entire cotton industry. Failure to find satisfactory solutions will have serious economic repercussions throughout the entire Cotton Belt.

Cotton producers are fighting for survival. Action by the Congress to make cotton fiber more competitive with synthetics and thus more acceptable to the mills while at the same time protecting the incomes of producers, whose labor and investment incomes are among the lowest in the Nation was a step in the right direction, but it is not enough.

There is an urgent need for an expansion of all research and promotion programs if disaster is to be avoided. We believe that production costs can be substantially reduced, quality improved and markets, domestic and foreign, expanded so that producers, consumers and the Nation will benefit from well organized and adequately financed programs. It is our hope that the Congress will provide funds to support these activities.

We come before you today in support of H.R. 12322, a bill to enable cotton producers, by referendum, to assess themselves \$1 per bale for research and promotion activities. The Grange, both State and National, supports self-help producer programs of this kind because we have found this to be the only means for securing general support. In North Carolina, this procedure has been successfully used for many years in the "Nickels For Know-How" program to support the Agricultural Foundation at North Carolina State University, and special programs for the support of Tobacco Associates, Cotton Promotion Association, Peanut Growers Association, and other commodity groups.

The provisions in the bill pending before this committee are similar to the laws enacted in the past by the North Carolina Legislature at the request of the North Carolina State Grange and other producer organizations.

Furthermore, farmers have been voting since 1938 in referendums on farm programs so that they are familiar with the principles involved.

The bill, H.R. 12322, provides that all funds collected would be used for research and promotion. It contains other safeguards providing that farmers who do not desire to participate may obtain a refund of the money paid in, that 10 percent of the farmers voting in the initial referendum may call for a new referendum to determine if the program is to be continued and that no substantial changes could be made in the original program without two-thirds approval of the farmers.

The Grange believes that a self-help program for cotton farmers will be a factor in stabilizing the national economy. We urge the immediate passage of this bill so that growers by referendum may have the opportunity to accept or reject the program.

That concludes the statement by Mrs. Caldwell.

The CHAIRMAN. We thank you very much, Mr. Evans. Mrs. Caldwell is well known to all the members of this committee. She is held in high esteem by all of us. I regret she is not able to appear in person.

I appreciate your presenting the statement on her behalf.

Mr. EVANS. Thank you, sir.

I would like also to make several other comments, if I might.

The CHAIRMAN. Yes, sir.

Mr. EVANS. This matter has been brought up in both North and South Carolina before the Farm Bureau Federation of those respective States. Resolutions have been passed by those respective State Farm Bureau Federations in favor of this type of legislation and if I may, I would like to read their resolutions into the record.

The CHAIRMAN. Yes, sir.

Mr. EVANS. In November 1965, in North Carolina, at the annual Farm Bureau meeting we passed this resolution:

We favor national enabling legislation to permit grower assessments to step up research and promotion.

Now, in South Carolina, also in November 1965, the following resolution was passed:

We recommend and support the development and enactment into law of appropriate enabling legislation to provide for a grower referendum to determine

grower preference on cotton research and promotion assessments, and subsequently establish uniform collection procedures if needed.

Now, sir, I would like also, with the committee's permission to make a couple of other comments as regards questions which were brought out this morning in the testimony.

The question was raised, I believe, by Mr. Findley, as regards the voluntary provision in the bill. As I remember the question it was if this was a voluntary program, why not eliminate in the beginning those who wished not to participate, rather than go through the uniform collection procedure.

Now, I am a cotton farmer and also a ginner, and I think I have got a pretty clear understanding as to what is involved competitively and otherwise with this type of program as it affects the people in my area, and I would like to speak to this.

In the first place, if you would consider what would be involved administratively in his proposal, I think it would be administratively an enormous problem to separate in the normal marketing of the cotton crop those bales which would be identified with people who elect not to participate in a collection program and those who would.

Administratively, it's much more feasible to have a uniform collection and then let the man who does not want to participate apply for his refund.

Now, just on the grounds of administrative feasibility alone, I think that is adequate justification.

But really more importantly, I think the competitive nature of the thing dictates that we have a uniform collection procedure.

With the reduction in acreage which is taking place all over across the belt this year, due to the new cotton bill, competition among the handlers of cotton is going to be greater than ever before. Any device which could be used at any level of handling to create a competitive advantage would be used by the handlers. The temptation would be too great. And we feel that the only way to remove this obstacle is to have uniform collection procedure, so that it no longer is a competitive factor in any sense, and then let the voluntary provision operate by the grower requesting a refund if he is not satisfied.

We think it has one further advantage—that in effect this is a self-policing program and the cotton farmer himself is not going to participate unless it is a well administered program, and this is one of the major things that we think is involved in this act.

Now, we feel that if we can have a uniform collection program, this bill will work fine. If we do not have a uniform collection program, we feel that we are just back in the same position we are in right now, which is the situation where competition just won't let us collect the money we need to do this promotional program might as well not be before this committee asking for this legislation in the first place.

I don't want to in any way minimize the importance of that, sir, and I think that is an extremely important point.

Another point that I would like to address myself to, sir, has to do with the adequacy of the funds in this legislation.

One of the questions raised this morning had to do with whether this \$12 million or so that was raised by this legislation would be sufficient to do a good job in competing against the enormous amounts of money that are being spent by the synthetic fiber producers.

What we have to go on is a good bit of experience in this, through our previous work with the National Cotton Council and the Cotton Producers Institute.

Throughout promotional programs, even though they have been limited with these two organizations, we have been able in nearly all cases to at least double the funds that we have available by cooperative campaigns with industry groups.

We feel that we can do so also in this situation, and so we feel that we are talking not about \$12 million in actual fact, but we are talking about a market impact of about \$25 to \$30 million. And with this we think we can really make a significant impact.

Now one other thing I think needs to be kept in mind along this line, and that is that at the present time the synthetic fiber producers are not only trying to create primary demand for synthetic fibers, but they are also trying to create secondary demand for their specific product. That is to say, Du Pont is competing with Dacron against Eastman Kodak's Kodell, and they are in turn competing against Fortrel, and so forth. So there's a lot of competition between the synthetic fiber producers which does not really affect the primary demands.

In our case we are producing one fiber, we are promoting one fiber, and we can make a significant market impact with that.

Thank you very much, sir.

The CHAIRMAN. We thank you very much, Mr. Evans.

The next witness is Mr. Jack Funk, chairman of the Cotton Producers Institute Steering Committee for Lower Rio Grande Valley, Tex.

We are glad to have you.

**STATEMENT OF JACK FUNK, CHAIRMAN, COTTON PRODUCERS
INSTITUTE STEERING COMMITTEE FOR LOWER RIO GRANDE
VALLEY, TEX.**

Mr. FUNK. Thank you, Mr. Chairman, and members of the committee.

My name is Jack Funk. I am a cotton producer and ginner from the Lower Rio Grande Valley of Texas, living at Harlingen, Tex. I am also chairman of the Cotton Producers Institute in the valley and am currently serving on the board of trustees to the Cotton Producers Institute. My purpose in being here is to testify as a cotton grower and ginner in support of H.R. 12322.

The lower Rio Grande Valley is comprised of four counties and produces nearly a half million bales of cotton a year. The valley is recognized as a major cotton producing area. I am happy to report that the CPI program has been well received in the valley and the progressive producers are enthusiastic about supporting a self-help program of research and promotion for cotton. Due to our high costs of production in the valley where losses from insects and diseases are very heavy, growers realize the need to supplement USDA and land-grant college research to get at these high costs.

As valley chairman for CPI, I have probably pushed this program harder at my gin than most. I collect from all my customers and then refund to those who do not wish to pay. In the first year, I had only

one request for a refund and this was on a landlord's share. Incidentally, this landlord now contributes to CPI, after learning about the merits of the program.

In spite of the growers' acceptance of this worthwhile program, we are experiencing a gradual decline in revenue due mainly to the lack of a uniform collection procedure and complacency on the part of some of our ginner. Frankly, gentlemen, the dollar a bale is too competitive at the gin level unless all gins attempt collection. For this program to continue in the lower valley for another year, we must establish a uniform collection procedure.

I am a past president of the Texas Cotton Ginners Association, which passed a strong resolution supporting a referendum approach to the collection of CPI funds. This association, which is the largest of its kind in the Cotton Belt, took the position for two basic reasons:

First and foremost in our minds as ginner, we recognize that we can't process cotton unless farmers grow it, and farmers can't grow it unless more is sold. This means new and better cotton products and a lot more advertising and promotion.

Secondly, without a uniform collection procedure, an undesirable competitive situation is created between gins.

There is no question about the need for this legislation. We in the valley begin planting cotton this month, and in order for it to apply to this year's crop, we urge speedy passage of this bill.

I appreciate the opportunity of presenting the view of cotton farmers and ginner from the valley on this important proposal to the members of this committee.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Funk—a very well prepared statement.

Our next witness is Mr. Don Anderson, member of the Cotton Producers Institute Steering Committee, High Plains area of Texas.

STATEMENT OF DON ANDERSON, MEMBER OF COTTON PRODUCERS INSTITUTE STEERING COMMITTEE, HIGH PLAINS AREA OF TEXAS

Mr. ANDERSON. Thank you, Mr. Chairman.

My name is Don Anderson. I am a cotton grower from Crosbyton on the South Plains of Texas, and have an interest in two cotton gins in Crosby County. I have been serving on the Cotton Producers Institute Steering Committee for the plains area since 1961. I also am vice president of the Plains Cotton Growers Association—an area organization with 20,000 members—and am chairman of the Boll Weevil Committee for the High Plains. I am appearing before you in my official capacity with the Cotton Producers Institute.

In 1961 the program of the Cotton Producers Institute was initiated in our area. In that first year, we conducted 198 educational meetings in our 23-county area. At these meetings we signed over 5,000 of our largest cotton growers on individual agreements that requested their respective gins to deduct \$1 per bale for the Cotton Producers Institute. These 5,000 agreements covered over 850,000 bales, and were signed in good faith. However, we learned that when the gin yards get covered up with cotton, and our gins go on a 24-hour basis the

help in the gin offices either could not or would not take the time to go down a list and deduct the \$1 a bale from those growers who had signed agreements. This resulted in collections of only \$278,000 that first year.

The next year we used a different approach and partially corrected this problem. It was to get gins in a given competitive area to uniformly deduct the \$1 a bale from all their customers, and then refund to those who did not wish to pay. Although all gins did not agree to do this, at one point over a million dollars was collected following this procedure. But then a few of the gins started refunding this money as a means of price cutting. Once this was started in some communities, it spread like wildfire because our gins are highly competitive. The end result was that refunding left us with only \$425,000 of CPI income on the plains in the second year.

In our third year we attempted to follow this same approach, but learned from the previous year's experience that too many of our gins had lost confidence in what their competitors would do on this matter, and our collections dropped back below the first year's level.

In the fourth year, in order to save the whole CPI effort, the cooperatives in our area agreed to collect and remit the dollar a bale on all the cotton they handled. This pushed collections up to almost \$800,000, but in order to do this the cooperatives found they had to collect at some point other than the gin because of the competitive situation mentioned previously. Their collections were actually made through the regional cooperative oil mill; marketing association and compressed.

It is my understanding they agreed to do this for only 2 years, to provide time for working out some sort of uniform collection procedure. This means that the crop we have just finished ginning is the last one on which this type of collection will be in effect.

I would like to cite our experience with the boll weevil program in West Texas as further proof cottongrowers can and will put up their own money to help themselves when the need arises and if a uniform collection procedure can be established.

I believe most of this committee is familiar with the fact that 2 years ago the boll weevil moved up on the Caprock for the first time, and some heavy infestations became established. To meet this threat, the cottongrowers in the area agreed to put up 50 cents a bale to help carry out the most massive control program of this type ever attempted. We profited by our earlier experience with CPI, however, and established a uniform collection procedure whereby these funds would be collected at the compress. Even though refunds were provided for, participation in this program exceeded 95 percent and has been eminently successful in every respect. In my judgment the Cotton Producers Institute program can reach a similar level of participation, but only through this enabling legislation which will provide the mechanism whereby cottongrowers can establish a uniform system of collections.

Thank you.

The CHAIRMAN. Thank you very much, sir. We are glad to have your statement.

The next witness is Mr. J. Russell Kennedy, executive committee, Cotton Producers Institute.

We are glad to have you, Mr. Kennedy.

**STATEMENT OF J. RUSSELL KENNEDY, EXECUTIVE COMMITTEE,
COTTON PRODUCERS INSTITUTE**

Mr. KENNEDY. If I may say something to the chairman off the record.

(Discussion off the record.)

Mr. KENNEDY. My name is Russell Kennedy, of Bakersfield, Calif. I am general manager of Calcot, Ltd., a grower-owned organization engaged in cotton marketing and warehousing in California and Arizona. I served on the original beltwide producer committee that initiated the Cotton Producers Institute and subsequently have served on the California steering committee for CPI and as a CPI trustee and member of the trustee executive committee since the first board was established in 1962. I cite this to establish that I have had varied experience in all phases of this movement from the very beginning.

My position as general manager of Calcot has provided me with a better opportunity than most to understand how cottongrowers feel about this type of self-help program and also to understand the need for greatly accelerated research and promotion efforts if American cotton is to survive as a major industry.

We market a large volume of cotton for our 4,000 members and maintain close contact with the spinning mills where cotton must first compete with manmade fibers. This provides us the opportunity to see very clearly the nature of cotton's competition with other fibers and to understand some of the things cotton must do if it is to meet this competition. In my opinion, our greatest need today is for product development research, and for promotion.

Our recent experience with permanent press is a real good example of why I say this. Two years ago, research initiated and financed by the Cotton Producers Institute provided a breakthrough that opened the door to the first commercial permanent-press fabrics. That year one company made and sold over 2 million pairs of permanent-press trousers made with 100 percent cotton. They were an excellent product except for one weakness and that was reduced abrasion resistance. To overcome this problem, manmade fibers were blended with cotton and last year these blended trousers captured the bulk of the market. As soon as cotton's shortcoming became apparent, the board of trustees for CPI concentrated more of its research funds toward solving cotton's abrasion problem. These efforts have resulted in solid progress within the last few months. We have been most gratified to learn that 13 different companies have announced they will manufacture and market new types of all-cotton permanent-press fabrics and garments during 1966. But still further improvement is needed for cotton to compete successfully in some important permanent-press uses, and since the synthetic and blend products themselves will undoubtedly be improved, our research efforts on cotton should be increased sharply. And certainly it goes without saying that if cotton is to take full advantage of the development, large sums of promotion and advertising money will have to be thrown behind it. We must do this because permanent press has already become the most important textile development in a great many years.

California and Arizona cottongrowers believe in this type of self-help program. These two States have contributed about half of the money raised by CPI since it was initiated. Eighty-five percent of

Calcot's members have been participating through their respective co-operative gins. Many other company-owned and independent gins have had equally good records. Unfortunately, many others have not and we have lost ground in each of the last 2 years. There is now general agreement among most of our growers that they will not continue to put up their money unless the rest of the Cotton Belt strongly participates. This is possible only with a uniform collection procedure.

The drastic acreage reduction which is to go into effect with this year's crop has convinced farmers they are in serious trouble and I firmly believe they are more willing than ever to spend their own money for research and promotion. But because of the competitive problems that have been created through not having a uniform collection procedure, our fundraising will continue to go downhill rapidly in this period of greatest need. We must have greatly expanded research and promotion if cotton is to survive and we must have H.R. 12322 to accomplish this goal.

The CHAIRMAN. Mr. Kennedy, thank you very much for this very fine statement. I am sure it will be carefully considered by all the members of this committee before final action is taken.

Mr. HAGEN of California. Mr. Chairman, I would like to ask one question either of you or Mr. Kennedy.

Why was this originally put in here:

no such advertising or sales promotion program shall make use of false or unwarranted claims on behalf of cotton or products or false or unwarranted statements with respect to the quality, value or use of any competing product.

That seems a little bit restrictive.

Mr. KENNEDY. Is that in the act?

Mr. HAGEN of California. That's in the bill.

Mr. KENNEDY. Well, that's what you have to swear to when you go on the air with a television program, so I suppose they are just nailing it down.

Mr. HAGEN of California. It is pretty general language. I thought it might be unduly restrictive.

Mr. KENNEDY. Maybe the committee will take that out if they think it is, and the lawyers don't think it's necessary.

Mr. Chairman, may I add another statement or so?

The CHAIRMAN. Yes, sir; go right ahead.

Mr. KENNEDY. In the West there has been considerable activity among some of the growers' organizations in connection with this whole program. Here is a resolution passed by the California Farm Bureau in December of 1965, resolution No. 126, which reads as follows:

We support the Cotton Producers Institute program in order to establish a permanent research and market development program designed to insure American cotton its fair share of world trade, to develop new cotton products and uses for cotton products, and to provide for adequate cotton research. Special commodity programs: Any commodity should have the democratic right to vote in a referendum within their commodity, to bind themselves together for promotion programs, and/or a marketing order, unless by specified policy statement they have requested otherwise.

Now, here is a statement by the Arizona Farm Bureau of November 1965.

We reaffirm 1965 policy No. 27 which reads: "The long range resolution to the problems confronting the cotton industry lie in research to increase the efficiency

of production and research to improve products from cotton, and a hard hitting promotion program to increase the sale of these improved cotton products."

The Cotton Producers Institute is a voluntarily financed mechanism to channel grower funds solely into these research and promotion efforts. Therefore, the Arizona Farm Bureau Federation reaffirms its endorsement of the Cotton Producers Institute and urges every cotton farmer in Arizona to support this self-help effort.

New Mexico passed a resolution at the farm bureau—passed a very strong resolution endorsing this action which has now been taken by the introduction of this bill 100 percent, and so did the El Paso Valley Cotton Growers.

Since I was reporting for the West, I thought that those things should be in the record.

The CHAIRMAN. We appreciate your appearance and the statement that you have made. We are glad to have the benefit of the information just presented to the committee.

If there are no questions, I will call next Mr. Lon Mann, member of Cotton Producers Institute Steering Committee for Arkansas.

I will recognize Mr. Gathings from Arkansas at this time.

Mr. GATHINGS. Mr. Chairman, it's a pleasure to welcome Mr. Lon Mann here today. He has rendered unselfish service over the years to the people of the State of Arkansas.

The name of Mann in Arkansas means something. I knew his grandfather who was a landowner and operator of an oil mill. I knew his dad mighty well. He was a farmer and a leader from the start in the soil conservation management service as a district supervisor in the first eastern Arkansas organizations. Mr. Mann is an outstanding citizen.

The CHAIRMAN. Thank you very much, Mr. Gathings. I want to join with Mr. Gathings in extending you a very cordial welcome to the committee.

STATEMENT OF LON MANN, MEMBER OF COTTON PRODUCERS INSTITUTE STEERING COMMITTEE FOR ARKANSAS

Mr. MANN. Thank you, gentlemen. I appreciate the opportunity to appear here and I appreciate Took's remarks. I will try not to embarrass Took while I am here in Washington.

My name is Lon Mann. I am a cotton farmer and cotton ginner of Marianna, Ark. I am past president of both the Agricultural Council of Arkansas and the Arkansas-Missouri Ginners Association. CPI was initiated in Arkansas in 1962 and I have been serving on the Arkansas steering committee since that time.

My purpose in being here is to testify as a cottongrower and member of the Arkansas CPI steering committee in support of H.R. 12322. I feel my views also represent thousands of other Arkansas cotton farmers who are members of the two largest producer organizations in our State—the Agricultural Council of Arkansas and the Arkansas Farm Bureau Federation. Both of these organizations have strongly endorsed the need for greatly increased funds for cotton research and promotion paid for and controlled by growers and the need for a uniform collection method.

In Arkansas, just as in other Cotton Belt States, we are deeply concerned with the critical situation our economy faces as a result of reduced cotton acreage this year. As our acreage and volume go down,

our unit costs go up. The incomes of all of us as cotton growers and processors, as well as our suppliers, financial institutions, and other businesses, are certain to be seriously affected. Our cotton economy must be geared to expanding markets and acreage if it is to be efficient and prosperous.

We appreciate the assistance the Government is providing growers while we work out from under our burdensome cotton surplus. At the same time, I am fully convinced that growers should and will accept more responsibility for carrying a greater share of the load for market expansion. In the final analysis, stronger programs of product development and promotion as well as research to reduce costs are the only permanent solutions to our problem.

In urging passage of this legislation, all we are really asking is to provide a mechanism that will let growers decide whether they want to put up their own money to help themselves. It is difficult for me to see how anyone can seriously oppose this kind of proposition, especially if they know anything about cotton's critical need for research and promotion and understand that growers can secure a refund if they so desire.

Our experience with CPI in Arkansas to date has convinced me that the vast majority of growers understand the situation facing cotton and are willing and ready to do more to help themselves. Even those growers who have not been participating in the present type of finance plan have indicated they are ready to pay their part if a collection system can be devised whereby all growers are given a positive opportunity to participate. They know, as we know, that with a uniform collection system, the big majority of growers will carry their part of the load.

Mr. GATHINGS. Mr. Chairman, a letter came to me a few days ago from Mr. R. E. L. Wilson III, and I have given it to Mr. Mann. I would like to ask that he read that letter to the committee.

The CHAIRMAN. Yes, sir. You may proceed, Mr. Mann.

Mr. MANN. Thank you, sir.

Hon. E. C. GATHINGS,
*House of Representatives,
House Office Building,
Washington, D.C.*

DEAR TOOK: The Cotton Producers Institute was initiated in Arkansas in 1962. It previously had been started in California, Arizona, New Mexico, and the plains area of Texas in 1961. Before we were able to present the program to cotton farmers, it was necessary for the cotton producer organizations in Arkansas to approve this action and appoint appropriate committees to conduct the program. In our State, it was approved by the Agricultural Council of Arkansas and the Arkansas Farm Bureau, and they asked a small group consisting of R. S. Barnett, Jr., Harold Ohlendorf, Nick Rose, Max Miller, Lon Mann, Otis Howe, Vernon W. Scott, and myself to appoint an appropriate committee and empower this committee to initiate and conduct the program. This was done, and you see by the names on this letterhead the outstanding cross section of cotton producer leaders that originated and continues to guide and support our activities.

Each member of this steering committee secured four or five additional outstanding cotton farmers in their respective counties, and brought them together in a statewide meeting to establish a founders committee of nearly 200 growers. These growers, in turn, established county and community committees in their respective counties, and conducted countywide meetings and community meetings where required. At each of these meetings a 2-hour program was presented in which cotton's competitive situation on price, research, and promotion was thoroughly explained, as well as the needs and opportunities to raise urgently needed funds to finance a self-help program of research and promotion.

I have gone into this detail on our own State as an example of procedure followed for the entire Cotton Belt. This was done in practically all of the cotton-producing States during the years 1961-65. To indicate the scope of producer organizations' acceptance, I am attaching a list of organizations which by official action approved the need for and concept of the Cotton Producers Institute, and authorized its organization in their respective States. During the past 5 years more than 2,000 invitational meetings of key cotton farmers have been conducted in the various cotton-producing States, and attended by more than 100,000 cottongrowers. Because of the backing of practically all of the producer organizations, growers in attendance at these meetings have given practically unanimous acceptance to the Cotton Producers Institute. We are proud that this is the most extensive and successful educational activity ever conducted by any agricultural group.

As you have heard mentioned on many occasions, our only roadblock has been the absence of some mechanism through which a uniform collection procedure can be established. We need a system that will reach every cotton farmer and thereby eliminate the competitive factor between processors where some are collecting and some are not.

We feel that this can be accomplished through the bill designated as H.R. 12322 now being considered by the House Agricultural Committee, and hope you will let us know if we can furnish additional information.

As you know, I am chairman of the CPI Steering Committee in Arkansas, and have been elected by the participating growers to the board of trustees, which is the governing body of the Cotton Producers Institute, and am a member of its executive committee.

Sincerely,

R. E. L. WILSON 3d.

FARM ORGANIZATIONS THAT APPROVED COTTON PRODUCERS INSTITUTE

CALIFORNIA	ARKANSAS
California Farm Bureau	Agricultural Council of Arkansas
California State Grange	Arkansas Farm Bureau
Calcot, Ltd.	
ARIZONA	LOUISIANA
Arizona Cotton Growers Association	Louisiana Farm Bureau
Arizona Farm Bureau	
NEW MEXICO	TENNESSEE
New Mexico Farm and Livestock Bureau	Tennessee Farm Bureau
Artesia Alfalfa Growers Association	Mid-South Cotton Growers Association
New Mexico Pecos Valley Cotton Farmers Association	
TEXAS	MISSISSIPPI
El Paso Valley Cotton Association	Delta Council
Plains Cotton Growers Association	Mississippi Farm Bureau
Plains Coops	Mississippi Federation of Cooperatives
Texas Farm Bureau	Staple Cotton Cooperative Association
Trans Pecos Cotton Association	
Texas Federation of Coops	
Texas Cotton Growers Cooperative Association	
Texas Planting Seed Association	
Southwestern Irrigated Cotton Growers	
OKLAHOMA	ALABAMA
Oklahoma Farm Bureau	Alabama Farm Bureau
Oklahoma Cotton Cooperative Association	
MISSOURI	GEORGIA
Missouri Cotton Producers Association	Georgia Farm Bureau
Missouri Farm Bureau	Cotton Producers Association
	SOUTH CAROLINA
	South Carolina Farm Bureau
	South Carolina State Grange
	NORTH CAROLINA
	North Carolina Farm Bureau
	North Carolina State Grange
	North Carolina Cotton Cooperative Association

The CHAIRMAN. We thank you very much for your appearance and the information you have given the committee. I am sure it will all be very carefully considered.

Mr. MANN. Mr. Chairman, if I may I would like to make just another comment or two, please, sir.

I have been active with some of the Midsouth organizations, and I feel that I know the sentiment of some of the other organizations in the Midsouth area. I would like to read the resolutions passed by the Arkansas Farm Bureau in November as relates to CPI:

We consider the Cotton Producers Institute a worthwhile and needed organization. We would therefore consider any reasonable proposal that would bring all producers into the organization.

In July of 1965 the Louisiana Farm Bureau at their annual meeting passed this resolution with regard to CPI:

We urge the cotton board of the Cotton Producers Institute to formulate plans to enable CPI to be assured of adequate financing through some uniform collection plan.

I would like to also add that the Delta Council of Mississippi has endorsed this program.

Thank you, sir.

The CHAIRMAN. I thank you, sir. I want at this time to compliment our distinguished colleague from Arkansas, chairman of the Cotton Subcommittee of this Agriculture Committee. I don't know of anyone in Congress who is more intensely interested in the welfare and happiness of cotton farmers than your own E. C. Gathings. He is faithful, and he is diligent, and he has been a real leader. I am delighted to have you here and to have you see him in action.

Mr. MANN. Thank you, sir.

The CHAIRMAN. Thank you very much.

I ask unanimous consent to put in the record at this point a letter signed by Mr. Jack Gibson, president of the Agriculture Council, Arkansas.

(The letter referred to follows:)

AGRICULTURAL COUNCIL OF ARKANSAS,
West Memphis, Ark., February 4, 1966.

Hon. HAROLD D. COOLEY,
Chairman, House Committee on Agriculture,
Washington, D.C.:

This statement is submitted on behalf of the Agricultural Council of Arkansas whose members are located in the State's delta counties which produce approximately 800,000 bales annually. The council has been promoting Arkansas agriculture since 1939 and almost all of its members are cotton farmers.

Arkansas, at the latest census, was about half rural and half urban. Cotton is the State's most important crop. Arkansas farmers earned an average of approximately a quarter of a billion dollars annually from lint and seed during the years 1958-64. The total economy of the State of Arkansas is closely related to cotton's prosperity.

Agricultural Council of Arkansas members are more aware than most of the importance of cotton to the economic potency of Arkansas. As a result of this awareness and because of the critical competitive battle faced by the cotton industry, our council was in the forefront in initiating the Cotton Producers Institute in Arkansas in 1962. Because of problems brought on by the lack of uniform collection procedures under the present method of financing the CPI program, council members at their December 6, 1965, annual meeting, passed the following resolution:

AGRICULTURAL RESEARCH AND PROMOTION

It is our opinion that the future of the cotton industry will be determined by its ability to lower the cost of promotion, improve quality, and expand markets, and that research and promotion are the means of accomplishing these objectives. We feel that the Cotton Producers Institute represents the most effective medium through which cotton farmers can work toward these objectives. In order that the CPI might stabilize its finance plan and raise the necessary funds, we recommend and support the development and enactment into law of appropriate enabling legislation to provide for a grower referendum to determine grower preference on cotton research and promotion assessments and subsequently establish uniform collection procedures.

We favor passage of H.R. 12322 as it allows growers to decide for themselves if they wish to make cotton more competitive with the synthetic fibers in the fields of research and promotion.

We wish to commend the committee chairman for sponsoring this necessary legislation. Our thanks go to the House Committee on Agriculture for its prompt consideration of this bill. We also strongly urge final passage of H.R. 12322 as early as possible so that growers may take proper action to raise research and promotion funds before the 1966 harvest season.

Sincerely yours,

JACK GIBSON, *President.*

The CHAIRMAN. That concludes the list of witnesses to be heard today. Since we have about 10 or 12 listed for tomorrow, and we are going to have a busy session in the House tomorrow, I wonder if someone here on the list for tomorrow would not like to come up now and testify. We have Mr. Schuman, Mr. Randolph, Mr. Hays, Mr. Grant, Mr. Stevens, Mr. Munn, Mr. York, Mr. DeVaeny, and also Mr. Reuben Johnson, and Mr. Harry Graham.

Anyone here like to testify right now? We may be pressed for time tomorrow.

If no one wishes to be heard at this time, we will stand adjourned until 10 o'clock tomorrow.

(Whereupon, at 4 p.m., the hearing was recessed until 10 a.m., Wednesday, February 9, 1966.)

COTTON RESEARCH AND PROMOTION PROGRAM

WEDNESDAY, FEBRUARY 9, 1966

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

The committee met, pursuant to recess, at 10:10 a.m., in room 1301, Longworth House Office Building, Washington, D.C., the Honorable Harold D. Cooley (chairman) presiding.

Present: Representatives Cooley, Poage, Gathings, McMillan, Abernethy, Jones of Missouri, Hagen of California, Purcell, Olson, O'Neal, Foley, Stalbaum, de la Garza, Vigorito, Redlin, Callan, Dague, Belcher, Teague of California, Findley, Burton of Utah, and Polanco-Abreu.

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

The CHAIRMAN. The committee will be in order, please.

We are very glad to have with us Mr. Charles B. Shuman, president of the American Farm Bureau Federation. We welcome you here and we will be glad to hear from you now.

STATEMENT OF CHARLES B. SHUMAN, PRESIDENT, AMERICAN FARM BUREAU FEDERATION

MR. SHULMAN. Thank you, Mr. Chairman and members of the committee.

On behalf of the American Farm Bureau Federation, which represents 1,677,820 paid-up member families in 49 States and Puerto Rico, I want to express my appreciation for the opportunity to appear before this committee with respect to the provisions of H.R. 12322.

Farm bureau is a voluntary, nongovernmental organization wholly controlled by its members. It is financed by membership dues. It is organized to provide a means through which farmers can work together toward the goals upon which they agree.

It represents farmers from every part of the country, producers of every kind of agricultural commodity. The policy resolutions that guide farm bureau during the year are developed through a program featuring individual member participation and including study, discussion, and development of policy recommendations at local, county, State, and National meetings.

This past December recommendations from the respective State meetings were considered by a national resolutions committee made up of elected representatives of every State farm bureau. Then they were considered, amended, and adopted by the elected voting

delegates of the member State farm bureaus at the 47th annual meeting of the American Farm Bureau Federation.

Before I discuss the specific provisions of the legislation currently under consideration, I should like to review briefly our policies in recent years with respect to Government policy as it relates to cotton.

We supported the Agricultural Act of 1958. We still support the basic principles of that legislation.

In contrast, we have opposed vigorously the application of the compensatory payment concept to agriculture. We have contended that this road leads inevitably to lower per family farm income and increased dependence by farmers on governmental action. In 1963, when it was proposed that the compensatory payment concept be applied to cotton, we made crystal clear our belief that payments to the textile mills would be temporary and that such payments soon would be transferred to producers instead. What happened in this regard is now a matter of record.

All who care should anticipate the next inexorable step—i.e., limitations on payments—in other words, political rationing on an equitable basis (one share, one vote) of the more limited funds likely to be available in the future.

My point is that the determination to go the payment route—which action was supported by many of the people promoting the check-off proposal provided in the bill now before your committee—set in motion forces which almost certainly guarantee the transformation of the traditional cotton price support program into what is largely a welfare type program. The fact that many do not as yet fully understand this does not alter the realities of the situation.

I do not review this recent history to stir up the ashes of past controversies. Instead, I do it to remind the committee of our continuing desire to understand—and to help you fully comprehend—the eventual implications of the choices you are called upon to make in precedent-setting legislation.

The bill, H.R. 12322, now before this committee would, if enacted, have far-reaching implications for the future of agriculture.

We shall not review in detail our longstanding interest in, and support of, research. Without exception, farm bureau has been in the thick of every major effort to strengthen agricultural research.

Our member State units have actively supported the State legislative actions that have been necessary to enable the respective States to carry their part of the cooperative Federal-State research programs.

Likewise, it is unnecessary I am sure to review in detail farm bureau's longstanding interest in, and support of, the work of the National Cotton Council. In accordance with our general philosophy on research and promotion farm bureau leaders took part in the organization of the National Cotton Council, and have continued to take an active part in this organization throughout its history.

Farm bureau leaders have been among the strongest advocates of increased funds for the council, and were leaders in the movement which established the Cotton Producers Institute a few years ago to raise additional funds from producers for research and promotion in behalf of cotton. In fact, we have often pointed to the work of the National Cotton Council as a splendid example of how an industry-wide commodity organization should function.

With respect to the whole matter of promotion of agricultural commodities, Farm Bureau has a long record of experience. At our most recent annual meeting (December 1965) the official voting delegates adopted the following resolution on this subject:

PROMOTION OF AGRICULTURAL COMMODITIES

We urge increased support for voluntary promotion programs.

The American Farm Bureau Federation, through State and county farm bureaus, should stimulate interest among farmers and urge increased support for sound, well-coordinated programs to promote the increased sale and consumption of farm products without duplication of effort.

Where well-established, nationally recognized organizations are carrying out industrywide promotion programs on a well-coordinated national basis with adequate producer representation, we continue to support and help improve them.

Promotion programs need periodic review to determine their effectiveness. Participating producers and their organizations should be encouraged to seek an evaluation of these programs and to recommend improvements.

We believe that any funds raised for the purpose of promoting the sale of farm commodities should be collected on a voluntary basis, administered by a non-governmental organization of producers—with handlers and processors included where it is mutually agreed that they should be included—through its board or committee, and used solely for the specific purposes for which collected and not for legislative or political activities.

We define a voluntary checkoff as one which leaves producers free to refuse to contribute or enables them to obtain the refund of any assessments, collected by the voluntary action of market agencies. The procedure for obtaining refunds should not be so burdensome as to have the practical effect of depriving individual producers of the opportunity to obtain refunds.

H.R. 12322 is contrary to this statement of policy in two most important respects:

1. Whereas our policy supports voluntary programs administered by nongovernmental organizations of producers, this bill clearly provides for the creation of what amounts to a governmental organization of producers. This would take the Government into a new area of control over farmers and their activities.

The amount of authority that would be given to the Secretary of Agriculture by the enactment of H.R. 12322 is unprecedented.

I should like to enumerate some of the added authority that would be given to the Secretary if this legislation were to be enacted:

(1) The Secretary would have discretion whether or not to consider establishing an order; that is, the Secretary is not required to call a hearing even if a certified producer organization petitions for one.

(a) If the Secretary decides to issue an order, the order can specify the plans and projects which may be authorized by the newly created Cotton Board.

(b) The Secretary can require that any class of handlers keep and produce to the Cotton Board or to the Secretary books, records, and reports as he may deem necessary.

(c) The plans for advertising, promotion, or research must be submitted for approval to the Secretary.

(d) The budget on a project basis must be submitted to the Secretary for approval.

(e) The contract which the Cotton Board proposes to enter into with the producer organizations is subject to approval by the Secretary.

(2) The initial rate of assessment in an order issued by the Secretary must be \$1 per bale, but this assessment can be increased by

amending the order (amendments to the order are subject to referendum).

(a) The Secretary is authorized to sue for assessments.

(b) A producer may obtain a refund of the assessment if he makes such demand personally in accord with the regulations prescribed and within 30 days of the collection of the assessment. Such demand is made a public record, and the producer would not be permitted to vote in any subsequent referendum.

(3) The Secretary appoints the members of the Cotton Board. Organizations certified by the Secretary are permitted to make nominations, but the Secretary can appoint from outside such nominations if he feels that this is desirable.

(4) The Secretary may terminate the order of any provision of the order without referendum.

A majority of producers cannot terminate an order unless they grow a majority of the cotton produced by those voting in the referendum.

2. The effect of this bill, if enacted, would be to make the program largely compulsory rather than voluntary.

No legislation is needed for a truly voluntary program, and the only purpose of enacting legislation in this field is to compel participation. While refunds would be authorized for producers who request them, handlers would be required to collect the proposed assessment; producers who do not wish to contribute apparently would be required to file separate refund claims each time they sold cotton (or at least for each sale made more than 30 days after the last previous sale); refund requests would be made a matter of public record; and producers requesting refunds could be prevented from voting in any subsequent referendum on the program unless they returned their refunds to the Board. Such provisions obviously are intended to have a coercive effect.

The referendum procedure provided in this bill would enable a minority of the producers to impose a sales tax on raw cotton on all cotton producers. This is made possible by the authorization for the Secretary to determine the outcome on the basis of volume. This has far-reaching implications. Incidentally, there is no requirement that the referendum be conducted by secret ballot.

Many of the proponents of this legislation contend this proposal is voluntary and nongovernmental. In this connection, I would call your attention to the "penalty provision" in H.R. 12322:

Any person who willfully violates any provision of any order issued by the Secretary under this act, or who willfully fails or refuses to pay or remit any assessment or fee duly required of him thereunder, shall be liable to a penalty of not more than \$1,000 for each such offense which shall accrue to the United States and may be recovered in a civil suit brought by the United States.

The fundamental questions raised by this legislation are not new. Some of the members of this committee will remember a few years back—1957—when there was a drive on to get a legislated checkoff program for livestock to raise funds to promote red meat. You were told—and we were told—that there absolutely had to be checkoff legislation, and that the whole promotion program for red meat would be lost if legislation were not passed immediately. As a member of the board of directors and executive committee of the National Livestock

and Meat Board, I know something of what has happened in the interim period. Progress continues to be made in perfecting a comprehensive, voluntary, and nongovernmental promotion program.

There are many advantages to truly voluntary programs. The voluntary approach provides a splendid opportunity for producers who are investing money in promotion to continuously reappraise the value received for the money invested. It encourages producers to feel a sense of responsibility for their program, to take interest in it, and to see that they get their money's worth.

I realize that those who want to find an easy way to raise big money often prefer the compulsory approach. Similar arguments can be made, and are made, in behalf of compulsory unionism. There is a much closer parallel in the rationale on which this legislation is based and the arguments made in favor of the repeal of section 14(b) of the Taft-Hartley Act than many of the supporters of this legislation probably would want to concede.

The voluntary approach promotes cooperation between farmers and between the producers and handlers of a commodity. The compulsory approach provided in this bill will promote controversy and dissension. Many cotton producers will want to know why no provision has been made for other cotton interest groups to bear a part of the load. The proposed referendum almost certainly would be preceded by a bitter and divisive campaign which would create lasting scars at a time when the cotton industry needs to unite to solve its problems.

The thing that is most needed in the present situation with respect to research and promotion for cotton is for the Congress to make it clear that it does not intend to torpedo present voluntary promotion efforts and supplant them with a Government-directed project financed by means of a largely compulsory checkoff.

When that is done, I am confident that all of the groups interested in the survival of cotton as a healthy and dynamic industry will find ways and means of launching and financing needed research and promotion programs for cotton. In behalf of Farm Bureau members throughout the country, and especially in the Cotton Belt, I want to reassure this committee, and the proponents of this legislation, that we continue to stand ready to lend our full assistance to such an effort.

For the reasons stated herein, we respectfully recommend that H.R. 12322 not be approved.

Now, Mr. Chairman, I have with me the vice president of the American Farm Bureau of Federation who will present a brief supplemental statement.

The CHAIRMAN. We will hear Mr. Randolph in due time. We will hear from you first.

Mr. SHUMAN. Thank you.

The CHAIRMAN. You have submitted a very fine statement. You agree with the objectives of what is sought to be accomplished by this proposal, that is, to have the farmers put the money into some fund on a voluntary basis to be used for promotional and research purposes—is that not right?

Mr. SHUMAN. We support voluntary research and promotional contributions by farmers and others in the industry. We have supported voluntary programs for a long time.

The CHAIRMAN. But the point is that you do not want the Government to have anything to do with such a program.

Mr. SHUMAN. We do not want a compulsory, Government compelled, check-off.

The CHAIRMAN. In my own thinking, as a lawyer, I do not think that you should have a compulsory program as you say is contemplated by this proposal. It should be voluntary and that is the reason this refund provision has been put in.

We have the Tobacco Associates organization in my State of North Carolina, and it is financed somewhat in this same way. It is a voluntary payment of so much per acre, and the farmers, if they want a refund, can request it and their money is refunded. In that way no one can attack the constitutionality of the program, because we have a provision for recovery.

As a farmer, I pay \$1 a bale on this program, and if I have 10 bales, I pay in \$10, and I can say that I want my money back, and, of course, I will get it.

I think this should be a voluntary program.

Mr. SHUMAN. Mr. Chairman, we do not consider it a voluntary program—we consider it a compulsory program. It is enforced by the Government, the checkoff is enforced by the Government, and I doubt very much if it could be determined whether it is constitutional without taking it to the courts, and, of course, if it is passed I am sure that it will be challenged, and, probably, there will be a long period of fighting in the courts, which will ensue.

The CHAIRMAN. Who do you think would take it up?

Mr. SHUMAN. I am sure that the producers will. I am sure that many producers will go together to challenge it.

The CHAIRMAN. Are you suggesting that the Farm Bureau under your direction, will challenge the constitutionality of it?

Mr. SHUMAN. We certainly would, if the farmers in our organization wanted us to do so.

The CHAIRMAN. How many farmers would have to want to do that before you would be willing to challenge it?

Mr. SHUMAN. It would be up the board of directors. I do not know. I am sure there is a valid basis where challenging the constitutionality of it should or would be made.

I doubt very much whether the first two pages of the bill, which is an attempt to establish the public value of it, has done so. I think that there is a very serious question as to whether this is in the public interest.

The CHAIRMAN. That is in the public interest?

Mr. SHUMAN. Yes, sir.

The CHAIRMAN. This refund provision in here is supposed to eliminate any question about the constitutionality of the act. I think that the bill has that section in it for that purpose. I am glad you have pointed that out.

There are other things that we will have to clear up, but it is a voluntary program. You know that it has a cotton board in it. You understand that?

Mr. SHUMAN. Yes, sir. This board—

The CHAIRMAN. The Secretary will not actually administer this and spend the money as he wants but he will spend it as this board, composed of farmers, decides.

Mr. SHUMAN. That would depend—that would be up to the discretion of the Secretary. He would not be compelled, as I understand this bill, to name the cotton board the people nominated. He could name others than those nominated. He would not be compelled to approve the expenditure of the funds by any certain organization, even if it were recommended by the cotton board. He would not be compelled to approve. He has discretion.

The CHAIRMAN. Suppose that we amend the bill not to let the Secretary spend the money except in the manner directed by the cotton board, and that the board be selected from a group of farmers nominated by the farmers. Would that take care of that point?

Mr. SHUMAN. No, I do not think that it would, because it is still a Government controlled compulsory checkoff. However, the first draft of the bill that our folks saw had quite a few of those provisions in it, and then I noticed that when it was finally drafted, it was found necessary to put more authority in the hands of the Secretary. And I can understand that.

I do not think that it is possible to draft legislation which gives the power of the Government to tax producers and then turn that money over to a non-Government agency, a supervised planning agency. I think that is what the drafters recognized, and the very fact that they did so, illustrates the fact that it is a Government-enforced checkoff.

The CHAIRMAN. I do not think that I agree with you on that particular point. I doubt very much if we could pass a bill that would be constitutional if it were compulsory, and to avoid that situation, we arranged in here that all that the farmer has to do is to request a refund and he can get it, and that is it.

Mr. SHUMAN. Some people have the idea that this money would be channeled, as it was pointed out by the Cotton Producers Institute which is affiliated with the National Cotton Council, through those organizations. This might be true under this for a short time, but there is no assurance of this. There is no assurance whatsoever that the future Secretary of Agriculture could not change that to have some other agency do the spending.

The CHAIRMAN. Suppose that we put in the bill a provision that the Secretary could not spend a single dollar of the money unless the Cotton Board said so? Would that help to improve the bill?

Mr. SHUMAN. I do not think that it would improve it from our standpoint, because it is still a Government-controlled compulsory checkoff.

The CHAIRMAN. In other words—let us get it clear—there is no way to amend this bill so as to get your approval of it?

Mr. SHUMAN. That is correct.

The CHAIRMAN. And you would suggest striking the enacting clause and everything thereafter?

Mr. SHUMAN. There is no way to help a compulsory checkoff that we would support.

The CHAIRMAN. I am talking about the whole bill. Is there any way that you could support this bill, to amend it so that you would agree with it?

Mr. SHUMAN. I think that you could take and have just a resolution which expressed the good will of the Congress.

The CHAIRMAN. The good will of the Congress to do what?

Mr. SHUMAN. Promotion and research.

The CHAIRMAN. Like a love letter to the American Farm Bureau Federation?

Mr. SHUMAN. That is right. [Laughter.]

That is correct, Mr. Chairman. So, we do not believe that any legislation is necessarily desirable. We have a very good program.

The CHAIRMAN. How can you say that? The manufacturers of synthetics are spending \$200 million a year in competition with cotton, and here we are contributing a sum that is practically nothing. We had pages from 1 magazine presented here yesterday, expensive advertising—50-some-odd pages from 1 magazine—advertising goods manufactured out of synthetic fibers. You will find that if you talk to those in the textile industry, as I have talked to them, that they read those magazines, and that they cannot continue with the manufacture of cotton in competition with manmade fibers under the present circumstances.

You read in the papers about all of the textile mills making great profits, and you will find that they are making most of the profits out of synthetics.

We cannot let cotton, as a commodity, go by the board, but that is what is going to happen.

The farmers, you say, want it on a voluntary basis. I feel that this is a voluntary program that we can try to get into operation.

Mr. SHUMAN. Mr. Chairman, I would like to suggest that there is variation in the success of voluntary programs, that we have voluntary promotion and research programs that get the participation of farmers on a basis as high as 60 to 90 percent of participation; it can be done. We have repeatedly offered to the National Cotton Council and to the CPI that we join with them in a concerted and continuous campaign to get a higher percentage of support. We have every reason to believe that if we had been permitted to work with the National Cotton Council and the other groups over a period of several years that we could have raised this participation in the CPI considerably and probably in the nature of 70 to 80 percent.

In my opinion, if this bill is enacted and the compulsory checkoff is enacted, the \$1 a bale assessment will be used as the excuse by farmers and others in the cotton business to practically discontinue their participation in the cotton council's program.

The CHAIRMAN. That is problematical. That was discussed here yesterday.

Mr. SHUMAN. I am sure that it is a pretty good possibility, because if you are going to take, by a Government checkoff, \$1 a bale away from the producer, you can be pretty sure that a lot of the folks will discontinue the other checkoff, and the net result will be that the cotton council and the CPI program will be delivered over to Government supervision, and we will have destroyed a very effective organization—the National Cotton Council.

I do not agree at all that the reason that the research being done and the advertising promotion that is being done is concentrated on

synthetics and not on cotton is because we have not gone the route of compulsory Government checkoff programs for promotion.

There is no Government checkoff program for promotion and research in synthetics. The major reason, in my opinion, that there has not been a corresponding amount of research and promotion and advertising by the cotton textile mills for cotton is that we have had a cotton program for a number of years which has, for all practical purposes, legislated against any desire or any incentive for the cotton textile industry to promote cotton.

The CHAIRMAN. Let me interrupt you, please, Mr. Shuman. I want to present someone whom I do not think you will object to.

I recognize the distinguished gentleman from Texas, Mr. George H. Mahon. It is an honor to have you and your lovely friend here, and we will be glad to recognize you to present your friend to the committee.

STATEMENT OF HON. GEORGE H. MAHON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. MAHON. Thank you, Mr. Chairman.

One reason why we want to keep cotton in business is that if we should go out of the cotton business, there would be no more "Maids of Cotton." Of course, there are also other urgent reasons.

I think that it is rather fitting that I, coming from the largest cotton-producing congressional district in the United States, should have this honor of presenting to you the "Maid of Cotton" for this year.

I am very honored and very pleased to present the daughter of an oldtime friend of mine, from west Texas, Nancy Bernard, the "Maid of Cotton" for this year, from Lubbock, Tex. [Applause.]

The CHAIRMAN. We are delighted to have you here. We hope that you have a wonderful experience in this assignment, in carrying out this honor which has been conferred upon you, and if you act as good as you look, you will make a grand success. I will tell you that. I am sure that every man on this panel, and Mr. Shuman, admires you very much. We are glad to have you here, and we will be glad to hear from you.

STATEMENT OF MISS NANCY BERNARD, "1966 MAID OF COTTON," LUBBOCK, TEX.

Miss BERNARD. As the representative of the National Cotton Council, it has been my distinct pleasure to get to see many sights which the ordinary schoolgirl never would have the opportunity to see, to have experiences that the ordinary schoolgirl—and I am from the University of Texas, by the way—would never get to do. It is fascinating. I take every opportunity to promote cotton all that I can, wearing cotton all of the time. I have a cotton outfit on today.

The CHAIRMAN. It is very pretty.

Miss BERNARD. And I wear it all of the time. I wear cotton in many of my clothes—even my pajamas are cotton. [Laughter.] But doing these style shows every day, with visits to the various cities of the United States, has been a very rare and valuable experience, and as

we go along we have humorous instances, too. I think last night was a typical example, when we were flying from Raleigh, N.C., on the plane on which there were some men from the Du Pont Co., and it was quite an experience. They came strolling down the aisle and started up a conversation with us. We had quite a talk. We were holding our own with them, smiling very sweetly, and, finally, another man walked up and said, "Are you not the 'Maid of Cotton,'" I said, "Yes, sir." So, these people from Du Pont kept talking, they talked on and told me about my fabric, and I told them about theirs. And this went on. They were really giving me a bad time. I finally said, "Sir, what is your shirt made out of?" And this gentleman said, "Well, cotton." [Laughter.] And I said, "I presume that you are wearing even more cotton than your shirt." [Laughter.] "Yes, ma'am." So, we called it "touché," and that was it.

So, as the Maid of Cotton, I have had many wonderful experiences. I have found out about many wonderful uses for cotton. It has been a great delight to talk about it all I can.

I think one of the biggest delights has been my getting to come here to this committee today, because I have never been to Washington before, and I have never seen a committee in action before, and I can tell that this is a highlight of my trip.

The CHAIRMAN. Thank you very much. [Applause.]

Mr. POAGE. I want to congratulate Mr. Mahon, the chairman of our Appropriations Committee, for having such a lovely constituent.

I want you to know that he has a group of Texans in the room. Some of them are on the committee. There is Mr. Purcell sitting over there, and Mr. De La Garza up here. These are members of our committee.

And then behind you at the witness table, there is Mr. DeVaney, the president of the Texas Farm Bureau Federation, and here are some of the local people from out on the plains of Texas. Ed Bush is around here some place. We have a whole bunch of Texans here.

We are all just so very glad to have you here with us.

Miss BERNARD. Thank you.

The CHAIRMAN. May I interrupt this, to extend a Happy Birthday Greeting to you?

Miss BERNARD. Thank you.

Mr. MAHON. Mr. Chairman, this committee is so important to cotton, and this is such a wonderful moment in the life of this beautiful girl, that she ought to go away, I think, with a picture of some of you people in the background.

The CHAIRMAN. I do not think that anybody up here will run away. [Laughter.]

Mr. POAGE. I think that we should have a recess for that purpose at this point.

Mr. MAHON. First, let me present the tour managers who accompany Miss Bernard:

Miss Patty Povall of Lexington, Miss.

And Miss Rebecca Moore of Rolling Fork, Miss.

[Recess.]

The CHAIRMAN. The committee will be in order, please.

We appreciate permitting us to break in on your testimony.

STATEMENT OF CHARLES B. SHUMAN—Resumed

Mr. SHUMAN. Mr. Chairman, I appreciate the interruption very much, because this was one of the best demonstrations that could be had of how a voluntary program can be effective.

I had practically finished what I was saying which was to the effect that the voluntary program of the National Cotton Council will be jeopardized by a compulsory checkoff program, because I do not believe that farmers will pay for both, also that the research and promotion that has been devoted to synthetics could well have been had by cotton on the part of the textile industry if it had not been for the unwise Government cotton programs which have, in effect, placed a penalty on anybody who wants to go ahead to develop new and better methods through research and promotion. Actually, the attack on the market system that is inherent in Government farm programs automatically results in reducing incentives to carry on research and promotion by the private trade.

So, I think that this legislation would not only destroy the cotton council, as we know it today, but it would also create tremendous conflict and controversy.

This committee has, on previous occasions, when I have been before it, expressed concern at the conflict and the disagreements within agriculture. You have not seen anything yet as to what you will see when this referendum campaign out in the country goes ahead. We will be fighting in every community in the cotton-growing areas of the United States, and we will have conflicts between commodity groups as well as other organizations if this bill is passed.

If this bill is passed, it will only be a question of time until the soy bean people will be here for corresponding legislation for compulsory check-off on soy beans to carry on their program against cottonseed products. You are opening up a Pandora's box of conflicts and controversies like we have never had in American agriculture.

I think that the responsible organizations in this country, the general farm organizations, are more united in opposing this than we have been on many things, and here we are coming to legislation that will promote conflicts like we have never seen before.

The CHAIRMAN. Let me go back to the State of North Carolina to the Tobacco Associates' program for tobacco. It was adopted many years ago. It has not torn people apart. I do not know of any person who has asked for a refund who has not gotten it. I do not know of any checkoff system. You ought to think about that program in North Carolina.

Mr. SHUMAN. Apparently, the Tobacco Associates did get industry support. That is not the case in this situation. There is a wide split in the industry as to whether or not they are for this. We have many people who are opposed to it very vigorously.

The CHAIRMAN. We have a number of witnesses listed on our agenda today, and I wonder if you could avoid some repetition—I do not mean Mr. Randolph, but the others. I notice that you have someone here from Alabama, and someone from various other States. We have an important House session in about an hour.

Mr. SHUMAN. We had planned for them to have about a 1-minute statement. Each will have a 1-minute or a minute-and-half statement.

The CHAIRMAN. Mr. Poage.

Mr. POAGE. I commend the Farm Bureau on their resolution, on page 3 of your statement. It seems to me to be an excellent one.

I agree with it all the way down to where you say, beginning with the third paragraph on page 4:

H.R. 12322 is contrary to this statement of policy in two most important respects.

I recognize that this is the difference between you and myself.

I think it is "voluntary," but from what I understand from this last paragraph of your statement of policy it says that a man should have the right to get his money back, and if he does, that it is "voluntary."

There is no provision of this bill that can force him to make a payment against his will without the right of refund.

And as I read the bill as it is presently written there is no provision that he has to contribute one single dime.

Now, I think there are some items in this bill that I would like to change.

I agree with you that the original bill was better in some respects than the final draft but the principle of the bill is sound. The principle is in accord with the way that I read the Farm Bureau's resolutions.

I have been a member of the Farm Bureau for many years.

And I have become embarrassed that this committee and the Farm Bureau always finds themselves at odds. I would like to see us get together on something.

You say that you are in favor of research.

So am I; so is the committee.

You say that you are in favor of promotion.

So am I; so is the committee.

Why do we not try to write a bill that we can all support? Why do we not try to see that if this bill has some weak points in it and if it has to correct them. I would like to work with you to do this.

Are you suggesting, if I understand you correctly, and I would like for you to correct me if I do not correctly understand you—did I understand you to say that you and the Farm Bureau support, as I do, research as a general proposition? "We believe in research," is that correct?

Mr. SHUMAN. We support voluntary research, but—

Mr. POAGE. Do you support governmental research?

Mr. SHUMAN. Governmental research through appropriations.

Mr. POAGE. Do you support it through governmental appropriations?

Mr. SHUMAN. Yes; but not through compulsory checkoffs. I disagree with your interpretation of the language. It says very clearly, "collected by the voluntary action of market agencies."

Mr. POAGE. I think that anything is "voluntary" if there is no compulsion in it. As a cotton grower, I do not have to pay one dime to anybody if I do not want to, if this bill passes. That is the crux of the whole thing, as I see it.

We disagree on that.

Mr. SHUMAN. That is correct.

Mr. POAGE. And I suppose that we cannot come together on that, but we are in agreement in saying, if I understand it correctly, that

we need research, that we need to have the Government conduct research. And you, of course, have supported many of these research programs. The committee has supported many of the research programs, and we are going to continue to do so.

Do I understand that you think that it is all right for the Government to take tax money from every citizen of the United States and conduct agricultural research, but it is all wrong if the Government helps a group that expects to get a special benefit from that research—to put their own money into it? Is that the way I understand your situation?

MR. SHUMAN. No. Let me say this. Let me straighten out two or three things in your statement, Mr. Poage.

One of the things that was most carefully debated by our delegates—over the years—has been this definition of “voluntary,” and like Congress, our delegates in our board are governed by the record that is made in these debates, and does not leave any question whatsoever but that the intent of our delegates is that “voluntary” means voluntary action and does not contemplate Government-enforced checkoffs of any kind—“voluntary action of marketing agencies.”

On the matter of research: Yes, we support research. We think much of the agriculture research is in the public interest, and we think it ought to be paid for by the public.

We think also that there is special research that is in the interests of the textile mills or other processors of agricultural products. They ought to carry on research themselves. We think that there is obligation for the producers themselves to carry on research and promotion, but that in these areas where it is to the self-interest of the producers, the self-interest of the industry ought to be completely on a voluntary basis. We would oppose the checkoff, from the textile industry, funds to be used in the textile industry research to benefit the textile mills. We think that these should be voluntary actions, and we are opposed to Government-enforced checkoffs.

MR. POAGE. You and I are in full agreement on that. I am opposed to forced checkoffs as you are, but I am not opposed to voluntary checkoffs. You define a voluntary checkoff as one where the producer can refuse to contribute, or one that enables him to obtain a refund on any assessment collected by the voluntary action of a marketing agency.

This bill does leave producers free to get a refund, and it seems to me that it meets every qualification that you have set out in your own resolution.

You disagree with that; you place another interpretation on it, and you have a perfect right to place another interpretation on it. That is the only difference of opinion, as I see it.

We have a voluntary checkoff system, just as voluntary as it can possibly be, because nobody has to make a payment. That is just it, nobody has got to make a payment.

It seems to me that this is a strained construction of the resolution of your own delegates when they say that they favor a voluntary checkoff, and it is defined as being one where the producer can obtain a refund. They can obtain that refund on notice, so it seems to me that we have met the requirements that you have set up there.

1592 You tell us that you believe that we ought to have research; you tell us that the Government ought to pay for it, and then you tell us that if it is for a special benefit to a special group, that they should pay for it.

You say that the textile mills ought to pay for any research in regard to their spinning and weaving. We do conduct research at Government expense on spinning and weaving just as we conduct it in ginning. We do conduct it in, as far as I can recall, every process of the industry with which I am acquainted.

Would you condemn that? Would you close down a ginning laboratory, Mr. SHUMAN, because it was of special benefit to the ginners?

MR. SHUMAN. You have made a long rambling statement.

MR. POAGE. Yes, but I am getting back to one simple question. Do you oppose the existing ginning laboratory?

MR. SHUMAN. I know nothing about a ginning laboratory, and I have no opinion on it, but I do know what the action of our delegate body was, and it was not in accordance with the interpretation you place on it.

The CHAIRMAN. Will you yield to me?

MR. POAGE. Yes.

The CHAIRMAN. In your discussion with Mr. Poage, what do you mean when you say in that paragraph:

We define a voluntary checkoff as one which leaves producers free to refuse to contribute or enables them to obtain the refund of any assessments collected by the voluntary action of market agencies. The procedure for obtaining refunds should not be so burdensome as to have the practical effect of depriving individual producers of the opportunity to obtain refunds?

What did you mean by that?

MR. SHUMAN. Mr. Chairman, back on page 3, it says:

We believe that any funds raised for the purpose of promoting the sale of farm commodities should be collected on a voluntary basis, administered by a non-governmental organization of producers—with handlers and processors included where it is mutually agreed that they should be included—through its board or committee, and used solely for the specific purposes for which collected and not for legislative or political activities.

The CHAIRMAN. Why did you put the word "refund" in there, if it is to be interpreted as you now tell us that you are interpreting it, that there would not be any refund in it at all?

MR. SHUMAN. Yes, there would be under the voluntary programs at the present time. I know how they are administered. And you probably do, too. The marketing agencies will make the deductions. If anybody objects the refund is made. That is what this means. This does not refer to a Government refund. The whole statement goes together. You cannot take out one sentence. This was discussed and debated as very few things ever are on the floor of the convention, as well as in the committee. There was not a single delegate there but what knows that the intention of this is to oppose any Government-enforced checkoff. And I said "Government-enforced checkoff."

MR. POAGE. If your objection is to Government control of a research and promotion program, do you interpret this as a governmental organization?

MR. SHUMAN. Yes.

MR. POAGE. That is not the point of the discussion at the moment.

But, if, in each instance that we bring up a specific subject, you suggest that there is something else that you are objecting to, we will never see how far apart we are on any one specific purpose.

I agree with you as to the desirability of making some changes in this wording in this bill. Certainly, that is something that we can talk about and try to work it out if we are in accord with the principle of promoting cotton; if we are in accord, that we want to carry on this research. But I fear that we are not in accord on that subject. I think that many of us want to promote cotton. Until this morning, I had understood you favored research and promotion of cotton, now I am confused. As you know and all the testimony was yesterday that you cannot continue the kind of thing that you have at the present time, that there is no possible way of continuing it on any successful basis.

I would be interested in hearing from representatives of the farm bureaus as to whether they believe that there is a practical way whereby you can continue the present program and make it function. Of, course, we can go completely out of business, but let us come back to research. Let me ask: Are you in favor of continuing governmental support of ginning research down in Lubbock?

Mr. SHUMAN. We have always supported it.

Mr. POAGE. I know that you have in the past. What about today? Are you in favor of continuing governmental support of ginning research?

Mr. SHUMAN. We are in favor of supporting research.

Mr. POAGE. That is, spending tax money for it.

Mr. SHUMAN. Yes.

Mr. POAGE. That money is taken from the citizens of New York; it is taken from the citizens of Washington; from the citizens of Wisconsin, and other places where they do not grow a bale of cotton.

Mr. SHUMAN. Yes, sir. We think that it is in the public interest.

Mr. POAGE. And there is no refund connected with it, is there?

Mr. SHUMAN. No, sir; this is tax-supported research.

Mr. POAGE. There is no one who can get a refund. It is not voluntary, is it?

Mr. SHUMAN. Not that I know of. Nobody has advocated that it be made voluntary.

Mr. POAGE. Do you believe that it is perfectly all right then to carry on that research at the expense of the people who have no direct interest in it?

Mr. SHUMAN. Yes, sir; because it is in the public interest. And we do not believe that this bill is in the public interest.

Mr. POAGE. All right. That is getting to an entirely different matter. You say that it is in the public interest to reduce the cost of ginning? That is correct, is it not?

Mr. SHUMAN. If that is the purpose of the research—and I am sure that it is.

Mr. POAGE. Let me see whether you agree with me that it is in the public interest to promote the reduction of the cost of ginning.

Mr. SHUMAN. Yes.

Mr. POAGE. But I understand you to say that it is not in the public interest to reduce the cost of the production of cotton; is that right?

Mr. SHUMAN. I didn't say that.

Mr. POAGE. Then would you favor the expenditures of tax money to do the very thing that this bill proposes to do?

Mr. SHUMAN. Undoubtedly. So far as I read the bill there is nothing specifically proposed to be done with this money, except to turn it over to the Board under the supervision of the Secretary of Agriculture. If they come in with specific research projects they are worthy of support, certainly.

Mr. POAGE. You would support it?

Mr. SHUMAN. If they are worthy of support, sure.

Mr. POAGE. Even though it is done by the Board rather than by the Secretary?

Mr. SHUMAN. No.

Mr. POAGE. Is that not right in line with farmer control?

Mr. SHUMAN. No.

Mr. POAGE. If the Secretary has that power—

Mr. SHUMAN. I intended to say, if I did not, that if the project is worthy of support, and they come up and it is included in research appropriation bills, we would support them—not under this bill where it was done with compulsory Government checkoff.

Mr. POAGE. At Government expense, under the control of the Secretary?

Mr. SHUMAN. Yes.

Mr. POAGE. You would support that, but you would not support it if the money came from the people who would get the primary benefit?

Mr. SHUMAN. It is not a question as to whether the work to be done is of value. The question is the method with which this is done. That is the whole argument.

Mr. POAGE. All right. You agree that it is all right to spend tax money to support a ginning laboratory, such as the U.S. Cotton Ginning Laboratory at Stoneville, Miss.

Will you agree that it will be all right to tax the people of Connecticut to support a cotton research laboratory in California when the Government spends the money for the benefit of the producer?

Mr. SHUMAN. If it is the judgment of the Congress that it is in the public interest, yes, sir.

Mr. POAGE. Then, you are perfectly willing to have it done if it is done under Mr. Freeman's control. Thank you.

The CHAIRMAN. Mr. Belcher?

Mr. BELCHER. No questions, at present.

The CHAIRMAN. Mr. Teague?

Mr. TEAGUE of California. No questions.

The CHAIRMAN. Mr. Findley?

Mr. FINDLEY. Mr. Shuman, inasmuch as this would be a Government directed promotional effort, could you tell us what more should be done to meet the problems of the cotton industry through voluntary promotion? I am thinking here of the meat board.

Could you tell us how the meat board functions?

Mr. SHUMAN. I will be glad to do so. The meat board has had a good record of gradually increasing participation. We have underway a program to get broader industry support. I think that we are now somewhere in the neighborhood of 55 to 60 percent of the marketed livestock that does support the meat board.

The way this is done is by contacting the market agencies, as we suggest here, and if they agree the deduction is made on the shipments of livestock to that market agency. Quite often this deduction is made by the market agency, after they had a discussion in a meeting with their producers who send to that market or after they have notified them that they plan to start such a deduction.

Mr. FINDLEY. If a shipper objects to the checkoff, must he pay?

Mr. SHUMAN. If the producer requests the market agency not to make the deduction, it is not made, or if he asks for a refund, it is made. This is the only way in which it is done. This is the only reference to a refund that is intended by this resolution, that it is voluntary, despite all of these other statements.

Mr. FINDLEY. Therefore, the shipper would have the choice of refusing to pay the assessment initially and getting the refund.

Mr. SHUMAN. That is correct. And the main reason that this cotton bill is a coercive bill here is that the producer has to come in through some complicated redtape measure afterward to try to get his money back. If he is within a certain period of time, and if he is willing to have his name published to the world as being one of these people who wants his money back, then he might get it back, but this is a Government-enforced checkoff in this bill; whereas, in the case of the National Livestock Meat Board, and all of the other voluntary associations, they are by means of market agency deductions with the consent implied, or is rejected before the deduction, is made if the farmer wishes that.

Mr. FINDLEY. As I understand this legislation, it would require mandatory checkoff?

Mr. SHUMAN. Yes, sir.

Mr. FINDLEY. Of \$1 a bale of cotton?

Mr. SHUMAN. Yes—at least that—there would be no choice.

Mr. FINDLEY. There is nothing voluntary about that action at all, then?

Mr. SHUMAN. That is correct. This is completely compulsory, checkoff on everyone.

Mr. FINDLEY. And it occurs to me if the program is purely voluntary, what is the need for legislation?

Mr. SHUMAN. This is the point that we have tried to make, that if we got together and worked it out, we could get much better support from the industry than it now has, and I think that this compulsory checkoff, if in effect, will, very quickly destroy the existing National Cotton Council, and we will wind up not having as much money to spend on good promotion like the Maid of Cotton promotion, and the other promotions which are carried on, and which are very fine promotions. We will not have as much for that, but that it will be channeled off into areas which will have political coloring.

The CHAIRMAN. I understand that the National Cotton Council is supporting this.

Mr. SHUMAN. I think that you are mistaken.

The CHAIRMAN. And that the institute supports it.

Mr. SHUMAN. I think that this legislation will, within a very short time, result in the destruction of the existing organizations in promotion and research.

Mr. FINDLEY. I want to ask one more question, if I may.
In your statement you say:

There is a much closer parallel in the rationale on which this legislation is based and the arguments made in favor of the repeal of section 14(b) of the Taft-Hartley Act than many of the supporters of this legislation probably would want to concede.

If you would amplify that, I would appreciate it very much.

Mr. SHUMAN. The issue here is one of compulsion versus voluntary action. If this was a voluntary bill, there would be no point of passing it, so it is compulsion. The element of compulsion is part of this cotton checkoff bill. One of the main things that we are concerned about and has caused our opposition to the repeal of section 14(b) is the element of compulsion in joining a labor union. We have said that the citizens of each State should be permitted to decide whether they want to have compulsory unionism in their State, and 19 States have said that they do not want compulsory unionism. We do not believe in compulsion to join a farm organization or compulsion to pay a checkoff on cotton. We do not believe in compulsion to join a labor organization, a church organization or a political organization.

We think that this is a major issue involved. The matter of compulsion versus voluntary action.

We support voluntary action to do exactly the same things proposed here, but we will oppose to the utmost the element of using compulsion to do the very same thing.

Mr. FINDLEY. And this legislation would actually establish something similar to Government-controlled union in cotton farming?

Mr. SHUMAN. This would, of course, establish a quasi-governmental organization replacing the present voluntary Cotton Council and the CPI program, because the action would have to be approved by the Government agencies, and the members of the board of directors would serve at the pleasure and the will of the Secretary of Agriculture, and it has all of the disadvantages of such, and the only advantage is that it forces everybody to walk up and put money in. That is the only advantage. It has the disadvantage of compulsory action and including the danger of waste and corruption which goes with all compulsory organizations. You cannot have the discipline on the spending of the money that you can have under voluntary contributions. When the organization depends upon voluntary membership and dues are voluntary, then the officers, the directors, the administrators are under the discipline of having to justify their existence to the members. Whenever you inject the element of compulsion, you eliminate this discipline of the folks who contribute; so, this would be a quasi-governmental organization which would gradually see a diminution of the interests of the producers and eventually result in the transfer of the funds to purposes far afield from what the present proponents say.

Mr. FINDLEY. Do you feel that it is an exaggeration to say that this proposal could be one of far-reaching adverse consequence to American agriculture?

Mr. SHUMAN. This is one of the most dangerous proposals that has been brought before the Congress, so far as American agriculture is

concerned. It will lead to the fragmentation and conflict in agriculture like we have never had before. It will lead to setting up, undoubtedly, hundreds of other quasi-governmental organizations to fight each other.

The main beneficiary to this will be the 15-percent Madison Avenue gang which I anticipate are right here today waiting hungrily for this. They will be the main beneficiaries.

Mr. FINDLEY. Have you any estimate as to how much of the dollar per bale would be used for administrative expense?

Mr. SHUMAN. We have no estimate, except to take a look at some of the other areas of Government activity, where it is not unusual to say 30 to 40 percent and sometimes 50 percent of the funds are in overhead administrative expense.

Mr. FINDLEY. Thank you. That is all.

The CHAIRMAN. Just one minute.

Suppose, Mr. Shuman, we eliminated some of the things that you have been objecting to. Suppose that we amend the bill that when the farmer sells the cotton he can at that point sign a request for a refund and get it without waiting. Is that it?

Mr. SHUMAN. No, I do not think so, because if you take out the coercion there is no point in the legislation. The only purpose for this bill is coercion; that is the only purpose of it. If you take out the coercion, then there is no point of the legislation, because we can do everything that is provided for here without the bill.

The CHAIRMAN. The committee has the responsibility to rework the bill and to work its own will on the bill, and the hearing is for the purpose of having people point out certain things to us that they have in mind, to make suggestions, to point out defects for the benefit of the members of the committee. Even the Department of Agriculture through Mr. Girard gave suggestions to us, and there were some amendments that were offered by them. I think you could offer some help by offering some constructive amendments. You admit that everything we are trying to do should be done. It is just a question of the method. You are willing to use the taxpayers' money to do all of the things that we contemplate doing.

I know that you support research programs.

We have research programs on cotton, this very commodity, that you have supported, and we are spending tens of thousands of dollars in such programs—that is, in the promotion of agricultural commodities. Every commodity that we have has a program of some sort.

Mr. POAGE. If you will yield there?

The CHAIRMAN. Yes.

Mr. POAGE. We passed a bill providing for \$10 million a year to be spent for research on cotton. I want to give credit to the farm bureau for their help to put that over. I introduced that provision. This committee approved it, and the farm bureau approved it. We passed it. It is the law today, and we are not getting that money spent. You cannot get it spent; neither can I.

The Bureau of the Budget does not approve the spending of that money, and it is not being spent. We are not getting the research. This committee wanted that research, and the Congress said that we

needed it, but we are not getting that research. It seems to me that we must look for some other approach.

It seems to me that we have got to look for some other method of getting the job done. We are not getting it under the Government tax-supported program which you and I both approved and we are not getting it under the present "pass the hat" programs. It seems to me that we have to have something else.

Mr. SHUMAN. If we really got together and worked on trying to get in effect the research program for cotton utilization, and then got the Government out of the pricing business, I think that we could get some action, despite the Bureau of the Budget. I think if we all worked on this target that Mr. Poage outlines, I think we would get some action.

The CHAIRMAN. Mr. Stalbaum.

Mr. STALBAUM. Mr. Shuman, earlier in your testimony you made the point that undoubtedly there would be lawsuits, probably, by your members, and, probably, with the assistance of your organization. Recognizing the makeup of the bill in its original, there is a provision that anyone who got a refund would not be permitted to vote in any future referendum. If that were stricken, and on the basis of refunds being easily obtained—in other words, that it was not as cumbersome as we now like to imply—and I certainly agree with you that even the present bill is too cumbersome—but assuming that a man can get a refund without difficulty and that he would not lose the right to vote in a future referendum, what legal recourse would he have to challenge this bill?

Mr. SHUMAN. I am not an attorney, and I am not qualified to answer that question.

Mr. STALBAUM. You made the statement, though?

Mr. SHUMAN. No, I said that probably it would be challenged.

Mr. STALBAUM. You said that your group would support a challenge. On what basis would you support it?

Mr. SHUMAN. No, sir; I said that if our board of directors approves supporting a challenge, we would, but I did not say that we would, because that has not been decided. I said that it would be a question that the board of directors would have to decide.

Mr. STALBAUM. Let me rephrase the question:

In your opinion, what legal cause of action would the man have?

Mr. SHUMAN. I have no knowledge in the field of law that would qualify me to express an opinion. I am sure that there will be attempts made, but I have no basis to express an opinion. I do not have enough legal knowledge.

Mr. STALBAUM. The point that I want to get into the record is this, Mr. Chairman, that I do not see that any person would have any cause of action because he is not denied anything, and, again, on the basis that he gets his refund without too much red tape he is not denied any future participation in a referendum.

The CHAIRMAN. Suppose that we amend the bill to say that? I thought that you said that you would contest it all over the country.

Mr. SHUMAN. We will contest it in the referendum. We are directed to do so. We will be out there. If you thought that the wheat

referendum was a hot deal, you have got a really hot one coming now. This will be twice as hot as the wheat referendum.

Mr. STALBAUM. I have one more question.

You said to Mr. Poage in his questioning, that you supported research through tax money, saying that if Mr. Freeman were to authorize it, you, basically, supported it on the basis of certain fixed research projects that you could see ahead of time?

Mr. SHUMAN. That the Congress felt were right, not Mr. Freeman.

Mr. STALBAUM. Assuming that this bill passed, and this committee or board set up by it came in with a specific research program of \$2 million, let us say that you knew about and which you liked, would you oppose it simply because this board would have the control of getting the funds for that research?

Mr. SHUMAN. No, as I understand there would be no chance for anybody to oppose or support once the board has decided and the Secretary of Agriculture had approved that it be done.

Mr. STALBAUM. I disagree with you. I have been through marketing orders for years, and there is always the right to challenge. And the procedure can be written into the order. This is merely permissive legislation. The orders can be written to give the right to challenge if it is so written. That will come up later, I would assume that there would have to be some opportunity to review it.

Would you challenge it simply because this board has a right to set up a research project that you like in preference to Mr. Freeman?

Mr. SHUMAN. I have no basis for expressing an opinion on that either way, because we are opposed to the bill. We are not now engaged in speculating as to how we would act if such legislation were adopted. I would not know.

Mr. STALBAUM. Thank you. That is all.

The CHAIRMAN. Mr. O'Neal.

Mr. O'NEAL. Mr. Shuman, I am wondering if you know to what extent your views are shared by the various State organizations in the Cotton Belt?

Mr. SHUMAN. Yes, sir. You mean in the farm bureau organization?

Mr. O'NEAL. Yes.

Mr. SHUMAN. We have the policy in our organization that once a national policy is formed, after consideration of the State farm bureaus' recommendations, once the delegate body adopts it, it becomes binding on all of the State organizations unless they file an exception within a 90-day period; and that 90-day period has about expired, and we have had only one State farm bureau organization file an exception, and that was the New Mexico Farm Bureau Federation. So, all, presumably, at this time, of the State farm bureaus support this action except New Mexico.

Mr. O'NEAL. Thank you.

The CHAIRMAN. Mr. Belcher?

Mr. BELCHER. As a matter of information, is there not a voluntary cotton promotion program right now?

Mr. SHUMAN. Yes, sir; the Cotton Producers Institute is collecting at the rate of \$1 a bale for a voluntary research and promotion pro-

gram. In addition to this, the National Cotton Council is working in this field. The \$1 collection comes from the producers. In addition the council has—and it has been well established over a long period of time—its own source of deductions from segments of the industry.

Mr. BELCHER. How are those funds administered? Who maps out the program and has the authority to contract for them and put the program in operation?

Mr. SHUMAN. Well, as I understand it, the board of directors of the National Cotton Council and the Cotton Producers Institute would have general direction, and they employ administrative staff under them.

Mr. BELCHER. Do you think that is working now? Do you think that is doing good enough a job to keep cotton in competition with the synthetics?

Mr. SHUMAN. We think that the job is being done by these organizations very well; we do believe that it should have increased support. We have pledged here, and previously, that we would work to get that increased support, and we have every reason to believe that we can get adequate support. I do not believe that any research and promotion program, whether the present one carried on by the council or the institute or the ones proposed under this compulsory legislation—I do not believe that any research and promotion program is going to be effective in matching cotton with the synthetics, and we are going to continue to lose this cotton market until we get rid of Government cotton programs which caused the majority part of the industry to shift into synthetics. I do not think that there is any question about it.

Mr. BELCHER. From what I understand you to say, it is a matter of propaganda that it will go that way?

Mr. SHUMAN. As long as the price is established by Government edict, whether too high or too low, you are interfering with the operation of the market, and you cannot have expanded use of the product, as long as the market is not permitted to perform its function.

Mr. BELCHER. It is your theory it is not a question of merits of cotton or the merits of synthetics, it is a question of the cost of the two?

Mr. SHUMAN. The synthetic is available on a competitive—on an open competitive market, where the price varies. Cotton is available only on the Government market, and the incentive is always to use a product which is on the open market rather the one which is under Government edict.

Mr. BELCHER. Then, it is the position of the American Farm Bureau Federation that there is no way that is desirable to make the promotion of the sale of cotton any more effective than it is right now?

Mr. SHUMAN. That is correct.

Mr. BELCHER. It does not make any difference then what type of bill we attempt to write, it is your position that nothing is needed?

Mr. SHUMAN. That is right.

Mr. BELCHER. That is all. Thank you.

The CHAIRMAN. Mr. O'Neal.

Mr. O'NEAL. You said that 90 days was necessary in which to file an exception, Mr. Shuman. Do you mean dating it from the day in December 1965 when this statement was made?

Mr. SHUMAN. Yes, sir.

Mr. O'NEAL. I was wondering if there was any difference of opinion among the State organizations as to whether or not your testimony today was in conflict with this official resolution that your delegate body adopted.

Mr. SHUMAN. I have not received any word from any State farm bureau organization. That is right, except from New Mexico.

Mr. O'NEAL. Thank you.

The CHAIRMAN. Mr. Hagen.

Mr. HAGEN of California. I have a telegram here dated February 8, 1966, from Phoenix, Ariz., which I should like to read into the record:

Delegates to Southwest Classified Staple Cotton Growers Association this morning approved unanimously National Cotton Council resolution supporting CPI referendum discussion indicating full support of CPI.

And this is by W. Fred Enke, president, E. S. McSweeney, secretary.

Mr. Shuman, I want to say that I have great respect for your opinions and particularly the activities of the California Farm Bureau Federation; however, I think I must disagree with you in this instance. I note the presence of Allan Grant, who is the very distinguished president of the California Farm Bureau Federation and a constituent of mine.

It seems the procedure for getting a refund under this bill is no different than the procedure described for a State farm bureau which wishes to depart from a policy of the National Farm Bureau.

Mr. SHUMAN. That is correct. Our objection to the procedure for the refund is a very minor thing. Objection is to the entire procedure of the bill, the compulsory checkoff. We are not protesting—

Mr. HAGEN of California. Your method for taking exceptions to a national position is exactly identical with the procedure as this has?

Mr. SHUMAN. No, as I understand this bill, it provides for a 30-day period.

Mr. HAGEN of California. And you have 90 days for filing an exception?

Mr. SHUMAN. We have 90 days. Furthermore, our procedure is not within the control of the Secretary of Agriculture. They can object in any way that they want to object. There are a lot of differences.

Mr. HAGEN of California. You have supported supports that involved quotas and controls; is that not correct?

Mr. SHUMAN. I think that in the past there have been times when we have supported control programs. However, this has been quite a while back. We still support the tobacco program. We support certain control programs. We opposed this particular cotton program and the previous one.

Mr. HAGEN of California. How can you justify, as a matter of principle, supporting the tobacco program which is much more rigorous than this, and object to this?

Mr. SHUMAN. I think that you cannot condemn or support a Government farm program on a broad basis. You have to look at the results and the way in which the program is promulgated.

Mr. HAGEN of California. It is not a matter of principle, then; you are applying a pragmatic test to differentiate your positions.

Mr. SHUMAN. No. It is in large measure a matter of principle. We said, in general that we want to do away as quickly as possible with all control programs, including tobacco programs.

Mr. HAGEN of California. Are you advocating the abolishment of all of the support programs?

Mr. SHUMAN. We are not advocating the abolition of all support programs.

Mr. HAGEN of California. They all involve controls.

Mr. SHUMAN. No; there are some that do not, that have supports. For instance, the Secretary of Agriculture is authorized to support the price of soy beans, and there is no control authority provided there.

Our position is that Government controls in production have not worked; they are not designed to work effectively and that they ought to be eliminated as quickly as possible. And we recognize the difference in the time required, and we are not urging immediately any action on tobacco. We do oppose the feed grain program, the wheat certificate plan. We have said that the cotton program would take more time to phase it out.

Mr. HAGEN of California. Purely on the basis of control? I do not see the consistency of that, supporting the tobacco program and opposing this bill.

You have referred to the cotton council and to the institute. I understand that one reason his bill is here is the fact that these organizations are about to fall apart. Their representatives were here to testify in favor of their legislation. A very small percentage of the cotton growers have been supporting these organizations, and they are getting a little tired of carrying the load alone. The future for these organizations is also therefore dim. That is one reason why this bill is here.

In your statement you made reference to the volume requirement. This is a provision in there for those substantial farmers who might be most adversely affected by a failure to act. I cannot see the Farm Bureau objecting to this 50-percent-volume requirement, if I know your thinking.

Mr. SHUMAN. In the same way that the matter of the method of getting refunds is concerned. This 50-percent provision is a very minor thing as compared to our major opposition to the use of Government compulsion to make this work, and that is the purpose of the law. As to whether or not 50 percent of volume, or something else, is lesser in importance than the key questions: "Are we going to use the power of the Federal Government to enforce the checkoff on all commodity producers, running into the hundreds of millions of dollars? Are we going to let this kind of tax be put on producers, the farmers and the ranchers throughout the country?" And this opens the floodgate to that kind of thing. This is a sizable tax on the income of the farmers.

Mr. HAGEN of California. Yesterday, Mr. Shuman, one of the wit-

nesses read into the record the resolution of the California Farm Bureau Federation which, no doubt, reached you:

We support the Cotton Producers Institute program in order to establish a permanent research and market development program designed to insure American cotton its fair share of world trade, to develop new cotton products and uses for cotton products, and to provide for adequate cotton research.

And then under "Special Commodity Programs," it states:

Any commodity should have the democratic right to vote in a referendum, within their commodity, to bind themselves together for promotion programs and/or a marketing order, unless by a specific policy statement they have requested otherwise.

This, as I understand it, is the official position of the California Farm Bureau Federation.

Mr. SHUMAN. It was the official position. It is a recommendation from the California Farm Bureau that went to the convention of the American Farm Bureau Federation and was considered and when the voting delegates of the American Farm Bureau Federation took the action which is quoted in this testimony, that supersedes the recommendation of the California Farm Bureau Federation, unless the California Farm Bureau Federation files an official exception which we have not up to this date received.

Mr. HAGEN of California. In essence, the California Farm Bureau is being coerced in this instance?

Mr. SHUMAN. No, sir. This is the way that our democracy functions. You abide the decision of the majority. If the majority finally approves this bill, we will be forced to comply with it.

Mr. HAGEN of California. And if a fellow does not want to pay his assessment, he gets a refund?

Mr. SHUMAN. There is no similarity involved, as I see it, at all.

Mr. HAGEN of California. I say there is.

Mr. SHUMAN. This is not a policy decision. This is a compulsory checkoff. It would be an assessment. It would be an assessment.

Mr. HAGEN of California. I do not know how familiar you are with California and with the California Farm Bureau out there, but, for example, in the area of peaches we have a State marketing order which compels a farmer, if it is voted in, to knock off a certain percentage of the so-called green crop. This is supported by the California peachgrowers and the California Farm Bureau out there. We have similar provisions in other marketing orders.

Are you completely opposed to these types of action which the California Farm Bureau Federation supports?

Mr. SHUMAN. We have not taken a position on State marketing orders. We have opposed nationwide marketing orders very vigorously.

Mr. HAGEN of California. How do you justify this on a State level and not on a national level?

Mr. SHUMAN. Because we believe in State rights and the right of the State organization to develop policies on State matters. We do not try to tell a State organization what their position should be.

Mr. HAGEN of California. The National Farm Bureau or the American Farm Bureau Federation organization supports voting by individual States?

Mr. SHUMAN. We would not take a position on any State legislation. We would oppose any national legislation imposing national order agreements.

Mr. HAGEN of California. I am not being critical. I have great respect for your organization—it is so large and has such a big coverage that these commodity groups are sometimes not properly represented in it, because they can be outvoted on many occasions because they are commodity groups of individual members and so not have the organization that they should have, and, as I say, I am not being critical when I say that, but it is a vice with any large organization.

Mr. SHUMAN. This may be true.

Mr. HAGEN of California. You have made a pretty good argument here in favor of section 14(b). I am a lawyer. I know that lawyers have a closed shop. They have it because it is to their advantage, and there are many other segments of our economy, including trade unions, which have similar arrangements.

That is all.

Mr. SHUMAN. I do not think that attorneys have the right to make a deduction, a compulsory deduction.

Mr. HAGEN of California. Oh, yes—yes; the bar association is established under State law. I do not make a distinction between coercion at State level or at the Federal level. It is the same in both instances.

Mr. POAGE (presiding). Mr. Redlin.

Mr. REDLIN. I would like to enter into the record at this point the statement that as one of the sponsors of the North Dakota Wheat Commission bill, I was grateful for the very good support of the Farm Bureau in that particular instance. You have used the term of "compulsory deduction." There is a deduction per bushel of wheat. This is a very analogous situation, in that you must apply to get a refund if you do not want to participate, but you are automatically participating because handlers deduct so much per bushel to support the wheat commission's program in marketing and research.

I was very grateful for the attitude of the Farm Bureau at that time.

Mr. SHUMAN. Some of our States have supported compulsory State checkoffs for certain commodities; some have opposed them.

Mr. POAGE. Mr. O'Neal.

Mr. O'NEAL. Mr. Shuman, if I understand you then, at the expiration of 90 days if the State of Georgia has not filed any exception they will not be permitted to support—or rather they will be required to oppose this bill?

Mr. SHUMAN. Automatically, they have agreed with it.

Mr. O'NEAL. They would be required to support your resolution of December of 1965?

Mr. SHUMAN. Yes, sir.

Mr. O'NEAL. But would they have a right to disagree as to whether or not this bill is in compliance with that resolution?

Mr. SHUMAN. Yes, sir. It is a free country.

Mr. O'NEAL. It is a free country.

Mr. SHUMAN. Yes, sir. They can disagree.

Mr. POAGE. If there are no further questions, we are very much obliged to you, Mr. Shuman. Though we sometimes find ourselves in disagreement, we are always glad to have the opportunity of hearing from you and your witnesses.

Mr. SHUMAN. Mr. Randolph has a very brief statement to present.

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

STATEMENT OF WALTER L. RANDOLPH, VICE PRESIDENT, AMERICAN FARM BUREAU FEDERATION, MONTGOMERY, ALA.

Mr. RANDOLPH. Mr. Chairman and gentlemen of the committee, I am Walter L. Randolph, vice president of the American Farm Bureau Federation, and I reside at Montgomery, Ala.

For 25 years I have been one of three producer delegates from Alabama to the National Cotton Council of America. For 15 years I served on the board of directors of such council. I have served on several of its committees as a member or chairman. For about 10 years I was the producer member of its executive committee.

My appreciation of the cotton council is full and complete. It has been a very valuable and important commodity organization, one of the finest, if not the best of its kind—vigorous, intelligent, independent—expressing the constructive views of its members in a free, clear voice.

The issue here today with respect to the cotton council is very simple: "To be or not to be," that is the question. If H.R. 12322 is passed, the cotton council as we have known it will also have passed. Its "enterprises of great pitch and moment" would with the enactment of this bill, "their currents turn away."

The funds collected under the proposed bill would be expended, as provided in section 7(g), by an organization similar to the Cotton Producers Institute. Such organization and the cotton council would be so intimately related that both would be under the control of the Secretary of Agriculture, that is, of the political party in power. This would be detrimental rather than helpful to research and promotion for cotton.

Under the referendum provisions of the bill, this change could be made by a minority of the cottongrowers.

Here is a table which I request be printed in the record.

Mr. POAGE. Without objection, it will be made a part of the record at the conclusion of your statement.

Mr. RANDOLPH. It shows for 1961 that 1,472 cotton farms had allotments of 500 acres or more, totaling 1,333,922 acres while 356,795 cotton farms had allotments of less than 5 acres totaling only 1,030,074 acres.

It shows also that 143,000 cotton farms out of a total 930,555 had at least two-thirds of the allotted acres. Those on 143,000 farms could, under the bill, voting by volume, outvote those on 787,555 farms.

In other words, 15 percent of the farms could vote the assessment on all of them.

There would, of course, be more farmers per farm on the larger farms, but because of mechanization and for other purposes, far less than proportionately.

I brought this out to show that under the provisions of this bill, the minority could levy this assessment under the provisions of this bill.

I concur fully in the statement made by President Shuman, and believe strongly that H.R. 12322 should be given serious consideration by this committee and defeated. It is very bad proposed legislation.

Mr. POAGE. Mr. Randolph, I believe from your figures that something like about 80 percent of the farmers could vote against the plan and it might still go in effect?

Mr. RANDOLPH. I did not get that.

Mr. POAGE. I mean that something like 20 percent could still carry the referendum, because they grew that amount of cotton. Is that right?

Mr. RANDOLPH. By volume, that is theoretically possible, yes.
(Table 1, presented by Mr. Randolph is as follows:)

TABLE 1.—1961 upland cotton: U.S. summary by size of allotments
ORIGINAL ALLOTMENT ¹ (ACRES)

State	Total	Size of allotment								
		1-4.9	5-10	10.1-14.9	15-29.9	30-49.9	50-99.9	100-199.9	200-499.9	500 and over
Original allotment farms (number)-----	930,555	356,795	226,046	85,737	124,432	57,414	48,920	21,486	8,253	1,472
Total original allotment (acres)-----	18,451,501	1,030,074	1,589,160	1,051,402	2,574,822	2,200,395	3,373,754	2,933,759	2,364,213	1,333,922
Farms releasing entire 1961 allotment (number)-----	168,307	95,667	44,335	11,219	12,388	3,146	1,238	265	46	3
Farms releasing entire 1960 and 1961 allotment (number)-----	92,507	52,528	25,258	6,064	6,483	1,498	541	118	17	8
Farms not planting any part of original allotment ² -----	358,159	215,035	81,116	22,616	26,593	8,255	3,710	737	89	8
EFFECTIVE ALLOTMENT ³ (ACRES)										
Effective allotment farms (number)-----	762,257	242,269	181,780	74,839	118,008	58,461	52,708	23,622	8,947	1,623
Total effective allotments (acres)-----	18,415,909	653,027	1,303,859	919,790	2,441,002	2,230,765	3,628,271	3,217,647	2,550,478	1,462,070
Total 1961 final actual planted acres-----	16,181,572	357,098	951,790	728,451	1,993,634	1,929,209	3,302,587	3,036,104	2,451,772	1,430,927
Effective allotment farms not planting (number)-----	189,852	119,368	36,781	11,397	14,205	5,109	2,472	472	43	5
Producers sharing in 1961 crop (number)-----	840,903	169,251	189,991	88,653	148,726	83,734	84,029	44,459	22,817	9,243

¹ Original allotments refer to those established for all farms prior to the release and reapportionment programs.

² Sum of farms from which entire allotments were released and the farms not releasing entire allotments but on which no cotton was planted.

³ Effective allotments refer to those established for all farms after any adjustments in farm allotments resulting from the release and reapportionment program. These were the final allotments for compliance purposes.

Mr. POAGE. Now, then, let us put it this way: What would that 20 percent do? They could not force any of that 80 percent to pay anything. They could not impose any burden on the 80 percent that the 80 percent could not rid themselves of, could they?

Mr. RANDOLPH. Oh, yes.

Mr. POAGE. What could they impose on them?

Mr. RANDOLPH. He could be deprived of his money until he got the refund.

Mr. POAGE. So, you are here on the theory that we should destroy a great industry, or let it go to pot, which is where we are all agreeing it will go if we do not do something. I understand that the Farm Bureau is in full agreement with this committee that the cotton producers will go to pot unless we carry on research.

It is perfectly clear that we are not getting research from the Federal Government. We passed a bill here just a year and a half ago providing for \$10 million for research, and it is not being made available. We are all in agreement that unless we get it somehow or other that we will not make a success of cotton. Just what actual hurt would befall any one of these 80 percent?

Mr. RANDOLPH. He would be forced to make the payment.

Mr. POAGE. Now, figure it out. These fellows who grow an average of about 4 bales of cotton—do they not? The 80 percent that you are talking about.

Mr. RANDOLPH. I think, as Mr. Shuman has pointed out here before, on this matter of the refund, and so on, that it is not the major objection.

Mr. POAGE. That is not the point. I asked you a question, and you have gone over into something else. Let us stay right with what I am asking about. How about the 80 percent? How are they going to be hurt? You shed tears for the 80 percent today. I want to know how about the 80 percent, how they get hurt, and how badly are they going to be hurt?

Mr. RANDOLPH. I am not shedding any tears right now.

Mr. POAGE. Wait a minute. Right or wrong. Just how bad will the 80 percent be hurt? What is their average production of the 80 percent that you are crying about?

Mr. RANDOLPH. What is the average production? I do not know. That table might reveal it, sir.

Mr. POAGE. All right. It could be 10 bales, but I would doubt it. But let us be liberal.

Mr. RANDOLPH. Well, 10 bales—the 10-bale man is just as important as the man with 1,000 bales.

Mr. POAGE. It cannot be more than 10 bales. That is better than the average, the national average.

Mr. RANDOLPH. As a matter of fact it includes 15- to 29.9-bale people.

Mr. POAGE. What is the average production of these people that you are crying about?

Mr. RANDOLPH. I do not have the average.

Mr. POAGE. You do not know. It is somewhere around, let us say, 5 bales. That would not miss it very far.

Mr. RANDOLPH. I think it would; yes.

Mr. POAGE. Which way?

Mr. RANDOLPH. I think it is probably low.

Mr. Poage, I am going to let you call it whatever you want to call it. I do not know.

Mr. POAGE. But you are the one that raised the question about how many of these people would be hurt, but you do not know how badly they would be hurt.

Mr. RANDOLPH. I do not think that I did. I think that you are the one that raised the question.

Mr. POAGE. You are the one that testified here.

Mr. RANDOLPH. All right.

Mr. POAGE. You are the one who testified that these growers who you feel will want their money back are going to be hurt by the loss of the use of their money—in other words by interest.

Mr. RANDOLPH. I did not mean to argue with the chairman; I accept your ruling.

Mr. POAGE. It is not a ruling. There is no ruling. You just take your testimony and read it again.

Mr. RANDOLPH. Read it again?

Mr. POAGE. Yes. Let us read it. You did not talk about somebody being denied their right, or did you?

Mr. RANDOLPH. That is not in the written part.

Mr. POAGE. All right, then.

Mr. RANDOLPH. I cannot read it, then?

Mr. POAGE. Mr. Randolph, let us make it clear, that you have talked about somebody was going to be badly hurt here, denied their rights, because George Mahon's farmers voted against them——

Mr. RANDOLPH. Let me—Go ahead.

Mr. POAGE. All right, let us see how he is going to be hurt. If they grow 100 bales of cotton, that is far above the average even in California——

Mr. RANDOLPH. They would be plenty hurt like this: Suppose that you were running for office and you had a rule under which 20 percent of the voters could vote for your opponent and elect him; that would be quite serious.

Mr. POAGE. If they elect him, you are exactly right. If they can elect him. They cannot elect him, I am not hurt. Under this, 20 percent cannot elect, if the 80 percent votes "No."

Mr. RANDOLPH. They can collect it under this bill; they can collect it.

Mr. POAGE. But they can get this money back in 30 days.

Mr. RANDOLPH. That is what the bill says.

Mr. POAGE. That is what the bill says, all right. If the farmer who votes against the program has 10 bales of cotton he can be assessed \$10. He is out \$10. Possibly for as long as 30 days, no longer. If he got 5 percent on the \$10; that is, 50 cents per year, and you divide that by 12, and he has a possible loss, he could theoretically, under every possible circumstance, have a loss of just over 4 cents—the cost of postage on a postal card.

Mr. RANDOLPH. Well, if you knew who voted or who collected it—I do not know whether he would know that or not.

Mr. POAGE. Mr. Randolph, you are telling us, like Mr. Shuman did, that there is not any way that we can correct this bill whereby you would agree with it?

Mr. RANDOLPH. My objection is to compulsory checkoffs, and if you correct this bill to the point where you do not have a compulsory check-off, you would not want it.

Mr. POAGE. Would you like to have it so that that man can get his money today—that is, the day he brings his cotton in—so that he would not have any theoretical possibility of losing? Would that help you any?

Mr. RANDOLPH. It would not get my support for this bill.

Mr. POAGE. I did not think it would. So you are not trying to improve this bill. You are simply trying to find some way in which you can offer criticism, whether it is substantial or whether it is not, are you not?

Mr. RANDOLPH. No, sir; I am not.

Mr. POAGE. That is not the point—that is not the point. You are seeking to find anything to which you can offer an objection, even though it has no substantial basis.

Mr. RANDOLPH. Well, now, let me say this: An election whereby 20 percent—that is your figure; I do not know just what it would be, but if a minority can force its will on the majority it does not seem to me to be inconsequential.

Mr. POAGE. It does not seem that way to anybody, if the minority could force their will on the majority, but the very point is that under this, nobody can force his will on anybody. I do not see that we would need have any referendum at all. Each farmer votes for his own wishes by his own actions. I believe in letting the cotton farmers vote their own judgment by giving him the right to get a refund if he wants it. I would let each one of them make his own decision, and when each makes his own decision, it does not make any difference to me whether Mr. Hagan's people have a majority of the production or not. I will not have to lose anything by their decision. I cannot be bothered what his people have to say about it; I do not have a single thing to lose, as I see it, under the terms of this bill, and neither does anybody else in the Cotton Belt have anything to lose if he does not want to lose it. He has a perfect right to contribute if he wants so to do.

Mr. BELCHER. Will you yield?

Mr. POAGE. Yes.

Mr. BELCHER. Why all of this argument about why the Farm Bureau opposes this bill? I think Mr. Shuman made it completely clear that he does not think anything in the world will do anything for cotton except repeal of the present program.

Mr. POAGE. Mr. Hagan.

Mr. HAGEN of California. In that connection, what would you substitute? You propose a level of support geared to a prior 3-year price average but you would still have controls.

Mr. SHUMAN. Mr. Chairman, might I answer that?

Mr. POAGE. Yes, sir.

Mr. SHUMAN. There have been some tremendous mistakes made in the last few years, and I think every person in this room knows that. I could take 10 minutes to go back and recount them, starting in 1961 with the establishment of the 34-cent price support for cotton, coming right on down to the mill subsidy mill, and the act of 1965.

Now, if this committee wants to consider constructive legislation that will move us gradually but surely toward the restoration of the market price system on cotton, we will be ready to make suggestions and to appear here to do so. I do not think that there is any panacea that can correct the sickness in cotton, and that the industry is doomed until this kind of action is taken. And you cannot bail out the failure of a Government program—a failure caused by trying to fix prices—you cannot bail it out by research and promotion. That is absolutely. It has been tried before, and it never has succeeded. The only way that research and promotion will be effective is if it is accompanied by a market price for cotton. That is another argument.

I think that Mr. Randolph's statement is very good where he emphasized that there is damage done and it is done because this bill threatens the destruction of the existing institutions which have been working effectively for the cotton producers. And I mean by that, the National Cotton Council and the Cotton Producers Institute. This bill will destroy these institutions.

Mr. BELCHER. As I understand your position, it is that no amount of propaganda, promotion or anything else will sell cotton to the consumers at a price that they will not pay.

Mr. SHUMAN. That is correct. I do not mean to imply that the present program is not good. This young lady that was here does a good job. And a lot of research and promotion is money well spent; we support it, and we will go out and help to get more, but you cannot cure the basic sickness just merely by research and promotion.

Mr. POAGE. Are there any further questions?

If not, we are very much obliged to you, Mr. Shuman and Mr. Randolph.

Mr. RANDOLPH. Might I call on these gentlemen, just to stand where they are and express a few words? They have come quite a ways.

Mr. POAGE. We will come back here at 3 o'clock this afternoon. We want to hear them. As I say, we will come back at 3 o'clock for that purpose this afternoon. We will then hear them, and anyone else that you want to present.

Mr. SHUMAN. It will probably be necessary for me to leave, but they will be here.

Mr. POAGE. We understand that; that is perfectly all right.

Mr. SHUMAN. If there is no objection, I would like to enter into the record a statement from Mr. Clyde M. York, president, Tennessee Farm Bureau Federation, on this legislation.

Mr. POAGE. Without objection, that will be made a part of the record at this point.

(The prepared statement of Clyde M. York, president, Tennessee Farm Bureau Federation, follows:)

STATEMENT OF CLYDE M. YORK, PRESIDENT, TENNESSEE FARM BUREAU

For 40 years the Tennessee Farm Bureau has given its full support to all efforts in behalf of research and promotion for cotton that were conducted on a voluntary basis as it relates to the choice of the individual farmer and where funds collected for this purpose have been administered by an organization of producers. Likewise we have supported appropriation of public funds for these purposes and have recognized that expenditure of public funds so appropriated must be supervised by appropriate agencies of government responsible for them. There is every indication that members of the organization will continue its support along these lines.

However, our membership opposes the collection of private funds from individual growers to be administered or supervised by public agencies as provided for in H.R. 12322. Even if they were not opposed in principle to this approach, they would object to a legislated approach to this matter which provides for growers to bear a disproportionate share of the cost of a research and promotion program which, if it has value, will benefit all segments of the cotton industry.

We, therefore, pledge our continued support of worthwhile and acceptable efforts at wholly voluntary financing of research and promotion for cotton. We oppose the enactment of H.R. 12322 and will appreciate the committee giving consideration to these our views.

Mr. SHUMAN. I do appreciate this opportunity.

Mr. POAGE. Thank you.

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

(Whereupon, at 12:10 p.m., a recess was taken until 3 p.m., this same day.)

AFTERNOON SESSION

The CHAIRMAN. The committee will be in order.

I want to explain to you gentlemen why we have been delayed starting. The fact is that we have a rollcall going on in the House right at the moment. All the Members have answered the rollcall and I am sure that many of them will come in as these hearings proceed.

I am going to call now, Mr. C. H. DeVancy. We are very glad to have you, Mr. DeVancy.

STATEMENT OF C. H. DeVANCY, PRESIDENT, TEXAS FARM BUREAU

Mr. DeVANCY. I thank you, Mr. Chairman.

I am C. H. DeVancy, president of the Texas Farm Bureau, a dryland cotton producer from Tahoka, Tex., out in South Plains. I worked to build the National Cotton Council for the last 20 years, along with our Farm Bureau work. I have been a producer-delegate to the National Cotton Council for over 15 years. I was on the founders committee and steering committee of CPI for the west Texas area. Now, my fear here today, is that we are in a position of destroying these great organizations, no matter which way we turn.

If the legislation passes, producers will not continue CPI contributions. The producers have contributed some 60 or 70 percent of the National Cotton Council budget over the years. I believe they will be reluctant to continue this, since the research and promotion work will be done by the new cotton board.

I can see no reason to contribute 20 cents a bale to promote a legislative program that is determined by others than producers. If it does not pass, the proponents tell us that these programs will die.

The Texas Farm Bureau has supported the National Cotton Council in CPI and will continue if they are a voluntary program.

There is an impression apparently that has been left here this morning that maybe the resolution, as presented by Mr. Shuman or the position of the Farm Bureau, was taken prior to their knowledge of this legislation. Well, as far as Texas is concerned, that is not so. As Mr. Poage mentioned this morning, the original draft of the bill looked much better than this one. But the original draft was considered by our delegates, by the county farm bureaus, prior to our State convention in November, and the resolutions coming in from

the county would run some 4 or 5 to 1 in opposition to the original program, that is a mandatory program. This was discussed at our State convention, and a position almost identical to that of the American Farm Bureau was taken there.

Then this proposal was discussed at the American Farm Bureau convention, and in the light of this proposed legislation, and there the voting delegates without a dissenting vote adopted the position as presented here.

Following the meeting of the cotton council in Jacksonville last week, we attended three regional meetings in Texas, one in Lubbock, one in Dallas, and one in San Antonio. In these meetings there were leaders from some 80 or 85 county farm bureaus of our 200 in the State. This proposal was presented to them there, a brief résumé of it, and the only reaction that we received to this proposal was that they would oppose it.

So in conclusion, I feel like that the farmers, the cotton farmers in Texas, in the Farm Bureau, will fight this proposal in the referendum or anywhere else.

It is a real pleasure to be here, and we would urge you to consider this, and then defeat this proposal.

Thank you.

The CHAIRMAN. Thank you very much, sir.

Mr. GATHINGS. Let me ask a question, Mr. Chairman.

The CHAIRMAN. Yes, go ahead.

Mr. GATHINGS. What do you think the comment would be in the State of Texas with respect to the vote on this referendum if it would come up?

Mr. DeVANCY. I believe it would be defeated, Mr. Gathings.

Mr. GATHINGS. You mean there would be more votes cast against it.

Mr. DeVANCY. Yes, sir.

Mr. GATHINGS. And that it would fail.

Mr. DeVANCY. I think it would be defeated either volumewise or votewise, individual producervise, because our first meeting was in the Lubbock area, and this is where primarily the biggest cotton producing area is, and where the largest volume is produced, and this was cotton farmers from that area that were in this meeting, and they resented this type of legislation.

The CHAIRMAN. You referred to voluntary efforts in the field of research and promotion, and you mentioned the Cotton Council and the Cotton Institute. These two organizations have been in existence for quite some time, have they not?

Mr. DeVANCY. Yes, sir.

The CHAIRMAN. And they have accomplished practically nothing.

Mr. DeVANCY. I would not say that, no, sir.

The CHAIRMAN. How much have you increased your contributions, voluntary contributions, in the last 2 years? It has gone the other way, has it not? It has decreased.

Mr. DeVANCY. I believe the report last year, at least we were informed that it was an increase when you add CPI to NCC. Now I do believe that the contribution to the National Cotton Council has gone down.

The CHAIRMAN. If I understand it, you have just about held your own or gone backwards instead of forward.

Mr. DeVANCY. I would like to elaborate just a little bit on that. Through the years the Farm Bureau and the cotton council people working together have built the National Cotton Council, and it was a slow growth, and we worked together as two organizations working together all the time. Our staff, our leaders, and all work together. That is the way we built the National Cotton Council.

The CPI was started in the same way. And then just about the time we got started in CPI, the council took positions in opposition to the Farm Bureau.

The CHAIRMAN. I have some figures here. Take the State of Arkansas, they got \$209,000 in 1963; \$166,000 in 1964. That shows a decrease in the contribution. But for a contribution of \$800,000 from co-ops in west Texas, the CPI would have shown a decrease; is that not right?

Mr. DeVANCY. Yes, sir; that is the point I wanted to make. The position of the Council on Farm Legislation in my estimation caused this decrease in the participation by the farmers in those areas there. They found themselves contributing to one organization, and that money being used to fight them on policies of another organization, and that the policies were developed only by producers.

The CHAIRMAN. Who was it that presented the \$800,000, Mr. Davis?

Mr. DeVANCY. It was the Plains Co-op Oil Mill and their marketing association and their warehousing.

The CHAIRMAN. Do you think that was a voluntary contribution?

Mr. DeVANCY. There were some of the people who did not think it was.

The CHAIRMAN. In other words, the co-op directors authorized the money.

Mr. DeVANCY. Right.

The CHAIRMAN. They did not consult each individual cotton farmer did they?

Mr. DeVANCY. That is right, and some of them objected to it.

The CHAIRMAN. They did not get their money back.

Mr. DeVANCY. No, there was no way they could do it.

The CHAIRMAN. We provide a refund here.

All right, thank you very much.

Mr. DeVANCY. Thank you.

Mr. POAGE. Yes, but didn't the Plains Cotton Co-op make it real plain that they would not put up this money next year unless they got this legislation?

Mr. DeVANCY. As I understand it, Congressman, they had a committee to study this this last year, and their recommendation to the board of the cooperative was that they stay with it through this year. Then it would take further action of the board to decide that.

Mr. POAGE. And they are supporting this legislation, are they not?

Mr. DeVANCY. I do not believe they testified here, but I think Roy, in my talking with him, he is in favor of it.

Mr. POAGE. I thought so.

Mr. DeVANCY. I am sure he would be speaking for it.

Mr. GATHINGS. Mr. Chairman.

The CHAIRMAN. Yes, sir.

Mr. GATHINGS. Has there not been a breakthrough in connection with research on men's trousers?

Mr. DeVANCY. Yes, sir; I think so.

Mr. GATHINGS. And was not that the result of some of the work of the CPI?

Mr. DeVANCY. Yes, sir. That was the point I made in answer to the chairman's question a while ago. I think the National Cotton Council and the CPI has done a lot of good.

The CHAIRMAN. You have not done enough good though, have you?

Mr. DeVANCY. Apparently we have not.

The CHAIRMAN. Thank you very much.

Mr. Huddleston, I have been requested to call you out of order. We are very glad to have you, Mr. Huddleston.

STATEMENT OF H. H. HUDDLESTON, VICE PRESIDENT, MISSISSIPPI FARM BUREAU

Mr. HUDDLESTON. Thank you, Mr. Chairman.

Mr. Chairman and gentlemen of this committee, I am H. H. Huddleston, vice president of the Mississippi Farm Bureau from Lamont, Miss., where I have lived and farmed for 33 years. I am here at the request of the president of our State organization, who was prevented from being here on account of a scheduled board of directors meeting. I would like to file his prepared statement here if there are no objections.

The CHAIRMAN. There are no objections. Just hand it to the reporter.

(The statement referred to follows:)

JACKSON, MISS., February 4, 1966.

Hon. HAROLD COOLEY,
Chairman, House Agricultural Committee,
Washington, D.C.

GENTLEMEN: I am Boswell Stevens, president of Mississippi Farm Bureau Federation, with a membership of more than 60,000 farm families. I have been president since 1950, and have been associated with the Farm Bureau since 1923.

We in Mississippi use the delegate system of representation from our 82 county farm bureaus. We also use a 20-man resolutions committee, which is selected from every section of the State, who meet for several days 6 weeks before the annual meeting to propose resolutions that will be sent to the delegation body. These proposals are sent to each county farm bureau for their study prior to the time they will be asked to vote for, against, amend or delete any part or sections. At the business session of the annual meeting, the resolutions committee had proposed a voluntary approach to financing the National Cotton Council and Cotton Producers Institute. There were certain people who thought that this should be changed. There was a second meeting of the resolutions committee, at which time the staff of the council was allowed to present a program of the council and Cotton Producers Institute directed toward making a contribution of a mandatory nature. After the presentation, the resolutions committee members voted 17 to 2 to present to the 190 delegates the following language:

"NATIONAL COTTON COUNCIL AND COTTON PRODUCERS INSTITUTE

"We commend the National Cotton Council of America for performing outstanding, unique service through cotton promotion, advertising, education, and utilization research. We urge further efforts in a combined industry program to increase cotton consumption and expand markets.

"We call attention to and support self-help opportunities offered cotton farmers through the Cotton Producers Institute's program to provide needed funds for cotton promotion and research. We recommend increased voluntary support for this program and urge participation by all State cottongrowers.

Promotion of agricultural commodities

"The Mississippi Farm Bureau Federation, through its county farm bureaus, should stimulate interest among farmers and urge increased support for sound, well-coordinated programs to promote the increased sale and consumption of farm products without duplication of effort.

"Where well established, nationally recognized organizations are carrying out industrywide promotion programs on a well-coordinated basis with adequate producer representation, we continue to support and help improve them.

"Promotion programs need periodic review to determine their effectiveness. Participating producers and their organizations should be encouraged to seek an evaluation of these programs and to recommend improvements.

"We believe that any funds raised for the purpose of promoting the sale of farm commodities should be collected on a voluntary basis, administered by a nongovernmental organization of producers—with handlers and processors included where it is mutually agreed that they should be included—through its board or committee, and used solely for the specific purposes for which collected and not for legislative or political activities.

"We define a voluntary checkoff as one using a per unit basis following written consent of the producer and subject to revocation at any time by the producer."

Thirty-eight years ago, Oscar Johnston, the founder of the National Cotton Council, called on me to help him organize the cotton council. I spent many days and weeks traveling with Oscar, making many meetings, telling the story of the National Cotton Council. At the organizational meeting, I was elected a producer member of the board of directors, and served in that capacity until 1960, when I was elected president of the National Cotton Council. Under the bylaws, I was elevated to chairman of the board and have served since that time as an adviser to the board.

During my tenure of office as president of the council, through the cooperation of producers from coast to coast and the study of a committee, the Cotton Producers Institute was organized. This was to be a voluntary contribution of \$1 per bale from the producers. There was never any thought given to a mandatory program. The program was begun in the West, moved into the Central States, and then into the eastern producing States. More than \$3 million per year was collected on a voluntary program and in my opinion had we kept it on strictly a voluntary basis, the amount of collections would have increased. Farmers became aware of the thought that was being given to mandatory collection of a minimum of \$1 per bale. This, along with other factors, began to cause competition among the collection agencies. Some would say they would collect and others would not.

I continue to believe that if it was known that no serious consideration was being given to legislation almost forcing the producers to make a contribution, that farm organizations, cooperating with the CPI and NCC, could convince farmers for their self-preservation they must make the needed contribution.

Mr. Chairman, we have reviewed the bill introduced by you on January 26, H.R. 12322. This proposal gives the Secretary of Agriculture, whoever he may be, unprecedented powers. I call your attention to the fact that he must approve every program that is proposed whether it be for promotion or research. He must approve all agencies, he is allowed to appoint representatives if he believes that any area or segment is not being properly represented, and though the bill provides that if a cotton producer desires a refund of the contribution he has made he can do so, the provisions are cumbersome and embarrassing, and he is to be named in a public record, and furthermore he is disqualified to vote in any other referendum unless he is willing to pay all past assessments against his cotton.

We must, by action of our delegate body, oppose this type of legislation forcing the farmer to make a contribution regardless of his wishes.

BOSWELL STEVENS,

President, Mississippi Farm Bureau Federation.

Mr. HUDDLESTON. I want to confine my remarks to a local or personal situation because apparently we have pretty well plowed the other parts of the field.

It is with some reluctance that I am here to register opposition to this legislation, because I have been participating in the Cotton

Council program and the CPI program from its beginning. In fact, the last 3 years I have personally put about \$800 a year in this program, and I think while there may not be the most desirable results, I think that they have been very beneficial.

I also happen to be and have been for some 30 years, an officer and director of our local gin organization. Last year we ginned about 10,000 bales of cotton. Through the efforts of three of us and maybe the fourth one, we managed to collect on about a third of that cotton in CPI.

Now here is where it gets into my concern. Of those friends and neighbors of ours that we prevailed on to join in the cotton producers programs, two of them, for reasons of their own, saw fit to withdraw. I happen to know what those reasons are. But I live with those people. I work with those people. They are my neighbors. And how I, in good faith, could support a program which, while it might be questionable, in my judgment it is compulsory, to force them to reverse the very best considered judgment that they possess is beyond me.

Let me add here—

The CHAIRMAN. Excuse me. Are you free to tell us why they withdrew?

Mr. HUDDLESTON. Yes, sir.

The CHAIRMAN. Give us the reason.

Mr. HUDDLESTON. They had bought some land at a pretty fancy figure, as you can imagine, in that delta section, and they considered that the \$700, \$800, or \$900, or \$1,000 that they might have paid into the program, that they needed it worse than the CPI program.

The CHAIRMAN. That was purely a business decision.

Mr. HUDDLESTON. Absolutely, and how I could retain the friendship and neighborliness of those fellows and go there and try to persuade them that they have done the wrong thing—

The CHAIRMAN. Well, maybe they did not think they were getting their money's worth. What about your own case? You said you put up \$800 in the voluntarily program. Why would you not put \$800 into this program if your cottongrowers all over the country put in \$10 or \$12 million?

Mr. HUDDLESTON. Well, there are many reasons, and I have been an individual for a long time. In fact I recognize the value of a membership in a church. But I would hate awful bad to be told that that is what I would have to do.

The CHAIRMAN. Do you understand you can ask for a refund, if you put \$800 in and you want it back?

Mr. HUDDLESTON. Yes, sir, perfectly; and I also understand and I was subjected to all manner of opposition to the insertion in our State and county policy of the word "voluntary" by our own friends and our own colleagues in the Cotton Council. That continued over a period of 2 or 2½ months, and that is why I conclude in my judgment that it is not considered a voluntary program, and I resent compulsion.

The CHAIRMAN. What is there compulsory about this program? I want you to point it out.

Mr. HUDDLESTON. Well, I do not know that it is right to answer a question with a question, but the only thing voluntary, sir, is the request for a refund. You do have the privilege of asking for a refund.

The CHAIRMAN. That is right.

Mr. HUDDLESTON. Or else refusing to ask for a refund. You have little or no jurisdiction over whether or not the dollar is deducted under this proposal.

The CHAIRMAN. In the resolution referred to in the testimony by Mr. Shuman, pointed out by Mr. Poage on page 4 of his testimony, he goes ahead and approves the idea of a refund, and even mentions assessments. This is the resolution of the American Farm Bureau that was approved. Now if it was approved in that resolution, I cannot understand why the word "refund" here is so obnoxious.

Mr. HUDDLESTON. Of course, the reason I tried to confine my remarks to my personal experience is because I do not feel equal to answering Mr. Shuman's questions.

The CHAIRMAN. I do not, either, because I cannot answer his questions, and I do not think he has given a good answer to us.

Mr. RANDOLPH. I know you did not.

The CHAIRMAN. You have not asked for your \$800 refund back from the Cotton Council and this other organization, have you?

Mr. HUDDLESTON. No, sir; and I do not intend to.

The CHAIRMAN. The answer is, you can get it back.

Mr. HUDDLESTON. I say I do not intend to unless they tell me that is what I have got to do.

The CHAIRMAN. But if you did ask for it, you would not get it, would you?

Mr. HUDDLESTON. Not likely.

The CHAIRMAN. That is right; but under this bill, if you put it in there and you are unhappy about it, you ask for it back.

Mr. HUDDLESTON. I did not enter into this program for a refund.

The CHAIRMAN. What?

Mr. HUDDLESTON. I did not enter into the previous program anticipating a refund.

The CHAIRMAN. I would hope that you would not enter in this one anticipating a request for a refund. But to sum it all up, it seems to me that you all talk about voluntary efforts, but you have to admit that we have not gotten the job done. Here \$200 million a year is spent on other research and we are spending a paltry sum.

Mr. HUDDLESTON. Let me express a personal opinion here, sir. I do not think any amount of money for research and promotion, spent for research and promotion, will reverse the problem that we are facing in cotton alone. There is a volume factor that I recognize but do not feel qualified to deal with at any length that is essential to the economy of cotton.

The CHAIRMAN. Let me just ask you one other question. Why do you think the contributions dropped off in Arkansas in 1963 from \$209,000 down to \$166,000 in 1964?

Mr. HUDDLESTON. Of course, that is an opinion that would be purely a personal opinion.

The CHAIRMAN. What is your personal opinion as to why it happened?

Mr. HUDDLESTON. If it dropped off in Mississippi, I might have a better reason to answer it. But I am not familiar as to what the total was.

The CHAIRMAN. All right, Arkansas is well represented on this committee by one of the finest Congressmen I have ever known. He is chairman of the Cotton Subcommittee. He is intensely interested in the welfare of cotton farmers and in cotton as a commodity. And if they thought that you were doing the job that should be done, it seems to me that there should be a major contribution, rather than decreasing it.

Mr. HUDDLESTON. Well, I have an answer. Whether it applies to Arkansas would be in question. Mr. DeVancy, I think, made reference to a division in our ranks between Farm Bureau organizations and the Cotton Council boys, and probably that had a considerable bearing on the enthusiasm or participation, or whatever you might call it, in these programs. That is a mere guess.

Mr. POAGE. Mr. Huddleston.

Mr. HUDDLESTON. Yes, sir.

Mr. POAGE. Is it not a fact that as long as you retain the present program, that you have such competition between the gins that it forces first one and then another gin out of the program?

Mr. HUDDLESTON. I do not think there is any question but what this, sir, if you realize that a gin on this side of the road would return a dollar bill more seed money than the one across the road, it would be an item in competition; yes, sir.

Mr. POAGE. And as long as the gins have the option, they cannot protect themselves, can they?

Mr. HUDDLESTON. Not likely.

Mr. POAGE. But if each gin made that deduction, then no gin could come in and say he was conducting a fire sale and that you could get your cotton ginned for \$1 less at that particular gin. It is true you could get your dollar back in either gin, but no gin would be in a position then to say that he was giving you a dollar reduction; is that not right?

Mr. HUDDLESTON. That is true.

Mr. POAGE. And is that not exactly what this bill tries to do—to enable every gin in the United States to make this collection without destroying its own business?

Mr. HUDDLESTON. It probably is, but let me add this now, since this has been opened up. In my personal judgment this is not the sole recourse that the cotton industry has as far as financing a program. Now I suggested to some of the Cotton Council fellows, let us subject more of our growers to the same excellent sales pitch that convinced me it was a good proposition to buy it. Let us accentuate the positive. Let us work this thing in a salesmanship way, so that when you would win a contribution to this program, having won him you would not have to browbeat him to collect and then chase him to death to get your money back.

Mr. POAGE. Mr. Huddleston, I come back to the practical method of collecting. If you will assume a farmer in my country who wants to contribute, who feels that this is a good thing, as many do feel that it is a good thing, and who would have no objection to having a dollar taken off of each bale. Now Mr. Jones is running a gin over here, only 3 miles away, and he says, "I will do your ginning without making that deduction." In effect he is ginning it for \$1 a bale less than Mr.

Teague is ginning it for over here. Now, is there not considerable pressure on that cottongrower sitting here where Mr. Gathings is, in between them, is there not considerable pressure on him to haul his cotton over there and get it ginned for \$1 a bale less?

Mr. HUDDLESTON. I would not even question that statement, sir.

Mr. POAGE. And have not a great many cotton farmers done exactly that in the last 2 or 3 years?

Mr. HUDDLESTON. I am told that.

Mr. POAGE. Following it just a little step further, Mr. Jones has quit the program this year. Do you think that Mr. Teague is going to charge that dollar next year?

Mr. HUDDLESTON. Well, now, you are working around to an answer that I would be glad to give you.

Mr. POAGE. I am not working around to anything. I am just asking you do you think that Mr. Teague's gin is going to charge that extra dollar next year, after seeing Mr. Jones' gin pick up this business this year?

Mr. HUDDLESTON. Congressman, I would not even argue the point with you. It is too obvious, the results, the conclusion.

Mr. POAGE. All right, if it is obvious, then we must admit that the whole existing program has broken down, must we not?

Mr. HUDDLESTON. If there is a weakness in the program, that is it.

Mr. POAGE. And that weakness does not go to the question of whether the individual farmer is interested in promotion or not, but it goes to the competitive situation between the gins, and that competitive situation between the gins is accentuated as our cotton crop is reduced; as we retire 35 percent of our acreage and put some more of it in the soil bank, there is going to be less cotton for Mr. Jones to gin and for Mr. Teague to gin, and if they are going to keep their gins open, the economic pressure is on them to make still further inducements, is it not?

Mr. HUDDLESTON. Yes, sir.

Mr. POAGE. And they are now placed in a position where they have less opportunity to cooperate with the cotton council than they ever had in the history of ginning, have they not?

Mr. HUDDLESTON. Yes, sir.

Mr. POAGE. Now should we not recognize those facts of life and should we not meet those conditions that have developed in the last few years?

Mr. HUDDLESTON. We have got to meet them, but not in this way.

Mr. POAGE. How do you suggest we meet them?

Mr. HUDDLESTON. As I suggested a while ago. If we can do a job of selling on the individual or group cotton farmers, that is why I bought the program in the beginning, because I was shown the facts, and I was convinced that that was a worthy undertaking. I am one of their supporters, strong supporters. That is the weakness in this whole compulsory proposition, in my judgment, is one of compelling a person to do something in his own mind which he has decided he is not willing to do.

Mr. POAGE. The reason that gin—the reason Mr. Teague is not willing to go on in making that deduction is because Mr. Jones ceased to make it a year ago. That is right, is it not?

Mr. HUDDLESTON. Yes, sir.

Mr. POAGE. It is a competitive situation. And once one gin in the United States starts the reduction, it has to spread, does it not?

Mr. HUDDLESTON. There is no question there is a competitive factor there.

Mr. POAGE. And that competitive factor is far more severe right now than it has ever been in our history, is it not?

Mr. HUDDLESTON. Yes, sir.

Mr. POAGE. In ginning.

Mr. HUDDLESTON. And that is where this question of volume that I mentioned a while ago comes into the picture.

Mr. POAGE. The question of what?

Mr. HUDDLESTON. The question of a volume.

Mr. POAGE. Yes, that is where the question of volume comes in.

Mr. HUDDLESTON. That is right.

Mr. POAGE. And we all know that the volume for each and every gin in the United States is going to be rather materially reduced this next year.

Mr. HUDDLESTON. No question about that.

Mr. POAGE. That being true—and we know that the pressure is going to be on to get out of the program—should we not take some steps, now, to get a workable program?

Mr. HUDDLESTON. Mr. Poage, I happen to live 10 miles from town and a mile from the highway, and somehow or other I have failed to acquire this atmosphere of compulsion that some people have undoubtedly taken under their wing.

Now I have a hard enough time making my children do what I want done, and frankly I indulge in just as few programs as I know how to indulge in where I have to do something that does not meet with my judgment and satisfaction, and in my judgment this proposal would make many people do things that they in their best judgment do not consider they should do.

The CHAIRMAN. Such as what?

Mr. POAGE. Yes.

The CHAIRMAN. Such as what? What does this program make the cotton farmer do that he ought not to do?

Mr. HUDDLESTON. Well, I thought that had been pretty well covered. They deduct \$1 a bale of his cotton.

The CHAIRMAN. Yes.

Mr. HUDDLESTON. Of course he has recourse to recover it. I will grant you that. The escape is there. But he has no choice as to whether or not that \$1 a bale is deducted from that cotton, the sale of that cotton, or the loan value of that cotton, if I understand it correctly.

The CHAIRMAN. That is right.

Mr. POAGE. Now you just pointed out that that is essential to prevent this competitive situation from developing between these gins. But how is the farmer hurt? I come to you. This morning I questioned Mr. Randolph a little. We were trying to adjourn, and I admit my mental arithmetic was not real sharp, but I think I got over to most of you what is involved here. Now will you tell us just how this farmer is hurt?

Mr. HUDDLESTON. Well, I enjoyed your arithmetic on that.

Mr. POAGE. I know you enjoyed it. Let us get the correct arithmetic now.

Mr. HUDDLESTON. I enjoyed that arithmetic.

Mr. POAGE. Let us get the correct arithmetic now.

Mr. HUDDLESTON. And the source of that 5-percent money is interesting.

Mr. POAGE. Let us get the correct arithmetic. What interest rate do you pay? You borrow money, do you not?

Mr. HUDDLESTON. No, sir.

Mr. POAGE. I do.

Mr. HUDDLESTON. I do not.

Mr. POAGE. Well, I do. I am paying $6\frac{1}{2}$ percent.

Mr. HUDDLESTON. Well, you are in a pretty good bracket.

Mr. POAGE. Well, I have got a pretty good salary. I do not think I would get it if I did not have a pretty good salary, but I have got a pretty good salary and my credit entitles me to get $6\frac{1}{2}$ -percent money from the citizen bank at Waco.

Mr. HUDDLESTON. That is fine.

Mr. POAGE. And I get it. Now let us use $6\frac{1}{2}$.

Mr. HUDDLESTON. Well, 6 percent figures easier.

Mr. POAGE. What is that?

Mr. HUDDLESTON. Six percent figures easier.

Mr. POAGE. Yes.

Mr. HUDDLESTON. That is half a cent on a dollar a month.

Mr. POAGE. It figures a good deal easier.

Now, you are a big cottongrower, are you not?

Mr. HUDDLESTON. I am, on delta standards, a small cottongrower.

Mr. POAGE. Well, on American standards you are a big one. You grow 800 bales, do you not?

Mr. HUDDLESTON. No, sir.

Mr. POAGE. You said you contributed \$800.

Mr. HUDDLESTON. Well, 800 bales but not that many acres; yes, sir.

Mr. POAGE. What is that?

Mr. HUDDLESTON. That many bales but not that many acres.

Mr. POAGE. I said 800 bales.

Mr. HUDDLESTON. Well, I am sorry.

Mr. POAGE. You grow 800 bales of cotton. Now that is many many times the average production in the United States, many times the average production. You are going to put in \$800. That is all you are going to put in, is it not, \$1 per bale? That is \$800. Now, the interest on that at 6 percent, is that \$48 a year?

Mr. HUDDLESTON. It is \$4 a month.

Mr. POAGE. \$48 a year, that is right. Now that is \$4 a month. You get your money back. Now you, as one of the biggest in the country, you could lose \$4. This man who puts in 10 bales would be about the average, it would cost him just over 4 cents, between 4 and 5 cents, something less than a nickel. Now, that is how bad he is to be hurt, is it not?

Mr. HUDDLESTON. That is true; yes, sir.

Mr. POAGE. All right. Now, the average man is going to be hurt something less than a postage stamp, something less than the value of sending one letter. He is going to be hurt something less than the value of one letter, and yet the great Farm Bureau of America comes

up here and says this is one of the most dangerous things that has come before the Committee on Agriculture in modern days, that we are going to rob these poor little farmers of the price of a postcard at least.

Now, that is all you are going to take, is it not? What other monetary loss is going to be sustained by any cottongrower?

Mr. HUDDLESTON. Nothing, except the matter of a principle, sir.

Mr. POAGE. Nothing except what?

Mr. HUDDLESTON. The matter of principle.

Mr. POAGE. I come back to the proposition now as to the practical monetary loss, this tremendous tragedy, this burden we are imposing on the American farmer is going to be something less than the value of a stamp on a letter or just about the value of a postcard.

Now, do you really think that that is such a burden that we ought to jeopardize that man's chance of developing a profitable crop?

Mr. HUDDLESTON. Well, I think you have oversimplified it to some extent, sir. That means a postage stamp or a postal card per bale I think is what you are referring to.

Mr. POAGE. No, I am talking about the 10-bale man—the 10-bale man.

The CHAIRMAN. Or the 800-bale man.

Mr. POAGE. The 800-bale man would be out \$4 all told.

The CHAIRMAN. Yes.

Mr. POAGE. This man is a big farmer and it will cost him \$4, the cost of a trip downtown. Now the little man who has got 10 bales has \$10 invested for 1 month, Mr. Chairman. Call it 10 percent on his money. Ten percent of his \$10 would be \$1 in a year, would it not?

Mr. HUDDLESTON. Yes, sir.

Mr. POAGE. And in 1 month you divide that by 12 and it is a little over 8 cents. If he pays 10 percent for his money, he still cannot have a cost of as much as a dime. It will be less than a dime—about the cost of an airmail stamp. All that this great burden is going to cost him—

The CHAIRMAN. Let us emphasize the point. You are talking about interest and he is talking about principle. If you want to talk about principle, it seems to me Mr. Poage has completely exploded all this myth about principle.

Mr. HUDDLESTON. Well, I am sorry, sir.

The CHAIRMAN. There is nothing immoral about this bill, is there?

Mr. HUDDLESTON. Not immoral.

The CHAIRMAN. I can show you, if you sit in here long enough and listen to the rest of these hearings, you will find out where your organization has approved bills and programs of exactly the same kind.

Mr. HUDDLESTON. What is that?

The CHAIRMAN. The same kind of bills and the same kind of programs. Even Mr. Shuman this morning approved the tobacco program. We have Tobacco Associates in your area. I recognize the gentleman from Kentucky. He will show you a promotion effort today being made on tobacco. And I have not heard a chirp out of any of them.

Mr. POAGE. The farm bureau has been approving the wool bill in the wool States ever since it was passed, have you not? Not in Mississippi, I do not mean that, but in the wool-growing States the farm bureau has approved the bill, have they not?

Mr. HUDDLESTON. They have supported it to some extent.

Mr. POAGE. They sure have, and it has the same kind of markoff, but not the same kind of payback because you cannot get your money back under the wool bill. They just take it and use it for promotion.

Mr. McLAIN. I think to keep the record straight, the compulsory checkoff we have always been against. I think there will be another witness here that will back us up.

Mr. POAGE. Did you not support the bill last year that added 14 new commodities to those that could establish marketing orders which would not allow them to check off to promote commodities? Those happened to relate to vegetables and fruits. You supported that bill, did you not?

Mr. McLAIN. Not the compulsory part of the checkoff; no.

Mr. POAGE. You did not support the part of it. You just said you were for the bill, and of course there are features of it that you did not like.

Mr. McLAIN. That is correct; we did not support the checkoff.

Mr. POAGE. Of course you could do the same thing with this bill if you wanted to. But it happens that this relates to cotton, and you can make a big issue out of this. Of course there is a lot of prejudice against cotton. A lot of people think that cotton is a southern crop and that it should have the same kind of treatment that most of the rest of the South gets. I think that cotton is the largest cash crop in the United States and is a national product. I think it is a commodity that brings in the largest cash returns of any crop in the United States, that it is worthy of consideration on a national basis. Do you?

Mr. HUDDLESTON. Are you asking me?

Mr. POAGE. I am asking Mr. McLain.

Mr. McLAIN. Certainly cotton is an important crop.

Mr. POAGE. Then why draw the distinction between cotton and walnuts? You support the bill when it comes to walnuts, do you not? You did support it, did you not?

Mr. McLAIN. We supported the part that you are talking about, but not the compulsory checkoff.

Mr. POAGE. You supported the whole thing. You said "Pass the bill."

Mr. McLAIN. That is correct, but we were against the checkoff.

The CHAIRMAN. Do we not have a compulsory checkoff in the tobacco program where it is taken out of the warehouse, and the only way I can get it back is to ask for it back? It is the same principle exactly. The same way in burley, is it not?

Mr. STUBBLEFIELD. Burley tobacco has a checkoff, Mr. Chairman. We have had it for years. There is no opposition to it that I can recall. There has never been any question on it.

The CHAIRMAN. All right, sir.

Mr. Huddleston, we thank you very much.

Mr. HUDDLESTON. I thank you, sir.

The CHAIRMAN. Is there anyone else I can accommodate here who has a reservation who must get out of town quickly. I did call the witnesses out of order as requested, but if not, we will go back and call the president of the Alabama Farm Bureau, Mr. J. D. Hays.

STATEMENT OF J. D. HAYS, PRESIDENT, ALABAMA FARM BUREAU

Mr. HAYS. Mr. Chairman, my name is J. D. Hays, and I hope I enjoy my brief appearance before this committee. This year I will be planting my 29th continuous cotton crop as an individual farmer in Madison County, Ala. That is in north Alabama. I have, of course, tried to participate in the various things that I thought would be of interest to cotton, and consequently of interest to me. I am still of the same opinion and the same position.

During this interim I have of course been interested in the National Cotton Council and these programs, as many of my other cohorts here have testified. I will continue to be interested in their programs.

In 1961 I was also elected as president of the Alabama Farm Bureau Federation, and so I am really appearing here on these two issues as an individual cotton producer, and also as president of the Alabama Farm Bureau Federation.

I concur in the testimony that has been given by my associates previously. The Alabama Farm Bureau Federation, meeting in its annual meeting in November in Birmingham on the 7th, 8th, and 9th reviewed the draft of the proposed cotton promotion legislation that was then available to us, and the resolutions committee did oppose by an appropriate resolution its endorsement of this legislation, and that is in our official policy booklet. I did not have available to me or to our organization the copy that the chairman introduced, 12322, since it was only introduced just a few days ago. But I find no difference in the opinion, Mr. Chairman, as I have polled our people hurriedly by telephone and by personal visits and with a few letters. I found no difference in their position from that originally adopted at their annual meeting in November, and with this current legislation.

I would say to you that there is a considerable amount of misunderstanding all the way around. There is a lot of apprehension and confusion and skepticism on the part of the grassroots growers. Generally I believe this is not really understood. We get accustomed to handling these facts as leaders or so-called leaders in the cotton areas, and while we may be conversant with many of the issues, the producer is not. The individual producer is not. And so I see a great deal of confusion and misunderstanding and apprehension. As a matter of fact, as a cotton producer, I am somewhat in the same category myself. I go out to the crossroads stores, I go out to the courthouse meetings, and first of all very, very few of them know really how much cotton they are going to try to plant under this present program. And even when I myself get the decision made 1 week after talking with some of my associates, my fellow farmers, I am about ready to decide that I have made an error, and that I had better refigure it and try another approach on actually how much cotton I am going to plant.

Now, I say all this to make this particular point here. To me if I want to buy something, I want to feel like I am getting value received. If I am going to spend my money for it, I feel like that I want to at least be assured that I am convinced that it is a good bargain.

The reason that there is not as wide a participation in the council's program and in its collections is simply this: the farmers are deciding they are not getting what they are buying.

The CHAIRMAN. What are you talking about, the money that they put into the council?

Mr. HAYS. That is exactly right, Mr. Chairman, that is exactly right.

The CHAIRMAN. And the money that they put into the Cotton Institute?

Mr. HAYS. Well, evidently so. You don't normally buy things that you are not——

The CHAIRMAN. That is the point that I tried to make a while ago. Evidently they are not satisfied they are getting a dollar's worth for a dollar spent.

Mr. HAYS. But the point, Mr. Congressman, the producer has control of whether he buys or doesn't buy, and this assures the self-discipline in the program that will be effective as to how the money will be used.

I would also like to comment a little bit on this competitive situation among ginnerers. I have no farming interest other than cotton production. I don't sell any insecticides, I don't sell any chemicals, I don't buy any cotton, I don't sell any other than that which I produce. I don't gin any cotton. I don't deal in seed. But this matter of competition between gins is another issue that has been brought up here.

In the main, a farmer is a captive of a gin location. There may be two across the road, but in my area there are community gins, and they are single community gins in the main. I don't think the farmer is responsible for this position of taking responsibility for this competitiveness in the price of ginning. As a matter of fact, the shoe is on the other foot, and the ginner says to the farmer "if you come over to me and gin with me at my gin and leave your community gin then I will fix it so that this matter will be taken care of."

So I don't think this is entirely the fault of the individual cotton producer.

I say again, Mr. Chairman, that our organization has been actively supporting a number of promotional activities in our State. We support the red meat promotion program in our State, and we have supported the cotton council program in our State, and they have just initiated, the CPI, its program in our State.

I believe that we have not only answered the call each time it has come, but have volunteered additionally from among our leadership. But in some way or another it has failed to convince the folks that they are getting what they are buying. I believe, in my opinion, that that is the source of the discontent and the dissatisfaction. In any event, I am on record as representing the wishes of the Alabama Farm Bureau Federation and expressing to this committee the fact that they have by appropriate resolution opposed this kind of legislation.

The CHAIRMAN. We appreciate your bringing the views of the Alabama Farm Bureau, but according to the statement you just made, you don't agree with those views because you say that the job has not been done. We need to do something that has not been done and that is to put on a promotion campaign and to broaden our research programs; isn't that right?

Mr. HAYS. Well, I don't think we have done the job, and I don't think you are going to do it with any single issue or single program.

We have been engaged in so many of these programs, Mr. Congressman, that I suppose the echos of the testimony that has been offered in this room and in these other rooms, some of it still may be bouncing around, echoing up and down. But we have saved and saved and saved cotton until we have got 15½ million bales in the warehouse.

The CHAIRMAN. What do you mean you save? You saved the cotton?

Mr. HAYS. Yes.

The CHAIRMAN. You just couldn't sell it?

Mr. HAYS. Well, that is what I——

The CHAIRMAN. It isn't a question of saving. It is piling up in the warehouses.

Mr. HAYS. The net result is the same, sir.

The CHAIRMAN. You made a statement here that Mr. Poage was blaming the farmers for this unfair competition among the ginners. He wasn't blaming the farmers at all. The farmers are doing the natural thing. If somebody gives them an inducement to take his cotton across the road to the gin and get \$1 a bale back on it they have been doing that. You certainly can't blame the farmer for that. This bill would tend to correct that situation. There are no further questions.

We thank you very much.

Mr. POAGE. I would like to pursue that just a moment, Mr. Chairman, because I think that either Mr. Hays misunderstood me or I expressed myself very inadequately. Did you understand me to say that I was blaming the farmer for this competitive situation among the gins?

Mr. HAYS. The statement has been made that it created such a competitive situation among gins that the farmers asked for the refund.

Mr. POAGE. I am just simply trying to find out what you understood, because if I made that statement—gave that impression——

Mr. HAYS. I was so intent upon my point Mr. Congressman I don't know just exactly how you stated it.

Mr. POAGE. You what?

Mr. HAYS. I said I was so intent upon my own point and my own thoughts that I don't recall exactly how you stated it.

Mr. POAGE. I hope that that is the situation, because certainly I had no intention of blaming the farmer for this situation. In fact, I did my best to point out that the competitive situation among the gins was so intense that once a gin failed to make the collection, that the neighborhood gins were going to be forced into the same practice, and that that practice inevitably was bound to spread all across the Cotton Belt, and I certainly didn't attribute that to any malice on the part of farmers or any bad spirit on their part. I simply assumed that farmers are as intelligent as other people are, and that if I can get my cotton ginned for \$1 a bale less at Mr. Jones' gin, assuming that he does me a comparable job of ginning, I am going to take it there. That is human nature, whether you are a farmer or whether you are a banker.

Mr. TEAGUE. Mr. Poage, if you take all your business from me I am going into soybeans or cattle.

Mr. POAGE. I think you are right and I think that is what is happening to many of our gins right now. The profit is so thin in many

areas—now of course I recognize that in the heavy producing areas such as the Delta and the High Plains, that that would not be so true as it is in areas like my own, where the production is less and where the competition is even more severe. But it is this intensity of competition among the gins that I am talking about, and I am not blaming either the farmers or the gins. I am simply facing the facts which I gather that you were running away from.

Now it is a fact, isn't it, that many of the gins are today getting a very small amount of cotton, hardly enough to justify the runs. That is a fact, isn't it?

Mr. HAYS. Well, I can say this to you, Mr. Poage. I know of one individual gin in my area, within my area of production, that gins 11,000 bales, and as far as I know, this is one of the largest that we have. It has continued to increase its ginning throughout for several years. Then I can recall others that are down to less than 500 bales, and they don't do a very good job of ginning. We all know this.

Mr. POAGE. And it is a fact, isn't it, Mr. Hays, that the great majority of the gins of the United States are today probably ginning less than 500 bales, aren't they?

Mr. HAYS. Well, I wouldn't be prepared to speculate or to estimate on that at all, Mr. Poage. I would say this in regard to the collections and the competitive situation. I think it is well established that we made progress in spite of the competitive situation, if such did exist, for a number of years because collections increased and assessments went up.

Mr. POAGE. That is right, and when the competition between the gins got as severe as it has in the last 2 or 3 years—

Mr. HAYS. Gins created this competition.

Mr. POAGE. What?

Mr. HAYS. The farmers didn't. The gins created the competition, the farmers didn't.

Mr. POAGE. I made no suggestion that the farmers created it. That is exactly the point I want to clear up. I made no suggestion that farmers created it. Of course, gins and the cotton program created it, and the facts are that there are thousands of gins over the United States ginning less than 500 bales, aren't there?

Mr. HAYS. I wouldn't know.

Mr. POAGE. That is a fact, isn't it?

Mr. HAYS. I wouldn't know, sir.

Mr. POAGE. You don't know?

The CHAIRMAN. May I interrupt for a minute.

One of the first witnesses appearing before this committee on this bill was Mr. T. C. Cortwright, Jr., of Rolling Fork, Miss. He is a member of the board of trustees of the Cotton Producers Institute and chairman of the board of the National Cotton Council of America, and he brought this matter to the attention of this committee and let me read one or two short excerpts from his statement. In talking about this bill he brought in the competition between the gins as Mr. Poage has presented it. He said:

This is the one great defect in the present CPI approach that we must correct. We must effect a uniform collection to eliminate the competitive factor among processors and handlers. We must have help from the Congress in establishing a suitable mechanism for bringing this about.

We have searched for some other way. We have found none. The proposal before this committee is the only answer we have found. It has a tremendous base for CPI leadership from producer organizations and from the rest of the cotton industry. Last week the council at its annual meeting, the producer delegates voted 43 to 7 to endorse this proposal. Support from various other branches of the industry was unanimous.

Now it is strange to me that you all support the CPI and the Cotton Council, and are opposing the very thing that they advocate. They are the ones that have been running this promotion and research show, and they know that the job hasn't been done, and they said this is the only answer. You all come in here on some kind of emotional principle or something and say you are opposed to it, and offer no solution at all. You don't even offer amendments to the bill. Mr. Shuman said the only thing he would do is vote to strike out the enacting clause in the whole thing. I don't think the Farm Bureau has much to be proud of in dealing with cotton, if you come here and oppose everything and offer nothing.

That is all.

Mr. JONES. Mr. Chairman, may I ask a question?

The CHAIRMAN. Yes.

Mr. JONES. Mr. Hays, was I correct in the impression that I got from your statement that you are opposed to any program either voluntary or compulsory which would provide for a contribution from each producer to carry on and expand this research, advertising and promotion program which is designed to increase the use of cotton?

Are you opposed to the collection of any money, either voluntary or compulsory for that purpose?

Mr. HAYS. No, sir. I am participating in the collection right now.

Mr. JONES. You are participating in the Cotton Producers Institute?

Mr. HAYS. Not in the Cotton Producers Institute. It is not in my area of production. But I am and have been for a great long number of years participating in the cotton council's program.

Mr. JONES. I got the impression from your statement that the farmers with whom you talked, that they were not satisfied with the job that was being done by the Cotton Producers Institute, the National Cotton Council, and for that reason they didn't want to put any of their money into it.

Is that correct?

Mr. HAYS. I did make in general such a statement, and it was predicated on the fact that apparently he was dissatisfied with what he was buying with his money.

Mr. JONES. Well now let me ask you this. Do you think that if a program such as the gentleman who just preceded you stated, that if that was sold to these people and they thought that there was an opportunity to actually do something productive to increase the use of cotton, do you think that would make any change in the attitude of these small producers say, and that they would be willing to contribute to a fund to do that or not?

Mr. HAYS. People in my experience generally respond to this kind of incentive, sir.

Mr. JONES. Yes.

Mr. HAYS. And if he felt he was getting something for his money I have no doubt that he would join in.

Mr. JONES. Don't you think that the referendum that would be provided by this bill is about the only way that we can have of determining whether there was support for it.

Mr. HAYS. No, sir; I don't.

Mr. JONES. How would you go about determining whether or not the people wanted a program like this?

Mr. HAYS. I think the mere fact that the council's collections increased rapidly over a number of years is proof that the people want it.

The CHAIRMAN. You just admitted that they decreased.

Mr. HAYS. I did; yes, sir.

The CHAIRMAN. But for the \$800 that somebody gave you one year that they won't give next year, there would have been a very substantial decrease?

Mr. HAYS. He thought he was getting \$800 worth in the year he contributed.

The CHAIRMAN. Why wouldn't he give that amount next year?

Mr. HAYS. He may have a various number of reasons. These are individual reasons.

The CHAIRMAN. Excuse me.

Mr. JONES. I was just having difficulty of reconciling your statement saying that you had participated, and evidently you thought that you were getting value received, or that the industry was securing some results from this program, or I presume that you would have cut your payments off.

Mr. HAYS. I do. I concur.

Mr. JONES. Yes.

Mr. HAYS. And am still contributing right now.

Mr. JONES. Well, the thing that I can't understand then is why, if you feel that it is doing the job, why do you feel that the other people that you have talked to in your office as president of the association feel that they are not getting their money's worth? Are they stopping their payments, or have there been others in your community that have contributed to the CPI?

Mr. HAYS. Well, I didn't try to specify any particular incident, Congressman. But the fact that collections were reducing seemed to me to be conclusive evidence that there was some reason for it, and generally if you spend a sum of money, it is on the basis of making a purchase. This is true when this committee reviews a program and you decide that it is valid, you recommend that it be enacted and the Appropriations Committees supply the money for it. If it isn't a sound buy as far as legislation is concerned, of course, then you don't approve it.

Mr. JONES. I still have a little difficulty. I can't get the feeling that you have about this program, and I want to ask this question to see if this would make it any more palatable or if you think it would be more equitable if this referendum would be based not on the volume of cotton as is provided in the bill, but would be based on a majority of the producers, if a majority of the producers voted and said "we think that a program that would require a dollar a bale payment," if a majority of the producers, regardless of the size, would indicate that,

would you think then that that would get more support for this program and probably get more cooperation and more confidence in the program.

Mr. HAYS. Well, the bill doesn't say it would be \$1.

Mr. JONES. I understand it doesn't. As I understand it, that was the basis, and I think it is generally understood that that is what is contemplated, although it doesn't set forth \$1 a bale. Of course, that could be established. But I think we have been proceeding on the premise that it would be \$1 a bale. What I am trying to get at, there seems to be some objection that by using the volume approach rather than the individual majority approach, that we are trying to force something on a majority of the people, because of the votes of the acreage rather than individuals. Do you think it would be more palatable to have it on the vote of the individual farmer?

Mr. HAYS. Well, your bill provides—and again referring to page 4, paragraph 2, of the original testimony this morning—the bill provides that the money shall be collected by the Cotton Board, and this still mon't meet our requirement "collected by the voluntary action of market agencies," and it would not to this extent leave the producer free for a refund. In the matter of the individual voters, I would say, Mr. Congressman, that I don't see how you ever got in this bill, anyway, this matter of volume.

Voters are not asked to approve tax assessments or anything else on the basis of volume. You don't have an opportunity to vote on these matters except as an individual.

Mr. JONES. That is what I am asking you.

Mr. HAYS. I should think this should be true of this here, too.

Mr. JONES. That is what I was asking you if you thought it would be more palatable if you just had the one vote, in other words by the number of cotton producers, whether a fellow produced 1 bale or 100 bales, that he would have the same vote. Would that make it more acceptable in your opinion?

Mr. HAYS. Well, I am reasonably sure that this would be an objection that some folks would put a great deal of stress on, and if this were done I am sure this would be the case.

Mr. JONES. I am asking you as the president of the Alabama Farm Bureau how do you think your organization would react to that?

Mr. HAYS. Under the present authority that the delegates have given me, we would be opposed to the bill.

Mr. JONES. I am not asking about what the American Farm Bureau Federation has done. I am asking about the farmers in Alabama.

How do you think they would react?

Mr. HAYS. Well, I don't know that I am qualified to answer that, Congressman.

Mr. JONES. Well, if the president of the association wouldn't be qualified, I don't know of anyone that would be.

Mr. HAYS. No, sir; you don't understand my job assignment.

Mr. JONES. In other words, you feel a greater responsibility to the American Farm Bureau Federation than you feel to the farmers of Alabama?

Mr. HAYS. No, sir; but my policy in my work orders are written by the delegates in the form of the appropriate resolutions, and these I

adhere to religiously and strictly. I don't tell them what to write nor what to say. I do what they say.

Mr. JONES. What percentage of the cotton farmers in Alabama are members of the Alabama Farm Bureau?

Mr. HAYS. Repeat the question.

Mr. JONES. What percentage of the cotton farmers in Alabama are members of the Alabama Farm Bureau Federation?

Mr. HAYS. I have no statistics on it.

Mr. JONES. How many members do you have in the Alabama Farm Bureau?

Mr. HAYS. 98,000.

Mr. JONES. 98,000? That is individual members?

Mr. HAYS. Yes.

Mr. JONES. Individual dues-paying members?

Mr. HAYS. Yes; individual dues-paying members.

Mr. JONES. That is a pretty good percentage of all the cotton farmers in Alabama, isn't it?

Mr. HAYS. Right. That is correct.

Mr. JONES. Thank you.

I don't have any further questions.

The CHAIRMAN. Thank you very much, sir.

Mr. RANDOLPH. Mr. Chairman, I have a statement by Mr. Grant and one by Mr. Munn, that they asked me to read with your permission.

Mr. McLAIN. Mr. Cooley, the Tennessee statement was given to the reporter this morning just as we adjourned.

The CHAIRMAN. How about Mr. Allan Grant, president of the California Farm Bureau? Is he here?

Mr. RANDOLPH. I am here in his behalf and would like to read his statement.

The CHAIRMAN. How long is it going to be?

Mr. RANDOLPH. It is about 70 words.

The CHAIRMAN. That is good. Go ahead and read that and then we have another from Mr. Munn.

STATEMENT OF ALLAN GRANT, PRESIDENT, CALIFORNIA FARM BUREAU, AS READ BY WALTER L. RANDOLPH, VICE PRESIDENT, AMERICAN FARM BUREAU FEDERATION

Mr. RANDOLPH. This is Mr. Allen Grant, president of the California Farm Bureau Federation, who had to catch a plane.

This is not the bill that was being circulated at the time the California Farm Bureau Federation and AFBF policies were being formulated. The original bill was not a program completely dominated by the Department of Agriculture. The idea of referendum has merit except that with this kind of Government-dominated program, if passed it would open the door to a rash of such programs with various agricultural commodities in competition and conflict requiring further regulation.

That is the end of Mr. Grant's statement. I would like to read Mr. Munn's.

Mr. Munn's is a little longer, about 125 words. I would like to read it.

The CHAIRMAN. Go ahead.

STATEMENT OF LEWIS MUNN, PRESIDENT, OKLAHOMA FARM BUREAU, AS READ BY WALTER L. RANDOLPH, VICE PRESIDENT, AMERICAN FARM BUREAU FEDERATION

Mr. RANDOLPH (reading) :

I am Lewis Munn, president of the Oklahoma Farm Bureau. The Oklahoma Farm Bureau has been a strong supporter of the National Cotton Council and Cotton Producers Institute as they have been operated in the past. We have consistently pointed out these organizations as being an example of how producer groups should operate. The Oklahoma Farm Bureau has opposed governmental checkoff programs for many years. Producers in our State generally have no knowledge of the content of this proposed legislation, a condition which seemed to be prevalent at the National Cotton Council meeting in Jacksonville, Fla. Much discussion has been centered around the need for additional research. I would point out that producers have no assurance that a substantial amount of the funds would be used for research under the proposed legislation. The point was made this morning that manmade fibers are spending \$200 million per year. If the proponents of this legislation are attempting to match dollars with manmade fibers, the additional amount realized will be rather inadequate unless the checkoff per bale is greatly increased.

That is Mr. Munn's statement.

Thank you.

The CHAIRMAN. Thank you very much, sir.

You say those gentlemen, one came from Oklahoma and one from California?

Mr. RANDOLPH. They were here.

The CHAIRMAN. They were here and they heard the testimony of the proponents, and they decided to go back home and let you present it for them?

Mr. RANDOLPH. I don't think they heard the testimony of the proponents, but they were here today.

The CHAIRMAN. Those are all the statements you have?

Mr. RANDOLPH. I would like to express appreciation for the time that the committee has given to us.

Mr. O'NEAL. Mr. Chairman, may I make a statement at this point?

The CHAIRMAN. Yes, sir.

Mr. O'NEAL. In view of the testimony of Mr. Shuman earlier today, this morning, with reference to the resolution passed by the Farm Bureau in Chicago in December 1965, I would like to say at this point that I have talked to Mr. W. L. Lanier, president of the Georgia Farm Bureau, a few moments ago, and that he reported to me that the Georgia Farm Bureau has filed an exception to this resolution concerning its voluntary promotion program. The statement was made by Mr. Shuman this morning that only New Mexico had filed exception, and Mr. Lanier tells me now that Georgia did file an exception last Thursday, which, of course, might not have come to or undoubtedly has not come to Mr. Shuman's attention at this time.

(The following letters were submitted by the Georgia Farm Bureau Federation and the Johnson Cotton Co.):

GEORGIA FARM BUREAU FEDERATION,
Macon, Ga., February 23, 1966.

HON. HAROLD COOLEY,
Chairman, House Agriculture Committee,
U.S. House of Representatives,
Washington, D.C.

DEAR MR. COOLEY: In order to clear the record concerning testimony of Mr. Charles B. Shuman, president of the American Farm Bureau Federation, with

reference to testimony as to the position of the Georgia Farm Bureau Federation on cotton check off, I would like to explain the events involved.

State farm bureaus, according to our working agreement, have the right to disagree with the American Farm Bureau Federation on policy not to the best interest of the State. The Georgia Farm Bureau Federation does not agree with the American Farm Bureau on policy concerning cotton and especially disagrees with reference to allowing farmers a checkoff program to promote cotton.

The Georgia Farm Bureau Federation Board met January 27 and directed that the American Farm Bureau be notified that the Georgia Farm Bureau was in opposition to the American Farm Bureau Federation's position on cotton. The legislative director was directed to check the minutes of the board meeting and notify the American Farm Bureau. These instructions were passed on to personnel in the office as he was at that time working with the State legislature. Due to a breakdown in communications in our office this official notice was not sent to the American Farm Bureau by the date of the hearing. I was of the opinion and so stated that this official notice had been mailed but upon checking I found that these instructions had not been carried out.

Mr. Shuman was correct when he stated to the committee that according to the records of the American Farm Bureau Federation, they had received no notice from Georgia indicating that Georgia was in disagreement with the American Farm Bureau policy.

Let me apologize to you and the committee for the mistake and I would appreciate it very much if you would insert this letter in the record so that this matter can be corrected.

With warmest personal regards, I am,

Sincerely,

WILLIAM L. LANIER, *President.*

JOHNSON COTTON Co.,

Dunn, N.C., February 11, 1966.

Re \$1 per bale Cotton Enabling Act.

HON. HAROLD D. COOLEY,
Member of Congress,
Washington, D.C.

DEAR MR. COOLEY: Our attention has been called to three views that the Farm Bureau is finding objectionable in the Cotton Enabling Act before your Agriculture Committee. It is our understanding that Mr. B. C. Mangum has registered the following three complaints.

1. "One man, one vote." We find nothing objectionable regarding one man, one vote.

2. "Voting penalty of producers having to catch up back dues, if any, to vote." We see no reason why cotton producers should have their voting privileges penalized for this. Therefore, we are in agreement with the Farm Bureau on this.

3. "Producers privilege of signing up not to participate." This appears to be very unfavorable and would actually gut the bill so far as being effective or appropriate. Your present plan of refunds if requested by the producers is very favorable. This is more along the lines of the tobacco association which works so well.

These are the views unanimously conveyed by the Carolinas Ginners Association at our recent directors' meeting. These also convey the thoughts of ourselves and our customers. We believe you want to do what is right so long as it is the producers' desires. We believe this Enabling Act will eventually pass and it will give much needed new life and blood to our cherished cotton industry.

With best regards, we are,

Very truly yours,

CAROLINAS GINNERS ASSOCIATION,
ALSEY B. JOHNSON, *President.*

The CHAIRMAN. That is fine. I appreciate that. Since this probably will be the end of the hearings today, I would like to ask general permission for other witnesses to file prepared statements.

Without objection, I assume that suggestion is approved.

I would like the record to show that, because I know that there probably will be some other witnesses who will want to come here and

who will want us to have additional hearings. Since I think the subject has been fairly well covered, I want to get into executive session sometime early next week. I don't think we will attempt it tomorrow because many of the people are going to be out of town.

So, without objection, let the record show that I have obtained permission for other statements to be filed.

I have about four more witnesses here. Two of them are residents of Washington, D.C.; two of them are from California. I want to call for a very brief statement Mr. Clarence Salyer, and with you, Mr. Russell Giffin, of Fresno. Come right around here and sit at the desk and we will try to expedite this.

You are Mr. Clarence Salyer and you live in Corcoran, Calif. You are a cottongrower, aren't you?

STATEMENT OF CLARENCE SALYER, CORCORAN, CALIF.

Mr. SALYER. Yes; I am, Mr. Chairman.

The CHAIRMAN. How many bales of cotton do you produce annually?

Mr. SALYER. We vary somewhat, probably 20,000 to 25,000 bales a year.

The CHAIRMAN. 20,000 to 25,000 bales?

Mr. SALYER. Right.

The CHAIRMAN. Are you familiar with the provisions of this bill that we have under consideration?

Mr. SALYER. I think so; yes, sir.

The CHAIRMAN. You know the purposes of the bill is to promote cotton and to provide for cotton research?

Mr. SALYER. Yes, sir; I do.

The CHAIRMAN. And having familiarized yourself with the bill and being a cotton farmer, I will ask you to state to the committee whether or not you approve the bill that is now before the committee.

Mr. SALYER. Yes, sir; I approve the bill very strongly. I might elaborate a little bit on it, if you don't mind, Mr. Chairman.

The CHAIRMAN. Yes, sir.

Mr. SALYER. We have got very high priced land and high priced water, and particularly high priced taxes out there. Cotton is a major crop. I mean it is the greatest money crop we have in the State. From year to year we have been cutting back, cut back, and there is so much cotton going into the Government loan that I am very much concerned about it. In fact, I am scared if we should lose our cotton production in California, I think we would be ruined. I think that this bill should be passed. I don't think it should be a referendum myself. Frankly, I think you should pass the bill.

I would recommend you pass the bill, and I would also recommend that you not have the withdrawal clause in it.

I don't believe in California you will have any trouble as far as co-operating. I think the Farm Bureau is wrong. They are generally wrong in everything you want to do, and I would like to recommend very strongly that you pass the bill.

The CHAIRMAN. Thank you very much, sir.

Now, we have another small farmer from California, Mr. Russell Giffin of Fresno.

You are a cotton farmer, aren't you, Mr. Giffin?

STATEMENT OF RUSSELL GIFFIN, FRESNO, CALIF.

Mr. GIFFIN. Yes, Mr. Chairman.

The CHAIRMAN. How many bales of cotton do you produce annually?

Mr. GIFFIN. Well, from 60,000 to 80,000 bales a year.

The CHAIRMAN. You have familiarized yourself with the provisions of this bill, haven't you?

Mr. GIFFIN. Generally; yes.

The CHAIRMAN. In a general way.

We would like to ask you first—

Mr. GIFFIN. I would like to say, if you will excuse me, Mr. Chairman, I would like to say that I was on the committee that was asked by the council to study the Cotton Producers Institute program. I have been since its inception its chairman. I have been active in all of the activities of the Cotton Producers Institute of America since that time, and it goes without saying that I deeply support this program.

I have not only done the work but I have put up the money.

The CHAIRMAN. We certainly appreciate your coming from California to give us this information.

I am glad that you were interested enough in the problem to come here and to stay here and testify personally and give us your views. You do appreciate the fact that we have not been able to properly promote the use of cotton through the organizations now in existence on a voluntary plan.

Mr. GIFFIN. That is right.

The CHAIRMAN. You have cooperated and been interested in the activities of both the CPI and the council?

Mr. GIFFIN. Yes, sir.

The CHAIRMAN. And so has Mr. Cortwright.

Mr. GIFFIN. Yes, sir.

The CHAIRMAN. I appreciate your coming here. Do you have a further statement?

Mr. GIFFIN. Mr. Chairman, if you will permit me to take just 2 or 3 minutes.

The CHAIRMAN. Oh, sure; go ahead.

Mr. GIFFIN. I would like to make a comment or two. What we are asking for here is the right to go into the country, out into the field, present the program with all of its weaknesses that Mr. Hays pointed out, to the growers of cotton across the 14 States growing cotton. During that process, of course, we will carry on educational work, we will hope to get to most cotton growers of the Nation, and present our case. We will present the case that has been made for the 5 years of the voluntary program, and we will present the projections for the coming year's work under the new program, assuming the referendum is successful.

Now, at that time producers of cotton, regardless of size, will have an opportunity to judge whether we have done well in the past 5 years, and they will have an opportunity to judge whether the projections that we make to them for the coming years with the greater amount of money is well spent.

Now, I want to comment a little bit on the amount of money.

The question has been raised here several times whether it is enough. Our experience in both the council work and in the work of the Cotton Producers Institute has shown us that for every dollar that we raise and provide, we have been able to raise about the same amount of money from other interested segments of the industry in matching funds.

Now, we at this time have been producing, we have the income from the council of about \$3 million. If we are successful in this move and the crop is, we will say, 12½ million bales, and assume maybe there is a half million dollars lost through the refund route, we will arbitrarily use the figure of \$12 million plus the \$3 million from the council is \$15 million.

In matching funds, we believe, and it is based on experience, we believe that we are talking about an effective usable fund of from \$25 to \$30 million.

Now, we do get into the ball park with our synthetic friends. I would be less than honest if I indicated for a moment that I believed that we would never have to come back to the growers of cotton and ask for more money. Our destiny for the coming years is going to be dictated largely by our competitors in the synthetic field, and no man can tell what course that may take.

But we can only come back, we can only increase the use of those funds, by another referendum, and it takes two-thirds of the growers voting to approve it.

Mr. GATHINGS. I believe you said that \$12½ million could be raised.

That would be double and that there would be available some \$25 million; is that right?

Mr. GIFFIN. That is right.

Mr. GATHINGS. For the record, would you state just where the other \$12½ million is to come from?

Mr. GIFFIN. I can't give you the detail on it. We have a man here, two men here in the room that can give you that detail, but our experience in the Cotton Producers Institute has worked that way.

The CHAIRMAN. In other words, you still think that the Cotton Institute, the Cotton Council would carry on its own activities, and make its own funds available for promotion?

Mr. GIFFIN. I heard the testimony of Mr. Shuman this morning expressing the view that if this was successful, that the Cotton Council was probably on the way out. I have a different view. The Cotton Council, for reasons unknown to me, lost membership 2 years ago. During the time that we have been discussing this proposed legislation, this enabling legislation which has been going on for a year, it passed the board of the national council, passed by the board of trustees of the Cotton Producers Institute of America, a resolution was passed supporting this, and all of this time has used up the past year. And in that time we have seen a number of people come back to support the Cotton Council because they believed that this would give life to the industry, and I am inclined to guess that the council will grow stronger rather than weaker under this.

The CHAIRMAN. Thank you very much.

I want to yield now to our distinguished colleague from California, Mr. Teague, who has always been intensely interested in the welfare of cotton farmers and the cotton textile industry generally.

Mr. Teague?

Mr. TEAGUE. Thank you, Mr. Chairman.

Mr. Giffin is not a constituent of mine, but he quite properly, both of us being from California, has discussed the problem with me, and if I understood you correctly the other day you stated something along this line, and if I am wrong I wish you would correct me: No. 1, that you wished this could be done on a voluntary basis. Is that correct?

Mr. GIFFIN. Yes, sir.

Mr. TEAGUE. But your experience after working very hard with others to try to establish the voluntary program has led you to believe that it cannot be done?

Mr. GIFFIN. Yes, sir.

Mr. TEAGUE. Is that correct?

Mr. GIFFIN. Yes, sir.

Mr. TEAGUE. Would you like to elaborate on that?

Mr. GIFFIN. Yes, I would.

There are several things that have happened in this area. First, the gentleman from Mississippi that testified a moment ago on cotton-growers not being informed in the belt. One of our greatest difficulties from the inception of this program was to get people to come to our meetings. We have gone back, taken the program back not once but twice, three times, four times into the same areas, and just gotten a handful of cottongrowers to come out and look at it. Those that have could have been impressed. And Mr. Hays is wrong when he says that the erosion that is taking place in the last 2 or 3 years is because people haven't believed the program was a good one. The erosion that has taken place has come from the fact that some growers were carrying the load and others were not, and that is the biggest single hurdle we have got to get over here.

We have all kinds of things happen, as a matter of fact.

One man that testified earlier today testified that he believed in the work of the Cotton Council and the Cotton Producers Institute, and that he had been a supporter of it always. But he opposed its enabling legislation here.

Now, in that case there was a man that gave lip service to it, he signed up for the Cotton Producers Institute in the first year that it was presented in his area, but he has never paid a dime.

Now, we have all kinds of things happen, and there is no use skirting around the edges. We have got to come out of this with an effective method of collecting money, and when a man has a legitimate reason, or any reason of his own, where he wants to withdraw, provide that. But we must not be naive enough to think that we can carry on a thing as important as competing with the synthetic industry of America with pennies.

Mr. TEAGUE. Thank you very much, sir.

Mr. GATHINGS. Will the gentleman yield?

Mr. TEAGUE. Yes.

Mr. GATHINGS. Mr. Giffin, I would just like to ask you your opinion. It seems to me that you are pretty well informed. You have been a member of both of these organizations for a number of years. I just wonder how much would you judge the \$25 million that you speak of would be used for promotion, promotional activities, and how much would be used for research?

Mr. GIFFIN. Mr. Gathings, up until now on our voluntary program it has been going about two-thirds to promotion and about one-third to research. I believe if this movement is successful, and we have the greater fund to work with, I believe that about that proportion will still continue. The great need before this industry now is to sell more cotton. There is no other answer to any of these things, except to sell more cotton, to sell more cotton we have to do two things. We have got to improve our product, work into it attractive features that appeal to the housewife and then we have to promote it and promote it on a parallel with what the synthetic people are doing.

Mr. GATHINGS. There has been some progress made, too, in recent years.

Mr. GIFFIN. Yes, I think exceptional good progress has been made when you consider the meager funds that we have had to work with.

Mr. GATHINGS. The members of this committee made a trip down to the Carolinas here about 2 years ago, and we saw a fine shirt that was washed out right before us, hung out to dry. That shirt looked good the next morning. It would be ready to wear, made of all cotton. Then, too, a pants program has been mentioned. You know about that?

Mr. GIFFIN. Yes, sir.

Mr. GATHINGS. Tell us about that.

Mr. GIFFIN. Well, I think it was 2 years ago the Levi Strauss people came out with a trouser that was 100 percent cotton that was a very attractive trouser, and it sold across the Nation like wildfire. I don't know how many they sold, but a great many hundreds of thousands of dollars. But after some months of wear and washing it became apparent that this trouser had a fundamental weakness in it, and it was the abrasion that came in the pants cuff of the trouser, and an abrasion generally that they didn't have in some of the others. Their suggestion was that by adding a given amount of manmade fibers they could correct this. I think at that time they thought that if they added 8 percent nylon, had 92 percent cotton, it would give them a satisfactory product. The cotton people didn't agree. We felt that we could get into 100 percent cotton trouser all that they had in the blend, and I think that is pretty well established now, and it has taken it 2 years of research.

Mr. GATHINGS. And the crease remained intact?

Mr. GIFFIN. The crease remained.

Mr. GATHINGS. On the cuff?

Mr. GIFFIN. Yes.

Mr. GATHINGS. As well as the upper portion of the trouser?

Mr. GIFFIN. Yes.

The CHAIRMAN. Any further questions?

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

Mr. GIFFIN. Thank you, Mr. Chairman.

The CHAIRMAN. We especially thank you and Mr. Salyer for coming such great distances and showing your interest.

I want to make one brief statement. That is to the effect that I am quite certain no member of this committee intends in any way to criticize the manufacturers of synthetic goods. They have been very ingenious and very successful and very competitive with cotton,

and I think the main purpose of this bill is to save as best we can the cotton industry of the Nation and particularly the cotton farmers of the Nation. I know that we have synthetic manufacturers in perhaps all the districts of the country, and they have operated very well and very successfully, and I commend and congratulate them upon their efforts.

But I think we have been a little slow in bringing cotton to its right place in the Nation. It is a bold fiber and the best, and the most important one in the whole Nation, and that is what we are trying to do.

Before calling the next witness, I would just like to say that we are pressed for time and we would like to make this as brief as possible.

The next two witnesses are both from here in Washington. We will first hear Mr. Reuben Johnson, and then close with Mr. Graham. Then I want to present Mr. John Heimburger, counsel for the committee, for a statement.

Mr. TEAGUE. Mr. Chairman, I have to be excused. I have read the statements of both Mr. Johnson and Mr. Graham.

The CHAIRMAN. All right. You may be excused, sir.

Before you start, Reuben, I would like to ask for another unanimous consent. I did ask for permission to file other statements for the record.

I particularly want any statement in the record showing how much money we have spent in foreign countries in promoting cotton and in research, and I will ask someone to try to prepare some information for us so we will have it in the record to show. In other words, we are doing things abroad that we are not permitted to do at home.

(The following information was supplied by J. Banks Young of the National Cotton Council:)

Critics of this legislation try to leave the impression that it is a new and novel approach to the promotion of cotton which is bad. This is not at all the case. For the past 10 years, funds generated under Public Law 480 have been used to promote the consumption of cotton in foreign countries. The money being spent abroad is not money collected from U.S. farmers, it is foreign currency appropriated by the Congress and allocated by the Bureau of the Budget from funds generated from the sale of agricultural commodities under Public Law 480.

Last year under this plan the use of cotton was being promoted in 16 foreign countries. In addition to cotton, a number of other commodities were taking advantage of this plan. Forty-five trade associations were cooperating with the Department of Agriculture to promote the expanded use of U.S. agricultural commodities in 71 countries.

There is no record of one objection being made to this program. It is extremely difficult, therefore, to understand why all the objections are being raised to this bill. In the bill, cotton farmers will put up the money—not the Federal Government.

The extent to which funds are being spent abroad for research and promotion is indicated as follows: The Foreign Agricultural Service of the U.S. Department of Agriculture in fiscal 1965 expended about \$9.3 million of Public Law 480 funds to develop new and expanded markets for U.S. agricultural commodities. Of this total, about \$6 million was programed through industry groups of which about \$1.1 million was for cotton through the Cotton Council International. The cotton industry as well as many other industries have been providing a similar amount from their own resources at home and abroad for the international promotion programs.

In addition, the Agricultural Research Service of the U.S. Department of Agriculture is expending Public Law 480 funds for technical research abroad that

can contribute to expanded markets for U.S. farm crops. In 1964, ARS made 38 new research grants in the amount of about \$2.6 million. These included about \$700,000 for cotton.

The CHAIRMAN. All right, go ahead, Mr. Johnson.

STATEMENT OF REUBEN L. JOHNSON, DIRECTOR OF LEGISLATIVE SERVICES OF NATIONAL FARMERS UNION

Mr. JOHNSON. Mr. Chairman, at the outset I want to say that we are not here to get involved in some of the organizational problems that I have heard discussed this morning. We are here to discuss some of the broader implications of this legislation, and if at all possible to make suggestions as to some of the procedures we think might improve it.

The time that has elapsed between the introduction of H.R. 12322 on January 26 and these hearings has not been sufficient for us to complete the research and study that we believe to be required of this type of legislation.

Our organization, however, has in the past opposed promotion schemes, the purpose of which is to load on the already sore backs of farmers the costs of advertising programs. We question, for example, the effectiveness of an advertising program where only the raw product is involved. Far and away the most effective advertising, in our view, is that associated with a private brand or trade name. Under section 12 of H.R. 12322 such advertising is prohibited.

We are concerned that the bill before the committee does not provide for any contribution by buyers and handlers, crushers, ginnerers, cotton mills, and manufacturers of finished cotton goods and garments. All of these nonfarm sectors of the cotton industry would benefit if the claims of the proponents of the bill are accurate. We note the absence of witnesses representing these groups. But since we understand that these nonfarm sectors of the cotton industry support the bill, it appears that they would be very content to have the producer pick up the check for programs from which they will likely benefit to a greater extent than producers of raw cotton—again, if the claims of proponents are true.

Our domestic mills now can buy cotton on a competitive level with foreign mills. We have removed, in the enactment of a 4-year cotton program the inelasticity of demand for cotton and therefore the present situation is most favorable for expanding cotton consumption. But, if the Congress in its wisdom sees a need to promote the sale of cotton, we strongly urge that provision be made for all sectors of the cotton industry to be counted in as contributors. In this connection, we are not impressed with the argument that producers would control the program if Congress should enact this bill as written.

We further see no need for a research program to augment or supplement the present extensive research programs of the Federal Government. Let me hasten to point out to the committee that Farmers Union has championed all of the Government programs of research to find new uses for cotton, as well as other crops.

We are proponents, too, of efficient production techniques.

In recognition of the fact that the Agricultural Research Service of the Department of Agriculture has conducted such research on an extensive scale and has succeeded in finding new uses for cotton, we have compiled a table to show the estimated funds available for cotton research for the fiscal years 1966 and 1967.

I request your permission to insert this table at this point in the record.

The CHAIRMAN. Yes, sir, you may do so.

(The table referred to follows:)

Estimated funds available for research on cotton, fiscal years 1966 and 1967¹

	Fiscal year 1966	Fiscal year 1967
Farm research:		
Agricultural Research Service:		
Crops: Production, breeding, genetics, quality, physiology, and disease investigations; weeds; and other crops research on cotton	\$2,669,500	\$2,686,900
Entomology: Research on the biological and chemical control of insects in cotton; and pesticide residues studies	2,746,200	2,757,300
Agricultural engineering: Mechanical harvesting of cotton; cotton ginning research; and other engineering studies on cotton	1,303,100	1,310,100
Nonrecurring funds for plans and construction of the following research facilities	(2,760,000)	(-----)
Western cotton insects and physiology research facilities, Tempe, Ariz.	1,150,000	-----
Cotton physiology research facilities, Stoneville, Miss.	506,000	-----
Cotton disease research facilities, College Station, Tex.	644,000	-----
Pilot cotton ginning research facilities, Stoneville, Miss., and Mesilla Park, N. Mex.	184,000	-----
Cotton ginning and storage research facilities, Lubbock, Tex.	276,000	-----
Total, farm research	9,478,800	6,754,300
Utilization research and development:		
Agricultural Research Service:		
New and expanded uses for cotton, development of new processing machinery	4,632,200	5,003,900
Nutrition and consumer use research:		
Agricultural Research Service: Consumer use studies on cotton textiles	156,400	157,800
Marketing research:		
Agricultural Research Service: Studies on post-harvest handling, conditioning, and other factors affecting market quality and research on equipment, and facilities for transporting and storing cotton	507,600	553,300
Total, cotton research	14,838,000	12,469,300

¹ Includes additional estimated amounts to pay costs authorized by the Federal Employees Salary Act of 1965 (Public Law 89-301).

Mr. JOHNSON. Mr. Chairman, the table shows, and I won't go into any detail, that for the fiscal year 1966 total cotton research will be almost \$15 million, \$14,838,000. For fiscal 1967 the projected amount of funds to be available is \$12,469,300.

The CHAIRMAN. Is \$15 million being spent for research in cotton alone?

Mr. JOHNSON. That is what they estimate for the fiscal year 1966. I have the breakdown here of the area in which this research is taking place.

The CHAIRMAN. You are going to put that in the record?

Mr. JOHNSON. Yes, I would like to put it in the record.

(Discussion off the record.)

The CHAIRMAN. Mr. Reporter, back on the record.

Mr. POAGE. I am sure that these figures include not simply the money that is spent directly on promoting or researching cotton, but

upon all types of insect control that relates to cotton, all types of fertilization that relates to cotton, all types of cultivation, such as flame cultivation and so on, and all types of research on ginning and on spinning. I am sure that they are all included in these figures, isn't that right, Mr. Johnson?

Mr. JOHNSON. That is true, Mr. Chairman. I am told there are over 100 different projects that are covered in this expenditure.

The CHAIRMAN. But none of this is spent on promotion, is that right?

Mr. JOHNSON. None of this is spent on promotion.

My question whether any change of the method of financing, in personnel, or in techniques can improve very much upon the research projects planned by the Agricultural Research Service.

We further question the use of funds which would be collected under the provisions of H.R. 12322 to discover more efficient cotton production methods.

Cotton yield per acre continues to go up. For example, in the Southwest, yield per acre in 1950 was 204 pounds; in 1965 it was 400 pounds. In the delta area, cotton yield per acre in 1950 was 307 pounds; in 1965 it was 517 pounds. In the Southeast, cotton yield per acre in 1950 was 209 pounds; in 1965 it was 453 pounds. For the United States as a whole, cotton yield per acre was 269 pounds in 1950; by 1965 it has risen to 531 pounds.

These figures illustrate that in this 15-year period, cotton yield per acre has approximately doubled, and the trend points to even greater yields per acre in the years ahead. The ability of cotton farmers to produce has made it necessary to enact a cotton program designed to more nearly balance supply with demand.

H.R. 12322 repeatedly refers to "research." We seriously question whether a major research effort, whether public or private, should be conducted at this time with its major thrust that of increasing production technology. Let me hasten to add that we are fully cognizant of the need for research in the marketing and use of cotton, with the aim of increasing returns to the producer.

We especially question the language of section 2 of the bill, which states:

It is necessary that the existing regulation of marketing be supplemented by providing as part of the overall governmental program for effectuating this objective, means of increasing the demand for cotton with the view of eventually reducing or eliminating the need for limiting marketings and supporting the price of cotton.

We do not foresee the time when any program, however effective it may be in promoting the sale of cotton and in reducing stocks, will substitute for a Federal program, the purpose of which is to help balance supply with demand, and increase returns to the producer.

The assessment provided in section 7(4)(c) of \$1 per bale is greatly in excess of the amount we believe that could be justified in financing a cotton-promotion program. Under existing voluntary programs, approximately \$7 million is being spent for research and promotion. Most of this money is provided by producers under programs con-

ceived and put in operation prior to the enactment of the Food and Agriculture Act of 1965.

We would further point out that only about one-half of \$10 million authorized for cotton research in 1964 has been appropriated.

We ask that the committee call upon the Department of Agriculture to make a study to find out the level of expenditure that could be justified in any sales promotion program involving raw cotton.

In summary, we want to cooperate in any endeavor to expand the research facilities of the Department of Agriculture in workable ways to meet fully the need for promotion and research in cotton, and in other commodities.

We do not favor any research program, whether to supplement or supplant the effective research program of the Agricultural Research Service with a program financed by producers. As I have stated above, we do not believe a sound case can be made for research aimed at increasing cotton yields per acre.

Mr. Chairman, just let me say at this point that we are already under tremendous pressure to fund the research programs we need, not only in cotton but in some other crops, and we face a cut unless Congress restores some of the funds that have been taken out of the agricultural research program.

In our judgment it would be bad precedent for producers to begin a research program in the field of production technology leaving the impression that somehow or other we can afford to pay for the cost of research. Actually the point has been made here a number of times that all the research that is going on now of this kind is in the public interest, and we would not want to be put in the posture of having the Budget Bureau further justify cuts in the research budget of the Department, because it felt that producers were able to somehow finance a part of this effort.

As I have stated above, we do not believe a sound case can be made for research aimed at increasing cotton yields per acre, not at least until we work down some of our 16.5-million-bale carryover which is the projected carryover for August 1. Certainly we are not here to say that we don't need to continue to do some of the research needed to increase efficiency. We all believe in efficiency. But at least for the time being it seems to us that whatever funds are expended either by the Department or any other group should be directed toward increasing the use and improving the marketing techniques as far as the producers interest and increase their income is concerned.

We respectfully urge that the committee postpone action on H.R. 12322 until further comprehensive study is made of all provisions of the bill and advice is received from the Department of Agriculture as to the level of expenditure that can be justified for promotion purposes.

Mr. Jones is not here, Mr. Chairman, but I would like to say that his suggestion here in questioning an earlier witness, of changing the requirement for producer approval of this bill to a simple majority, and eliminating the provision that would enable producers who have 50 percent of the volume of production to put this program into effect, would to us seem to be a most acceptable substitute for the provision of the current bill.

Mr. Chairman, in our organization we have had at times considerable discussion of these promotional programs. We have recognized that in certain commodities these programs seem to work better than in other programs, than for other commodities, and in this connection I have here an article from *Better Farming Methods*, May 1964, by Mr. Edward Dailey of Purdue University. Mr. Dailey has apparently done quite a bit of research himself into the effectiveness of these product promotion programs.

He has as a part of his article a promotability audit, a series of questions to apply to various commodities to determine how effective some of these promotion programs could be. I haven't put the cotton to the test, but I think that in looking at the program, any program that might be developed under this bill, that it would be useful to have those who will be doing this work take a look at this promotability audit to see just how effective a promotion program may be. It is a very short article. I wonder, Mr. Chairman, if you would mind if I had this inserted in the record.

The CHAIRMAN. No, without objection you may insert it in the record.

(The article referred to follows:)

[From *Better Farming Methods*, May 1964]

PRODUCT PROMOTION

(By Edward Dailey, Purdue University)

Practically all farmers, whether they produce livestock, lemons or Limburger cheese, belong to a group organized for the purpose of promoting their product. Many make contributions to several commodity groups.

First efforts to advertise and promote by a farm group were begun before World War I by a California orange-growers cooperative which later took the name Sunkist. Advertising activities by producer-promotion groups have flourished and faded since this early beginning, growing in strength during the depression, held in check during World War II and have shown considerable growth in the number of groups promoting and in the amount spent in recent years.

Current estimates show 1,200 producer groups are now spending a total of about \$100 million per year for promotion and advertising. These groups range from well-known large national organizations like the American Dairy Association with a \$7 million-plus annual budget down to some county groups spending only a few hundred dollars. All have the same objective, however, to sell more at the same price or to sell the same amount at a higher price.

Even though many farm product groups now advertise in one way or another, strongly held views both in favor of and against this practice are often found. There seems to be two camps you can join. One side says simply, "How can all groups increase their sales at the same time? The collective American stomach will hold just so much food. If broiler producers succeed in getting consumers to buy and eat more poultry then we must eat less pork or beef." Or any grains made by one commodity must be at the expense of some other commodity.

Pork and beef producers who see themselves losing sales to broilers are competitive fellows and strike back with strengthened advertising programs and so do the cheese people, the potato people, the fruit and vegetable groups and others. Successive rounds of this battle wind up with each product being consumed in about the same quantity it was at first with each group paying added marketing costs and nobody really better off. This is the "limited-stomach" or "substitution" argument.

ARGUMENT FOR ADVERTISING

The opposing argument says "You may be right but some agricultural groups have had very good results with advertising so why shouldn't we? At least we'll be trying to do something to help ourselves." This group, not being concerned with the total picture, feels the changeable consumer will allow them to increase their own sales and they look to promotion as a challenge and an opportunity. They further recognize that the chance for all competitive farm product advertising to stop suddenly is unrealistic. The attitude with these folks is also likely to be one of defense, of holding current markets.

For some farm commodities, a favorable cost-benefit ratio for advertising campaigns is a matter of record, but for many others the record is not quite so clear.

One special Florida orange promotion, for example, is estimated to have increased gross sales by \$18 million for a promotion outlay of \$4 million. But in another special promotion of lamb an expenditure of \$1.76 was made by lamb producers for each additional pound of lamb sold as a result of the promotion.

Studies of demand show that the opportunity for effective use of advertising and promotion varies markedly among different products. Each demand situation as it relates to advertising and promotion must be studied separately. Advertising works wonders in some cases and fails miserably in others.

EXPAND OR DISCONTINUE?

Since the opportunities for effective promotion vary considerably, some producer-promoter groups may well afford to expand their promotion program and others might seriously raise the question of their continuation. The trick is to determine which should be expanded and which programs might be altered or shut down.

The accompanying test is designed to serve both current and potential agricultural product advertisers. For those groups with existing promotional programs it may provide the basis for revising or strengthening the program. For those considering employing promotion to expand demand it provides a structure to consider the important factors in a systematic way.

This test or audit is based on accepted principles of advertising, on experience of producer-promoter groups, and on studies of demand and market research. It outlines the conditions that govern profitable use of advertising. How you can answer the questions will give a good indication of the effectiveness of a promotion program for your product or commodity group.

This appraisal calls for an honest evaluation by all those interested in the outcome. A rating scale is used to allow differences in judgment to be registered.

You may want to see how your score compares with other commodities. Select one or two other commodities besides your own and apply the test to them. Their scores will provide a basis of comparison helpful in assessing your own opportunity.

TOTAL SCORE

A perfect score of 88 indicates an excellent opportunity for a successful advertising and promotional program. This score will rarely be registered. The lower the score the less are the chances for effective promotion.

Advertising can be an effective tool for some farm commodities and some marketing situations such as in the short run where a temporary and burdensome surplus may exist. However, as might be indicated to you by the audit, some situations are better adapted to the use of advertising and promotion than are others.

Two realistic observations present themselves. First, as our agricultural productive capacity continues to overfill market demands, advertising and promotion will continue to occupy the interests of many producer groups. Second, the practice of producer-sponsored commodity advertising will in all likelihood, continue to be debated.

The chances for making good promotion decisions can be increased by a consideration of the factors listed in the promotability audit.

The promotability audit

Legend:

- 8: True; not a recognized problem.
 6: Not a source of difficulty but could be improved.
 4: Some difficulty; needs improvement.
 2: Major difficulty but some improvement possible.
 0: False; a major difficulty, cannot be improved under present conditions.

Key indicators of promotion opportunity	Rating scale (circle the most appropriate number)	
	True	False
1. Our product is easily distinguished from substitute products by final buyers (can be identified either by its characteristics or by packaging).....	8 6 4	2 0
2. There are strong emotional buying motives favoring our product (health, protein, prestige, security, achievement, etc.).....	8 6 4	2 0
3. Our product exhibits strong hidden qualities (dependability, purity, potency, etc.).....	8 6 4	2 0
4. There is an adequate budget or means of obtaining one for a sustained, coordinated promotional program.....	8 6 4	2 0
5. Our production of this perishable product is highly seasonal and a promotional program could be used to call attention to a temporary surplus situation.....	8 6 4	2 0
6. The benefits of a promotional program will accrue primarily to us who finance it.....	8 6 4	2 0

Now use this legend for the remaining indicators:

- 4: True; not a recognized problem.
 3: Not a source of difficulty but could be improved.
 2: Some difficulty; needs improvement.
 1: Major difficulty but some improvement possible.
 0: False; a major difficulty, cannot be improved under present conditions.

Key indicators of promotion opportunity	Rating scale (circle the most appropriate number)	
	True	False
7. The demand trend is favorable (per person consumption increasing and/or there are an increased number of users).....	4 3 2	1 0
8. Final buyers of our product readily respond to price changes by consuming more when prices go down and consuming less when prices go up.....	4 3 2	1 0
9. Our product is either a new product or an older product in a new form.....	4 3 2	1 0
10. Our product is relatively free from known barriers to use (lack of familiarity, preparation problems, family objections, etc.).....	4 3 2	1 0
11. There is relative freedom from general industry problems (disease, marketing, quality, labor problems, divergent interests among growers, etc.) that must be solved before a promotional program can be effective.....	4 3 2	1 0
12. We can have some control over the consumer price of our product, or if not, pricing presents no particular problem.....	4 3 2	1 0
13. A promotional gap exists for our product that is not fully met by brand name advertising and promotion or other means.....	4 3 2	1 0
14. Needed cooperation and coordination for our promotional program can be expected from the distributive trade.....	4 3 2	1 0
15. Market supplies and distribution of our product is adequate.....	4 3 2	1 0
16. Final buyers of our product can expect consistent product uniformity.....	4 3 2	1 0

Mr. JOHNSON. Mr. Chairman, that concludes my remarks.

The CHAIRMAN. Mr. Johnson, you referred to the Department of Agriculture and the research programs now being conducted. You are aware of the fact, aren't you, that the Department of Agriculture has endorsed this bill?

Mr. JOHNSON. Yes, Mr. Chairman, I am aware of it.

The CHAIRMAN. The officials of the Department know what we have done in research and what we haven't done, what we have done in promotion here at home and abroad.

I just asked for information concerning our promotion programs abroad. We have one in tobacco, one in cotton, one in soybeans, and in some other things. They know these figures and they have to approve all these expenditures of foreign currencies.

Now if they come up, after knowing all that they know, saying that we haven't done enough for cotton, in promotion and in research, it seems to me that should be a very good endorsement.

Now on the question of research, under our research programs through the experiment stations and extension acts and all that, we have substantially increased the per acre yield of cotton, haven't we?

Mr. JOHNSON. We have done an exceptionally good job, Mr. Chairman.

The CHAIRMAN. And to that extent we have tried to bring about new methods and all the new techniques, so that the farmer could harvest more per acre, and reduce his cost of production, haven't we?

Mr. JOHNSON. Yes, sir; but as I pointed out here in by statement, we would like to call a moratorium.

The CHAIRMAN. It looks like we have just about mastered these techniques of production, and as a result we have filled our warehouses with cotton which we can't sell. That is all.

Mr. JOHNSON. That is very true. I would like to say that I think we ought to be very careful here in terms of the kind of research which is done with any fund that might be put together under this program.

One of the things that impresses me about the Department position is that I am sure that with the cut that they have made in the budget of the Agricultural Research Service, they are delighted to have any group that will come along and say "We will pay a part of the bill."

I think this is a bad precedent, and I think we ought to look at this very carefully and keep the pressure on at the right places to see that we can keep adequate tax funds involved in this program.

The CHAIRMAN. Let me make one other statement. The manufacturers of textiles, of synthetics, pay their own way to the tune of about \$200 million a year in promotion programs, and look what a woefully small amount is being spent in promoting cotton.

Mr. JOHNSON. Mr. Chairman, I have never been able to figure out how much it costs to produce a pound of nylon fiber, but I do know that the price is approximately four times that of a pound of cotton. Do you suppose that they are making enough profit out of this fiber that they can afford to spend this kind of money?

The CHAIRMAN. They are spending it.

Mr. JOHNSON. They must be making some money. Otherwise they couldn't be putting the—

The CHAIRMAN. We have charts showing the enormous expansion.

Mr. JOHNSON. They must be making a tremendous amount of profit to be able to afford to do this.

Mr. Chairman, producers still are faced with some financial difficulty. We don't have the price of cotton to the producer at a point where he is going to be able to get wealthy growing cotton. These checkoffs, as small as they may be in this bill, have already kept a lot of producers apparently out of voluntary contribution programs.

I am confident that this is a very controversial type of legislation in the country, and for that reason I think that it ought to be stripped of

as many of the controversial features that have been under discussion today as possible.

The CHAIRMAN. This committee will work its own will on it, and you know the committee well enough to know that we will try to clear up the controversy and compose differences.

According to the list of witnesses I have here, I don't believe we have called a single witness that asked to be heard in opposition to this bill, except those that are intimately connected with the Farm Bureau. Do you know of anybody else?

Mr. JOHNSON. I don't know of anybody else, Mr. Chairman. As I say, we have our doubts about the promotion of a raw product, and we would like to see the millers and some of the other people who are going to benefit from this program, if it will benefit them, counted in to help pay some of the costs.

The CHAIRMAN. Well, I believe with that observation I would like to see it too, and I think there is a possibility that the manufacturers and handlers might make a contribution.

Mr. JOHNSON. Well, I am encouraged by the statement made here by a witness that they could expect these funds to be matched.

But if this is the case, what would be wrong with this committee providing some kind of a provision in this bill to also have the millers and others contribute? They seem to be most happy about having the farmers fund a promotion program of this scale, and I don't know why they shouldn't be counted in.

For example, now I understand that the millers pay, I think, 20 cents a bale, those at least who participate in the cotton council program. They pay 20 cents a bale to the cotton council. We are asking the producers to pay \$1 a bale.

The CHAIRMAN. Well, don't they make a contribution to the PCA or the CPI?

Mr. JOHNSON. I think on some special projects you have—I am not an expert in this field—but apparently on some special promotion projects you have matching of funds or some type of arrangement like that.

But the beneficiaries of this program it seems to us have a big stake in putting together a fund of sufficient size to do some good, and here we are letting them off scot free, and we are giving them a voluntary program for sure.

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

We call Mr. Harry Graham, legislative director of the National Grange.

STATEMENT OF HARRY L. GRAHAM, LEGISLATIVE REPRESENTATIVE, NATIONAL GRANGE

Mr. GRAHAM. May I say, Mr. Poage, I think the chairman knows what I am going to say.

Mr. Chairman, I am going to, with your permission, file the statement that I have for the record. I would like to file the second statement that has in it a correction, and simply discuss some of the issues that have been raised.

Mr. POAGE. Without objection.

(The statement referred to follows:)

STATEMENT OF THE NATIONAL GRANGE

Mr. Chairman and members of the committee, I am Harry L. Graham, legislative representative of the National Grange. We appreciate very much this opportunity to testify in support of H.R. 12322.

For nearly a century, the Grange has been vitally concerned with the problem and welfare of the farm families and rural people of the Nation. At the 99th annual session of its delegate body last November, the following resolution was unanimously adopted:

"Resolved, That the National Grange support the efforts of cotton producers to obtain the enactment of appropriate legislation to enable them, subject to producer approval by referendum, to carry out cotton research and promotion programs, to be financed by uniform assessments on cotton producers throughout the Nation."

This resolution was an implementation of a fundamental policy of the Grange of long standing to support the efforts of producers of any agricultural commodity to obtain necessary enabling legislation whereby they may have the opportunity to carry out self-help research, advertising, and promotion programs to expand markets. This bill is such a producer self-help measure since (subject to producer approval by referendum) it will require the cotton producers to pay and cotton handlers to collect from them and to remit to a Cotton Board, responsible to and appointed by the Secretary of Agriculture from nominees made by cotton producers, an assessment on each bale of cotton handled, to be used to pay the cost of cotton research, advertising, and sales promotion programs developed and carried out by the producers themselves.

We believe that subsection (g) of section 7 of the bill is particularly well designed in that it will assure that no funds collected from cotton producers under the provisions of the bill will be used to finance programs of cotton research, advertising, or sales promotion, unless those programs have been initially developed by and are to be carried out by the producers themselves through their own representative organization. It seems to us that this provision is essential in order to create and sustain the incentive in cotton producers, which must continue to exist widely throughout all of the cotton-producing States, if it is to be expected that the producers will maximize their use of the tool for self-financing which this measure would make available to them.

The Grange, therefore, urges favorable action on this proposed legislation by this committee and by the Congress.

The Grange has always urged that there be some sharing by industry in the responsibility for the promoting of the use of agricultural products.

We note with approval the report of the Cotton Council International that countries accounting for over one-half of the free world's exports to Europe and Japan have taken steps toward putting up a dollar a bale to finance international market development for cotton.

"He [the executive director] said almost unbelievable amount of cooperation is available to cotton * * * from retailers, chains, government, manufacturers, and mills * * * if industry will provide program and funds to attract it." (Release from National Cotton Council.)

The Grange would urge that the industry allocate sufficient funds to match the promotional effort of farmers so that the full burden for promotion does not fall on those least able to bear it.

We would also warn the industry that this program does not offer an immediate panacea for all the ills of the cotton industry, and that their position urging further expansion of production is not only unrealistic but almost irresponsible in the light of production trends in the United States and the rest of the world, carryover stocks, and the level of the market price available to producers.

The function of the cotton program is not to furnish price depressing surpluses to domestic and foreign mills, but rather to create an orderly and balanced price-market situation in which market factors can function on a more normal and orderly basis.

The Grange support for the legislation before this committee is strong and vigorous, but not unequivocal. If it is not continued as a part of a total program to bring cotton production into balance with market demand, then it can become another way of removing money from producer's pockets to benefit the

rest of the industry. If it is made a part of the total cotton program, and if, as it should be, it is matched by industry contributions, then it can make a substantial contribution toward longtime solution to the vexing and persistent cotton problem.

Mr. GRAHAM. I would like to read the resolution of the National Grange, which I think might be a relief to the proponents of this legislation to hear from a farm organization:

Resolved, That the National Grange support the efforts of cotton producers to obtain the enactment of appropriate legislation to enable them, subject to producer approval by referendum, to carry out cotton research and promotion programs, to be financed by uniform assessments on cotton producers throughout the Nation.

This, Mr. Chairman, in our judgment, is precisely what this legislation does.

I would point out that although this becomes a function of the Department of Agriculture, since the Department of Agriculture has some relationship to the integrity of the funds that are collected. This, in our judgment, does not put the complete control over these programs in the hands of the Secretary of Agriculture. It puts the control properly where it belongs, in the representatives of the cotton producers.

At that point, unless we misread the bill, we believe that these representatives of the producers can allocate funds to present and projected research programs of CPI and the National Cotton Council, and the projections of doom concerning these two important institutions seem to us to be unjustified and unsubstantiated.

The question of voluntary contributions and the contributions to the voluntary agencies was raised repeatedly by the witness this morning and the committee. I wish I felt I was in a position to give you the details of what has happened in one of the organizations of which the president of the Farm Bureau stated he was a member of the board of directors. The master of the National Grange is also a member of that same board of directors, the National Meat Board.

But I can tell you, Mr. Chairman, that if Mr. Shuman has read his mail, he will know that the decline in contributions that has plagued the cotton industry has been much greater in the meat industry, and if the committee would ask the meat board for a statement on this, I think probably they would get it.

The exact figure is something that I don't feel I am free to put in the record at this point. But there has been a substantial decline, and the substantial decline came at the point that the direct shipments, in which the Farm Bureau is also engaged, which bypassed the terminal markets, also bypassed the point of collection. There is no question but what the argument that the voluntary groups, where the marketing agencies are collecting this money, is the panacea of all the ills of the cotton industry as well as the rest of the industry, it simply is not borne out by the facts.

The thing that frightens me about the bill as it stands at the present time, in the light of the threatened opposition of the American Farm Bureau, which I am sure will materialize, is that we give them a 2-to-1 advantage immediately in the referendum under the two-thirds rule, and the friends of this bill and the friends of cotton and those who want to promote the use of cotton are at a disadvantage from the word

"go," because we have to vote twice to counteract their one negative vote.

Now I am not sure how far they would get with that because you had exactly the same threat thrown at you in the committee, in terms of the tobacco program of last spring.

We were assured that the tobacco producers were all against this. Yet when the referendum was held, there were almost 75 percent that voted for the acreage poundage limitation in the tobacco bill. So this is one of the things that troubles me a little, because it is so difficult to get information.

As Mr. Giffin pointed out the practical problem that is involved, it seems to be a great deal easier to get out misinformation than it is to get out information, and if we had the facilities for the distribution of information as available to us as the opponents for the distribution of misinformation, I think the odds might be evened up a little.

But the point is that this is good legislation. It is consistent with longtime Grange policy of supporting the right of producers to develop their own programs, to assess themselves for promotion of their own products, and with the assurance that we have had from the industry that they are willing to participate in this program cost, it has the approval and the vigorous support of the National Grange.

Mr. POAGE. Mr. Graham, as far as this question of combination by the producers is concerned, do you place any great importance to this referendum when each individual can counteract the law if he wants to, when nobody is compelled to put anything in, or let's put it that nobody is compelled to keep any money in this program, and as long as every producer has the opportunity to withdraw every dollar that he puts in, does it make much difference about whether there is two-thirds or nine-tenths or 1 percent that favors it? Nobody is going to be hurt. Anybody who doesn't like the program can get his money.

Mr. GRAHAM. My worry is not that one, Mr. Poage. I think this has been brought out repeatedly today, that this is the fact. My worry is that the program would not even get started in the original referendum.

Mr. POAGE. I know, but what I am asking you is do you see any special moral reason that we should have any vote of any kind?

Mr. GRAHAM. No.

Mr. POAGE. Every individual votes himself.

Mr. GRAHAM. Certainly.

Mr. POAGE. As to whether or not he wants to contribute the money, doesn't he?

Mr. GRAHAM. I see no difference in the basic concept of this and the voluntary wheat program or any other voluntary programs we have that do not require referendums. If it did not have this recovery clause, this would be an entirely different situation.

Mr. POAGE. But they do have the recovery clause.

Mr. GRAHAM. Consequently despite the fact that our resolution says "supported by referendum," from the discussion that took place in the National Grange, I know they were considering some kind of a program from which there would be no voluntary withdrawal. And since you provided this, then I don't have to support that part of our program.

Mr. POAGE. There is no voluntary withdrawal from the wool bill, is there?

Mr. GRAHAM. Of course not, and tobacco.

Mr. POAGE. The witness for the Farm Bureau testified that they did support the wool bill, although they said that they objected to this particular phase of it, but they supported the bill, including this phase of it. And there is no withdrawal in the wool bill, is there?

Mr. GRAHAM. Of course not. There never has been.

Mr. POAGE. No.

Mr. GRAHAM. It never was suggested.

Mr. POAGE. No. Now where then is the great matter of principle involved?

Mr. GRAHAM. It escapes me, Mr. Chairman.

Mr. POAGE. It does me too.

Mr. GATHINGS. Mr. Chairman, I would just want to say to the gentleman that I don't know of any members of your organization in Arkansas, but if you ever come to my congressional district, I assure you that I will get you up a good crowd of farmers.

Mr. GRAHAM. I will take you up on that one, Mr. Congressman.

Mr. GATHINGS. Every time you come before this committee, you bring something constructive. I haven't agreed with you all the time, but you have been pretty near right most of the time.

Mr. GRAHAM. From you that is high praise.

Mr. GATHINGS. So I would like to commend you for your testimony.

Mr. GRAHAM. Thank you.

Mr. POAGE. Are there any further questions? If not we are very much obliged to you, Mr. Graham. We do appreciate your testimony. We appreciate the effort on the part of you and of the Grange to try to work something out when we are faced with a difficult situation.

(The following letter was furnished for the record:)

AMERICAN FARM BUREAU FEDERATION,
Chicago, Ill., February 21, 1966.

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

DEAR MR. COOLEY: In view of the testimony of Mr. Harry Graham of the National Grange at the hearings on H.R. 12322 I wish to supplement my testimony in order to set the record straight with regard to voluntary contributions for meat promotion.

Mr. Graham's reference to the National Meat Institute suggests that he has confused the American Meat Institute and the National Live Stock & Meat Board. I assume, however, that he meant to refer to the National Live Stock & Meat Board. In contrast to the American Meat Institute, which is a trade association of meatpackers, the National Live Stock & Meat Board is an industrywide organization for the promotion of red meats.

Producer contributions to the meat board are assembled by marketing agencies who do so on a voluntary basis at no pay. Mechanically, the account of sale includes a statement indicating that the contribution made by the producer at the time he markets his livestock is refundable on request. Market agencies refrain from withholding funds for the meat board when so requested by the owner of livestock. Contributions are made at the rate of 2 cents per head on cattle, two-thirds of 1 cent on hogs and calves and two-fifths of 1 cent on sheep and lambs. Efforts are being made to increase the per-head contributions to 3 cents on cattle and 1 cent on sheep and hogs. New sources of revenue, both

producers and packers, that have been brought into the board's program in the last 3 years are practically all on this basis.

Collections from producers are made on the Nation's terminal markets, auction markets, and by producer-owned cooperatives, both on and off the terminal markets, and by participating meatpackers on their direct purchases. Participating packers also make contributions for the livestock they slaughter on the same per-head basis. Obviously, participation both in the collection program and the financing program is voluntary on the part of meatpackers. Contributions are also made by certain livestock associations and the American Meat Institute.

Total collections remitted by market agencies, packers, and livestock associations for the last 3 complete fiscal years (May 1 to April 30) have been as follows:

1962-63	\$1, 011, 700. 21
1963-64	1, 022, 146. 96
1964-65	1, 044, 481. 52

Meat board collections have been down in recent months primarily because farmers have been marketing fewer hogs. In the first 7 months of its 1965-66 fiscal year (May through November 1965) the meat board's cash collections totaled \$566,043.48, a decline of 4.1 percent from the \$590,500.07 collected in the same period a year earlier. In this same 7-month period cattle slaughter was up 4 percent, but the commercial slaughter of hogs was down 11.1 percent from 1964.

The allegation that meat board collections have been adversely affected by Farm Bureau participation in direct marketing activities is not true. The producer-owned marketing agencies affiliated with Farm Bureau are cooperating with the meat board. The major packers generally collect contributions from producers on direct marketings in addition to making similar contributions from their own funds on the livestock they slaughter.

Sincerely yours,

CHARLES B. SHUMAN, *President.*

Mr. POAGE. Is there anyone else who would care to be heard on this bill one way or the other? If there is no one else, Mr. Heimburger would like to make a statement.

Mr. HEIMBURGER. I will take a microphone, if you don't mind.

Mr. POAGE. Yes, sir; by all means.

Mr. HEIMBURGER. Mr. Chairman, I have been requested to make two statements, first by Clarence H. Girard, who appeared here yesterday on behalf of the Department of Agriculture.

During the questioning of Mr. Girard, he was asked whether or not the Wool Act authorized the determination of the referendum by two-thirds of the volume represented in the referendum or only by two-thirds of the head count. He answered that his memory was that the Wool Act provided that only for two-thirds of the number of people voting.

His memory turned out to be incorrect, and he called me this morning to remind me of it. The Wool Act does provide that the referendum may be carried by two-thirds of the number voting or two-thirds of the volume represented in the referendum.

Now just before the meeting adjourned this morning, the Chair asked me haven't we been doing this same thing under the act of 1937, the Marketing Agreement Act. Didn't we recently pass a bill to authorize this for various commodities.

The answer is, Mr. Chairman, that we have been doing exactly this same thing proposed for cotton for other commodities under the Marketing Agreement Act of 1937. That act provides, and I want to get this accurate, so forgive me if I read it from the law—one of the pur-

poses for which agricultural marketing orders may be issued under the Marketing Agreement Act is:

"For establishing or providing for the establishment of marketing research and development projects designed to assist, improve, or promote the marketing, distribution, and consumption of any such commodity or product, the expense of such projects to be paid from funds collected pursuant to the marketing order?"

Now this is not a new provision. This went into the Marketing Agreement Act in 1954, and I am informed by the Department of Agriculture today that out of 48 marketing orders for products other than milk, which are now operational under this act, 33 of them contain provisions for collections of funds from the participants for research and market development.

The thing Mr. Cooley referred to as having been enacted recently was a bill we had last year which permitted a number, some 14 in number, of commodities to collect funds on this same basis for paid advertising.

Paid advertising is not permitted under the provision I just read. But we did pass a bill by unanimous consent in House last year, and it passed the Senate and became law, which permits the mandatory collection of funds under these marketing orders for paid advertising.

I might say a similarity between the bill here and the Marketing Order Act is that in that act also the referendum can be carried either by two-thirds of the number voting or by two-thirds of the volume represented in the referendum. The only difference is that the collection is mandatory under the Agricultural Marketing Act of 1937, and the payee has no opportunity whatever to get his money back, and in fact will be sued by the U.S. Department of Agriculture for collection of the money, if he doesn't pay it.

Mr. POAGE. Thank you, Mr. Heimburger. Are there any more questions? If not we are very much obliged. The committee will stand adjourned, and we will meet at the call of the Chair in executive session to work on the bill.

Thank you all.

The committee is adjourned.

(Whereupon, at 5:30 p.m., the committee adjourned, subject to the call of the Chair.)



