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# DEPARTMENT OF AGRICULTURE APPROPRIATIONS FOR 1967

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## HEARINGS

BEFORE A

### SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES

EIGHTY-NINTH CONGRESS

SECOND SESSION



SUBCOMMITTEE ON DEPARTMENT OF AGRICULTURE AND RELATED  
AGENCIES APPROPRIATIONS

**JAMIE L. WHITTEN**, Mississippi, *Chairman*

WILLIAM H. NATCHER, Kentucky

ROBERT H. MICHEL, Illinois

W. R. HULL, Jr., Missouri

ODIN LANGEN, Minnesota

THOMAS G. MORRIS, New Mexico

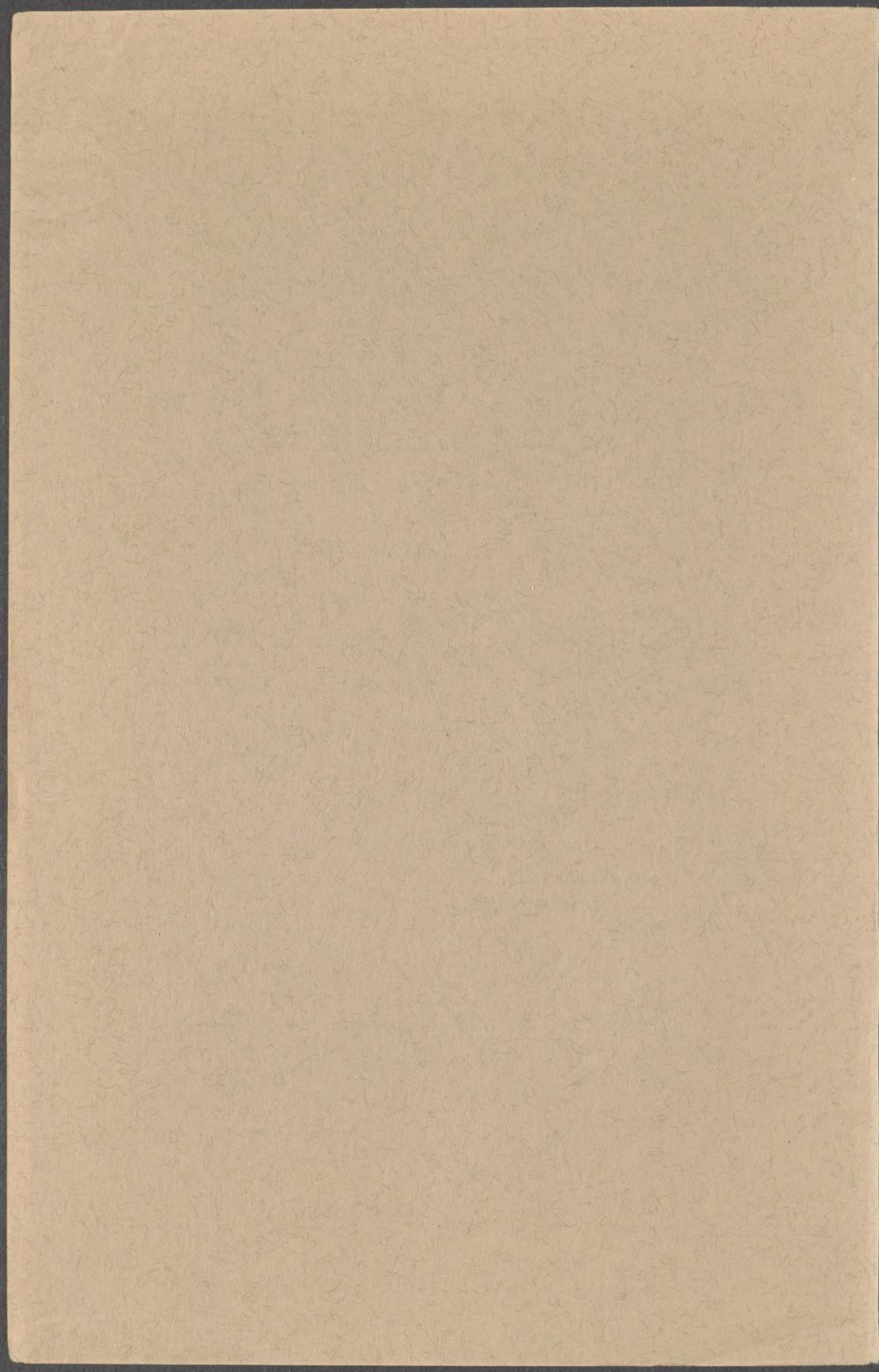
Ross P. POPE, *Staff Assistant to the Subcommittee*

### PART 4

- Commodity Exchange Authority
- Farm Credit Administration
- General Administration
- Language Changes
- National Advisory Commission on Food and Fiber
- National Agricultural Library
- Office of Information
- Office of Management Services
- Office of the Inspector General
- Rural Community Development Service

Printed for the use of the Committee on Appropriations





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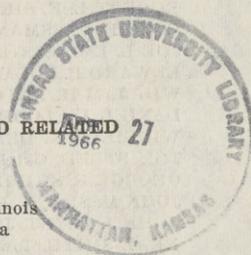
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WASHINGTON : 1966



DEPARTMENT OF AGRICULTURE  
APPROPRIATIONS FOR 1967

HEARINGS

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| BOB CASEY, Texas <sup>2</sup>     |                                  |

KENNETH SPRANKLE, *Clerk and Staff Director*

<sup>1</sup> Deceased February 15, 1966.

<sup>2</sup> Elected March 8, 1966.



# DEPARTMENT OF AGRICULTURE APPROPRIATIONS FOR 1967

THURSDAY, MARCH 3, 1966

## COMMODITY EXCHANGE AUTHORITY

### WITNESSES

**GEORGE L. MEHREN, ASSISTANT SECRETARY OF AGRICULTURE**  
**ALEX C. CALDWELL, ADMINISTRATOR, COMMODITY EXCHANGE AUTHORITY**  
**ARTHUR R. GROSSTEPHAN, DEPUTY ADMINISTRATOR, COMMODITY EXCHANGE AUTHORITY**  
**DANIEL A. CURRIE, ASSISTANT ADMINISTRATOR, COMMODITY EXCHANGE AUTHORITY**  
**CHARLES L. GRANT, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE**  
**GEORGE WALDMAN, CHIEF, BUDGET BRANCH, OFFICE OF MANAGEMENT SERVICES**

### SALARIES AND EXPENSES

#### Object classification

[In thousands of dollars]

	1965 actual	1966 estimate	1967 estimate
Personnel compensation:			
11.1 Permanent positions.....	974	1,038	1,215
11.5 Other personnel compensation.....	1	1	1
Total personnel compensation.....	975	1,039	1,216
12.0 Personnel benefits.....	74	78	91
21.0 Travel and transportation of persons.....	24	15	15
22.0 Transportation of things.....	3	1	1
23.0 Rent, communications, and utilities.....	34	31	34
24.0 Printing and reproduction.....	13	10	10
25.1 Other services.....	12	5	8
25.2 Services of other agencies.....	10	7	9
26.0 Supplies and materials.....	7	8	10
31.0 Equipment.....	11	3	4
99.0 Total obligations.....	1,163	1,197	1,398

#### Personnel summary

	1965 actual	1966 estimate	1967 estimate
Total number of permanent positions.....	126	127	148
Average number of all employees.....	119	123	144
Average GS grade.....	7.7	7.6	7.9
Average GS salary.....	\$8,090	\$8,485	\$8,496

Mr. WHITTEN. Gentlemen, the committee will come to order.

We have with us today representing the Commodity Exchange Authority, Dr. Mehren, Assistant Secretary of Agriculture, and Mr. Caldwell, Administrator, together with their associates.

Do you have any new people with you today?

Mr. CALDWELL. No, sir.

#### JUSTIFICATION MATERIAL

Mr. WHITTEN. At this point we will be glad to have pages 245 through 247 of the justification placed in the record.

(Pp. 245 through 247 follow:)

#### PURPOSE STATEMENT

The Commodity Exchange Authority administers the Commodity Exchange Act of September 21, 1922, as amended.

The major objectives of the act are: to prevent commodity price manipulation and market corners; curb unwarranted changes in price resulting from excessive speculation by large traders; prevent dissemination of false and misleading crop and market information affecting commodity prices; protect hedgers and other users of the commodity futures markets against cheating, fraud, and other abusive practices; insure the benefits of membership privileges on contract markets to cooperative associations of producers; insure trust-fund treatment of margin moneys and equities of hedgers and other traders and prevent the misuse of such funds by brokers; and provide information to the public regarding trading operations and contract markets.

The basic act, originally designated as the Grain Futures Act, conferred limited authority with respect to futures trading in grains only. By amendment of June 15, 1936, its short-title designation was changed to "Commodity Exchange Act," and its regulatory provisions strengthened and extended to cotton, mill-feeds, butter, eggs, potatoes, and rice. By amendment of April 7, 1938, wool tops were added to the commodities subject to the act; fats and oils, cottonseed, cottonseed meal, peanuts, soybeans, and soybean meal were added by the act of October 9, 1940; wool was added by enactment of Public Law 690 of August 28, 1954; and onions were added by enactment of Public Law 174 of July 26, 1955. Public Law 85-839, approved August 28, 1958, prohibited futures trading in onions effective September 27, 1958.

These functions carried out under the act are performed through a Washington office and five field offices, located in Chicago, Kansas City, Minneapolis, New Orleans, and New York.

#### *Available funds and man-years 1965 and estimated, 1966 and 1967*

Item	Actual, 1965		Estimated available, 1966		Budget estimate, 1967	
	Amount	Man-years	Amount	Man-years	Amount	Man-years
Commodity Exchange Authority: Salaries and expenses.....	\$1,169,000	119	\$1,197,000	123	\$1,398,000	144

#### *Salaries and expenses*

Appropriation Act, 1966.....	\$1,169,000
Proposed supplemental, 1966, for increased pay costs.....	28,000
Base for 1967.....	1,197,000
Budget estimate, 1967.....	1,398,000
Increase.....	+201,000

## Summary of increases

	1966 available	Increases		1967 estimate
		Pay costs	Other	
Expanding trade practice investigations and market analyses:				
Supervision of futures trading.....	\$637, 100	+\$5, 700	+\$43, 300	\$686, 100
Investigations.....	263, 900	+2, 300	+146, 700	412, 900
All other.....	296, 600	+3, 000	-----	299, 000
Total.....	1, 197, 000	+11, 000	+190, 000	1, 398, 000

## Project statement

Project	1965	1966 estimate	Increases		1967 estimate
			Increased pay costs (Public Law 89-301)	Other	
1. Licensing and auditing of brokerage houses.....	\$319, 683	\$296, 000	+\$3, 000	-----	\$299, 000
2. Supervision of futures trading.....	603, 687	637, 100	+5, 700	+\$43, 300	686, 100
3. Investigations.....	239, 727	263, 900	+2, 300	+146, 700	412, 900
Unobligated balance.....	5, 903	-----	-----	-----	-----
Total increased pay costs (Public Law 89-301).....	-----	(28, 380)	(+11, 000)	(+6, 000)	(45, 380)
Total available or estimate.....	1, 169, 000	1, 197, 000	+11, 000	+190, 000	1, 398, 000

Mr. WHITTEN. Mr. Caldwell, we will be glad to have you discuss your operations, including the increase in trading and workload, and any significant developments that have occurred in the last year.

Mr. CALDWELL. Thank you, sir.

Mr. WHITTEN. Do you have a general statement first?

## GENERAL STATEMENT

Mr. CALDWELL. Yes, sir. Mr. Chairman, I am glad to have this opportunity to give the committee an account of the work of the Commodity Exchange Authority and to present the agency's budget request.

Budget estimate for enforcement of the Commodity Exchange Act for the fiscal year 1967 is \$1,398,000 which represents an increase of \$201,000 over the current fiscal year. Of the \$201,000 increase requested, \$146,700 would be used to employ 6 investigators and 10 accountants to conduct trade practice investigations, \$43,300 would be used to employ 5 marketing specialists and statistical assistants to make market surveys and \$11,000 to provide for the full-year costs in fiscal year 1967 of the pay increase pursuant to Public Law 89-301.

## RECORD FUTURES TRADING VOLUME IN 1965

Futures trading in regulated commodities has increased so greatly that the agency's present resources are not adequate to cover effectively the areas of market regulation contemplated under the Commodity Exchange Act. Individual traders and commodity firms in the 1965

fiscal year increased their overall participation in the regulated commodity markets for the third successive year. The 1965 trading volume increased more than a million transactions to an alltime record of 13.9 million. The 1965 transactions were about 10 percent over 1964, 29 percent more than in 1963, and 87 percent greater than in 1960. The 1965 value of trading also reached an alltime record—\$73.5 billion. This exceeded the 1964 value by 22 percent, that of 1963 by 62 percent, and 1960 by 178 percent. The record trading volume of fiscal 1965 has carried forward into fiscal 1966, and our projections indicate that high levels of activity in leading markets will continue. The record size of futures trading has been stimulated by this country's high level of business activity, and by our large domestic consumption and exports of leading futures market commodities.

#### TRADING REGULATION WORKLOAD

The largest futures markets in the 1965 fiscal year were in soybeans, corn, wheat, soybean oil, soybean meal, and potatoes. The soybean futures market reached unprecedented size. Price risks in soybeans attracted an increased amount of hedging by merchandisers and processors, as well as speculative trading. There was also very substantial hedging in the year's large futures markets for soybean oil and soybean meal. The year's trading in Maine potato futures was by far the largest on record. This reflected limited U.S. production of fall potatoes in 1964 and advancing prices in the 1964-65 marketing season. The market attracted large public participation and a record amount of hedging.

In addition to maintaining regular surveillance and analysis of trading in 16 commodities, the agency is regularly dealing with special market situations which require extra work. Such extra work was done in the maturity period of the 1964 July soybean future, in view of the tight supply situation in the commodity at that time, the large-scale trading of certain firms, and tension in the soybean price structure. Tight market situations in soybeans—our largest dollar-producing farm commodity in the export field—also usually involve underlying forces reflected in soybean oil and soybean meal futures. In the liquidation of the 1964 October soybean oil and soybean meal futures, when our regular market analysis indicated the danger of concentration and erratic price fluctuations, the agency did extra analysis and investigation work. Such extra work in the futures markets of the soybean complex continued in the winter of 1964-65. There were other tight or unusual market situations in fiscal 1965 which involved intensified trading surveillance, investigations, or special work with the executive heads of business conduct committees of exchanges. These included the 1964 October shell egg future, the 1965 April and May potato futures, the 1964 December wheat future at Kansas City, the 1965 March wheat future at Minneapolis, and the 1965 May wheat future at Chicago.

#### NEED FOR TRADE PRACTICE INVESTIGATIONS

An area of regulation in which there is a serious work backlog is trade practice investigations. The importance of effective policing of trading on contract markets in detecting, prosecuting, and thus pre-

venting abuses, was recognized by the Department's judicial officer in a recent case—CEA Docket No. 113. In his decision, the judicial officer said that the respondent's offense "was serious in nature because competitive execution of trades is essential to the maintenance of a free and effective market." The judicial officer's decision in this case was sustained by the U.S. Court of Appeals for the Second Circuit.

In the case referred to, the offense which the judicial officer characterized as "serious" was noncompetitive trading. This violation was revealed by a trade practice investigation. These investigations are the best means we have of detecting such violations. Other abusive practices revealed by trade practice investigations which cause inaccuracies or distortions in the registration of futures prices are: wash trading, bucketing, cross trading, prearranged trading, fictitious trading, offsetting of orders, and accommodation trading. These devices hamper open and competitive trading on futures exchanges. They interfere with the accuracy of futures prices in responding to basic supply-demand factors and make them a less reliable base for pricing.

The General Accounting Office recently reviewed the work of the Commodity Exchange Authority. In its report, the GAO recommended that trade practice investigations be increased in number and frequency.

That we consider trade practice investigations as essential for preventing abuses and maintaining the accuracy of futures prices is shown by the plans for such investigations which have appeared in our budget estimates from year to year. With the sharply increased trading of the past 3 years, however, and the urgency of work in immediate market situations, staff limitations have not allowed us to complete the investigations we had planned. Only one of three trade practice investigations planned for fiscal 1963 was completed. In 1964 three were planned and two completed. For the 1965 fiscal year, when trading reached an alltime record, four such investigations were planned but only one completed. In the area of greatest need—the soybean futures market—the agency has not planned such a project, because it has not had, and does not now have, sufficient personnel to perform a meaningful trade practice investigation in a market of such tremendous size. We believe it is essential to have such an investigation in a futures market of our fastest growing major commodity. The additional funds we are requesting would provide for 6 investigators and 10 accountants for this type of work. A trade practice investigation of the soybean futures market would receive first priority.

#### NEED FOR MARKET SURVEYS

The agency believes it is also necessary to increase the number and regularity of market surveys in order to improve regulatory performance. The market survey is a profile of the market in action. It shows the utilization of a market and whether it is serving an economic purpose in the marketing of a commodity. It answers the question of how many hedgers are using the market, the extent of their usage and who the hedgers are; that is, producers, shippers, processors, etc. From the information developed, the market survey discloses the amount and proportion of speculation and hedging in futures. Market survey information indicates to what extent specu-

lative activity may be affecting futures prices. Such information is valuable in considering pending legislation. In December 1964, in anticipation of hearings in Congress on bills to prohibit futures trading in potatoes, the agency conducted a market survey of potato futures trading. This was done to have available for the Congress, the Department, and the potato industry, the latest facts on the composition and utilization of the market. Prospective hearings on potatoes early in 1966 again made it desirable to survey that market, and another survey was made as of the end of October 1965 to obtain the most up-to-date information.

#### AUDITING AND LICENSING OF BROKERS

The agency maintained its continuing program of making regular audits and followup inspections of commodity brokerage firms to prevent the misuse of commodity customers' funds and safeguard the markets against improper brokerage practices. The agency made 467 audits in fiscal 1965 compared with 492 in the previous year. There was a limited increase in the backlog of audits pending at the close of the recent year. This resulted in part from scheduling and completing a larger number of follow-up audits and inspections. The audit work in fiscal 1965 disclosed unlawful brokerage practices which resulted in three formal complaints charging violations of the act. The agency acted firmly with a number of brokerage firms which were shown by audits to have numerous deviations from the segregation requirements. In most cases the accountants were able to secure corrective action on the spot, but in some cases warning letters were written. Improved compliance on the part of registrants made fewer such warning letters necessary in the 1965 fiscal year than in the previous year.

#### INVESTIGATIONS AND PROSECUTIONS

The agency's investigations and compliance activities continued at a high level in the 1965 fiscal year. The level was maintained despite the large and time consuming amount of work required to prepare for an administrative hearing in a major case charging a grain firm with wheat price manipulation in May 1963. Of the 51 compliance investigations completed during the year, 17 resulted in prosecutions or agency compliance actions. These included a criminal proceeding, seven prosecutions on administrative complaints and a number of less formal compliance actions.

Compliance investigations completed in fiscal 1965 dealt with possible price manipulation, fraud, deceit, failure to report, false reporting, wash and fictitious trades and failure to segregate customers' funds. The prosecutions in four administrative proceedings were successfully concluded during the 1965 fiscal year. One each related to price manipulation, violation of speculative limits, fictitious and noncompetitive trading, and reporting violations.

In addition to the foregoing, the agency over the past year has made seven investigations of two New York futures commission firms suspected of defrauding customers and mishandling their funds. The evidence from these investigations was turned over to the U.S. Department of Justice, and recent criminal indictments have charged these

firms and a number of their officers and agents with violations of the Commodity Exchange Act and other Federal offenses. The president of one of these firms has already been denied trading privileges on all contract markets for a period of 2½ years as the result of an administrative complaint by the Department of Agriculture last April.

In summary, let me emphasize that the futures markets are operating at an alltime high level of activity. This increase in trading has placed a heavy workload on the agency which has made necessary a curtailment of our work in two important areas, trade practice investigations and market surveys. We believe that additional work must be done in these areas if we are to give the public the type of market regulation contemplated by the Commodity Exchange Act. It is with this in mind that we are, after careful consideration, requesting an increase in our budget for the fiscal year 1967.

My associates and I will be glad to answer any questions you may have on the work of the Commodity Exchange Authority.

Mr. WHITTEN. We will be glad to have such other supporting information as you have in your justification included in the record.

(The additional justification material is as follows:)

#### INCREASES

(1) *An increase of \$190,000 for expanding trade practice investigations and market analyses*

*Need for increase.*—Trade practice investigations are the best means the Commodity Exchange Authority has of detecting various forms of noncompetitive trading on futures exchanges. These devices hamper open trading and interfere with the accuracy with which prices on such exchanges respond to basic supply-demand factors and thus make such prices erroneous indicators of demand and supply, and a less reliable criterion for producers, merchandisers, and processors who rely on these prices in cash commodity transactions.

The importance of effective policing of trading on contract markets in detecting, prosecuting, and thus preventing abuses was recognized recently by the Department's judicial officer in CEA Docket No. 113. This decision stated that the respondent's offense (noncompetitive trading) was "serious in nature because competitive execution of trades is essential to the maintenance of a free and effective market." The decision in this case was sustained by the U.S. Court of Appeals for the Second Circuit.

In addition to the primary objective of assuring free and open competition in the markets and thus strengthening their price recording function, trade practice investigations protect individual market users. These investigations have proven to be an excellent means of detecting, cheating, fraud, and deceit by futures commission merchants and floor brokers in the handling and execution of customers' orders.

With the steadily rising market activity, trading volume reached a record level in fiscal year 1965. Since 1962, the number of transactions in regulated commodities increased 40 percent and the dollar value of trading more than 100 percent. The following table reflects the increase in trading volume during the past few years:

	Fiscal year 1962	Fiscal year 1964	Fiscal year 1965
Number of transactions for all regulated commodities...millions..	10.0	12.8	14.0
Dollar value of commodity trading.....billions..	\$36.7	\$60.4	\$73.5

In order to effectively cover all areas of futures-market trading, and in view of the greatly increased trading volume, it becomes imperative that trade practice investigations be increased if the public interest is to be protected.

The General Accounting Office recently reviewed the work of the Commodity Exchange Authority. In its report that Office recommended that trade practice

investigations be increased in number and frequency. However, additional funds will be needed to implement this recommendation.

The Commodity Exchange Authority also believes that it is necessary to increase the number and regularity of market surveys. The market survey is a profile of the market in action. It shows the utilization of the market and whether it is serving an economic purpose in the marketing of the commodity. It answers the question of how many hedgers are using the market, the extent of their usage and who the hedgers are; i.e., producers, shippers, processors, etc. From the information developed, the market survey discloses the amount and proportion of speculation and hedging in futures and the degree of speculation, from which it can be determined whether such activity is primarily responsible for price behavior. Such information is valuable in considering needed legislation. In December 1964, in anticipation of hearings in Congress on bills to prohibit futures trading in potatoes, the agency conducted a survey of the potato futures market in order to have available for the Congress, the Department, and the potato industry, the latest facts on the utilization and composition of the market. Prospective hearings on potatoes early in 1966 made it desirable to again survey that market at the end of October 1965 to obtain the most up-to-date information.

Because a market survey covers all accounts in a market, certain "fringe" benefits are derived. These assist the agency in its enforcement program at little expense. Such surveys uncover instances of persons and firms operating as futures commission merchants without being registered. They disclose omission or failures of futures commission merchants to make required reports on customers entering large-trader (reporting) status. The market survey also discloses instances of large traders seeking to avoid reporting or speculative-limit requirements by splitting accounts or positions among different brokers.

*Plan of work.*—Of the \$190,000 requested:

(a) An increase of \$43,300 for supervision of futures trading would be used to employ five marketing specialists and statistical assistants who will be engaged in market surveys and analysis of market conditions based on such surveys.

Market surveys are censuslike enumerations of all U.S. and foreign accounts participating in a futures market, such as soybeans, wheat, corn, or other regulated commodities. The basic data are obtained from a "call" made to futures commission merchants and exchange clearing members. The call requires them to report for every account on their books, in a specified commodity on a selected date, the trader's name, address, occupation, amount of his holdings by futures, and whether the holdings are speculative or hedging.

Six market surveys are planned for fiscal 1967, covering wheat on the Kansas City Board of Trade, wheat on the Chicago Board of Trade, soybeans, soybean oil and soybean meal on the Chicago Board of Trade and potatoes on the New York Merchantile Exchange. It is estimated that these surveys will cover from 20,000 to 150,000 futures contracts held by some 500 to 15,000 traders.

The data from these market surveys are machine processed and tabulated and classified in multiple combinations for analytical purposes. Summaries are prepared showing the total amount of speculation and hedging in the market, the distribution of traders by size groups and class, by occupational groupings and geographic locations—in a word who is using the market and for what purpose.

The analysts will select the commodity and market and time of the survey. Their function is to plan the survey coverage, such as the size groups of traders' positions, the general occupational categories, and other type of comparisons. The statistical assistants will audit, code, and reconcile the individual brokerage house reports, consolidate controlled accounts, and communicate with the reporting brokerage houses on questionable items.

Based on the survey results, the analysts will assess and evaluate the utilization of the market and significant trading groups operating in the market.

The purpose of the market survey will be to provide the agency with benchmark data to guide it in comprehensive analysis of market developments in a particular commodity. The survey information will be extended and combined with other market data, such as prices, production, distribution, and available supplies and also used in conjunction with trading and positions of large and small traders based on the regular reporting system of the agency. This analysis will provide a well-rounded picture of economic conditions prevailing in the operation of the futures market. Reports will be prepared on the survey results for the use of the agency and for publication.

Market surveys and the analyses afforded by such data are essential tools of market supervision and regulatory action. Market surveys provide the agency with periodic data from season to season on the composition of a futures market. The data provided by the surveys forms the basis for administrative actions or recommendations in such matters as the size of speculative limits, improved recordkeeping, and better market surveillance techniques. The data also provides information which enables the agency to explain unusual market situations or to take remedial action to prevent recurrences of abnormal and undesirable situations. Surveys will also be made to account for market utilization when there is a large and continued increase or decrease in open contracts, and when there are sharp price movements in the market. They are used to obtain needed futures market information when legislation on futures trading is pending or enacted, and to evaluate the role of futures trading in light of new farm programs and changes in such programs and price supports.

(b) An increase of \$146,700 for "Investigations" would be used to employ 6 investigators and 10 accountants to conduct trade practice investigations. Our plans call for the investigation of each of the active commodities every other year. In 1967 we plan to conduct a trade practice investigation of soybeans which is by far the largest of the markets under our supervision.

A trade practice investigation reconstructs each transaction as it occurred on the floor of the exchange during the selected period so as to trace the transactions from the buying customer, through the buying clearing member and floor broker, to the selling floor broker and clearing member, and finally to the selling customer. The ultimate objective is to analyze floor trading practices to ascertain whether any trade practices are in use which tend to reduce the effectiveness of the futures market as a price basing mechanism; which cheat, defraud or deceive customers; or which are otherwise violative of the Commodity Exchange Act or against the public interest.

The major steps involved in a trade practice investigation are as follows:

(1) Obtain trading data from the clearing association or clearing firms. (In the case of the proposed soybean trade practice investigation, this will involve about 130 firms.)

(2) Obtain from records of clearing firms information concerning the executing floor broker and the customer for each trade.

(3) By use of automatic data processing match, buy, and sell transactions in order to reconstruct how they were entered into.

(4) Make detailed examination of records of clearing members and floor brokers in order to match transactions which fail to match by machine.

(5) Prepare data processing machine tabulations of the transaction data.

(6) Make visual analyses of machine tabulations.

(7) Examine the exchange, clearing member, and floor broker records and interview floor brokers concerning questionable transactions which show up in the analyses.

(8) Analyze results and determine whether further investigation is necessary regarding the conduct of specific brokers or regarding specific trade practices.

(9) Conduct such further investigation as is necessary.

The accountants will be used to take off and reconcile the trading data. It has been found that employees trained in accounting are most effective in examining the records involved in conducting a trade practice investigation. The investigators will be used to plan and conduct the trade practice investigation, to supervise the work of the accountants, to analyze the data, to perform the required supplemental investigation and analysis, and to conduct any necessary further investigations which may lead to formal action against individual floor brokers.

(2) *An increase of \$11,000 to provide for the full-year costs in fiscal year 1967 of the pay increase pursuant to Public Law 89-301*

(An overall explanation of increases for pay act costs is included in the preface to these explanatory notes in vol. 1.)

#### STATUS OF PROGRAM

The major objectives of the Commodity Exchange Authority, in the enforcement of the Commodity Exchange Act, are to protect the pricing and hedging services of the commodity futures markets. These services are widely used by farmers, merchandisers, and processors. To carry out its enforcement objectives, the Commodity Exchange Authority works to maintain fair trading practices and

competitive pricing on commodity exchanges, and to prevent price manipulation, cheating, fraud, and abusive acts and practices in commodity transactions.

Enforcement of the act includes supervision over 17 commodity exchanges designated as contract markets, more than 400 brokerage firms registered as futures commission merchants, and about 750 registered floor brokers operating on the exchanges. The enforcement work is a continuous process involving the following functions:

1. *Market designation, broker registration, and prevention of misuse of customers' funds.*—(a) Designation of commodity exchanges as contract markets; (b) annual registration of futures commission merchants and floor brokers; (c) analysis of financial statements; (d) periodic audit and examination of books and records of futures commission merchants to insure the protection of customers' funds.

2. *Supervision of futures trading.*—(a) Obtaining, auditing, and tabulating reports on trading operations from large traders, futures commission merchants, and exchange clearing members; (b) surveillance and analysis of the market operations of large traders, commodity brokers, and others, including market-wide surveys of all traders' position in selected commodities; (c) enforcement of speculative limits applicable to the daily trading and positions of large traders; (d) analysis and appraisal of futures-market situations and cash-commodity and futures-price development; and (e) preparation of futures-market statistics and special reports on futures-market developments.

3. *Investigation and prosecution of violations.*—(a) Investigation of price manipulation and other alleged or apparent violations; (b) compilation and analysis of evidence to support charges of violations, and presentation of such evidence in administrative and judicial proceedings; (c) investigation of trade practices on exchanges; and (d) continuing examination of exchange rules to determine compliance with the act.

#### *Current activities*

Current work projects of the Commodity Exchange Authority are helping to strengthen and extend the free market system of competitive pricing and distribution in agricultural commodities. Commodity Exchange Authority regulation is safeguarding the pricing and related public-use services of commodity markets at Chicago, Minneapolis, Kansas City, and other exchange centers. Regulation of these markets protects both consumer and producer interests. Currently the largest trading and regulatory areas are in grains and soybeans, but the agency's work projects also include active futures markets in soybean oil, soybean meal, eggs, potatoes, and wool.

Supervision of trading in the continuing large futures markets of the soybean complex—soybeans, soybean oil, and soybean meal—is being strengthened by more intensified and constant market appraisal, and assessment of traders' operations. The further application of statutory speculative limits, now operating in 10 regulated commodities, is being studied. These limits prevent excessive speculation by the large corporate trader, as well as the individual speculator and speculative group. The Commodity Exchange Authority's work programs that regularly take agency accountants into commodity brokerage houses to protect the funds of the trading public are operating effectively. The agency is carrying on sustained and complicated market analysis work and investigations to uncover and support the prosecution of price manipulation. The Commodity Exchange Authority considers this investigation and compliance work to be of the highest importance for the future of competitive pricing in commodity markets.

With the current large trading volumes in leading futures markets, effective enforcement of the act is being maintained by concentrating the agency's available personnel and resources in the highest priority areas of market regulation. In key areas, management improvement projects have shortened procedures, saved time, and increased efficiency. A high proportion of the year's trading volume (86 percent) was in commodities with speculative limits enforced by the Commodity Exchange Authority. The agency maintained the number of its investigations in fiscal 1965 at virtually the same peak level that it attained in fiscal 1964. Effective work in fiscal 1964 in investigating possible price manipulation, and supporting the prosecution of price manipulation charges, was continued in fiscal 1965. Vigorous prosecution of price manipulation helps to hold down new manipulative ventures in the markets.

The agency's resources are not adequate, however, in view of the greatly increased trading volume of the past few years, to cover effectively all areas of futures-market regulation contemplated under the Commodity Exchange Act.

Areas in which there are serious work backlogs include trade practice investigations and market surveys.

Trading volume of 14 million transactions in fiscal year 1965 exceeded the record level of 12.8 million transactions in fiscal year 1964 in a sharp upward movement which brought trading to 40 percent over the fiscal year 1962 level. Similarly, the estimated dollar value of commodity trading for all regulated commodities has increased almost steadily from \$36.7 billion in fiscal year 1962 to \$73.5 billion in fiscal year 1965, an increase of over 100 percent in that period. This increase places commodity trading at a level nearly equal to that of stock market trading.

Very active trading in leading markets is continuing. In wheat futures, the trading lull after the very large market at the peak of the 1964 harvesting season was followed by another buildup in open contracts and hedging as the 1965 marketing season developed. The large corn futures markets of the past few years are continuing. So huge was the soybean trading volume in fiscal 1965 that it exceeded the volume 5 years earlier in all regulated commodities combined. Recent futures markets in soybean oil, soybean meal and potatoes have been of record or near-record size.

#### *Selected examples of recent progress*

##### *Futures trading*

1. *Trading regulation highlights.*—In addition to maintaining regular surveillance and analysis of trading on all contract markets, the agency dealt with recurrent market situations in fiscal 1965 which required extra regulatory work. Such extra work was done in the maturity period of the 1964 July soybean future, in view of the tight supply situation, the large-scale trading of certain firms, and tension in the soybean price structure. Tight market situations in soybeans—our largest dollar-producing farm commodity in the export field—involve not only soybean futures, but also the underlying forces reflected in the continuing large futures markets for the product commodities—soybean oil and soybean meal. Thus, in the liquidation of the 1964 October soybean oil and soybean meal futures, the agency did extra analysis and investigation work. The purpose was to forestall the possibility of concentration and erratic price fluctuations in these commodities. Such extra work in the futures markets of the soybean complex continued during the winter of 1964-65. This work contributed to maintain orderly trading and pricing in the maturity periods of the 1965 March and May futures in soybeans, soybean oil, and soybean meal. There were other tight or unusual market situations in fiscal 1965 which involved intensified trading and market analysis, investigations or special work with the executive heads of business conduct committees of exchanges. These included the 1964 October shell egg future, the 1965 April and May potato futures, the 1964 December wheat future at Kansas City, the 1965 March wheat future at Minneapolis, and the 1965 May wheat future at Chicago.

2. *Speculative limits enforced.*—In the 1965 fiscal year the agency dealt with 37 instances of traders and firms that exceeded the speculative limits established by the Commodity Exchange Commission. This compared with 24 such instances in the previous fiscal year. In fiscal 1965 the situations in which traders and firms exceeded speculative limits on futures positions numbered 25: soybeans 11, potatoes 10, corn 3, and rye 1. Speculative limits on daily trading were exceeded in 12 instances: potatoes 7, soybeans 5. As these figures indicate, most of the infractions of speculative limits in fiscal 1965 were in the highly active soybean futures market, and in potato futures to which speculative limits were first applied during the year. In other commodities there were only four instances of traders exceeding the speculative limits during the year. The enforcement of the limits was of continuing importance in the 1965 fiscal year in view of the increased number of large speculators operating in the year's huge soybean futures market, and the very considerable number in several other commodities. One indication of the need for speculative limits in potatoes was the fact that some large speculators were operating on a considerably larger scale before the limits became effective than was permissible afterward.

3. *Speculative limits on potatoes.*—The Department's services to the potato industry were strengthened during the year by the establishment and enforcement of speculative limits applicable to futures trading in Maine potatoes on the New York Mercantile Exchange. The establishment of speculative limits is a function of the Commodity Exchange Commission based on study and analysis by the Commodity Exchange Authority and recommendations to the Secretary of Agriculture. To provide a sound basis for recommendations to the Commission, the agency did more than 1 man-years' work in the analysis of data and the

preparation of evidence showing the need for speculative limits in the commodity. After the agency's recommendations for limits were adopted by order of the Commission, effective November 27, 1964, much additional work was required to provide the trade and industry with information and instructions, and set up reporting requirements and enforcement procedures to make the limits effective.

Putting these limits in effect was very timely, because they became applicable near the beginning of the marketing season for 1964 crop fall potatoes which was a critical one. The limited production of fall potatoes in 1964, and the sharply rising level of prices, multiplied price risks in the potato marketing. This resulted in a record amount of hedging in futures by the potato industry for price protection—and also a record volume of speculative trading. In this situation, the employment of speculative limits and other regulatory resources of the agency were fully needed to prevent disorderly trading and pricing in the market.

4. *Marketwide surveys in wheat and potatoes.*—The agency made marketwide surveys in fiscal 1965 in two leading commodity markets. One was in the wheat futures market on the Chicago Board of Trade and the other in the market for Maine potatoes on the New York Mercantile Exchange. These surveys are made to furnish detailed data on all traders' accounts in large or sensitive markets, or to provide additional information and guidance on unusual market behavior indicating possible need for administrative action or recommendations. The surveys involve "calls" to futures commission merchants for reports on all accounts on their books, and the related assembly, tabulation, and analysis of the data obtained. The survey of Chicago wheat futures at the end of August 1964 covered the second largest wheat futures market in 30 years. The marketwide survey of all traders' positions in Maine potatoes futures, as of the end of December 1964, provided needed regulatory information at a time when open contracts in potato futures were at a higher level than on the date of any previous such survey in this market.

#### *Investigations and prosecutions*

1. *Compliance investigations.*—The agency's enforcement activities continued at a high level despite the large and time-consuming amount of work necessary to prepare for an administrative hearing in a major case charging a large grain firm with price manipulation of the 1963 May wheat future and of cash wheat. Of the 51 compliance investigations completed during the 1965 fiscal year, 17 resulted in prosecutions or agency compliance actions. These ranged from the issuance of seven administrative complaints and one criminal proceeding to a number of less formal compliance actions.

The fieldwork and analysis were completed on five other investigations involving customers' complaints against a New York futures commission merchant. The results were referred to the U.S. Department of Justice for consideration of possible criminal action. These investigations involved the possible cheating or defrauding of commodity customers through the overtrading or "churning" of their accounts. Completed compliance investigations included instances of possible price manipulation, fraud, deceit, failure to report, false reporting, wash and fictitious trades and failure to segregate customers' funds. Of the four complaint actions successfully concluded during fiscal 1965, one each related to price manipulation speculative limits, fictitious and noncompetitive trading, and reporting violations.

2. *Trade practice investigations.*—Two trade practice investigations were undertaken during the 1965 fiscal year, one of which was completed. The completed investigation, covering approximately 4,300 transactions in grain, resulted in stipulations of compliance by 7 firms and 7 individuals concerning prohibited trading practices. The investigation disclosed, among other things, that a trading practice had developed in the market which resulted in about 10 percent of the trading volume being "wash" trades. The other trade practice investigation initiated during fiscal 1965, which also covered grain, was pending at the end of the year. Recurrent investigations of floor trading practices are essential to maintain effective competition in trading and fair dealing in the execution of customers' orders. The investigation of floor trading practices in the soybean markets projected for 1967 fiscal is badly needed.

#### *Auditing and licensing of brokers*

1. *Protection of commodity traders' funds.*—The agency maintained its continuing program of making regular audits and followup inspection of commodity brokerage firms to enforce the segregation provisions of the Commodity Exchange Act. Enforcing these provisions prevents or suppresses the misuse of commodity

customers' funds and safeguards the markets generally against improper brokerage practices.

The agency made 467 audits in fiscal 1965 compared with 492 in the previous year. There was a limited increase in the backlog of audits pending at the close of the 1965 fiscal year. This resulted in part from scheduling during the year and completing a larger number of followup audits and inspections of firms previously having undersegregated accounts or other infractions.

The audit work in fiscal 1965 disclosed unlawful brokerage practices which resulted in three formal complaints charging violations of the act. These complaints charged undersegregation of customers' funds, unauthorized trading or related improper use of customers' funds, failure to keep required records, and other violations.

A number of firms which were found to be inadequately financed and poorly staffed applied for registration as commission merchants. Since the law does not authorize the establishment of minimum financial requirements, the agency was compelled to register them. Four did not have membership privileges on any licensed commodity exchange available to them and apparently had no legitimate source of commission. It was found in some instances that partners, officials, or principal salesmen had records with other law enforcement agencies, including prison records. The registration of one concern as futures commission merchant was permitted to lapse when their operating head began serving a prison term. The agency gave the public all possible protection against these operators by examining their records and interviewing their officials frequently.

The agency acted firmly during the year with a number of brokerage firms, which were shown by audits to have numerous deviations from the segregation requirements. In most cases the accountants were able to secure corrective action on the spot. In some cases warning letters were written and the registrants were required to advise the administrator what corrective action had been taken to attain compliance. An indication of improved compliance on the part of registrants was that fewer such warning letters were required in the 1965 fiscal year than in the previous year.

2. *Registration of commodity brokers.*—The agency continued to administer provisions of the Commodity Exchange Act that require the annual registration of all futures commission merchants and floor brokers. In the 1965 fiscal year, the agency registered 409 futures commission merchants and 736 floor brokers. As of June 30, 1965, registered futures commission merchants maintained 2,196 principal and branch offices (compared with 2,198, 1 year earlier), and had agents in 410 other offices (compared with 400, 1 year earlier). Registration fees collected from futures commission merchants and floor brokers in fiscal 1965 amounted to \$34,650.

#### *Agency reports*

1. Commodity Futures Statistics, 1963-64, the 24th consecutive issue of the Commodity Exchange Authority's statistical annual, was issued in December 1964. The 67-page bulletin continued the series of summary futures-trading data on volume of trading, deliveries, open contracts, positions of large and small traders, prices, and other data on commodities traded in the regulated futures markets in the 1964 fiscal year.

2. Wheat Futures Trading, June-October 1964, covered background information on the rapidly expanding Chicago wheat futures market during the summer of 1964 and included a survey of all wheat traders' positions on August 31, 1964. The survey showed 7,239 traders in the Chicago wheat market holding open positions of 174,255,000 bushels on the survey date.

3. Trading in Maine Potato Futures, June 1964-February 1965, dealt with the record-size trading volume and open contracts in the 1964-crop potatoes, and included a survey of all traders' positions in the market on December 31, 1964. The survey showed 3,055 potato traders on that date holding total open contracts of 19,282 carlots. These figures greatly exceeded the number of traders and amounts of positions found in any other Commodity Exchange Authority survey of the market extending over a 10-year period.

4. Commitment of Traders in Commodity Futures (monthly). One section of this report is issued by the Chicago office covering wheat, corn, oats, rye, soybeans, soybean oil, soybean meal, and shell and frozen eggs; the other is issued by the New York office covering wool, potatoes, and cottonseed oil. The reports provide information to the public on the composition and utilization of the futures markets for all leading commodities. They show month-to-month changes in small and large traders' positions and give a breakdown of the aggregate hedging and speculative positions of large traders in 14 commodity markets.

5. Stocks of Grain in Deliverable Position (weekly). The agency compiled and released weekly reports on the stocks of grain deliverable by grade, and nondeliverable and ungraded grain in federally licensed warehouses in Chicago.

6. Daily reports released by the Chicago, New York, Kansas City, and Minneapolis offices covered basic statistical data on volume of trading and open contracts for regulated commodities on principal markets.

*Contract markets and regulated commodities*

The 17 commodity exchanges designated as contract markets under the Commodity Exchange Act and the 17 commodities in which futures trading was conducted under the act in fiscal year 1965 are as follows:

Chicago Board of Trade.....	Wheat, corn, oats, rye, soybeans, cottonseed oil, soybean oil, soybean meal.
Chicago Mercantile Exchange.....	Eggs (shell and frozen).
Chicago Open Board of Trade.....	Wheat, corn, oats, rye, soybeans.
Duluth Board of Trade.....	(No trading in 1964-65).
Kansas City Board of Trade.....	Wheat, soybeans.
Memphis Board of Trade Clearing Association.	(No trading in 1964-65).
Milwaukee Grain Exchange.....	Wheat, corn, oats, rye.
Minneapolis Grain Exchange.....	Wheat, flaxseed, rye.
New Orleans Cotton Exchange.....	Cotton.
New York Cotton Exchange.....	Cotton.
New York Mercantile Exchange.....	Potatoes, rice.
New York Produce Exchange.....	Cottonseed oil, cottonseed meal.
Portland Grain Exchange.....	(No trading in 1964-65).
St. Louis Merchants' Exchange.....	(No trading in 1964-65).
Northern California Grain Exchange.....	(No trading in 1964-65).
Seattle Grain Exchange.....	(No trading in 1964-65).
Wool Associates of the New York Cotton Exchange.	Wool, wool tops.

*Workload data on major activities of the Commodity Exchange Authority*

	Actual			Estimated	
	1963	1964	1965	1966	1967
<b>I. Licensing and auditing:</b>					
Audits of customers' segregated funds.....	529	492	467	530	530
Accounts examined.....	32,285	35,422	32,809	38,000	38,000
Financial statements examined.....	490	430	410	410	410
Futures commission merchants registered.....	431	425	409	410	410
Floor brokers registered.....	775	752	736	760	760
<b>II. Supervision:</b>					
Markets and commodities:					
Exchanges.....	17	17	17	17	17
Commodities.....	19	18	16	17	17
Markets (5 wheat markets, 4 corn markets, etc.).....	36	36	30	33	33
Reports tabulated and analyzed:					
Daily trading volume and open contracts.....	198,641	191,771	178,975	200,000	200,000
Daily and weekly reports of large traders.....	355,034	331,506	348,996	400,000	400,000
Average daily reports received from large traders.....	959	903	1,003	1,000	1,000
Weekly stock reports from Chicago regular elevators.....	2,743	2,833	2,785	3,000	3,000
Delivery notices.....	59,442	80,286	55,596	75,000	75,000
Special calls and surveys.....	2	1	2	4	6
Accounts.....	3,531	925	10,294	14,000	29,000
<b>III. Investigations:</b>					
Compliance investigations completed.....	41	53	51	50	55
Trade practice investigations completed.....	1	2	1	2	11
Criminal prosecutions instituted.....	0	1	1	1	1
Administrative proceedings instituted.....	6	8	7	7	7

<sup>1</sup> Soybeans.

## FUTURES MARKET

Mr. WHITTEN. Mr. Caldwell, briefly what is the futures market, for the record?

Mr. CALDWELL. A futures market as distinguished from a cash market is a market in which an exchange is set up to permit traders to buy and sell either individually, if they are exchange members, or through their brokers.

They buy and sell contracts for delivery in some future month, which is specified by the exchange. The contract terms are established by the exchange so all that the traders need to do is to agree upon a price and the delivery month in which they trade.

Mr. WHITTEN. Your own operation is to supervise those things. You are limited to certain commodities by law which means that you deal with those commodities which you have been authorized and directed to supervise by an act of Congress?

Mr. CALDWELL. Yes, sir.

Mr. WHITTEN. And that in turn is limited to agricultural commodities?

Mr. CALDWELL. That is true.

Mr. WHITTEN. Now, furthermore, you are limited to the supervision of the futures market. How about the spot market?

Mr. CALDWELL. We have some responsibility in the spot markets as well.

Mr. WHITTEN. Along the same line?

Mr. CALDWELL. Yes, sir.

Mr. WHITTEN. I notice that you say there is an increase in the volume of futures contracts; that is, there is more activity in the markets. I notice you mention soybeans. Are there no controls on soybeans as of now?

Mr. CALDWELL. That is right.

Mr. WHITTEN. Is there any price support on soybeans at present?

Mr. CALDWELL. There is a price support on soybeans, but it is below the current market prices.

Mr. WHITTEN. Considerably below prevailing prices?

Mr. CALDWELL. Yes.

Mr. WHITTEN. Which means there is a chance for a wide fluctuation in the prices?

Mr. CALDWELL. That is true.

Mr. WHITTEN. Which is doubtless a factor in the increased volume?

Mr. CALDWELL. That is one major factor, yes.

Mr. WHITTEN. Now, there are two prime purposes for a futures contract. One would be to enable a man in the business of processing corn or cotton to protect himself on any orders for the finished product which it would take him months to fill. He might buy a futures contract, so as to protect his price of his raw material that he would be using. It is a hedging proposition to protect himself. That is one aspect of buying futures contract, isn't it?

Mr. CALDWELL. That is correct.

Mr. WHITTEN. Another would be for those folks in the market purely for the gamble—the speculators who buy and sell based on their own information and their own judgment as to whether the price may go up or down?

Mr. CALDWELL. Speculators are an important element in any futures market.

Mr. WHITTEN. That is right. But in a different position and with a different objective than the fellow just hedging on an actual operation.

Mr. CALDWELL. There is one other purpose of the futures market, Mr. Chairman, and that is to establish prices that are used as a price basis in spot or cash transactions.

#### COTTON TRADING

Mr. WHITTEN. In past years, let me say, I have talked to many folks in connection with the cotton futures exchange. Many have said that, with present laws governing, it was risky to deal with the futures exchange unless there was a sufficient volume to make it beyond the manipulation by any particular group, manipulation perhaps against the law. But if the condition itself lends itself to manipulation, it might be hard to prove it.

What has happened to your cotton futures exchange in the way of volume since passage of the last cotton act? Has it increased sizably?

Mr. CALDWELL. No, sir. There has been a small increase in volume but it has not been material.

Mr. WHITTEN. I wish you would supply for the record the figures.

Mr. CALDWELL. All right, sir.

*Cotton: Monthly volume of trading and month-end open contracts, 1966 crop futures, New York Cotton Exchange, October 1965 to February 1966*

[In bales]

Month	Volume of trading	Open contracts
October .....	900	9,600
November <sup>1</sup> .....	900	10,000
December .....	2,300	10,900
January .....	5,700	15,300
February .....	6,300	18,300

<sup>1</sup> Legislation signed by President, Nov. 3, 1965.

#### LAWS REGULATING ACTIVITIES OF FEDERAL EMPLOYEES

Mr. WHITTEN. Now, you are placed here to supervise these markets so that there can be no mistreatment of the people dealing with it, and no fraud and no deceit. Are you familiar with the various laws by which employees of the Government are regulated with reference to release of information which might influence markets? Are you familiar with those statutes?

Mr. CALDWELL. In a general way.

Mr. WHITTEN. Could we have those supplied at this point in the record, Dr. Mehren?

Dr. MEHREN. Yes, sir.

(The information requested follows:)

## INFORMATION NOT TO BE RELEASED; SPECULATION; FALSE STATISTICS

## STATUTORY PROVISIONS

(1) "Whoever, being an officer, employee or person acting for or on behalf of the United States or any department or agency thereof, and having by virtue of his office, employment or position, become possessed of information which might influence or affect the market value of any product of the soil grown within the United States, which information is by law or by the rules of such department or agency required to be withheld from publication until a fixed time, willfully imparts, directly or indirectly, such information, or any part thereof, to any person not entitled under the law or the rules of the department or agency to receive the same; or, before such information is made public through regular official channels, directly or indirectly speculates in any such product by buying or selling the same in any quantity, shall be fined not more than \$10,000 or imprisoned not more than 10 years, or both.

"No person shall be deemed guilty of a violation of any such rules, unless prior to such alleged violation he shall have had actual knowledge thereof." (June 25, 1948, Chap. 645, Sec. 1, 62 Stat. 790, 18 U.S.C. 1902.)

(2) "Whoever, being an officer or employee of the United States or any of its agencies, whose duties require the compilation or report of statistics or information relating to the products of the soil, knowingly compiles for issuance, or issues, any false statistics or information as a report of the United States or any of its agencies, shall be fined not more than \$5,000 or imprisoned not more than 5 years, or both." (June 25, 1948, Chap. 645, Sec. 1, 62 Stat. 795, 18 U.S.C. 2072.)

Mr. WHITTEN. The point I make there, and I made it earlier, we surround this whole trading in futures, and the crop and livestock estimates system, by all sorts of restrictive laws. Yet we have a \$14.5 billion Commodity Credit Corporation with no restrictions on sales, or rumors of sales, or things like that. And I want to say again, in all of my years on this committee, I have heard no charge alleging any official or employee of the Corporation was doing anything wrong. But it does leave us with something that we don't protect against being used to influence the markets. But over here, where it is just a matter of estimating, we recognize it is an influence on the market, and surround it with all sorts of protective legislation.

In recent months I have noticed more and more activity in many ways. You hear of more people buying stocks, not futures contracts, but stocks. I came along after the bottom had fallen out before. I wasn't active at the time that everybody was hit by the stock market in the early 1930's. I just read about it later as the cause of the breakdown of our whole economy. But it seems to me that we are beginning to see more signs of more people from all walks of life who are talking about whether their stocks went up and down, young fellows and older fellows, and it makes me wonder about some of these things.

Now, that is not your particular area of activity, and that in turn has to have some regulation by the Congress. I think now you have to put up 70 percent of the total cost whether you buy stocks and there is talk about increasing that.

Be that as it may, I can see a real need, in view of the public attitude and the public feeling, that you give closer attention to the job that is yours. Yet we get a report from the GAO in which it says there are a number of markets where you haven't made any investigation to make certain they are functioning properly. Their findings here state that of the 36 regulated future markets, 21 had not been subjected to investigation during the 5-year period ending June 30, 1964.

## GAO REPORT ON OPERATIONS OF FUTURES MARKETS

I would like to have placed in the record a summary of the General Accounting Office report.

(The information requested follows:)

NEED TO STRENGTHEN REGULATORY PRACTICES AND STUDY CERTAIN TRADING ACTIVITIES RELATING TO COMMODITY FUTURES MARKETS

The Secretary of Agriculture is authorized by the Commodity Exchange Act as amended (7 U.S.C. 1) to provide regulation of trading in contracts for future-delivery of certain specified agricultural commodities on boards of trade (commodity exchanges) designated as contract markets. The act was established to initiate complaints, conduct hearings, and issue cease and desist orders, or suspension orders for violations of the act by a designated contract market. Designation as a contract market is granted by the Secretary of Agriculture after meeting reporting, records, and inspection requirements and stipulations to prevent dissemination of false, misleading, or inaccurate commodity information, manipulation of the market, and other abusive practices.

*I. Trade practice investigations conducted by the Commodity Exchange Authority were not sufficient to disclose or discourage abusive trading practices by individuals*

1. *Findings.*—Of the 36 regulated futures markets, 21 had not been subjected to investigation during the 5-year period ended June 30, 1964. These 21 futures markets represented \$33.7 billion annually and 76 percent of the average annual value of all futures contracts. Of the 21 futures markets, 3 averaging \$26.5 billion annually had never been subjected to a trade-practice investigation since their establishment in 1940, 1950, and 1951.

2. *Recommendation.*—Establish and implement a policy requiring more frequent trade-practice investigations on a planned basis considering the volume of transactions and the frequency of violations and make timely followup reviews.

3. *Action taken by the Department.*—None. The Administrator stated in a letter dated March 15, 1965, that the cost of investigating one of the three futures markets not previously subjected to an investigation, covering a 5-day period, is estimated at \$215,000. This amount is essentially the same cost as was incurred for all compliance activities in 1964. Further, Commodity Exchange Authority is making as many investigations as possible within its financial and manpower abilities in consonance with other regulatory needs.

The Administrator of Commodity Exchange Authority believes that since the agency reviews the actions planned to be taken to prevent a recurrence of the violations, that the agency has taken reasonable followup action. Further, the only effective way to follow up a trade-practice investigation is to make another investigation.

*II. Commodity Exchange Authority did not regularly exercise its legal authority to make independent examinations of operations of markets*

1. *Findings.*—The Commodity Exchange Authority did not provide for periodic inspections of the contract markets. The Commodity Exchange Authority had in the past requested contract markets to provide specific records for its inspection in conjunction with the Commodity Exchange Authority investigations or hearings. As a result, the Authority was not in a position to know whether it was adequately appraised of the operations of the contract markets and may not have had possession of information to effectively administer and enforce the provisions of the act.

2. *Recommendation.*—None made in view of agency action.

3. *Action taken by the Department.*—The Administrator of the Commodity Exchange Authority has taken action to increase the frequency and scope of the Authority's examinations of the books and records of contract markets.

*III. Special privileges of floor traders*

1. *Findings.*—Floor traders enjoy special privileges and advantages over the trading public. There is a possibility such trading may adversely affect the futures price of a commodity. A study made by the Securities and Exchange Commission on floor trading of the securities markets resulted in the adoption of

plans designated to eliminate such trading not considered beneficial to the market. A study similar to SEC's may result in elimination of like practices.

2. *Recommendation.*—The Secretary of Agriculture direct the Commodity Exchange Authority to undertake a study of the extent of the floor trading on future prices of commodities. The study's objective should be the establishment of controls that may be needed to restrict or abolish floor trading in order to protect the public.

3. *Action taken by the agency.*—None. The Administrator of the Commodity Exchange Authority states that even if additional funds became available for market analysis work, they could best be employed to study areas other than floor trading where the U.S. Department of Agriculture or the Commodity Exchange Authority has the power under the act to take corrective action. Further, if the study revealed practices which called for restrictions or abolishment of floor trading, the Authority would have no course of action other than bringing the matter to the attention of the Congress, pointing out the need for new legislation.

Mr. WHITTEN. Now, you are familiar with those, aren't you?

Mr. CALDWELL. Yes, sir.

Mr. WHITTEN. Would you tell us how solid those findings are and whether there was any need for you to have checked these markets, where you had no complaint. Explain it in your own way.

Mr. CALDWELL. First, let me say that we welcomed that report from GAO. We are always glad to have constructive criticism, and we think this is constructive criticism.

We are in general agreement with the recommendations made by GAO, that we increase our activity in trade-practice investigations. As a matter of fact, as I stated in my prepared statement, we have been endeavoring to do that over the past few years. We have been unable to do so, however, because of a lack of funds and personnel.

Mr. WHITTEN. Well, you mention funds and personnel. I have just been sitting on defense appropriations, and we find that some of our boys in training camps don't have enough pants. But they also had to admit that they always had the money.

Now, it is my own recollection that this is a small agency and Congress has pretty much accepted your own judgment, as evidenced by the Bureau of the Budget recommendation, as to what you need.

Now, with this increase in volume, have you asked for sufficient personnel to do the job as you see it?

Mr. CALDWELL. I believe we have, Mr. Chairman. As you say, we are a small agency and there is a limit on the amount of new personnel that we could absorb in a particular year.

I believe that if we get the personnel that we are asking for here, we will be in a position to do a satisfactory job in trade practice investigations and market surveys.

#### AGENCY'S COMMENTS ON GAO REPORT

Mr. WHITTEN. I have asked that this analysis of the GAO report be put in the record. I would like for you to make certain that you respond to each of those points that are raised in the record.

(The material follows:)

#### TRADE PRACTICE INVESTIGATIONS

##### (a) GAO findings and recommendations

The Commodity Exchange Authority did not make a sufficient number of trade-practice investigations to disclose and discourage abusive trading practices by individuals trading on certain commodity futures markets. Our review showed that 21 of the 36 regulated futures markets had not been subjected to trade-

practice investigations during the 5-year period ended June 30, 1964. These 21 futures markets had transactions averaging about \$33.7 billion annually and representing 76 percent of the average annual value of all futures contracts. Of the 21 futures markets, 3 having transactions averaging \$26.5 billion annually had never been subjected to a trade-practice investigation since their establishment in 1940, 1950, and 1951. We found that CEA officials had not established and implemented a plan for a periodic review of the trading practices on each futures market.

The questionable trading practices noted during our review of selected futures markets and the abusive trading practices disclosed in those instances where CEA did make trade-practice investigations, demonstrate the need for more trade-practice investigations by CEA.

We recommend that the Secretary of Agriculture direct CEA to (1) establish and implement a policy requiring more frequent trade-practice investigations on a planned basis with due consideration to the volume of transactions in a particular futures market and the frequency of violations and (2) make timely followup reviews to determine that corrective action has been taken on previously disclosed violations.

*(b) CEA comments*

CEA believes that the trade-practice investigations which have been conducted have been effective in disclosing and discouraging abusive trading practices by individuals on commodity futures markets. However, CEA agrees with the GAO report that the number of such investigations has not been sufficient to provide the optimum deterrent to such practices. The fact remains, however, that the CEA is not and will not be able to perform an adequate number of trade-practice investigations with its present personnel and funds. The agency believes it would be unwise to divert personnel from other assignments to perform these investigations. Because of its conviction that more trade-practice investigations are needed, CEA has included \$146,700 in its 1967 budget request for trade-practice investigations.

The Commodity Exchange Authority has long had a plan for trade-practice investigations and the number of such investigations planned during each fiscal year has appeared in our budget estimates. Due to staff limitations and the press of work, occasioned in considerable part by the steady increase in the volume of futures trading, the CEA has not been able to complete the planned investigations in recent years. For example, three investigations were planned in fiscal 1963 and only one was completed. In 1964, three were also planned, with two being completed. Four were planned in fiscal 1965, including trade-practice investigations of both the soybean meal and soybean oil markets, but only one investigation was completed. The CEA has not planned investigation of the soybean market during recent years because it has not had and does not now have sufficient personnel to perform a meaningful trade-practice investigation of a market as large as the current soybean market. If additional funds are provided in fiscal year 1967 for this type of work, a trade-practice investigation of the soybean market would receive first priority.

Of the 21 markets on which there were no trade practice investigations during the 5-year period ending June 30, 1964, 6 were major markets. On four of these markets, trade practice investigations were planned during this period, but not made due to the press of other work. The other 15 markets, which together with the 6 major markets mentioned above comprise the 21 markets referred to by GAO, were of extremely minor importance. The combined trading on all 15 of these markets during this 5-year period was only seven-tenths of 1 percent of the total trading on all regulated markets. A number of these markets went for periods of from 1 to 4 years without a futures trade being made. Trading has been suspended on 5 of these markets and on 6 of the remaining 15 markets there has been no futures trading during the last 2 fiscal years.

REVIEW OF RECORDS OF CONTRACT MARKETS

*(a) GAO findings and recommendations*

CEA did not review, on a periodic basis, the records of contract markets. As a result, CEA was not in a position to know whether it was being adequately apprised of the operations of the contract markets and may not have had in its possession the necessary information to effectively administer and enforce the provisions of the act.

In view of the action proposed by CEA, we are not making a recommendation on this matter at this time; however, we plan to review the effectiveness of the action to be taken.

(b) *CEA comments*

We feel that the CEA has in the past been adequately apprised of contract market operations and has had in its possession sufficient information effectively to administer and enforce the Commodity Exchange Authority Act. However, we are constantly striving to improve effectiveness in this area and, at the suggestion of the GAO, the agency recently put into effect a plan calling for periodic review of the books and records of contract markets on which futures trading is active. Sufficient time has not elapsed for us to evaluate the effectiveness of these periodic reviews. At a later date we will make such an evaluation to determine whether the plan should be continued in its present form, expanded, or discontinued.

STUDY OF FLOOR TRADING

(a) *GAO findings and recommendations*

CEA has not evaluated the effect on futures prices of floor trading involving a practice whereby members of a commodity exchange trade for their own accounts. Floor traders enjoy special privileges and advantages over the trading public, and the possibility exists that floor trading may adversely affect the futures price of a commodity. A study made by the Securities and Exchange Commission (SEC) of floor trading on the securities markets resulted in the adoption of plans designed to eliminate such trading not considered beneficial to the market. Since it appears that similar effects could result from such trading in commodities, we believe that CEA should study the floor-trading activities on futures markets in order to determine whether trading by members for their own accounts adversely affects futures prices and whether floor traders abuse their special privileges and advantages.

We recommend that the Secretary of Agriculture direct CEA to undertake a study of the extent of floor trading and the influence of such trading on futures prices of commodities. The study should have as its objective the establishment of controls which may be needed to restrict or abolish floor trading in order to protect the public. In conducting the study of floor trading on futures markets, it may be helpful to CEA to examine into reports and procedures which the SEC found to be an effective means of measuring the influence of floor trading on the price of securities.

(b) *CEA comments*

It would seem desirable, in our opinion, to make a study of floor trading on commodity exchanges to determine the need for and effect of such trading. In considering the desirability of such a study and in comparing the need for a study of commodity markets with the recent study of the securities exchanges by the Securities and Exchange Commission, we must recognize that there are basic differences between commodity and securities markets. Securities exchanges provide for a "specialist" system under which the member acting as a specialist in a particular stock, in addition to executing orders for other members, buys and sells for his own account for the purpose of providing reasonable price continuity by evening out temporary disparities between public supply and demand. Since commodity markets do not have a "specialist" system, floor trading is a necessary part of their operation. Whether the amount of floor trading now being done in the various commodity markets is essential to the proper functioning of the markets, and the manner in which this trading is being done, would be important subjects for study.

A floor trading study would necessarily be a large undertaking and could not be made within the limits of CEA's present appropriation. We do not feel that such a study is of sufficient urgency as to require our seeking additional funds at the present time.

Mr. WHITTEN. Mr. Michel?

DEFINITION OF TERMS

Mr. MICHEL. I have only one question, Mr. Chairman, and that would be in order to make the record complete on the operation of

trading in futures. You refer to several practices which are commonly known in the trade, but not necessarily outside the trade, and some of our dictionaries are a little slow in picking up some of these terms.

Could we, for the record, have your definition of the terms you used on the bottom of page 3—wash trading, bucketing, cross trading, prearranged trading, fictitious trading, offsetting of orders, and accommodation trading.

Mr. CALDWELL. Yes, sir.

(The definitions requested follow:)

*Wash trading.*—Entering into or purporting to enter into transactions for the purpose of giving the appearance that purchases and sales are being or have been made but without actually taking a position in the market.

*Bucketing.*—Directly or indirectly taking the opposite side of a customer's order into the handling broker's own account or into an account in which he has an interest, without bona fide execution in accordance with the rules of a contract market.

*Cross trading.*—Indirectly bucketing a customer's order, or indirectly offsetting the buying order of one customer against the selling order of another customer, or wash trading by means of transactions with another floor broker who is engaged in a similar type of trading.

*Prearranged trading.*—Trading between brokers in accordance with an expressed or implied agreement or understanding which results in their trading with each other.

*Fictitious trading.*—Wash trading, bucketing, cross trading or any other device, scheme or artifice whereby the execution of a trade is reported or recorded but in fact no bona fide execution has occurred.

*Offsetting orders.*—Directly or indirectly filling a customer's purchase order against another customer's sale order without bona fide execution of such orders in accordance with the rules of a contract market.

*Accommodation trading.*—Wash trading entered into by one broker to assist another broker to make cross trades, wash trades, etc.

#### SOYBEAN SCANDAL

Mr. MICHEL. That is all, Mr. Chairman, except that I would make one observation. In view of this tremendously increased volume, notwithstanding the limitations that we find being imposed by the departments to carry on a war effort and one thing and another, we best not shortchange our questioning and keeping a checkrein on some of these activities because they could very well get out of hand. Is the soybean scandal involved in any of the cases you are referring to?

Mr. CALDWELL. No, sir; that is not involved. Some of the same people that were indirectly involved in the soybean scandal are involved in some of these cases, however.

Mr. MICHEL. That is all, Mr. Chairman.

Mr. WHITTEN. Mr. Langen?

#### POTATO MARKET SURVEY

Mr. LANGEN. Mr. Chairman, and Mr. Caldwell, I note on page 5 your reference to the potato market and necessity to make some survey of the potato market, particularly in view of pending legislation and some concerns that—I guess we both know—have been expressed relative to the potato market's future. What were the results of your survey?

Mr. CALDWELL. It has been put in report form and we have distributed reports. I will be glad to send up a copy if you would like to have one.

Mr. LANGEN. I would appreciate having one. I note further, early in 1966, you felt it necessary to make a further survey. Is that in progress now?

Mr. CALDWELL. That was the latter part of 1965. We made the survey for hearings that will be held in 1966. I have a copy right here, if you would like. I will just pass this down to you.

Mr. LANGEN. Do you have any comment relative to the results of the survey; as to whether it reflected proper operation of the potato futures market?

Mr. CALDWELL. It seems to me that the significant features of the study are that the potato prices were relatively stable during the period covered, in spite of the large volume of trading.

Secondly, there was an extremely large volume of trading in potato futures.

Thirdly, there was a big increase in speculation in the market and there was also a big increase in hedging by producers and others in the potato industry in Maine and elsewhere. I guess those would be the salient points that would be covered.

#### FICTITIOUS TRADING

Mr. LANGEN. I note in the number of violations that Mr. Michel referred to just a moment or two ago, one item in particular, fictitious trading. What is involved in fictitious trading? Has there been any such activity?

Mr. CALDWELL. Yes, sir. There has been quite a bit of fictitious trading. That means a trade which has all the appearances of an actual trade made in the pit or ring of an exchange, but, really was made by arrangement between two parties or by one party buying and selling to himself, that type of thing.

Mr. LANGEN. Now, these are judged on the basis of what effect they might have on the futures market? Is this correct?

Mr. CALDWELL. That is right.

Mr. LANGEN. So, if any such manipulation is going on, it would have an effect on the futures market, to the benefit of some individual participating in that futures market. Would this constitute a violation?

Mr. CALDWELL. Any time you take bids or offers out of the ring or pit, you are taking competition out, which has an effect upon price. And the theory of futures market is that the competition should set the price.

Mr. LANGEN. Now the reason I ask and the chairman has already made some references to it, because it does attract considerable attention around the country. When the Commodity Credit Corporation announces that they have a volume of wheat that is available for sale, that announcement has an effect on the market and obviously on the futures market. Then as time goes on, as was revealed before this committee the other day, the sales are not actually made in that volume at any time. This is a combination of events that certainly has all of the characteristics of actions being taken that do have an effect on the futures market, and would be manipulation.

Mr. CALDWELL. Futures markets are, of course, very sensitive and they are affected by Government announcements and various and sundry other things.

#### FLUCTUATION OF FUTURES MARKETS

Mr. LANGEN. Is it a part of your business to watch all of those outside of the Commodity Credit Corporation, whose actions or announcements of sales or intended purchases have that effect on the futures market?

Mr. CALDWELL. It is our responsibility to watch these; yes, sir. And if we find evidence that false information is being disseminated, either willfully or carelessly, that would be a violation of the Commodity Exchange Act.

Mr. LANGEN. Do you do that by your own selection or do you do it on the basis of somebody reporting to you and saying that, "We think you ought to investigate an announcement or purchase or contract that was called to our attention."

Mr. CALDWELL. It could be either way.

Mr. LANGEN. So that you, yourself, keep a rather constant survey of the market for any unusual reflections?

Mr. CALDWELL. We most assuredly do.

Mr. LANGEN. I think this becomes rather involved, in view of these Commodity Credit sales. Suppose, as an example, that the Commodity Credit made such announcement and there was a rather sharp decline in the market, maybe that decline was not necessarily due to the announcement by Commodity Credit. It may have been due to somebody else having been a participant in a transaction at exactly the same time. How is your judgment going to be able to determine what happened?

Mr. CALDWELL. Well, you are quite right. Changes in futures prices are seldom the result of any one thing. There are various factors pulling in both directions on futures prices at all times. But, by analysis of the situation, you are able to tell from where the major influence comes.

Mr. LANGEN. You also made reference to a particular instance with regard to wheat somewhere in your statement, I noted. What was the significance involved there? "Wheat price manipulation in May of 1963."

Mr. CALDWELL. In May of 1963, we have charged that a large grain company manipulated the price of wheat on the Chicago Board of Trade and of cash wheat in Chicago. That case is still pending. Hearings have been held on the Government's portion of the case, but the respondents still have an opportunity to present their case. That will be done sometime in the near future.

Mr. LANGEN. These were manipulations that affected the market so that the price went up; correct?

Mr. CALDWELL. That is the charge; yes, sir.

Mr. LANGEN. What was involved in such manipulation?

Mr. CALDWELL. It is alleged that this firm had control of the futures market and of the available supply of cash wheat in Chicago and used this control in such a way as to require that people on the opposite side of the market pay higher prices than would be justified.

Mr. LANGEN. In other words, if I understand you correctly, they had control of sufficient volume of wheat so that, by holding it back off the market, in some manner or another, they were able to bring the price up and then sell it later?

Mr. CALDWELL. They had control of sufficient amount of wheat futures and available stock in deliverable position, and removed most of these stocks from deliverable position prior to the close of futures trading.

Mr. LANGEN. How do you determine what amount that would take? Is there any guidelines or rule of thumb?

Mr. CALDWELL. There is no rule of thumb on this. Every situation is a little bit different and we have to analyze all of the factors in each particular situation to determine whether there is evidence of price artificiality and control.

Mr. LANGEN. There must be some outside dimension as to percentage of the total crop, or—

Mr. CALDWELL. No, sir; there really isn't.

Mr. LANGEN. Or percentage of sales within a given time?

Mr. CALDWELL. No. Under one set of circumstances, a small percent of the market might be sufficient to use for manipulation purposes. Under another set of circumstances, it might require a much larger percentage of the market.

Mr. LANGEN. I think that is all, Mr. Chairman.

Mr. WHITTEN. Gentlemen, we thank you. May I say for the record, this committee has felt that, as small as this unit has been, it has done an excellent job through the years. The agency has held itself tight and we have gone along with it.

I do think that what the Comptroller General has said will put us on notice to step out ahead with this increase in volume of trading. We have been on this committee long enough to realize that there are gamblers, whether on the stock market or elsewhere, and where they are blocked on one commodity, they will turn to another. We have seen this and we have heard you testify about it. So, with the situation today and the outlook for the future, I think it is well that you are asking for more people. Even at that, this is probably one of the most economically run activities of the Department. I think you do more work with fewer people than many others, to say the least. And we have been proud of your record, and I think you will find that we have backed you to the limit to be sure that this fine record is maintained.

Mr. CALDWELL. Thank you, Mr. Chairman.

THURSDAY, MARCH 3, 1966.

## RURAL COMMUNITY DEVELOPMENT SERVICE

## WITNESSES

JOHN A. BAKER, ASSISTANT SECRETARY OF AGRICULTURE  
 ROBERT G. LEWIS, ADMINISTRATOR, RURAL COMMUNITY DEVELOPMENT SERVICE  
 A. T. MACE, DEPUTY ADMINISTRATOR, RURAL COMMUNITY DEVELOPMENT SERVICE  
 CELMA B. GILLILAND, DIRECTOR, PROGRAM OPERATIONS DIVISION, RURAL COMMUNITY DEVELOPMENT SERVICE  
 JAMES S. WOOD, DIRECTOR, FIELD OPERATIONS DIVISION, RURAL COMMUNITY DEVELOPMENT SERVICE  
 JOHN A. SMALLWOOD, ASSISTANT TO ADMINISTRATOR FOR MANAGEMENT, RURAL COMMUNITY DEVELOPMENT SERVICE  
 EMMANUEL BAUM, DIRECTOR, REGIONAL DEVELOPMENT AND STAFF, RURAL COMMUNITY DEVELOPMENT SERVICE  
 JACK STASSI, ADMINISTRATIVE ASSISTANT, RURAL COMMUNITY DEVELOPMENT SERVICE  
 CHARLES L. GRANT, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE  
 GEORGE WALDMAN, CHIEF, BUDGET BRANCH, OFFICE OF MANAGEMENT SERVICES

## SALARIES AND EXPENSES

*Object classification*

[In thousands of dollars]

	1965 actual	1966 estimate	1967 estimate
Personnel compensation:			
11.1 Permanent positions.....	99	413	2,484
11.3 Positions other than permanent.....			8
Total personnel compensation.....	99	413	2,492
12.0 Personnel benefits.....	7	31	186
21.0 Travel and transportation of persons.....	9	108	528
22.0 Transportation of things.....		10	20
23.0 Rent, communications, and utilities.....	5	45	100
24.0 Printing and reproduction.....	3	25	32
25.1 Other services.....	1	9	20
25.2 Services of other agencies.....		9	10
26.0 Supplies and materials.....	2	12	50
31.0 Equipment.....	3	25	30
99.0 Total obligations.....	129	687	3,468

*Personnel summary*

	1965 actual	1966 estimate	1967 estimate
Total number of permanent positions.....	10	71	237
Average number of all employees.....	8	37	221
Average GS grade.....	10.7	10.4	10.5
Average GS salary.....	\$11,846	\$11,298	\$11,402

Mr. WHITTEN. Gentlemen, the committee will come to order.

We have with us today Mr. John Baker, representing the Secretary, and Mr. Robert G. Lewis, Administrator of the Rural Community Development Service, together with Dr. Mace and his other associates.

Mr. Lewis, in our hearings this year, we have had some problems. I just reviewed, this morning, the testimony at the beginning of the session when we had before us the Secretary of the Treasury, Mr. Fowler, and the Budget Director, Mr. Schultze. After having studied the Department of Agriculture's budget, I called this to Mr. Schultze's attention: that throughout the budget for the Department this year, in almost every place where the Congress has provided that funds be distributed under a formula fixed in the act, the Budget Bureau has cut those funds. In many places where the funds can be used to suit the Secretary, or those under him, they have increased the funds. This goes right down the line.

When the Secretary, Mr. Freeman, for whom we have the highest personal regard, was before us, I called his attention to these facts. I won't read all of the testimony, but when the subcommittee met, I pointed out to the Secretary:

You recommend that the school milk program be cut by \$82 million. You recommend that the school lunch be cut by \$19 million. This in the face of the fact that it is expected that the number of meals served next year will increase by some almost 200 million.

Also, I pointed out to the Secretary that in this budget, which he advocates and which you are obligated to support, he wants to cut the agriculture conservation program from \$220 million to \$100 million, exclusive of administrative funds. Under the budget that we have before us, the ceiling on the funds the Rural Electrification Administration could lend would be cut to \$220 million from \$365 million. The Department and the Bureau of the Budget also recommend that we cut the State experiment stations by about \$7.5 million.

For the Extension Service, they do provide some increases in those funds subject to the will and whim of the Secretary. It is to be noted that in the school lunch program, the part the Secretary wants to distribute at his own discretion, was increased by some 225 percent, from \$2 million to \$6.5 million. I mention that so that you may know that in this budget, where your group has a big increase, that such increase comes at the expense, or is predicated on cutting all of these other worthwhile activities. In a speech he made the Secretary was very proud of the fact that he had recently added some 128 recreation specialists.

#### INCREASE REQUESTED FOR 1967

From the justification, I note that the increase here for the Rural Community Development Service is just "out of this world," as compared to other activities of the Department. I have just turned and looked up the statement when this activity was started, when Dr. Mace testified. He wanted a small staff to coordinate the activities of the various agencies.

When these programs first came up, they went to my late friend, Mr. Albert Thomas, in the Independent Offices Subcommittee. Our committee insisted if we were going to get Agriculture to help with these programs by helping in the coordination, that there should be

some funds allocated to the Department. In other words, we shared a little responsibility in getting the Department in on this program. But I thought it was to help with FHA and Extension Service and 4-H Clubs and all of the things we had, so that we would better utilize them. I never conceived of setting up a duplicating or competing agency. Dr. Mace, look back to the hearings when you were first before the committee in 1964. I said, "How many people do you want? How many folks are you asking for in this budget?" He said 33. The testimony was, and I won't repeat it all, that this was a little unit to coordinate the work of the longtime agencies of the Department in these fields so as to fully utilize those proven arms of the Government in these new programs. I said, Dr. Mace, "How many do you expect to get next year?" He said, 36.

PERSONNEL ASSIGNED FROM OTHER AGRICULTURE AGENCIES

Now this is so much like Government. Here, just a few years later, in 1966, we find out you not only have a large regular staff but have added that many, 36 people, during fiscal year 1966 without Congress knowing it. You are making other agencies pay for them; you haven't cleared it with anybody in the Congress; you have added them without any notice to anybody, some 36 people of your choosing, carried on other payrolls. I want the positions, grades, salaries, and agencies from which assigned for the record for those. Also I would like a résumé of the previous experience of these people within the Department and the date of assignment to RCDS for the use of the committee.

(The information requested for the record follows:)

*Personnel assigned to the Rural Community Development Service from other department agencies during the fiscal year 1966*

Agency from which assigned	Title	Grade	Salary
Agricultural Research Service.....	Rural community development officer.....	GS-15	\$20,595
	do.....	GS-15	20,005
	Program analyst.....	GS-12	10,619
	Secretary-stenographer.....	GS-7	7,511
Soil Conservation Service.....	do.....	GS-7	7,097
	Rural community development officer.....	GS-15	20,005
	do.....	GS-15	19,415
	do.....	GS-15	17,055
Farmers Home Administration.....	Secretary-stenographer.....	GS-7	6,890
	do.....	GS-7	7,511
	do.....	GS-7	7,304
	do.....	GS-7	7,304
Forest Service.....	Rural community development officer.....	GS-15	20,595
	Rural community development specialist.....	GS-13	13,815
	Secretary-stenographer.....	GS-7	7,511
	do.....	GS-7	6,683
Consumer and Marketing Service....	do.....	GS-7	6,683
	do.....	GS-5	5,181
	do.....	GS-7	7,304
	do.....	GS-7	7,304
Agricultural Stabilization and Conservation Service.	Rural community development officer.....	GS-15	18,825
	Rural community development specialist.....	GS-13	13,815
	Secretary-stenographer.....	GS-7	7,511
	Clerk (typing).....	GS-5	6,096
Agricultural Stabilization and Conservation Service.	Clerk-stenographer.....	GS-5	5,523
	Rural community development officer.....	GS-15	18,825
	do.....	GS-15	20,005
	Rural community development specialist.....	GS-13	12,510
	Secretary-stenographer.....	GS-7	6,476

NOTE.—In addition to the above 27 employees, there are 7 vacancies which are scheduled to be filled by assignment from the agencies during the fiscal year 1966, and 2 previously assigned, which would make a total of 36 employees so assigned.

Mr. WHITTEN. Now, I go a little further and find that the description of your activity is the same from year to year, as this has grown. By reading the justifications you can't tell one year from the other, so far as describing what your place in the Department is.

In 1964, this was to provide leadership and initiative in the formulation of plans to coordinate and expedite, and to maintain liaison.

And in 1965, it is about the same, to coordinate and to facilitate. And in 1967, which is this year, it is to provide leadership, formulate plans, coordinate, and expedite.

Now, from 33 people and \$88,000 in that earlier period, you have gone to \$118,945 in 1964, \$181,000 in 1965, \$625,000 in 1966, to which must be added your draw on other agencies, and next year, you want to go up to \$3,468,000—which is, as I say, at the expense of these other programs. You ask 5½ times the size of the 1966 appropriation.

At the outset, they just wanted three small field offices over the whole country, to bring this thing together. Last year you said there would be 20 additional field offices. This committee was skeptical about that need. Now you estimate 40 State offices, 10 with a director, a deputy, program specialist, and secretarial support, and 30 with a director, a deputy and a secretary; in addition you request 20 district fieldmen to serve 300 counties. You are now asking for a total increase of 170 man-years including 77 new professional positions in the field and 31 new professional employees in Washington.

All of this has come because of this committee's willingness, to cooperate in providing you with a small unit to coordinate the effort of the folks you already had in the Department.

I mention this in advance, as I did with the Secretary, so that in your statement you might show us why this is more important than these things at whose expense it is being pushed.

Mr. LEWIS. Mr. Chairman, I will try in my statement to demonstrate to you and to the committee, the need for our service by rural people; farm people, and their neighbors in the small communities and others in the open country, for more equitable access to benefits and services of the Federal Government which are presumably intended to serve all citizens, but which have not been reaching rural people with full effectiveness.

#### EFFECTIVENESS OF AGRICULTURE FIELD OFFICES

Mr. WHITTEN. Mr. Lewis, are you saying the Farmer's Home Administration in my area is not reaching the people; that the county agent is not reaching the people; that the Office of Economic Opportunity is not reaching the people; that the REA is not reaching the people? Now, tell me, who it is that is not reaching them? I agree that these services should be made available; but this is a condemnation, if I may say so, of all of these other people in the Department and elsewhere.

Mr. LEWIS. No, sir; not at all. The Department of Agriculture programs are reaching people and we are not addressing ourselves to their services. Our concern is the services of agencies outside of the Department of Agriculture.

Mr. WHITTEN. You mean they are not doing the job unless you get in there and supervise them? I notice that they refused to allocate

this money to you. They said, if you are going to get in this field, you get your own money out of the appropriations committee. You see, they have refused to allocate these funds, around \$3 million, to you to do this. You have come to us trying to get it, and you have a hard sell.

Mr. LEWIS. The reasons for the failure of some of these programs, to be fully effective in rural areas, are not anyone's fault; they are just facts that exist. For example, the rural communities have a scattered population and the cost of providing service per capita is relatively high for many of the things like educational programs, health care, training programs, and things of that kind. Community facilities are more expensive per capita. We have seen the rural electrification program, for example, recognize that special need of the rural areas, and apply a solution to it.

Now, we need to apply special solutions to some of the other programs as we have with electricity, in order to make these programs fully effective in the rural areas.

#### HOUSING

For example, in the case of housing, we have examined the figures and we find that for every 37 houses built with Federal assistance in the cities and suburbs, only one has been built in rural communities.

Mr. WHITTEN. Let me tell you the story about that. I just don't believe there is any area that you can touch on that there isn't some body in the field who knows something about it. This committee can claim some credit there. There is some value of being around here for a number of years. You remember things.

Each time they passed the Housing bill, in the years I have been here, they have always put a section in the Housing bill for rural housing. The first act carried \$500 million in a revolving fund for rural housing. Do you know why they did it? To get votes in the Congress, so I am told. They got some rural votes in the Congress; and then for years they never did implement this provision. It stayed there dormant for years and years. It served its purpose, it got enough votes to pass the city housing bill.

I can cite chapter and verse to prove it. Then it was for farm housing, that is the way it was described. They required that a man had to obtain his chief income from farming to be eligible for a housing loan. That eliminated all of these people who live out of town but work in the cities, which is good for them, for the cities and for the countryside. So this committee changed the word "farm" to "rural." With that change, we don't need your help, if I may say so, in this area.

Let me tell you why. Once funds were made available it went like hotcakes, because the demands for money have been greater than they could provide. The Department has had stop orders from the Bureau of the Budget, stopping them from lending this money on several occasions, the demand was so great.

Now, in many areas the interest rate is all right. In many areas the banks who would buy mortgages and could have bought them in small towns, like Coffeerville and some other towns in my district, just weren't interested in buying FNMA paper or any other. So through this means, we managed to get funds down there.

But your trouble right now is not in promoting requests. We might hire you to work at the Bureau of the Budget to get some money for the program, because that is where the hitch has been all along.

Mr. BAKER. Mr. Chairman, if I might interrupt and agree with the Chairman, I lived through this same experience.

Mr. WHITTEN. You were here when I first came here, Mr. Baker. You can perhaps add more to this.

Mr. BAKER. No, I just wanted to say that your committee has certainly been a powerful factor in improving and broadening the rural housing program. And, as you pointed out, it has only been in the last few years, where you did, with all your pushing and broadening of legislation, this program has expanded and is meeting a real need in rural America.

Mr. WHITTEN. Just to go in a rural area and see it, you would be surprised. That is one of the things in which we take pride. By the time you do something around here, and it begins to get out in the field, people forget where it started. That is natural, but to ride through the rural areas and see how the communities are developing, leaves me with an inner satisfaction in knowing where it came from. By the time it is actually done, you are about the only one that remembers where it came from. But the important thing is that it is good for the country.

Mr. BAKER. A very fine program.

Mr. WHITTEN. But I don't believe we need to peddle money for rural housing when we haven't had the money budgeted or released.

#### MANPOWER DEVELOPMENT AND TRAINING

Mr. LEWIS. Sir, I cited rural housing as an illustration of programs which have been in effect for a long time which do not, until they get special attention, such as given by this committee, become successful in the rural areas. Another one which I think is perhaps one of the most vital rural programs that there is, is the manpower development and training program. We have a very sharp reduction in employment in agriculture in rural areas, in many parts of the country, over the past 10, 15 years, and there are millions of heads of families in rural communities who are severely underemployed, even though they may be working long hours every day. They are earning very little for their work. They could, if they had the opportunity to get some remedial education, some basic literacy training, and some skills developed; they could become productive people.

Mr. WHITTEN. I can't argue with you about that, Mr. Lewis. But how many agencies do we have handling that type of problem?

Mr. LEWIS. Well, sir, that particular program is carried out in collaboration between the Department of Labor and the Office of Education. And the place that we fit in, as we see it, is to overcome the peculiar disadvantages of the small rural communities, where it is difficult to assemble classes large enough for efficient and economical instruction.

Mr. WHITTEN. I can tell you of many people who would be surprised when you name those two agencies, to hear that economical operation is the chief thing they have in mind; but perhaps so.

Mr. LEWIS. The fact of the matter is that last year, only 18 percent of the trainees in the manpower development and training program originated from rural areas, and only 3½ percent of all of the trainees were trained in a locality of 10,000 population or less.

That means two things, I think, that are very important to this committee. One is that rural people disproportionately are not getting the benefits in accordance with their needs because of at least half of the people who need this kind of training are from rural communities.

The other is that even of the 1 out of 5 who do come from rural areas to get the training, all but 3½ percent had to leave their local community and go to a town of 10,000 or more before they could have access to the training.

#### UNAUTHORIZED INCREASE IN MAN-YEARS

Mr. WHITTEN. I don't argue with that, but the point is why do we need you to expand your agency 5½ times to meet the problem?

In the first place, before we created your organization, it was my own belief these programs worked better with old line, experienced agencies. I believe in the county agents, I believe in 4-H Clubs, I believe in REA, I believe in Farmers Home Administration. This committee is the one that pushed farm home visitors. We kept on 4 or 5 years after the executive department wanted to get rid of them.

So the points you are making, I think are well made. But I question two things: the first is how this agency ever got from 33 employees, which Dr. Mace sold the committee on, up to its present level. Then you want to increase it 5½ times above what you are doing presently. I don't think there is any justification for it.

I am going to tell Mr. Baker this and your budget officer, Mr. Grant. I don't think that there is any hint in our prior hearings of your plan to hire these extra 36 people this year, telling other agencies the names of who to hire and directing such agencies to pay them from funds requested and justified for other purposes, and charge their cost to other agencies of the Department. You did this without any consultation with the Congress whatsoever.

Mr. LEWIS. Sir, the Secretary's purpose in this was to focus the resources of the Department to some extent through our agency to meet the Department's overall general responsibility for rural development. And he felt that could be done more efficiently if a part of the resources and manpower of the various agencies were concentrated for the purpose of concentrated planning and liaison work, particularly in discussions with the other departments of the Government, so that they in turn could work with the other agencies in the Department of Agriculture in helping to, what we call, "extend the reach" of these other programs of the Federal Government out to the rural people.

The problem is not with the Department of Agriculture programs, for which it is responsible. The Department has field offices in practically every county in the country and they are performing I think very capably in getting the USDA programs out to the people.

The problem is that the other departments in the Government do not have field offices in the small communities and it has been felt that it would be less economical for them to enlarge their own field operations and to set up a series of duplicating field organizations—

Mr. WHITTEN. That being true, what would you think, Mr. Lewis,

if we went along with the personnel requested and provided no funds and just asked you, since they agree that you can do it more economically, to look to them to voluntarily allocate funds to you? You know they would not and they would be right.

Mr. LEWIS. Well, sir, I think it is the special responsibility of our Department, which is responsible for rural people and whose personnel are familiar with rural problems and who personally care about rural problems, and for the committees of Congress that are charged with the responsibility for rural areas, to make sure that this gets done rather than to depend upon other departments and the initiative coming from other committees.

Mr. WHITTEN. Let me turn to Mr. Grant.

How many people of the 36 were charged to each agency?

Mr. GRANT. As of the present time, there are a total of—

Mr. WHITTEN. Let the record show how many were assigned to each agency.

Mr. GRANT. A total of 29—5 in the Agricultural Research Service; 6 in the Soil Conservation Service—

Mr. WHITTEN. You are wording that as though they were taken from that agency. Now isn't it a fact the agencies were told to employ these people and have them assigned to the Rural Community Development Service? That is not the same as the allocation of existing personnel.

Mr. GRANT. Yes, sir; you are right.

Mr. WHITTEN. In other words, this agency went out and hired them, or the Secretary laid his finger on who he wanted to employ, told ARS to hire them, and then assigned them to this unit. Your records indicate that they just assigned their existing personnel. The truth was the agencies were told to hire them and pay it out of their own pocket.

Mr. GRANT. Yes, sir.

Mr. WHITTEN. Give us the dates of those orders and we would like copies of the orders included in the record. Also supply the committee with the names of such personnel.

Mr. GRANT. Yes, sir; I will get them for you.

(The information follows:)

There was no formal order directing the agencies to assign these employees to the Rural Community Development Service. The recommendations submitted by the Administrator of RCDS were reviewed in the Secretary's office and the general staffing plan, including the assignment of employees from other Department agencies, was approved by the Secretary. This was after discussions with representatives of the Office of the General Counsel as to the legal aspects of the matter. The agencies concerned were advised informally by the Secretary's office that they would be expected to assume the salaries and related costs of certain employees who would be assigned to RCDS.

(Copies of intradepartmental correspondence on this matter follow:)

#### MEMORANDUM

U.S. DEPARTMENT OF AGRICULTURE,  
RURAL COMMUNITY DEVELOPMENT SERVICE,  
Washington, D.C., June 25, 1965.

To: John A. Baker, Assistant Secretary.

The Office of Management Services has completed work on the analysis of RCDS personnel requirements which you asked me to have prepared to comply with the Secretary's request of you last week.

This analysis is based on the assumption that all travel and other expenses for the entire proposed Washington office staff would be provided out of (1) the funds budgeted for RCDS, under its direct appropriation; (2) the funds budgeted for transfer from ARA; and (3) the funds provided by the deficiency appropriation for the Appalachian program.

The funds budgeted would provide for 10 positions in Washington. This would leave a shortfall of 19 professional positions (grades 9 through 15) and 13 clerical and secretarial (grades 4 through 7) to be provided in Washington by detail from other agencies.

The budgeted funds would provide for staffing 30 one-man State field offices, with a secretary for each.

This would leave a shortfall of 10 State field coordinators with secretaries (totaling 20 positions); and 40 deputy State coordinators (40 positions) in order to reach the goal of a 2-man office in each of 40 States having substantial numbers of rural families in the poverty category, and which could serve the remaining 10 States.

No provision has been made in these estimates for covering travel and other expenses of the additional field personnel that is needed, as was done in the case of the additional personnel in Washington. That means that if details were made to complete the field staffing, some provision would be needed also to cover expenses of the needed additional personnel.

The collateral problem of the ceiling on the number of persons in GS grades 14 and above has been analyzed also by OMS. As the attached table illustrates, the proposed RCDS staffing pattern would exceed the ceiling applied to RCDS on positions in the higher grades. This, of course, is to be expected, as the increase in total staff that is proposed requires a roughly proportional increase in the higher grades, too. But it raises the added problem that it would be necessary either to get an increase in the USDA ceiling on the higher grades, or to reduce the ceilings of other agencies in order to compensate for the increase needed by RCDS.

I am attaching copies of the OMS "Analysis of the District of Columbia and Field Position Structure," on which the foregoing comments are based.

The line identified in the right margin as (A) presents the conclusions relating to the staff provided, and the additional staff needed, in Washington.

The line identified as (B) presents the conclusions relating to the staff provided, and the additional staff needed, in the field.

The line identified as (C) presents the totals of personnel in Washington and in the field provided from each source, and the total needed to complete the proposed staffing pattern.

The adjustment for miscellaneous costs indicates a deficient balance of \$14,389 in the "Appalachia" item. This reflects roughly the \$15,000 by which the budget request was reduced in the deficiency appropriation that was passed for Appalachia purposes. This amount will need to be provided for by operational economies, delays in hiring, etc., throughout RCDS during the fiscal year, and represents no serious problem.

ROBERT G. LEWIS, *Administrator.*

*Number of positions in GS-14 and above*

	1965 target (1)	On board as of June 23, 1965 (2)	1966 target (3)	Suggested staffing pattern (4)	Col. (4) minus col. (3), increased positions in additional needs, GS-14 and above
<b>District of Columbia:</b>					
GS-18.....		1		1	+1
GS-17.....	1	1	1	1	
GS-16.....					
GS-15.....	9	8	9	15	+6
GS-14.....	2	2	2		-2
Total District of Columbia.....	12	12	12	17	+5
<b>Field:</b>					
GS-18.....					
GS-17.....					
GS-16.....					
GS-15.....				13	+13
GS-14.....	1	1	1	27	+26
Total field.....	1	1	1	40	+39
Grand total, Rural Community Development Service.....	13	13	13	57	+44

NOTE.—The above table reflects the need for adjustment in grades GS-14 and above in order to arrive at your suggested staffing pattern.

## Proposed staffing plan for rural community development service

Source of funds	Position	Grade
Administrator's office:		
RCDS	Administrator	GS-18.
RCDS	Deputy Administrator	GS-17.
RCDS	Secretary	GS-9.
ARA	do	GS-9.
Administrator's staff	do	GS-7.
	Assistant to Administrator (program review).	GS-15.
	Secretary	GS-7.
	Management officer	GS-12.
Program Operations Division		
	Director	GS-15-(16).
	Deputy Director	GS-15.
	Secretary	GS-7.
Housing and community facilities staff:		
ARA	Chief	GS-15.
	Program analyst	GS-12.
	Secretary	GS-7.
Economic and jobs development staff:		
ARA	Chief	GS-15.
	Program analyst	GS-12.
	Secretary	GS-7.
Schools, education, and training staff		
	Chief	GS-15.
	Program analyst	GS-12.
	Secretary	GS-7.
Economic opportunity, health, and welfare staff.		
	Chief	GS-15.
	Program analyst	GS-12.
	Secretary	GS-7.
Natural resources conservation and development staff.		
RCDS	Chief	GS-15.
	Deputy chief	GS-15.
	Program analyst	GS-12.
	Secretary	GS-7.
Family farm development staff		
	Chief	GS-15.
	Program analyst	GS-12.
	Secretary	GS-7.
Field Operations Division		
	Director	GS-15-(16).
	Deputy Director	GS-15.
ARA	Assistant director	GS-15.
	Secretary	GS-7.
	do	GS-5.
Multistate developments staff:		
Appalachia	Director	GS-15-(16).
	Deputy Director	GS-15.
	Program analyst	GS-11.
Do	Secretary	GS-7.
USDA, Office of Information		
	Information specialist	GS-13.
	do	GS-9.
	Secretary	GS-4.

Number of office	Source of funds	Number of positions	Title	Grade
State field offices:				
1st through 12th	ARA	12	State director	GS-14-15.
	ARA	12	Secretary	GS-4.
13th	Appalachia	1	State director	GS-14-15.
	do	1	Secretary	GS-4.
14th through 30th	RCDS (1966 budget)	17	State RCDS director	GS-14-15.
	RCDS (1966 budget)	17	State office secretary	GS-4-5.
31st through 40th		10	State RCDS director	GS-14-15.
		10	State office secretary	GS-4-5.
1st through 40th		40	Deputy State RCDS director.	GS-13.

*Analysis of District of Columbia and field position structure, fiscal year 1966*

Grades	Suggested staffing pattern		Distribution under S. & E.		Distribution under A.R.A.		Distribution under Appalachia		Additional needs	
	Number	Salary cost	Number	Salary cost	Number	Salary cost	Number	Salary cost	Number	Salary cost
GS-18.....	1	\$24,500	1	\$24,500						
GS-17.....	1	23,695	1	23,695						
GS-16.....	15	273,090	1	18,740	3	\$55,080	1	\$19,310	10	\$180,560
GS-14.....										
GS-13.....	1	13,335							1	13,335
GS-12.....	7	81,090							7	81,090
GS-11.....	1	9,555							1	9,555
GS-10.....	3	24,110			1	7,955			1	7,465
GS-9.....	11	70,400	1	8,690					11	70,500
GS-8.....		6,800								6,430
GS-7.....		6,825								5,825
GS-6.....	1	4,950							1	4,930
GS-5.....	1	4,950							1	4,930
District of Columbia personnel compensation.....	42	538,240	4	75,695	4	63,035	2	28,845	32	370,735
District of Columbia benefits.....		40,368		3,672		4,728		2,163		27,805
(A) District of Columbia personnel compensation and benefits.....	42	578,608	4	81,297	4	67,763	2	31,008	32	398,540
Field personnel compensation.....	120	1,474,200	40	440,654	24	243,104	2	22,680	54	767,782
Field benefits.....		110,565		33,049		18,233		1,701		57,882
Adjustment for miscellaneous costs for financing additional District of Columbia needs.....			-6	-59,683					+6	59,683
(B) Field personnel compensation and benefits.....	120	1,584,765	34	414,020	24	261,337	2	24,381	60	885,027
(C) District of Columbia and field personnel compensation and benefits.....	162	2,163,373	38	495,317	28	329,100	4	55,389	92	1,283,567
All other (budget).....				195,000		69,000		9,000		
Miscellaneous cost adjustment.....				-159,683						
Total.....				750,000		398,100		64,389		
Total available.....				750,000		398,100		50,000		
Balance.....								-14,389		

DEPARTMENT OF AGRICULTURE,  
Washington, D.C., July 2, 1965.

Memorandum to Secretary Freeman.

Subject: Staffing the Rural Community Development Service.

After careful review by John Baker and Bob Lewis of the present RCDS staffing, and the minimum personnel required to do the job, they have determined that an additional 32 people will be needed in the Washington, D.C., headquarters staff, as follows:

	Number
GS-15-----	10
GS-13-----	1
GS-12-----	7
GS-9-----	1
GS-7-----	11
GS-5-----	1
GS-4-----	1
Total-----	32

A list of the individual positions is attached.

To provide the additional people needed, we recommend that they be made available by formal detail from other agencies to RCDS, except for three information workers to be assigned to the Office of Information. Individual employees would be selected by Bob Lewis in consultation with John Baker, and the agency head would be requested to make the people available on detail. Agencies detailing employees would continue to pay their salaries. RCDS would finance the travel and other expenses of the 29 people detailed to RCDS.

In addition to the Washington staff, it may be necessary to arrange for another 60 people or more in the field at a later date, but we are not in a position to develop firm recommendations on this at this time.

After Bob Lewis has identified the individuals to be detailed, you could meet with the agency heads concerned to explain the situation and request their cooperation.

JOSEPH M. ROBERTSON,  
Assistant Secretary for Administration.

*Additional positions required in Washington, D.C.*

## Rural Community Development Service:

## Administrator's office:

Assistant to the Administrator (program review)-----	GS-15
Management officer-----	GS-12
Secretary-----	GS-7
Secretary-----	GS-7

## Program Operations Division:

Director-----	GS-15
Deputy Director-----	GS-15
Secretary-----	GS-7

## Housing and Community Facilities staff:

Program analyst-----	GS-12
Secretary-----	GS-7

## Economic and Jobs Development staff:

Program analyst-----	GS-12
Secretary-----	GS-7

## Schools, Education, and Training staff:

Chief-----	GS-15
Program analyst-----	GS-12
Secretary-----	GS-7

## Economic Opportunity, Health, and Welfare, staff:

Chief-----	GS-15
Program analyst-----	GS-12
Secretary-----	GS-7

## National Resources Conservation and Development staff:

Chief-----	GS-15
Program analyst-----	GS-12
Secretary-----	GS-7

## Family Farm Development staff:

Chief-----	GS-15
Program analyst-----	GS-12
Secretary-----	GS-7

## Field Operations Division:

Director-----	GS-15
Deputy Director-----	GS-15
Secretary-----	GS-7
Secretary-----	GS-5

## Multi-State Developments staff:

Deputy Director-----	GS-15
Secretary-----	GS-7

## Office of Information:

Information Specialist-----	GS-13
Information Specialist-----	GS-9
Secretary-----	GS-4

DEPARTMENT OF AGRICULTURE,  
OFFICE OF THE SECRETARY,  
Washington, D.C., August 24, 1965.

To: Secretary Freeman.

From: Joseph M. Robertson, Assistant Secretary for Administration.

This is a further followup of the July 2, 1965 memorandum to you on the staffing plan for Rural Community Development Service.

Bob Lewis is now ready to proceed with staffing on the basis of the plan you approved as is outlined in exhibit A.

You will note there that this staffing plan calls for a total of 47 positions in the Washington area. These positions will be financed as follows:

Rural Community Development Service-----	4
Area Redevelopment Act-----	4
Appalachia-----	2
USDA Agencies-----	37
Total-----	47

It is proposed that the personnel to be detailed to RCDS come primarily from the six big agencies in the Department in approximately the following numbers:

Agricultural Research Service.....	5
Soil Conservation Service.....	7
Consumer and Marketing Service.....	5
Agricultural Stabilization and Conservation Service.....	9
Farmers Home Administration.....	4
Forest Service.....	9
Total.....	39

There will be some grades GS-14 and GS-15 involved in this detail and I would propose that the agencies be authorized to exceed their targets for these grades to the extent necessary because of details to RCDS. There is an additional small, but knotty, problem involved. It is perhaps best illustrated by Bob Lewis' desire to secure the services of (1) in the Federal Extension Service.

Lewis wants (1) to head up his "schools, education, and training staff" and would propose to promote him from GS-14, his present grade in the Extension Service, to GS-15 in RCDS. Lloyd Davis is quite anxious to secure a GS-15 for (1) in FES because he says that he's essential to his undertaking.

I point this out because it may be possible that some of the agency heads will approach you personally about losing their people to this service. It will not be possible for us to authorize the agencies to recruit at the same level that Lewis recruits at without indulging in the wildest sort of grade escalation.

I can understand why the agencies will have some difficulty understanding this, but if we're really going to give RCDS work priority, it cannot be any other way.

If this proposal meets with your approval, I will move quickly to get Bob Lewis the people that he needs.

Approved:

ORVILLE L. FREEMAN.

#### EXHIBIT A

#### *Proposed staffing plan for RCDS*

Position	Grade	Source of funds
<b>Administrator's office:</b>		
Administrator.....	GS-18	RCDS.
Deputy Administrator.....	GS-17	RCDS.
Secretary.....	GS-9	RCDS.
Do.....	GS-8	ARA.
Do.....	GS-7	ARS.
<b>Administrator's staff:</b>		
Assistant to Administrator.....	GS-15	ARS.
Do.....	GS-15	RCDS.
Do.....	GS-15	ASCS.
Secretary.....	GS-7	FS.
Do.....	GS-7	SCS.
Management officer.....	GS-12	C. & M.S.
Secretary.....	GS-5	ARS.
File clerk.....	GS-4	FS.
<b>Program Operations Division:</b>		
Director.....	GS-15	SCS.
Deputy Director.....	GS-15	C. & M.S.
Assistant Director.....	GS-15	ASCS.
Assistant to the Director.....	GS-9	SCS.
Secretary.....	GS-7	ASCS.
Do.....	GS-7	ARS.
Do.....	GS-5	FHA.
<b>Housing and community facilities staff:</b>		
Chief.....	GS-15	ARA.
Program analyst.....	GS-12	FS.
Secretary.....	GS-7	FS.
<b>Economic and Jobs Development Staff:</b>		
Chief.....	GS-15	ARA.
Program analyst.....	GS-12	ARS.
Secretary.....	GS-7	ASCS.
<b>Schools, education, and training staff:</b>		
Chief.....	GS-15	FHA.
Program analyst.....	GS-12	SCS.
Secretary.....	GS-7	ASCS.

<sup>1</sup> Names omitted.

EXHIBIT A—Continued  
Proposed staffing plan for RCDS—Continued

Position	Grade	Source of funds
<b>Program Operations Division—Continued</b>		
<b>Economic Opportunity, Health and Welfare Staff:</b>		
Chief.....	GS-15	FS.
Program analyst.....	GS-12	C. & M.S.
Secretary.....	GS-7	FS.
<b>Natural resources conservation and development staff:</b>		
Chief.....	GS-15	ASCS.
Program analyst.....	GS-12	ASCS.
Secretary.....	GS-7	FS.
<b>Family farm development staff:</b>		
Chief.....	GS-15	FS.
Program analyst.....	GS-12	FHA.
Secretary.....	GS-7	ASCS.
<b>Field Operations Division:</b>		
Director.....	GS-15	SCS.
Assistant Director.....	GS-15	FS.
Do.....	GS-15	ARA.
Secretary.....	GS-7	ASCS.
Do.....	GS-5-6	C. & MS.
<b>Multistate developments staff:</b>		
Director.....	GS-15	Appl.
Deputy Director.....	GS-12	FS.
Program analyst.....	GS-11	Appl.
Secretary.....	GS-7	SCS.

OCTOBER 8, 1965.

To: Robert G. Lewis, Administrator, RCDS.

From: Joseph M. Robertson, Assistant Secretary for Administration.

This is my understanding of the staffing pattern we have now agreed upon for the staffing of Rural Community Development Service:

1. The position of Assistant to the Administrator—the GS-14 now held by [name omitted]—will be added to the staffing pattern agreed to by the Secretary on August 24.

2. The two program analysts at the GS-12 level for the Housing and Community Facilities Staff and for the Schools, Education and Training Staff, now occupied by [name omitted] at the GS-13 level, will become a part of the established staffing pattern for these two divisions only. The other divisions will be staffed at the GS-12 level as agreed to on August 24.

3. So far as the five additional clerk-typists or clerk-stenographers at GS-4 to GS-6 discussed in Mr. Lewis' September 15 memorandum is concerned, these positions will not be activated until the need for them is demonstrated and Mr. Lewis and I discuss it.

This should not be construed in any manner to prevent Mr. Lewis from recruiting at a lower level for the positions approved in the staffing pattern of August 24.

It is understood that the staffing pattern approved August 24, marked schedule A, is the accepted and agreed upon staffing pattern for RCDS with the exceptions noted above in this memorandum.

NOVEMBER 10, 1965.

To: Secretary Freeman.

From: Joseph M. Robertson, Assistant Secretary for Administration.

This is a further review of developments and plans for staffing the Rural Community Development Service since my memorandum to you of August 24, 1965.

Bob Lewis has made good progress in recruiting people for his State office director positions. Our request for suitable appointment authority is expected momentarily from the Civil Service Commission. When this is received we shall discuss with you publicity arrangements we feel are needed. In the meantime, we are commencing a quiet survey of office housing facilities in the field locations selected by Bob Lewis.

We have slightly revised the positions and financing of the RCDS Washington staff for the current fiscal year as follows :

Agency	Positions	Amount
FHA.....	3	\$29,957
SCS.....	6	57,118
ARS.....	5	46,933
C. & M.S.....	4	30,834
FS.....	9	77,168
ASCS.....	9	78,532
Subtotal.....	36	320,542
RCDS.....	15	133,473
Total.....	51	454,015

Mr. Secretary, the substance of this financing arrangement should now be discussed with each agency by you, the Under Secretary or me. Bob Lewis has 30 people ready to go into the 36 positions, and others are under consideration. The discussions should be done by the close of business Friday, November 12, 1965. I am available and will be happy to do this if it is your desire. In fact, I recommend that I be held responsible for carrying this out.

Mr. WHITTEN. Go ahead, Mr. Grant.

Mr. GRANT. Consumer and Marketing Service, five; Agricultural Stabilization and Conservation Service, six; Farmers Home Administration, three; and Forest Service, four. That is the present list.

Mr. WHITTEN. Where are those people assigned to? Where do they work? Where are they located?

Mr. GRANT. They work for the Rural Community Development Service.

Mr. WHITTEN. Are they in Washington or in the field?

Mr. GRANT. They are in Washington.

Mr. SMALLWOOD. All are in Washington.

Mr. WHITTEN. Did you request this, Mr. Lewis?

Mr. LEWIS. I recommended it, sir.

Mr. WHITTEN. You had nothing to do with the fact that the Secretary didn't tell us nor did Mr. Baker or anybody else tell Congress?

Mr. LEWIS. Well—

Mr. BAKER. Mr. Chairman.

Mr. WHITTEN. Our committee justified your budget last year, before the full committee, Mr. Baker. Congress approved it. Then we find out you don't pay a bit of attention in the world to it.

Mr. BAKER. Mr. Chairman, the budget last year was justified and approved to augment the field office, as the chairman pointed out earlier. In assuming the added function and responsibility provided in the President's farm message of better than a year ago now—of emphasizing this function of the responsibility of the Department of Agriculture to be sure that programs of other departments of the executive branch that were important to the development of rural America—programs that are important to the raising of income or reducing unemployment or bringing about rural industrialization in rural America—that the Department of Agriculture should have a special responsibility and function of making certain that these important programs outside the Department went beyond the city line, as the President put it, and got into rural America in effective workable ways.

Part of this job is a coordinating job at the State office level of the different agencies. A big part of the job also, we discovered, is the

contacts and work necessary in Washington between the Department of Agriculture, for example, and Department of Health, Education, and Welfare, to develop a workable and effective means of enabling us to help them get their program out to rural areas.

It was for this reason, Mr. Chairman, that the Secretary felt it was necessary to provide a strong Washington staff to perform this latter function of working with the other departments of the executive branch to develop ways and means of getting their programs to rural America effectively.

Mr. WHITTEN. I have been on this committee a good many years. This is the first time that I recall this has ever happened. This appropriation bill, as I recall, was signed in October or November, which was many, many months after the President's message. For the Department or the Secretary or Assistant Secretary, to direct old-line agencies to hire people, particular people by name, and attempt to have the record show they were just regular personnel assigned to a particular job, I never have seen the likes of that.

Now we had an official from your Department the other day who reported that he has done some of those kind of things before, but I have never dealt with that kind of operation in my experience here.

Mr. BAKER. Mr. Chairman, there was no intention here of either violating the budget or no intention here of violating our good working relationships with the committee.

Mr. WHITTEN. Well, I need not charge any wrongful intent. The act speaks for itself, when one does not follow the regular course, but goes around the house crawls in under it and comes out at the doorstep as has been done here: the way it was done speaks for itself, Mr. Baker.

Here is an agency told by the Secretary to hire particular people by name and assign so many to this agency. The act speaks for itself. You might proceed, Mr. Lewis.

Mr. LEWIS. Mr. Chairman, I have a prepared statement, which I would like to summarize, if I might.

Mr. WHITTEN. You might follow your own course. I regret having to get into this matter, but I think you can see why we are greatly disturbed by this incident. I did want to say that in advance so you could make such explanation as you might wish to.

We will be glad to have you present your statement as you would like.

Mr. LEWIS. I will summarize it as quickly as I can.

Mr. WHITTEN. We are not limiting you. If you want to go through it detail by detail, that will be perfectly all right.

#### JUSTIFICATION MATERIAL

Mr. LEWIS. Mr. Chairman and members of the committee, at this point I would be glad to insert in the record the following portion of the explanatory notes:

Purpose Statement.

Summary of Available Funds and Man-Years.

Leadoff Tabular Statement.

Summary of Increases.

Project Statement.

(The information is as follows:)

## PURPOSE STATEMENT

The Rural Community Development Service was established by the Secretary of Agriculture's Memorandum No. 1570 dated February 24, 1965. The Service provides leadership within the Department of Agriculture in formulating plans and evaluating operations pertaining to development of natural human resources in rural communities. It formulates plans for and evaluates operations of the "outreach" functions designed to assure rural citizens of a fully equal opportunity to participate in all services and benefits of the Federal Government for which they are eligible. This function is performed by operating USDA agencies in conjunction with their regular programs. It maintains continuous liaison with other USDA and non-USDA Federal agencies to oversee and expedite the operations of programs and provisions for coordination between several agencies. It also formulates and oversees the execution of special demonstration projects in rural community development and promotes continuous review of working relationships between the several USDA, non-USDA Federal, other public, and private agencies involved in work affecting rural community development.

The Rural Community Development Service had three field offices in operation as of June 30, 1965. It is anticipated that 23 field offices will be established by the end of fiscal year 1966.

*Available funds and man-years, 1965, and estimated, 1966 and 1967*

Item	Actual, 1965		Estimated available, 1966		Budget estimate, 1967	
	Amount	Man-years	Amount	Man-years	Amount	Man-years
Rural Community Development Service: Salaries and expenses.....	\$181,872	8	\$637,000	37	\$3,468,000	221
Other funds:						
Assistance to EDA program (Department of Commerce).....	384,626	25	199,316	14		
Assistance to economic opportunity program (Office of Economic Opportunity).....	9,784					
Miscellaneous reimbursements.....	3,622					
Total, other funds.....	398,032	25	199,316	14		
Total, Rural Community Development Service.....	579,904	33	836,316	51	3,468,000	221

NOTE.—In addition to the number shown above for 1966, 36 employees of various agencies of the Department are assigned to help initiate the expanded functions of the Service. Under the budget estimate, it is not contemplated that these assignments will be continued in 1967.

*Salaries and expenses*

Appropriation Act, 1966.....	\$625,000
Proposed supplemental, 1966, for increased pay costs.....	12,000
	637,000
Base for 1967.....	3,468,000
Budget estimate, 1967.....	
	+2,831,000

## Summary of increases

	1966 available	Increases		1967 estimate
		Pay costs	Other	
To strengthen the planning, liaison, coordinating, and administrative functions of the Rural Community Development Service.....	\$637,000	+\$3,500	+2,827,500	\$3,468,000

## Project statement

Project	1965	1966 estimate	Increases		1967 estimate
			Increased pay costs (Public Law 89-301)	Other	
1. Program coordination and direction..	\$179,365	\$637,000	+\$3,500	+\$2,827,500	\$3,468,000
Unobligated balance.....	2,507				
Total increased pay costs (Public Law 89-301).....		(12,000)	(+3,500)	(+77,500)	(93,000)
Total available or estimate.....	<sup>1</sup> 181,872	637,000	+3,500	+2,827,500	3,468,000

<sup>1</sup> Includes a supplemental appropriation of \$50,000 made in 1965 for the Appalachian program. All of this amount is being obligated in 1966.

## GENERAL STATEMENT

Mr. LEWIS. The budget request I am presenting is for the Rural Community Development Service. The request in fiscal year 1967 is for \$3,468,000, an increase of \$2,831,000.

The mission of the Rural Community Development Service is to help people in rural communities to overcome the "gaps in opportunity" that handicap children and their parents, and which deprive the old people of a decent level of comfort and security.

Here are some of the "gaps in opportunity" that afflict the people of the Nation's farms and their neighbors in rural communities:

Gross farm income is reaching an alltime high this year. Net farm income will be higher this year than in any year since the war in Korea. Even so, the disposable income per person of the farm population is only about 60 percent of the average received by the nonfarm population. Fewer than 400,000 farmers—only 1 in 9—earn a wage for their labor comparable to that of skilled industrial wage earners—about \$2.50 per hour—after allowing for only a 5-percent return on their investments.

The proportion of families living in poverty is twice as high in rural communities as in the cities and suburbs. Less than one-third of the Nation's total population lives in rural communities, yet almost half of the families with incomes below the poverty line live there. One out of five of the million children born in rural America each year is born into a family living in poverty.

The average adult rural male is about 2 years behind the national average in time spent in school.

Only 30 percent of rural high school seniors go on to college, compared to 50 percent of the high school seniors in urban communities.

Children in rural families receive only one-third as much service time from doctors and dentists as urban children. The death rate of children ages 5 to 14 is 50 percent higher in rural communities than

in urban areas. The rural death rate is double the urban rate for young people ages 14 to 24.

Unsanitary water supplies and unsafe waste disposal facilities create serious and chronic health hazards in many rural communities.

The number of accidental deaths from farm machinery is one and a half times as great as the number of deaths resulting from machinery in urban industry. Yet emergency services, including ambulances, are often inadequate or completely nonexistent in rural areas. Throughout much of the western half of the country, local public health services are almost totally lacking.

When underemployment is taken into account, about 13 percent of the rural adult male labor force is idle. This rate of rural unemployment equivalent is more than three times the national unemployment rate.

There are more inhabited houses in rural communities that are not fit to live in than in all the city slums of the Nation put together. The proportion of dilapidated and substandard houses is three times as high in rural communities as in urban centers.

There is real and deep concern among the people of rural America for their rural communities—for the opportunities they provide, and for the conditions they provide under which to live, to work, and to raise families. Rural people talk about these questions in their local groups. They write about them. They vote about them. They have said they want their Federal and State Governments to help make their communities into what they want them to be.

Development of the resources of an area must begin with people. Any plans for change must reflect the attitudes, the traditions, the values, and the beliefs of the people.

Rural areas development is a nationwide effort of the people and by the people to develop the resources of their own communities to provide economic, educational, and cultural opportunities for those who wish to live there and for their children. The local people study their own resources and their own opportunities, and they take responsibility and initiative for making their own decisions as to what they want to do to develop their own future. It is a movement supplemented and supported by the various agencies of the Department of Agriculture—and by other units of Government—as public services, information, know-how, and programs are made available to local people to use as they choose for themselves.

#### AIMS OF RURAL AREAS DEVELOPMENT MOVEMENT

The aims of the rural areas development movement can be stated as follows:

To preserve and strengthen the family farm system of agriculture.

To increase the income of rural people and eliminate the causes of underemployment in rural areas.

To make continuous and systematic efforts to eliminate the many and complex causes of rural poverty.

To expand rural job opportunities through loans, grants, technical services, and training programs that create new factories, stores, trades, recreational enterprises, crafts, and services of all kinds.

To strengthen and expand opportunities for rural cooperatives.

To provide technical and financial assistance necessary to conserve, use, and develop soil, water, forest, fish and wildlife, and open spaces around our metropolitan centers.

To help rural people to improve existing community facilities and, where needed, to build new ones so that they have pure water supplies, first-rate schools and hospitals, adequate streets and roads, and other services that must be standard for a community to be truly modern.

To develop new and improved opportunities for creative and satisfying rural life, work and recreation for all who choose it.

#### REASONS FOR "GAPS IN OPPORTUNITY"

The reasons for the existence of the "gaps in opportunity" that handicap rural people are complex, but they are generally related to three principal factors:

First, because the rural population is scattered, it is impossible to provide many services as economically as can be done in the cities. Rural governments are generally small and poorly financed and the cost of public services is proportionately high. Rural businesses and other community activities likewise are handicapped.

These handicaps have been accentuated during the past generation by the sharp decline in employment in farming, in mining, and in forestry in many rural communities. The lack of good public services and community facilities and the lag in education and skills development of the working force completes the circle of disadvantage by discouraging the development of new industries and work opportunities in rural areas.

Second, rural communities usually lack the services of professional personnel in their governments and specialized organizations such as are available in the cities to keep up with Federal programs designed to help all the citizens of the Nation. Rural officials and community leaders in many instances are not able to plan for use of Federal assistance programs and to develop qualified applications for such assistance. Thousands of rural communities do not even have adequate information about the services that might be available and for which they might be eligible, and they require relatively more guidance and technical assistance in the preparation of acceptable applications.

Third, many programs presumably intended to serve all Americans with impartiality, are administered in such ways as to make them unworkable or impractical in rural communities. For example, very few Federal Housing Administration loans or Public Housing Administration projects have taken place in rural communities, despite the fact that the proportion of unsafe, unsanitary housing is twice as high in rural areas. Since World War II, the Federal Government has helped to build 37 modern new houses in the cities and suburbs, for every single one that has been built with Federal assistance in rural communities.

Similarly, the manpower development and training program administered by the Department of Labor, which offers family living allowances for up to 2 years while heads of families are receiving intensive skills development and training courses, has not been fully effective in reaching rural unemployed and underemployed despite

the fact that the proportion of the unemployment equivalent in the rural population is more than three times as great as in urban areas. Only 18 percent of the total number of trainees last year were from rural communities. And only 31½ percent of the total trainees last year, according to a spot check which was made in the Department of Agriculture, received training in places of 10,000 or less population.

Moreover, few Federal programs have sufficient field offices and field personnel to be within convenient reach of small rural communities. Many of these programs are administered on what amounts to a come-and-get-it basis, and because the benefits and services available are not sufficient to meet all the needs of all eligible applicants, those from the larger cities with more ready access and better qualified professional staffs usually get there first. The result all too often is that the rural communities are left behind and left out.

Measures are being taken to overcome these shortcomings and to meet the special requirements of rural communities, but much remains to be done.

#### PARITY OF OPPORTUNITY

President Johnson has directed that all agencies of the Government take the action necessary to assure "parity of opportunity" to people in rural areas. Specifically, he directed all departments and agencies of the Federal Government to make their programs and services effective in the rural areas; he directed the Department of Agriculture to make its field offices available to help any other department of the Government that needs field services in rural areas; and he directed the Secretary of Agriculture and the Director of the Bureau of the Budget to review all existing programs, and to recommend whatever administrative or legislative steps might be needed to overcome obstacles preventing full effectiveness in rural areas.

The Rural Community Development Service has been assigned the responsibility for coordinating the operation of this three-point "out-reach" procedure. This work is now underway.

The budget requested for fiscal year 1967 will enable the Rural Community Development Service to complete its staff and to expand its service to all rural communities in all of the 50 States. We expect to have field operations partially underway in about 20 States by the beginning of fiscal year 1967 to serve all 50 States by the end of that fiscal year.

#### STAFFING

The increased funds will be used to establish 77 additional professional positions in the field. Of these, 17 will be State directors of new field offices, 31 will be deputy State directors, 9 will be program specialists, and 20 will be field representatives.

The Washington, D.C., headquarters staff will be increased by 31 professional employees.

The funds proposed will provide the following overall staff capability:

#### STAFF INCREASE IN WASHINGTON HEADQUARTERS

(a) A minimal administrative office staff and secretarial help, for program review and for management services.

(b) A Program Operations Division, comprised of a division headquarters and six staffs of program area specialists, who will be responsible for housing and community facilities; jobs development; schools, education, and training; economic opportunity, health, and welfare; natural resources development; and family farms development.

(c) A regional development staff.

(d) A field operations division headquarters for supervision and direction of Rural Community Development Service State offices.

#### STAFF INCREASE IN THE FIELD

(a) In Rural Community Development Service offices in 10 States with particularly large concentrations of disadvantaged people, there will be a Director, a Deputy, a program specialist, and secretarial support.

(b) In 30 other States there will be a Director, a Deputy, and secretarial support.

(c) Twenty Rural Community Development Service field representatives will be assigned to serve the 300 counties having the highest incidence of rural poverty, at the rate of about 15 counties per man.

Rural Community Development Service staff representatives in Washington are consulting systematically with each department and agency of the Federal Government, in order to determine what modifications need to be made in present administrative practices, and what it might be that USDA needs to do in order to help their services to reach people in the remote rural communities.

In consultation with the various USDA agencies through the Rural Areas Development Board and directly, recommendations are presented to the Secretary as to the specific duties and responsibilities that will need to be assigned to particular agencies of the Department in order to help extend programs of other departments to rural people.

State RCDS directors are responsible for making sure that the "outreach" services work effectively. They help USDA field representatives and community leaders with problems that arise in carrying out this "outreach" function, get the answers to operating problems, and maintain ready and continuous liaison with the agencies administering programs needed by rural people to make sure that they continue to work effectively.

#### RURAL OUTREACH FOR MEDICARE

The problems of reaching aged rural residents for enrollment in medicare provided an opportunity for applying the "outreach" function nationwide for a specific objective to be met in a very limited time. We are now in the midst of that effort. It is a good example of how USDA employees can be mobilized and, through plans developed by RCDS in consultation with other Federal agencies, give important help to rural people that otherwise they would have to do without. The problem was stated as follows in Assistant Secretary Baker's instruction to USDA agencies:

Beginning July 1, 1966, nearly all Americans 65 and over will become eligible for hospital insurance and voluntary medical insurance. The Social Security Administration is carrying out an extensive program to inform persons 65 and over of the opportunities and procedures under these new programs. The extension services are helping in this effort in rural areas.

However, many rural persons of advanced age may not be reached effectively enough for them to fully understand the program and be able to exercise their choices unless they are given special personal assistance.

Some will be enrolled automatically in the hospital insurance because they are social security or railroad retirement beneficiaries. However, every qualifying person needs to fully understand the benefits available, and must reach a decision and take specific action to enroll for the optional medical insurance. Those who are not covered automatically for hospital insurance will need to contact a Social Security representative to apply for that, also. Arrangements will need to be made for a Social Security representative to call at the home to fill out the application for some, and others may have to be taken to local Social Security offices.

The importance of getting enrolled before the March 31 deadline is that doing so will qualify the aged enrollee for medicare services beginning July 1, 1966. The earliest next chance to start getting services for those who miss the first enrollment would be July 1, 1968, 2 full years later.

The Social Security Administration was able to make direct mailings to some 17 million of the 19 million persons eligible for medicare and to reach about another million through local welfare agencies. But around 3 percent of the total or some 600,000 people cannot be reached through these means. And some of those who do get the mailed medicare information and the medical insurance enrollment cards may be unable to read and understand them because of advanced age, failing eyesight, or lack of education.

When our effort started, about half of the estimated 19 million eligibles had mailed in enrollment cards and about 10 percent of these had indicated "No" on medical insurance. Problems of understanding were revealed by comments on the cards such as "I have my own doctor," and by the large number of people who changed from a "No" answer to "Yes" when their application was followed up with a personal visit.

Commissioner of Social Security, Robert M. Ball, in a letter to Assistant Secretary John A. Baker just after the start of this effort, stated, in part, as follows:

I want you to know how much we appreciate the massive campaign you initiated on the part of the Department of Agriculture in helping us enroll rural residents in the medical insurance part of the medicare program. Such generous, unselfish cooperation is most welcome and I know it will make a major contribution toward the successful launching of the program next July.

The most significant tribute to your Department, however, will be the unexpressed yet heartfelt thanks of the many thousands of rural residents who, through your efforts, will obtain the full measure of protection that is theirs under the law now.

The nature of our activity has been this. At the turn of the year, all USDA agencies instructed their State and county representatives to work with social security officers to carry out a campaign to reach all eligible rural persons with the needed explanations of the medicare program and help with enrollment. The action that has taken place is illustrated by the following résumé for Mississippi.

The various agencies in Mississippi have sent out information and appeals to help eligible persons who might otherwise be missed, as follows:

Agricultural Stabilization and Conservation Service to 140,000 farm operators.

Farmers Home Administration to 16,000 borrowers.

Soil Conservation Service to 15,000 cooperators.

Vocational education to 1,200 teachers.

State forestry department to 1,400 employees.

The Forest Service is putting up 100 posters in its neighborhoods. The Extension Service is broadcasting an informational program from 68 radio stations; activating the RAD committees to organize local volunteer action; publishing articles in county agent publications. Interoffice communications were sent to 82 county ASCS managers; 78 county FHA supervisors; and 81 SCS unit conservationists, urging them to help organize a local campaign by coordinating councils, civic clubs, and other organizations. Fine cooperation with the Jackson social security office was reported.

Another typical report is from Crawford County, Ark. Two representatives of the district social security office presented the medicare program in detail, and the problems in finding some of the eligible persons, to other State and National Government representatives in the county. Among those present were representatives of the Extension Service, Farmers Home Administration, Soil Conservation Service, Agricultural Stabilization and Conservation Service, vocational agriculture, and the county welfare and health offices, mayors of two towns, and superintendents of the schools in the county.

The county papers and radio station are announcing the times, dates, and places of these meetings 1 week in advance. The school superintendents are making facilities available upon request for holding the meetings any time during the day. And individual letters have been sent to approximately 1,900 rural families on ASCS mailing lists urging them to help their neighbors and relatives, who are 65 or over, to get to the meetings when they are held in their community.

As a result of action planned at that meeting, three community meetings have been held and five more are scheduled, to cover the entire county. Social security men are at all meetings and eligible people can enroll on the spot.

#### "OUTREACH" FOR SMALL BUSINESS

The Small Business Administration directs the community development loans program, which is commonly called the 502 program. It gives financial help to rural communities to attract new industries to create new jobs.

I might say at this point that this program has done exceptionally well among Federal programs in reaching rural areas, but nevertheless, it has left many rural areas still unserved.

The Small Business Administration and the Department of Agriculture have agreed that USDA will take responsibility on a continuing basis for:

1. Stimulating rural community interest in the use of SBA loans to promote economic growth and job creation. RCDS will give direct help to county technical action panels and RAD committees and other leaders of rural communities;

2. Helping to organize local and State development corporations, and encouraging existing development corporations, which have become inactive, to come back to life. These are the local 58 agencies which actually make the loans and develop this kind of financing.

3. Working with development corporations to help them prepare applications, and then forwarding the applications to SBA field offices for action.

Rural Community Development Service field representatives and SBA area coordinators will be trained by SBA in the same training courses. This training will prepare RCDS personnel to give close and prompt help to the rural communities that need guidance to make use of this SBA program. As experience is gained in carrying out this "outreach" activity, consideration will be given also to training field personnel of other USDA agencies to help with this work.

Here are some examples of how SBA's "502 program" loans are being used to promote job-creating enterprises in rural areas:

1. The RCDS representative in Alabama is working with the Pell City Development Corp. He has helped lay the groundwork for a 502 loan to build a plant for the St. Clair Feed Co. The loan is now in process and if approved will enable small cattle ranchers to obtain feed at prices that make it possible to compete with larger corporations.

2. The RCDS representative in Arizona is working with the local development group in Pinal County. Through their joint efforts, a 502 loan application is in the beginning stages. This loan will enable a community group to build a plant for the manufacture of girls' dresses. Two hundred people will be employed in this operation.

3. The Craven County, N.C., Small Business Development Center was helped by an RCDS field representative to get a \$25,000 SBA loan approved under title IV of the Economic Opportunity Act. This was for operating funds for Craven Industries, which will do contract sewing, employing 160 people. In this community where jobs are very badly needed, local people raised \$13,500, and secured a participating loan of \$5,000 from the local bank, for operating and inventory expenses.

The operating loan was needed to get the company into production. Local people had formed a development company, sold shares of stock totaling \$32,000 and secured a direct 502 loan from SBA for \$126,000, to purchase 6.94 acres of land and construct building for lease to the manufacturer.

#### CONCERTED SERVICES IN TRAINING AND EDUCATION

The Rural Community Development Service has coordinated the planning by three departments, and is now coordinating the operation, of pilot operation of a concerted services in training and education program.

The program is underway in a "pilot" county in each of three States—St. Francis County, Ark.; Todd County, Minn.; and Sandoval County, N. Mex. The purpose of the program is to test the administrative effectiveness and results of applying all federally aided educational and training programs in a variety of rural communities. It involves the educational and training programs of the Departments of Agriculture; Health, Education, and Welfare; and Labor.

The county coordinators were on the job in the counties about October 1, 1965. RCDS performs the liaison among Federal agencies and supervises the county coordinators.

Many departments and agencies have stepped up their activities in those counties as a result of the stimulation of local initiative, in-

cluding several other than strictly training and educational in nature.

Smaller communities surveys have made excellent progress in all three counties in registering, testing, and counseling members of the labor force. The resulting manpower inventories will be unusually complete, and much supplemental information helpful to community planning is included. Information is already becoming useful in planning further economic action.

Adult basic education in 2 of the 4 school districts in St. Francis enrolled 148 adults, about half in elementary, half in high school. In Sandoval County, 50 were enrolled.

Elementary and Secondary Education Act program development in Todd County is complicated by the 7 small independent and 19 common school districts. As a result of stimulus to their efforts 7 of the first 54 proposals approved in Minnesota were in this county and plans are well underway for programs for the "common" districts. The second largest program in Arkansas was approved for Forrest City in St. Francis County—almost \$500,000 and programs are advancing for other districts and in Sandoval County.

Social services to needy families were augmented in Sandoval County by adding four workers in the welfare department.

Health services planning is moving forward in Sandoval County, where there is not a single medical doctor in residence, despite the huge area of the county and a population of more than 13,000.

A work experience program administered by Public Welfare—title V, EOA—was approved for 175 trainees in Sandoval County. It provides basic education, as needed, and training as teacher aides and household specialists and in home improvement, in park maintenance, and beautification. Programs are being developed for the other two counties.

Home Management projects are being developed to provide mobile home management training and counseling services to scattered families in Sandoval County, and to supervise homemaker aids to be trained under the work experience program in St. Francis County. It is expected that OEO funds and Extension Service supervisors will be used.

Vocational education courses in trades and industries were initiated in Sandoval County for the first time—48 years after the authorizing legislation was enacted. Vocational agriculture is being added at the beginning of the second semester of the 1965-66 school year. This illustrates the need for better outreach to rural areas of federally aided programs—in this case even though the program is aimed specifically at rural areas. Seventeen high school girls are taking part in a clerical work-study program.

In St. Francis County, a trade extension class in basic electronics for 30 enrollees started January 3, 1966. Todd County already had seven vocational agriculture and home economics departments and an area vocational school, with three others nearby.

Manpower Development and Training Act projects have required a great deal of time for development and review but a substantial beginning has been made.

In St. Francis County, three programs have been approved for a total of 160 trainees; 20 in licensed practical nursing, 20 in carpentry, and 120 in basic electronics.

In Todd County, three "farmer, general" courses are underway with 55 trainees. Five more for one hundred trainees are being set up. A graphic arts course to train 20 workers for local printing industries has been approved by state employment security division.

The emphasis on the basic farm management course reflects Todd County's small farm situation. Gross incomes in 1959 for half its 2,400 farms were less than \$5,000. Barely one out of five farmers grossed as much as \$10,000.

For Sandoval County a heavy machinery operator course has been approved by the State authorities for 120 trainees. A multioccupations project for 60 trainees, and 1 to be conducted in Albuquerque that would accommodate 60 enrollees from Sandoval County, are in process.

Neighborhood Youth Corps are in operation in all three counties. In St. Francis County 181 boys and girls began work September 28. A small work station in Todd County started in January 1966 in the Minnesota State Conservation Department project. In Sandoval County, 200 are employed in Bernalillo, 50 in Cuba. Proposals for Jemez Springs and for out-of-school youth submitted in October are not yet funded.

A community action agency proposal for St. Francis and two adjoining counties submitted in September 1965, was funded within the past few weeks. The other two counties are participating in community action agencies funded before concerted services coordinators began their work.

Agriculture programs in the counties are being reviewed for potential improvements and greater emphasis. Water and sewer loans for several communities are under consideration by FHA in each county. ACP payments were increased for ditch lining in Sandoval County. Crop insurance coverage was requested for Todd County. SCS assigned a conservationist to start work in Todd County on January 3, 1966.

Industrial development follows the promise of a trained labor supply. In St. Francis County, the electronics course has had a direct bearing on expansion of the existing electronics industry. A metal-working industry has acquired a site in Sandoval County for a plant expected to employ 100 workers. This will be the first significant modern industry in the county. Another factory requiring highly skilled workers is in prospect. An optical grinding plant is planned to start operating in Todd County as soon as five local workers can be trained in the required skills as a starting work force.

Among these activities, the work experience, MDTA, and NYC programs all provide immediate income to the people enrolled, in addition to the long-run prospect of better jobs through training and education. Both the work experience and MDTA programs consider farmers with net family incomes of less than \$1,200 to be eligible for training allowances. The work experience program is social services related (providing for family health, child day care, counseling) and provides assistance grants to meet total needs by welfare assistance standards of the State. Present MDTA allowances in these counties range from \$28 to \$61 per week depending on the State and number of dependents. Certain separate maintenance or commuting costs are covered also.

The greater gains from concerted services are long-range depending upon the continuity of the training and education efforts and how the skills developed can be put to work.

ROLE OF OTHER AGENCIES IN RURAL DEVELOPMENT

Mr. WHITTEN. Thank you, Mr. Lewis.

Let me make this one statement. This is a very good description of the obligation and the responsibilities of various departments and agencies of the Government. Your place, as I understand it, is to pick up where they fail to discharge their responsibilities, which are set out in basic acts creating those agencies.

I would like to have supplied for the record a description of the various activities of other departments and agencies which are concerned with community or area development programs. The Social Security Administration has full responsibility for medicare; the various agencies of the Department of Agriculture have responsibility in their particular area; HEW has responsibility, as you know, for carrying out other programs in this broad field of endeavor. The Office of Economic Opportunity is also in this area.

I would like in the record here to carry information showing responsibilities and programs of the various departments and agencies in this field, the funds available, and the number of offices and personnel engaged in these programs.

(The information appears on page 55.)

Mr. WHITTEN. It comes back to this, Mr. Lewis: these folks have the prime responsibility. They have the money. You feel that they need a fifth wheel, if I may say so, to see that they do what they are supposed to do. You think that you can reach these rural people that they can't reach.

I don't know how anybody could find you more accessible than they would find the social security workers in my county or any other county.

You don't have any money to lend?

Mr. LEWIS. No, sir.

Mr. WHITTEN. These other agencies have the money to lend and jurisdiction under the law, and they have caseworkers and fieldworkers in this area—many, many thousands.

When you ask that your agency be increased five and a half times next year, is that an indication that you are failing to do your job now?

Mr. LEWIS. We are not fully reaching the whole country.

Mr. WHITTEN. What is the feeling of these other agencies when you step in and say, "you are really not doing the job right; we are going to step in here and help you; we will tell you where to distribute your funds."

Mr. LEWIS. We generally find, sir, they have been very receptive to the idea.

Mr. WHITTEN. As long as they don't have to allocate any money to you. They have turned you down on allocating funds for you to do the job?

Mr. LEWIS. I think, sir, the thing is that special measures need to be taken, as the President recognized in his message this year, that the present field facilities—

Mr. WHITTEN. Having the kindest feelings toward the President does not cause us to accept his views. I just read you some of his recommendations with which I do not agree.

The budget would cut, school lunch and school milk, county agents, land-grant colleges, soil conservation, watershed treatment, and watershed planning. And now you want us to turn over responsibility here to an agency without any money to go out and duplicate or at least discharge the responsibility of these other agencies who have the money to lend and money to pay, with the people whose job it is to do it.

I just can't follow the President on a whole lot of these things, as you know.

Mr. LEWIS. Our purpose is to help the rural people develop their applications to get them in shape, to help make up for the lack—

Mr. WHITTEN. Why is it that these other agencies can't do it?

Mr. LEWIS. Sir, they didn't have adequate field resources to do it.

Mr. WHITTEN. Show here what activities they have and what resources they do have.

(The following information was submitted:)

## DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

### GRANTS FOR NEIGHBORHOOD FACILITIES

Brief description of program: Grants to local public bodies and agencies to finance specific projects for neighborhood facilities.

Estimated obligations or program level in 1967: In total, \$25 million.

### PUBLIC FACILITIES LOANS

Brief description of program: Direct long-term loans are made to municipalities and other subdivisions and instrumentalities of States and to Indian tribes for financing construction of essential public works.

Estimated obligations or program level in 1967: In total, \$30 million.

### FEDERAL HOUSING ADMINISTRATION LOAN INSURANCE PROGRAM

Brief description of program: The principal purposes of FHA are to improve home financing practices, to encourage improved housing standards and conditions, to further home ownership and to stabilize the mortgage market.

These objectives are achieved through the insurance of loans for financing the production, purchase, repair, and improvement of residential properties.

Estimated obligations or program level in 1967: In total, \$9,595 million.<sup>1</sup>

Estimated man-years of employment to administer programs in 1967: 9,286.

Number of field offices: 81.

### LOW RENT PUBLIC HOUSING

Brief description of program: Federal loans and annual contributions are made to finance local construction of low rent housing and to maintaining the low-rent character of such housing after completion.

Estimated obligations or program level in 1967: In total, \$260 million.

Estimated man-years of employment to administer programs in 1967: 1,673.

### WATER AND SEWER SYSTEMS GRANTS

Brief description of program: Grants to local public bodies and agencies for basic water and sewer facilities. The program is designed to promote effective orderly growth and development of communities.

Estimated obligations or program level in 1967: In total, \$100 million.

<sup>1</sup> Represents the face amount of loans of which all or a portion is covered by insurance.

## GRANTS FOR ADVANCE ACQUISITION OF LAND

Brief description of program: Grants are made to local public bodies and agencies to assist the timely acquisition of sites planned to be used in connection with future construction of public works or facilities.

Estimated obligations or program level in 1967: In total, \$5 million.

## LOANS AND GRANTS FOR URBAN RENEWAL

Brief description of program: Federal assistance to local governments for acquisition, clearance, redevelopment, and rehabilitation of slums and blighted areas.

Estimated obligations or program level in 1967: In total, \$725 million.

## OPEN SPACE LAND AND URBAN BEAUTIFICATION GRANTS

Brief description of program: Grants are made to State and local bodies to help finance acquisition or permanent interest undeveloped land in urban areas useful for park recreation, conservation, restoric or scenic purposes; also for the acquisition of developed land in buildup portions of urban areas to be cleared for use as permanent open space land.

Estimated obligations or program level in 1967: In total, \$85 million.

## ADVANCES FOR PUBLIC WORK PLANNING

Brief description of program: Interest-free advances to States, municipalities, local public agencies, and metropolitan areas, and regions for the planning of local public works.

Estimated obligations or program level in 1967: In total, \$10 million.

## URBAN PLANNING

Brief description of program: Grants to supplement State and local funds to financing comprehensive urban planning and to help communities solve planning problems resulting from changes in the urban economy and population.

Estimated obligations or program level in 1967: In total, \$35 million.

## OFFICE OF THE SECRETARY, SALARIES, AND EXPENSES

Brief description of program: Represents administrative expenses of the Office of the Secretary and certain operating programs.

Estimated obligations or program level in 1967: In total, \$44,084,000.

Estimated man-years of employment to administer programs in 1967: 3,602.

Number of field offices: 7.

## DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

## OFFICE OF EDUCATION

## ELEMENTARY AND SECONDARY EDUCATIONAL ACTIVITIES

Brief description of program: Grants to assist local school districts to expand and improve programs for educationally deprived children; to States for library resources, textbooks, and instructional materials for elementary and secondary schools; to local educational agencies for supplementary educational centers and services; and to strengthen State departments of education.

Estimated obligations or program level in 1967: In total, \$1,342,410,000; in rural areas, \$375 million.

Estimated man-years of employment to administer programs in 1967: In Washington, D.C., metropolitan area, 328; outside Washington, D.C., metropolitan area, in total, 61.

Number of field offices: 9.

## HIGHER EDUCATIONAL ACTIVITIES

Brief description of program: Grants to States for community service and continuing education programs to assist in solution of community problems; grants and contracts for college library resources, training of librarians, research to improve libraries, and catalog and bibliographic information by Library of Congress; grants to strengthen developing institutions; educational opportunity grants for financially needy undergraduate students; insured loan programs for college students; work-study programs for needy college students; teacher training and services programs; and grants to higher education institutions for instructional equipment and institutes to train faculty in use of such equipment.

Estimated obligations or program level in 1967: In total, \$475,272,000; in rural areas, \$23,500,000.

Estimated man-years of employment to administer programs in 1967: In Washington, D.C., metropolitan area, 225; outside Washington, D.C., metropolitan area, 99.

Number of field offices: 9.

## HIGHER EDUCATION FACILITIES CONSTRUCTION

Brief description of program: Grants and loans for undergraduate and graduate academic facilities and public community colleges and technical institutes. (Proposed legislation would enlarge loan program through sale of certificates of participation in pools of academic facilities loans.)

Estimated obligations or program level in 1967: In total, \$722,744,000; in rural areas, \$36,000,000.

Estimated man-years of employment to administer programs in 1967: In Washington, D.C., metropolitan area, 165; outside Washington, D.C., metropolitan area, 18.

Number of field offices: 9.

## EXPANSION AND IMPROVEMENT OF VOCATIONAL EDUCATION

Brief description of program: Grants are made to States for support and improvement of vocational education programs. Training for gainful employment as semiskilled or skilled workers and for business and office occupations is emphasized, and construction of area vocational schools is included. Grants are made for research and special project activities. A work-study program provides employment for students enrolled in vocational classes who are in need of financial assistance. The planning of experimental residential vocational schools where high dropout rates and youth unemployment prevail will be undertaken.

Estimated obligations or program level in 1967: In total, \$250,791,000.

Estimated man-years of employment to administer programs in 1967: In Washington, D.C., metropolitan area, 54; outside Washington, D.C., metropolitan area, 36.

Number of field offices: 9.

## GRANTS FOR PUBLIC LIBRARIES

Brief description of program: Grants are made to States for the further development of public library service and for construction of public library buildings.

Estimated obligations or program level in 1967: In total, \$57,500,000.

Estimated man-years of employment to administer programs in 1967: In Washington, D.C., metropolitan area, 73; outside Washington, D.C., metropolitan area, 0.

## DEFENSE EDUCATIONAL ACTIVITIES

Brief description of program: Payments to higher education institutions for student loan funds; grants to States and loans to nonprofit private schools for elementary and secondary instructional equipment and minor remodeling; grants to higher education institutions for graduate fellowships for college teachers; grants to States for elementary and secondary guidance, counseling, and testing programs, and institutes at higher education institutions for training counseling personnel; contracts with higher education institutions for language and area study centers, and modern foreign language fellowships; grants and contracts for research in educational uses of new media; grants to State educational agencies to strengthen statistical services; and institutes at higher education institutions to train elementary and secondary teachers in selected subjects.

Estimated obligations or program level in 1967: In total, \$239,357,000; in rural areas, \$29,000,000.

Estimated man-years of employment to administer programs in 1967: In Washington, D.C., metropolitan area, 252; outside Washington, D.C., metropolitan area, 27.

Number of field offices: nine.

## HOSPITAL CONSTRUCTION ACTIVITIES

Brief description of program: To assist the States in providing adequate hospital and medical facilities through a program of construction or modernization grants or loans; to improve the utilization of health facilities and their services through programs of research and areawide planning.

Estimated obligations or program level in 1967: In total, \$304,544,000; in rural areas, \$22,000,000.

Estimated man-years of employment to administer programs in 1967: In Washington, D.C., metropolitan area, 192; outside Washington, D.C., metropolitan area, 118; number of field offices, 9.

## DENTAL SERVICES AND RESOURCES

Brief description of program: To protect and improve the dental health of the Nation by developing methods for preventing, controlling, and treating dental diseases, by encouraging the adoption of proved methods, fostering research, and by providing assistance to State and local dental programs.

Estimated obligations or program level in 1967: In total, \$9,196,000; in rural areas, \$125,000.

Estimated man-years of employment to administer programs in 1967: In Washington, D.C., metropolitan area, 121; outside Washington, D.C., metropolitan area, 128.

Number of field offices, 9.

## MEDICAL CARE SERVICES

Brief description of program: To provide a focus within the PHS for medical care administration activities in general as well as the professional health aspects of the health insurance for the aged program.

Estimated obligations or program level in 1967: In total, \$13,901,000; in rural areas, \$1,250,000.

Estimated man-years of employment to administer programs in 1967: In Washington, D.C., metropolitan area, 174; outside Washington, D.C., metropolitan area, 132.

Number of field offices, 9.

## NURSING SERVICES AND RESOURCES

Brief description of program: To give leadership in nursing practice and research, to increase the number of nurses prepared for leadership positions and to provide a wide range of technical assistance designed to augment and improve nursing services through the Nation.

Estimated obligations or program level in 1967: In total, \$26,134,000; in rural areas, \$3 million.

Estimated man-years of employment to administer programs in 1967: In Washington, D.C., metropolitan area, 141; outside Washington, D.C., metropolitan area, 29.  
Number of field offices: 9.

#### FEDERAL WATER POLLUTION CONTROL ADMINISTRATION

##### WASTE TREATMENT WORKS CONSTRUCTION

Brief description of program: Grants to States, municipalities, or intermunicipal or interstate agency, for the construction of waste treatment works including intercepting and outfall sewers.

Estimated obligations or program level in 1967: In total, \$150 million; in rural areas, \$50 million.

Estimated man-years of employment to administer program in 1967: In Washington, D.C., metropolitan area, 31; outside Washington, D.C., metropolitan area: In total, 131; in rural areas, 104.

Number of field offices: In total, 131; in rural areas, 84.

##### APPALACHIAN REGIONAL DEVELOPMENT

Brief description of program: Grants to assist in preventing pollution of the streams of the region and to protect the health and welfare of citizens.

Estimated obligations or program level in 1967: In total, \$3 million.  
(Workload absorbed under the regular program.)

##### SEWER OVERFLOW AND STORM WATER CONTROL

Brief description of program: Grants to assist in the development of projects which will demonstrate new or improved methods of controlling discharges of untreated or inadequately treated sewage or other waste from storm or combined storm and sanitary sewers and conduct of research and demonstrations by contract.

Estimated obligations or program level in 1967: In total, \$20 million.

Estimated man-years of employment to administer program in 1967: In Washington, D.C., metropolitan area, 28; outside Washington, D.C., metropolitan area, 0.

#### VOCATIONAL REHABILITATION ADMINISTRATION

##### GRANTS FOR REHABILITATION SERVICES AND FACILITIES

Brief description of program: Provides funds to States on a matching basis to help them meet the costs of vocational rehabilitation services for physically or mentally handicapped persons having disabilities that are substantial vocational handicaps and can probably be enabled to work. Provides assistance to States and other public and nonprofit organizations, agencies, and institutions in establishment, construction, expansion, and improvement of public or other nonprofit rehabilitation facilities and workshops for the physically or mentally disabled.

Estimated obligations or program level in 1967: In total, \$259,060,000.<sup>1</sup>

Estimated man-years of employment to administer programs in 1967: In Washington, D.C., metropolitan area, 296<sup>1</sup>; outside Washington, D.C., metropolitan area, 83.<sup>1</sup>

Number of field offices: 9.

#### SOCIAL SECURITY ADMINISTRATION

##### MEDICARE

Brief description of program: Provides a basic hospital insurance plan and a voluntary supplementary medical benefits program. Coverage under both programs is extended to essentially all individuals aged 65 and over. Benefits

<sup>1</sup> At the present time it is not possible to identify the amount of program effort devoted specifically to the rural segment of the population. Data from an earlier study indicates that approximately one-third of all rehabilitants are from nonurban areas and about 15 percent of these are from farm areas.

under the hospital insurance plan will afford basic protection against the costs of inpatient hospital services, outpatient diagnostic services, posthospital home health services, and posthospital extended care. The supplementary medical benefits program will cover most physicians' services, home health services, and other related medical services. Benefit payments under both programs are effective on July 1, 1966, except for services in posthospital extended care facilities which will be effective on January 1, 1967.

Estimated obligations or program level in 1967: In total, \$3,256 million; in rural areas, \$976.8 million.<sup>1</sup>

Estimated man-years of employment to administer programs in 1967: In District of Columbia metropolitan area, 25; outside District of Columbia metropolitan area. In total, 5,760; in rural areas, 1,728.<sup>1</sup>

Number of field offices: In total, 638; in rural areas, 0.

#### CHILDREN'S BUREAU

##### SPECIAL PROJECT GRANTS FOR HEALTH OF SCHOOL AND PRESCHOOL CHILDREN

Brief description of program: The 1965 amendments to title V of the Social Security Act authorize a 5-year program of special project grants to provide comprehensive health care and services for children of school age, and for preschool children, particularly in areas with concentrations of low-income families. Projects will provide screening diagnosis, preventive services, treatment (both medical and dental), correction of defects and aftercare for children in low-income families.

Estimated obligations or program level in 1967: In total, \$35 million; in rural areas, \$3 million.

Estimated man-years of employment to administer programs in 1967: In Washington, D.C., metropolitan area, 17; outside Washington, D.C., metropolitan area, 22.

#### DEPARTMENT OF THE INTERIOR

##### BUREAU OF OUTDOOR RECREATION

##### GRANTS FOR PUBLIC OUTDOOR RECREATION

Brief description of program: Funds are provided for assisting States in financing 50 percent of the cost of preparing recreation plans, acquiring land and water areas, and developing areas for public outdoor recreation purposes.

Estimated obligations or program level in 1967: In total, \$69,440,000.<sup>2</sup>

Estimated man-years of employment to administer programs in 1967: 81.<sup>2</sup>

Number of field offices: 6.<sup>2</sup>

#### U.S. DEPARTMENT OF COMMERCE

##### ECONOMIC DEVELOPMENT ADMINISTRATION

##### DEVELOPMENT FACILITIES GRANTS

Brief description of program: Direct and supplementary grants are made to States and their political subdivisions, Indian tribes, and private or public nonprofit associations representing a development area to assist in the construction or improvement of development facilities which will (1) tend to improve opportunities for the successful establishment or expansion of industrial or commercial facilities; (2) otherwise assist in the creation of additional long-term employment opportunities in the area; or (3) primarily benefit the long-term unemployed and members of low-income families or otherwise substantially further the objectives of the Economic Opportunity Act.

<sup>1</sup> Data is not available on this basis but was derived by using 30 percent of the total. Based on the 1960 population census, approximately 30 percent of the individuals age 65 and over now reside in rural areas.

<sup>2</sup> This program covers the entire United States and segments relating to rural areas are not identifiable.

Estimated obligations or program level in 1967 : In total, \$175,140,000.

Estimated man-years of employment to administer programs in 1967 : In Washington, D.C., metropolitan area, 100 ; outside Washington, D.C., metropolitan area, 294.

#### TECHNICAL AND COMMUNITY ASSISTANCE

Brief description of program : Technical assistance and research. Communities are aided in their planning for economic development by the provision of technical assistance useful in alleviating or preventing conditions of excessive unemployment or underemployment. Grants-in-aid are provided for economic planning staff and up to 75 percent of administrative expenses for public or private nonprofit State, area, district, or local organizations. A program of research into the causes and possible cures of unemployment and underemployment is undertaken. Community assistance : Leadership is provided for the stimulation of local initiative toward redevelopment activities at all levels. Locally prepared economic development programs are reviewed and assistance provided in the development of proposals to carry out these programs.

Estimated obligations or program level in 1967 : In total, \$27,245,000.

Estimated man-years of employment to administer programs in 1967 : In Washington, D.C., metropolitan area, 250 ; outside Washington, D.C., metropolitan area, 254.

#### ECONOMIC DEVELOPMENT CENTER ASSISTANCE

Brief description of program : Multicounty economic development districts are designated to broaden economic redevelopment efforts beyond individual redevelopment areas. Financial assistance in the form of grants and loans for development facilities, industrial and commercial loans and working capital loan guarantees are provided.

Estimated obligations or program level in 1967 : In total, \$40 million.

Estimated man-years of employment to administer programs in 1967 : In Washington, D.C., metropolitan area, 5 ; outside Washington, D.C., metropolitan area, 26.

#### ECONOMIC DEVELOPMENT REVOLVING FUND

Brief description of program : Long-term loans at low interest rates to aid in the construction or expansion of development facilities and of commercial or industrial facilities for the purpose of alleviating unemployment and underemployment within designated areas.

Estimated obligations or program level in 1967 : In total, \$107,800,000.

Estimated man-years of employment to administer programs in 1967 : In Washington, D.C., metropolitan area, 86 ; outside Washington, D.C., metropolitan area, 171.

Number of field offices : Eight area offices for all EDA programs.

### FEDERAL AVIATION AGENCY

#### GRANTS-IN AID FOR AIRPORTS

Brief description of program : The Federal-aid airport program is designed to assist the Nation's communities in the development of airport facilities to serve the needs of civil aviation. On the whole, such needs exist primarily at centers of population, including smaller cities and towns. The program is not oriented toward developing rural areas as such, but toward meeting the needs for airport facilities as an integral part of the national aviation system. While some airports that receive aid from this grant program may be physically located in an area designated as rural, this occurs because airports require substantial land, and generally such airports serve specific community air transportation needs. Any benefit to strictly rural areas is indirect, in that it affords such areas air access through nearby communities' airports.

Estimated obligations or program level in 1967 : Total grants-in-aid for airports, \$60 million.

Estimated man-years of employment to administrator programs in 1967 : In Washington, D.C. metropolitan area, 19 ; outside Washington, D.C., metropolitan area, 183.

Number of field offices : 34.

## SMALL BUSINESS ADMINISTRATION

## BUSINESS LOANS UNDER SECTION 7(a) SMALL BUSINESS ACT

Brief description of program: Loans for business construction, conversion or expansion.

Estimated obligations or program level in 1967: In total, \$428,000.

## BUSINESS LOANS UNDER TITLE IV OF THE ECONOMIC OPPORTUNITY ACT

Brief description of program: Loans to very small concerns and/or to persons seeking to establish such concerns.

Estimated obligations or program level in 1967: In total, \$50,000.

## DISASTER LOANS UNDER SECTION 7(b) SMALL BUSINESS ACT

Brief description of program: Loans to firms displaced by construction conducted by, or with funds provided by, the Federal Government. Loans to restore a home, business or nonprofit institution to the predisaster condition.

Estimated obligations or program level in 1967: In total, \$125,000.

## LOANS TO SMALL BUSINESS INVESTMENT COMPANIES UNDER SMALL BUSINESS INVESTMENT ACT

Brief description of program: Loans to provide capital and operating funds for SBIC's which in turn provide long-term loans and equity capital to small firms.

Estimated obligations or program level in 1967: In total, \$72,000.

## LOCAL DEVELOPMENT COMPANY LOANS UNDER SMALL BUSINESS INVESTMENT ACT

Brief description of program: Loans to provide funds to buy land and build a new factory, acquire machinery and equipment, or expand or convert an existing plant, for a specific small firm.

Estimated obligations or program level in 1967: In total, \$50,000.

Estimated positions to administer all the above programs in 1967: In Washington, D.C., metropolitan area, 230; Outside Washington, D.C., metropolitan area, 2,565.

Number of field offices: In total, 72.

## DEPARTMENT OF LABOR

## BUREAU OF EMPLOYMENT SECURITY

## SERVICES TO SMALLER COMMUNITIES

Brief description of program: This program is concerned with people in the smaller and rural communities which cannot be served adequately by existing local offices and where it is not economically feasible to establish additional offices. It operates through the use of mobile teams which provide the full range of employment services to such communities, including testing, counseling, referral to training courses and referral to suitable jobs. In addition, community leaders are provided with comprehensive data on manpower needs and resources for use in developing local job opportunities and strengthening local economics.

Estimated obligations or program level in 1967: In total, \$1,491,800; in rural areas, \$1,491,800.

Estimated man-years of employment to administer programs in 1967: In Washington, D.C., metropolitan area, 10; outside Washington, D.C., metropolitan area: None.

## MANPOWER DEVELOPMENT AND TRAINING ACTIVITIES

Brief description of program: This program provides occupational and basic education training programs to equip the Nation's unemployed and under-employed workers with skills that will enable them to participate in productive employment.

Estimated obligations or program level in 1967: In total, \$347 million.  
 Estimated man-years of employment to administer programs in 1967.<sup>1</sup>

## OFFICE OF ECONOMIC OPPORTUNITY

### JOB CROPS

Brief description of program: The Job Corps provides work and training in residential centers away from their home environment for young people aged 16 through 21 who are out of school and out of work.

Estimated obligations or program level in 1967: In total, \$310,000,000; in rural areas, \$119,000,000.

Estimated man-years of employment to administer programs in 1967: in Washington, D.C., metropolitan area, 535. Outside Washington, D.C., metropolitan area: In total (non OEO Staff), 4345;<sup>2</sup> in rural areas (non OEO Staff), 4345.<sup>2</sup>

Number of field offices: 7.

### NEIGHBORHOOD YOUTH CORPS

Brief description of program: The Neighborhood Youth Corps administered by the Department of Labor provides full or part time work experience for youths 16 through 21, enabling them to stay in or return to school or increasing their employability.

Estimated obligations or program level in 1967: In total \$300,000,000; in rural areas \$75,000,000.

Estimated man-years of employment to administer programs in 1967: In Washington, D.C., metropolitan area 202; outside Washington, D.C., metropolitan area, 160; number of field offices: 33.<sup>3</sup>

### COMMUNITY ACTION PROGRAM

Brief description of program: This program provides financial support, assistance, and guidance to communities across the Nation in developing and carrying out comprehensive local antipoverty programs.

Estimated obligations or program level in 1967: In total \$914,000,000; in rural areas \$228,000,000.

Estimated man-years of employment to administer programs in 1967: In Washington, D.C., metropolitan area 250; outside Washington, D.C., metropolitan area: In total 400; in rural areas 80.

### MIGRANTS AGRICULTURAL WORKERS PROGRAM

Brief description of program: This is a special program to meet the housing, sanitation, education, and day care needs of migratory agricultural workers and their families.

Estimated obligations or program level in 1967: In total \$37,000,000; in rural areas, \$37,000,000.

Estimated man-years of employment to administer programs in 1967: In Washington, D.C., metropolitan area 12; outside Washington, D.C. metropolitan area: 0.

### ADULT BASIC EDUCATION PROGRAM

Brief description of program: This activity provides programs of instruction for adults whose inability to read and write the English language constitutes a substantial impairment of their ability to secure gainful employment.

Estimated obligations or program level in 1967: In total \$30,000,000.

Estimated man-years of employment to administer program in 1967: In Washington, D.C., metropolitan area 32; outside Washington, D.C., metropolitan area: 3; number of field offices: 9.

<sup>1</sup> There are no specific funds or positions identified in this program for rural or urban areas. Trainees are selected on the basis of criteria other than community size.

<sup>2</sup> Includes 2,324 in the Forest Service and 2,021 in the Department of the Interior.

<sup>3</sup> Includes NYC regional offices, district offices, and field offices.

### WORK EXPERIENCE PROGRAM

Brief description of program: This activity provides demonstration work and training programs for unemployed parents of dependent children and for other needy persons in order to prepare them for regular employment and hence to enable them to become self-supporting.

Estimated obligations or program level in 1967: In total, \$160 million; in rural areas, \$54 million.

Estimated man-years of employment to administer programs in 1967: In Washington, D.C., metropolitan area, 57; outside Washington, D.C., metropolitan area, 30.

### VISTA (VOLUNTEERS IN SERVICE TO AMERICA)

Brief description of program: VISTA is a corps of full-time volunteers who live and work for 1 year helping and training the poor of our Nation. VISTA volunteers work under local sponsorship and local supervision. They receive no salary, only a bare living allowance and a stipend of \$50 for each month of service.

Estimated obligations or program level in 1967: In total, \$26 million; in rural areas, \$9,194,000.

Estimated man-years of employment to administer programs in 1967: In Washington, D.C., metropolitan area, 285 (total VISTA staff); outside Washington, D.C., metropolitan area: VISTA volunteers in total, 4,500; in rural areas, 2,250.

### LOANS TO LOW-INCOME FARM AND RURAL FAMILIES AND TO COOPERATIVES SERVING SUCH FAMILIES

Brief description of program: The Farmers Home Administration administers this program which provides direct loans to rural applicants below normal Farmers Home Administration credit assistance and to rural cooperatives to improve economic circumstances.

Estimated obligations or program level in 1967: In rural areas, \$35,900,000.

Estimated man-years of employment to administer programs in 1967: In Washington, D.C., metropolitan area, 7; outside Washington, D.C., metropolitan area: In total, 238; in rural areas, 220.

Number of field offices: 1,681.

## U.S. DEPARTMENT OF AGRICULTURE

### FARMERS HOME ADMINISTRATION

#### RURAL HOUSING LOANS

Brief description of program: Direct and insured loans in rural areas to acquire, build or improve homes and service buildings on farms. Includes special loans for multiple senior citizens and farm labor housing.

Estimated obligations or program level in 1967: In rural areas, \$390 million.

#### RURAL HOUSING GRANTS

Brief description of program: Grants for minor repairs to rural homes and farm service buildings and to help construct or repair farm labor housing and facilities.

Estimated obligations or program level in 1967: In rural areas, \$7 million.

#### OPERATING LOANS

Brief description of program: Direct loans to assist family farmers in reorganizing and improving their farming systems.

Estimated obligations or program level in 1967: In rural areas, \$300 million.

## REAL ESTATE LOANS TO INDIVIDUALS

Brief description of program: Direct and insured loans to acquire, enlarge or develop family farms and to provide facilities for land and water development, use and conservation.

Estimated obligations or program level in 1967: In rural areas, \$247 million.

## REAL ESTATE LOANS TO ASSOCIATIONS

Brief description of program: Direct and insured loans in areas under 5,500 for the installation of water or waste disposal systems, and recreation, drainage, or other special community facilities.

Estimated obligations or program level in 1967: In rural areas, \$210 million.

## WATER AND SEWAGE GRANTS

Brief description of program: Grants to assist in planning and developing water and waste disposal systems in areas under 5,500.

Estimated obligations or program level in 1967: In rural areas, \$26 million.

(The above five programs are administered from the annual appropriation "Salaries and expenses, Farmers Home Administration.")

Estimated man-years of employment to administer programs in 1967: In Washington, D.C., metropolitan area, 195; outside Washington, D.C., metropolitan area: In total, 6,275; in rural areas, 5,217.

Number of field offices: In total, 1,681; in rural areas, 1,637.

## EMERGENCY LOANS

Brief description of program: Direct operating type loans for agricultural credit not available after natural disasters to continue normal operations.

Estimated obligations or program level in 1967: In rural areas, \$68,500,000.

Estimated man-years of employment to administer programs in 1967: In Washington, D.C., metropolitan areas 5; outside Washington, D.C., metropolitan area, in total, 556; in rural areas, 527.

## RURAL RENEWAL

Brief description of program: Technical assistance and direct loans to local public agencies in low-income rural areas to restructure their economy.

Estimated obligations or program level in 1967: In rural areas, \$1,200,000.

Estimated man-years of employment to administer programs in 1967: In Washington, D.C., metropolitan area, 3; outside Washington, D.C., metropolitan area, in total, 24; in rural areas, 20.

## SOIL CONSERVATION SERVICE

## CONSERVATION OPERATIONS

Brief description of program: Technical assistance, primarily through conservation districts, to landowners and operators in developing plans and applying conservation treatment; make soil surveys to determine land capabilities and conservation treatment needs; snow surveys in the Western States to develop streamflow forecasts to aid seasonal use of water; operate plant material centers to test species of plants useful in soil and water conservation.

Estimated obligations or program level in 1967: In total, \$109,020,000; in rural areas, \$93,539,000.

Estimated man-years of employment to administer programs in 1967: in Washington, D.C., metropolitan area, 403; outside Washington, D.C., metropolitan area: In total, 10,897; in rural areas, 9,905.

Number of field offices: In total, 3,508;<sup>1</sup> in rural areas, 3,452.

<sup>1</sup> These figures include all programs administered by SCS since staff at each location is responsible for work under all programs operating at the location.

## WATERSHED PLANNING

Brief description of program: Make investigations and surveys of proposed small watershed projects in response to requests made by sponsoring local organizations, and assist in the development of watershed work plans.

Estimated obligations or program level in 1967: In total, \$6,397,000; in rural areas, \$6,397,000.

Estimated man-years of employment to administer programs in 1967: In Washington, D.C., metropolitan area, 20. Outside Washington, D.C., metropolitan area: In total, 578; in rural areas, 529.

## WATERSHED PROTECTION

Brief description of program: Cooperate with local sponsors and others in installing planned measures to reduce erosion, floodwater and sediment damage, and further the conservation, development, use, and disposal of water, including development for recreation and improvement for wildlife habitat; cooperate with Federal, State, and local agencies in river basin investigations and surveys to develop coordinated water resources programs.

Estimated obligations or program level in 1967: In total, \$69,559,000; in rural areas, \$64,603,000.

Estimated man-years of employment to administer programs in 1967: In Washington, D.C., metropolitan area, 90. Outside Washington, D.C., metropolitan area: In total, 2,630; in rural areas, 2,417.

## FLOOD PREVENTION

Brief description of program: Planning and installing works of improvement for flood prevention, agricultural water management, development of recreational facilities and improvement of fish and wildlife habitat, waterflow and runoff retardation, sediment control, soil erosion prevention, and conservation in the 11 watersheds specifically authorized by law.

Estimated obligations or program level in 1967: In total, \$26,454,000; in rural areas, \$25,629,400.

Estimated man-years of employment to administer programs in 1967: In Washington, D.C., metropolitan area, 33; outside Washington, D.C., metropolitan area: In total, 1,258; in rural areas, 1,179.

## GREAT PLAINS CONSERVATION PROGRAM

Brief description of program: Cost sharing conservation practice installation under long-term contracts and furnishing technical assistance to farmers and ranchers in developing and carrying out plans for land use adjustments to minimize climatic hazards, conserve soil and water and protect land from erosion and deterioration from natural causes in designated counties in 10 Great Plains States.

Estimated obligations or program level in 1967: In total \$16,112,000; in rural areas, \$15,630,700.

Estimated man-years of employment to administer programs in 1967: In Washington, D.C., metropolitan area, 15; outside Washington, D.C., metropolitan area: In total, 389; in rural areas, 355.

## RESOURCE CONSERVATION AND DEVELOPMENT

Brief description of program: Conduct investigations and surveys to assist local leaders and sponsoring organizations develop overall programs and plans for the orderly development, improvement, conservation and utilization of natural resources, and furnish technical assistance to sponsors, local groups and individuals in carrying out such plans and programs.

Estimated obligations or program level in 1967: In total, \$6,748,044; in rural areas, \$6,403,017.

Estimated man-years of employment to administer programs in 1967: In Washington, D.C., metropolitan area, 10; outside Washington, D.C., metropolitan area: In total, 253; in rural areas, 232.

## RURAL ELECTRIFICATION ADMINISTRATION

## ELECTRIFICATION LOAN PROGRAM

Brief description of program: Electrification loans are made primarily to cooperative associations formed solely for the purpose of supplying electricity in rural areas.

Estimated obligations or program levels in 1967: In total (all rural areas), \$270 million.

Estimated man-years of employment to administer program in 1967: In Washington, D.C., metropolitan area, 425; outside Washington, D.C., metropolitan area, in total (all rural areas), 92.

## TELEPHONE LOAN PROGRAM

Brief description of program: Telephone loans are made to private companies and cooperatives. REA cooperates with the industry to extend telephone service to rural areas.

Estimated obligations or program levels in 1967: In total (all rural areas), \$85 million.

Estimated man-years of employment to administer program in 1967: In Washington, D.C., metropolitan area, 341; outside Washington, D.C., metropolitan area, in total (all rural areas), 104.

## FEDERAL EXTENSION SERVICE

## EXTENSION EDUCATIONAL ACTIVITIES RELATED TO RURAL AREAS DEVELOPMENT

Brief description of program: The Cooperative Extension Service provides leadership in rural areas development in cooperation with many and varied existing organizations, or aids in the development of such organizations at the local level. This program includes the providing of educational and informational assistance to State, county, and local organizations interested in and responsible for providing leadership in local and area development. This includes work with individuals as well as groups in the rural areas.

Estimated obligations or program level in 1967: In total (all in rural areas), \$26,500,000.<sup>1</sup>

Estimated man-years of employment to administer programs in 1967: In Washington, D.C., metropolitan area, 29; outside Washington, D.C., metropolitan area, in total (all in rural areas), 1,779.<sup>1</sup>

Number of field offices: In total (all in rural areas), 3,100.

## FOREST SERVICE

## COOPERATION WITH STATES

Brief description of program: These funds are granted to States not to exceed 50 percent on a matching basis. Programs are administered by States and involve forest tree planting, forest management and processing, and general forestry assistance.

Estimated obligations or program level in 1967: In total, \$5,086,000; in rural areas, \$5 million.

Estimated man-years of employment to administer programs in 1967: In Washington, D.C., metropolitan area, 10; outside Washington, D.C., metropolitan area, in total (all in rural areas), 760.

Number of field offices: In total (all in rural areas), 750.

## TIMBER DEVELOPMENT LOANS

Brief description of program: Direct loans to private timber development organizations in Appalachia.

Estimated obligations or program level in 1967: In total, \$800,000; in rural areas, \$750,000.

<sup>1</sup> Financed from Federal, State, and local funds. Federal funds are estimated at 37 percent of the total.

Estimated man-years of employment to administer programs in 1967: In Washington, D.C., metropolitan area, 1; outside Washington, D.C., metropolitan area, in total, 6; in rural areas, none.

Number of field offices: This program will be administered through the Farmers Home Administration field offices.

#### UTILIZATION RESEARCH AND DEVELOPMENT—DEVELOP NEW PRODUCTS

Brief description of program: Rural area development specialists work directly with Federal, State, and local rural community development groups to help evaluate opportunities for establishing and operating agricultural processing plants. These advisers aid in the preplanning stages, assist in the formulation of specific program plans, and evaluate completed project proposals.

Estimated obligations or program level in 1967: In total, \$75,000; in rural areas, none.

Estimated man-years of employment to administer programs in 1967: In Washington, D.C., metropolitan area, 4.8; outside Washington, D.C., metropolitan area, 0.

#### NUTRITION AND CONSUMER USE RESEARCH—GUIDELINES FOR NUTRITIONAL AND HEALTH STANDARDS

Brief description of program: Liaison with Rural Community Development Service, including work with home economists in rural areas, to make maximum contribution to programs for low-income families through preparation of guideline materials and through work on inter-agency and interdepartmental committees related to rural areas development.

Estimated obligations or program level in 1967: In total, \$30,200; in rural areas, 0.

Estimated man-years of employment to administer programs in 1967: In Washington, D.C., metropolitan area, 2; outside Washington, D.C., metropolitan area, 0.

#### CONSUMER AND MARKETING SERVICE

##### CONSUMER FOOD PROGRAMS

Brief description of program: National school lunch program, special milk program, food stamp program and commodity distribution programs.

Estimated obligations or program level in 1967: In total, <sup>1</sup>\$616,000,000; in rural areas, \$192,000.

Estimated man-years of employment to administer programs in 1967: In Washington, D.C., metropolitan area, 315; outside Washington, D.C., metropolitan area: In total, 799; in rural areas, 24.

Number of field offices: in total, 165; in rural areas, 13.

##### MARKETING SERVICE AND REGULATORY PROGRAMS

Brief description of program: Administration of market regulatory laws, Federal administration of marketing agreement and order programs, payments to States for matching fund marketing service work, and Federal-State cooperative market news service.

Estimated obligations or program level in 1967: In total, \$19,759,700; in rural areas, 0.

Estimated man-years of employment to administer programs in 1967: In Washington, D.C., metropolitan area, 542; outside Washington, D.C., metropolitan area, in total, 933; in rural areas, 0.

Number of field offices: In total, 259; in rural areas, 0.

<sup>1</sup>The consumer food programs are operated primarily through State education and welfare agencies. These agencies in turn operate through local city or county units. Records of recipients and obligations are not required to be maintained by rural or urban areas.

## AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

### AGRICULTURAL CONSERVATION PROGRAM

Brief description of program: Costs are shared with individual farmers and ranchers who perform approved soil-building and soil- and water-conserving practices on their farms.

Estimated obligations or program level in 1967: In total (all in rural areas), \$100 million.

Estimated man-years of employment to administer programs in 1967: In Washington, D.C., metropolitan area, 88.8; outside Washington, D.C., metropolitan area, in total 4,256.5; in rural areas, 3,744.6.

Number of field offices: In total, 3,006; in rural areas, 2,947.

### APPALACHIAN REGION CONSERVATION PROGRAM

Brief description of program: This is a long-term program authorized in section 203 of the Appalachian Regional Development Act of 1965 to provide cost-sharing assistance to landowners, operators, or occupiers of land in the Appalachian region.

Estimated obligations or program level in 1967: In total (all in rural areas), \$4,375,000.

Estimated man-years of employment to administer program in 1967: In Washington, D.C., metropolitan area, 0; outside Washington, D.C., metropolitan area, in total (all in rural areas), 65.

Number of field offices: In total, 386; in rural areas, 373.

### CROPLAND ADJUSTMENT PROGRAM

Brief description of program: This program assists farmers, through long-term agreements, to divert land from the production of unneeded crops to uses that will promote the development and conservation of our soil, water, forest, wildlife, and recreational resources.

Estimated obligations or program level in 1967: In total (all in rural areas), \$215 million.

Estimated man-years of employment to administer programs in 1967: In Washington, D.C., metropolitan area, 6; outside Washington, D.C., metropolitan area: In total, 1,590; in rural areas, 1,500.

Number of field offices: In total, 3,006; in rural areas, 2,947.

### CROPLAND CONVERSION PROGRAM

Brief description of program: Under long-term cropland conversion agreements in this pilot program, cropping systems and land uses will be changed to permanently shift to better productive use cropland which is not well suited for crop use.

Estimated obligations or program level in 1967: In total (all in rural areas), \$10 million.

Estimated man-years of employment to administer programs in 1967: In Washington, D.C., metropolitan area, 5.9; outside Washington, D.C., metropolitan area: In total, 43.1; in rural areas, 27.7.

Number of field offices: In total, 114; in rural areas, 89.

### CONSERVATION RESERVE PROGRAM

Brief description of program: The conservation reserve program is authorized by the Soil Bank Act. It was a voluntary program, initiated in 1956, under which the Secretary was authorized, through the calendar year 1960, to enter into 3-to-10 year contracts with farmers to withdraw specified acreages of cropland from production and devote it to conservation uses. In return for removing designated cropland from production and for establishing necessary conservation practices on this land, the farmer receives an annual rental payment each year of the contract period, and receives cost-sharing assistance for the establishment of the required conservation practices. Most contracts will have terminated by the fiscal year 1970.

Estimated obligations or program level in 1967: In total (all in rural areas), \$143 million.

Estimated man-years of employment to administer programs in 1967: In Washington, D.C., metropolitan area, 54.5; outside Washington, D.C., metropolitan area: In total, 348.2; in rural areas, 260.8.

Number of field offices: In total, 3,006; in rural areas, 2,947.

#### EMERGENCY CONSERVATION MEASURES

Brief description of program: This program restores to normal agricultural use farmlands which have been damaged by wind erosion, hurricanes, floods, or other natural disasters. Costs are shared with farmers for carrying out approved practices.

Estimated obligations or program level in 1967: In total (all in rural areas) \$12 million.

#### SUGAR ACT PROGRAM

Brief description of program: The chief objective of the Sugar Act of 1948, as amended, is "to protect the welfare of consumers of sugars and of those engaged in the domestic sugar-producing industry." This involves determination of U.S. consumption requirements and administration of quotas to regulate imports of sugar produced in foreign areas. It also involves marketing of sugar produced in domestic areas. Payments are made to domestic sugar growers who comply with certain labor, wage, price, and marketing requirements prescribed by law.

Estimated obligations or program level in 1967: In total (all in rural areas) \$80 million.

Estimated man-years of employment to administer programs in 1967: In Washington, D.C., metropolitan area, 29.3; outside Washington, D.C., metropolitan area: In total, 253.2; in rural areas, 166.4.

Number of field offices: In total, 342; in rural areas, 315.

#### CCC PRICE SUPPORT AND RELATED PROGRAMS

Brief description of program: To stabilize, support, and protect farm income and prices; help maintain balanced and adequate supplies of farm products, foods, feeds and fibers; and aid in their orderly distribution.

Estimated net payments to farmers in 1967: In total, \$3,933,600,000; in rural areas, \$3,366,200,000.

Estimated man-years of employment to administer programs in 1967: In Washington, D.C., metropolitan area, 1,026.6; outside Washington, D.C., metropolitan area: In total, 22,561.5; in rural areas, 18,145.0.

Number of field offices: In total, 3,006; in rural areas, 2,947.

#### ECONOMIC RESEARCH SERVICE

##### POVERTY PROBLEMS AND EMPLOYMENT OPPORTUNITIES IN RURAL DEPRESSED AREAS INCLUDING APPALACHIA

Brief description of program: Research on poverty problems and employment opportunities in chronic rural depressed areas including Appalachia.

Estimated obligations or program level in 1967: In total, \$1,609,800; in rural areas, \$25,000.

Estimated man-years of employment to administer programs in 1967: In Washington, D.C., metropolitan area, 89; outside Washington, D.C., metropolitan area: In total, 27; in rural areas, 2.

Number of field offices: In total, 24; in rural areas, 0.

#### PERSONNEL INCREASES REQUESTED

Mr. WHITTEN. Mr. Lewis, thank you very much. As you know, I regard you all very highly. I thought you had a pretty good operation. It didn't dawn on me you would want to jump it up five times at the expense of these other programs.

Mr. LEWIS. We want to expand to provide service to the whole country, all 50 States.

<sup>2</sup> Does not include \$567,400,000 purchases of processed commodities.

Mr. WHITTEN. It is a worthy objective—the problem is that other agencies with the money, are now filling the job.

Mr. Natcher?

Mr. NATCHER. Mr. Lewis, I want you and members of your staff to know that I appreciate your appearance before our committee at this time, and especially each year when you come, you bring my friend John Smallwood with you.

Mr. LEWIS. Thank you, sir.

Mr. NATCHER. I have enjoyed your statement.

The amount you are requesting is \$3,468,000; is that correct?

Mr. LEWIS. Yes, sir.

Mr. NATCHER. Of the new employees requested, how many of them would be located in Washington?

Mr. LEWIS. Let me look at that record, sir.

John, do you have that there?

Mr. NATCHER. Go right ahead, Mr. Smallwood.

Mr. SMALLWOOD. In Washington, D.C., it would be an increase of new employees of 24, plus taking on the 36 employees that are detailed from other agencies. We will have a total employment in Washington of 75 positions.

Mr. LEWIS. From 51.

Mr. SMALLWOOD. The 51 includes the 36 detailed.

Mr. NATCHER. That is an increase of 24 new positions?

Mr. SMALLWOOD. Yes, sir.

Mr. NATCHER. Thank you, Mr. Smallwood.

Thank you, Mr. Chairman.

Mr. WHITTEN. Mr. Hull?

#### ACTIVITIES OF OTHER AGENCIES

Mr. HULL. Mr. Chairman, I would like to ask a few questions of Mr. Lewis.

Isn't the Extension Service the educational arm of the Department of Agriculture?

Mr. LEWIS. Yes, sir.

Mr. HULL. In making your request to extend RCDS activity in the field, aren't you duplicating the work that the Extension Service performs?

Mr. LEWIS. Not at all. The Extension Service has a very important role in community development—

Mr. HULL. I might say they have done an excellent job. I know of no agency that has done a better job.

Mr. LEWIS. They have done particularly well in Missouri and several other States. The Extension Service has a very important role in the Department's overall community development effort. That role is to provide information to the local people and to help organize what we call rural area development committees of local volunteers who can help the local people to plan for their own local projects.

Mr. HULL. Isn't that what the Extension Service does?

Mr. LEWIS. Yes, that is what they contribute to this overall—

Mr. HULL. Are they negligent in their duty?

Mr. LEWIS. No, not at all. But, in addition to that, there is a need for the consultation with other agencies and departments here in the Federal Government on what kind of modifications need to be made

in administrative procedures, what kind of additional administrative efforts need to be made as a part of the responsibility of the executive branch to make these fully effective.

Mr. HULL. Is that your thinking instead of the Extension Service thinking?

Mr. LEWIS. That is our function, to perform—

Mr. HULL. I am not asking what your function is, because you are taking the function upon yourself. They have been doing it apparently.

Mr. LEWIS. No, sir; they have not been doing it. They are not able to do that. Our function is that assigned by the President to consult with the other agencies, with the object of determining what administrative changes need to be made in their programs in order for them to more effectively reach the rural areas and what administrative duties need to be carried out by the Department of Agriculture people in order to help them reach the rural community.

Mr. HULL. You are making a request for RCDS employees, based on the conclusion that the other agencies of Government, such as HEW and the Small Business Administration, have failed in their responsibility to make these services available to rural people?

Mr. LEWIS. Well, sir, I wouldn't say they have failed in their responsibility—but they have failed. The results bear that out, that the rural communities have not had their proportionate share of many Federal programs. The reasons are that the other agencies have not had adequate field capability to fully reach the rural communities, because of their scattered populations and their lack of their own professional organizations and governmental staffs which the larger cities have, to enable them to take advantage of Federal programs.

Mr. HULL. I represent a large rural area, the Sixth District of Missouri, and I haven't had one complaint that they haven't been reached by the various agencies. I haven't had one letter on it. It is strange, as large an area as I have, I would think I would be hearing from them.

Mr. LEWIS. Very often we find that the rural communities don't even know what facilities might be available for which they would be eligible.

Mr. HULL. I might say I think in many instances they are confused with so many agencies coming in and telling them this and that.

Mr. LEWIS. This fits into our approach, that we hope that the Department of Agriculture—

Mr. HULL. You are sure it won't be more confusing to them?

Mr. LEWIS. Our purpose is that the agriculture agencies that are there will be able to provide the information and administrative help in filling out applications, rather than having all of the other agencies of the Federal Government do that duplicating administrative work.

#### WORK OF AGRICULTURE DEPARTMENT ON MEDICARE SIGNUP

Mr. HULL. How much time of the employees of the Department of Agriculture was employed in advising rural people of the new medicare program?

Mr. LEWIS. I don't have a rundown on that.

Mr. HULL. Could you get it for the record?

Mr. LEWIS. We could get an indication. The program won't be completed until March 31. The deadline for the signup is March 31.

Mr. HULL. If you can provide some of that information for the record, I would appreciate it.

Mr. LEWIS. Yes, sir.

(The information requested follows:)

Approximately 25 man-days were used at the Washington level by members of the Rural Community Development Service staff and other USDA workers, including representatives from the Farmers Home Administration, Federal Extension Service, Agricultural Stabilization and Conservation Service, Soil Conservation Service, and Forest Service. These employees worked with representatives from the national office of the Social Security Administration in planning ways and means of reaching the rural residents to adequately inform them about the medicare program. Instructions relating to this program were sent to the field representatives of the various USDA agencies. Such field representatives at the State and county levels included the subject of medicare as a special item in their regular meetings and programs of informing the rural people about the various Federal programs. We do not know how many man-days were spent by the USDA representatives in the State and county offices which could be attributed to the medicare program. Even though it received special attention, it was only one of the many efforts these people are making to inform the rural residents about the programs which will help in the total rural development effort.

#### WORK OF HEW IN RURAL AREAS

Mr. HULL. I notice HEW employed 5,000 extra people. Were any of these employed in rural areas?

Mr. LEWIS. Some of them have been employed there, but they have not—

Mr. HULL. How many? Would you have any idea?

Mr. LEWIS. I don't know.

Mr. HULL. Could you find out?

Mr. LEWIS. We could try, sir.

Mr. HULL. If you could, I would like to have that for the record.

Mr. LEWIS. We will ask the other agencies for the best records.

(The information requested follows:)

Following is the list of the branch offices and service centers which are now in existence in HEW as a direct result of the new legislation. In addition, the following new district offices have been established: Canoga Park, Monterey Park, Watts, Calif.; East Point, Ga.; Eau Gallie and Miami Beach, Fla.; Marlow Heights, Md.; Farmington, N. Mex.

## BRANCH OFFICES

<i>Location</i>	<i>Parent Office</i>	<i>Location</i>	<i>Parent Office</i>
1. Danbury, Conn.	Bridgeport, Conn.	44. Opelousas, La.	Lafayette, La.
2. Rockland, Maine	Augusta, Maine	45. Clovis, N. Mex.	Roswell, N. Mex.
3. Keene, N.H.	Nashua, N.H.	46. Las Cruces, N. Mex.	El Paso, Tex.
4. Ithaca, N.Y.	Elmira, N.Y.	47. Bartlesville, Okla.	Tulsa, Okla.
5. Lebanon, Pa.	Lancaster, Pa.	48. Ponca City, Okla.	Enid, Okla.
6. Middlesboro, Ky.	Corbin, Ky.	49. Shawnee, Okla.	Oklahoma City, Okla.
7. Norton, Va.	Bristol, Va.	50. Brownwood, Tex.	Abilene, Tex.
8. Wytheville, Va.	Roanoke, Va.	51. Corsicana, Tex.	Waco, Tex.
9. St. Thomas, V.I.	San Juan, P.R.	52. Eagle Pass, Tex.	Laredo, Tex.
10. Andalusia, Ala.	Dothan, Ala.	53. Greenville, Tex.	Paris, Tex.
11. Opelika, Ala.	Montgomery, Ala.	54. Palestine, Tex.	Tyler, Tex.
12. Clearwater, Fla.	St. Petersburg, Fla.	55. Pampa, Tex.	Amarillo, Tex.
13. Fort Pierce, Fla.	West Palm Beach, Fla.	56. Plainview, Tex.	Lubbock, Tex.
14. Lake City, Fla.	Jacksonville, Fla.	57. Vernon, Tex.	Wichita Falls, Tex.
15. Leesburg, Fla.	Orlando, Fla.	58. Alamosa, Colo.	Trinidad, Colo.
16. Ocala, Fla.	Gainesville, Fla.	59. Boulder, Colo.	Denver, Colo.
17. Key West, Fla.	Miami (down- town), Fla.	60. Durango, Colo.	Trinidad, Colo.
18. Brunswick, Ga.	Waycross, Ga.	61. Fort Collins, Colo.	Greeley, Colo.
19. Dalton, Ga.	Chattanooga, Tenn.	62. La Junta, Colo.	Pueblo, Colo.
20. Dublin, Ga.	Macon, Ga.	63. Idaho Falls, Idaho	Pocatello, Idaho
21. Griffin, Ga.	Macon, Ga.	64. Kalispell, Mont.	Missoula, Mont.
22. Clarksdale, Miss.	Greenville, Miss.	65. Miles City, Mont.	Billings, Mont.
23. McComb, Miss.	Hattiesburg, Miss.	66. Anchorage, Alaska	Juneau, Alaska
24. Natchez, Miss.	Vicksburg, Miss.	67. Yuma, Ariz.	Phoenix, Ariz.
25. Bennettsville, S.C.	Florence, S.C.	68. El Centro, Calif.	San Diego, Calif.
26. Conway, S.C.	Florence, S.C.	69. Lancaster, Calif.	Van Nuys, Calif.
27. Georgetown, S.C.	Charleston, S.C.	70. Marysville, Calif.	Sacramento, Calif.
28. Orangeburg, S.C.	Columbia, S.C.	71. Merced, Calif.	Modesto, Calif.
29. Sumter, S.C.	Columbia, S.C.	72. Palm Springs, Calif.	San Bernardino, Calif.
30. Clarksville, Tenn.	Nashville, Tenn.	73. Santa Cruz, Calif.	San Jose, Calif.
31. Greeneville, Tenn.	Johnson City, Tenn.	74. Lihue, Hawaii.	Honolulu, Hawai
32. Morristown, Tenn.	Knoxville, Tenn.	75. Wailuku, Hawaii	Hilo, Hawaii
33. Murfreesboro, Tenn.	Nashville, Tenn.	76. Coos Bay, Oreg.	Eugene, Oreg.
34. Tullahoma, Tenn.	Huntsville, Ala.	77. Roseburg, Oreg.	Eugene, Oreg.
35. Petoskey, Mich.	Traverse City, Mich.	78. Longview, Wash.	Vancouver, Wash.
36. Lancaster, Ohio	Newark, Ohio	79. Pasco, Wash.	Walla Walla, Wash.
37. Wooster, Ohio.	Akron, Ohio	80. Kingsport, Tenn.	Bristol, Va.
38. Batesville, Ark.	Jonesboro, Ark.	81. DeLand, Fla.	Daytona Beach, Fla.
39. Blytheville, Ark.	Jonesboro, Ark.		
40. Forrest City, Ark.	Helena, Ark.		
41. Russellville, Ark.	Fort Smith, Ark.		
42. Hammond, La.	Baton Rouge, La.		
43. Natchitoches, La.	Alexandria, La.		

## SERVICE CENTERS

Location	Parent Office	Location	Parent Office
1. Kingsport, Tenn. <sup>1</sup>	Bristol, Va.	12. Burlington, N.C.	Greensboro, N.C.
2. Fairmont, W. Va.	Clarksburg, W. Va.	13. Concord, N.C.	Charlotte, N.C.
3. Portsmouth, Va.	Norfolk, Va.	14. Hayward, Calif.	Oakland, Calif.
4. Bessemer, Ala.	Birmingham, Ala.	15. Monterey, Calif.	Salinas, Calif.
5. Talladega, Ala.	Anniston, Ala.	16. Palo Alto, Calif.	San Jose, Calif.
6. DeLand, Fla. <sup>1</sup>	Daytona Beach, Fla.	17. Richmond, Calif.	Berkeley, Calif.
7. Hialeah, Fla.	Miami (North), Fla.	18. Riverside, Calif.	San Bernardino, Calif.
8. Plant City, Fla.	Tampa, Fla.	19. Santa Monica, Calif.	San Luis Obispo, Calif.
9. Marietta, Ga.	Atlanta, Ga.	20. Hillsboro, Oreg.	Portland, Oreg.
10. Biloxi, Miss.	Gulfport, Miss.	21. Oregon City, Oreg.	Portland, Oreg.
11. Laurel, Miss.	Hattiesburg, Miss.	22. Chehalis, Wash.	Olympia, Wash.
		23. East Los Angeles, Calif.	Los Angeles, Calif.

<sup>1</sup> Converted to branch office.

## EXPENSE OF USDA RURAL DEVELOPMENT WORK

Mr. HULL. When you send RCDS directors to investigate specific projects, is this duplicating the work of the agencies that have responsibility for developing these projects?

Mr. LEWIS. No, sir. Generally, what we try to do is to scout the problem in advance so that the other agencies which have the large territory to cover, from a field office which might be quite remote from the rural areas, can focus on the problem promptly and get, we hope, the desired answer.

Our purpose is to extend the help and facilitate the work of the other agencies.

## EXPENSES CHARGED TO OTHER AGRICULTURE AGENCIES

Mr. HULL. I believe Mr. Whitten asked you how many people in the Department of Agriculture presently are working on RCDS work, didn't he?

Mr. LEWIS. Yes, sir.

Mr. HULL. How much of the expense of personnel is charged against other agencies?

Mr. LEWIS. That will be submitted.  
(The information follows:)

*Expense of personnel charged against other agencies, fiscal year 1966*

Agricultural Research Service	\$34, 234
Agricultural Stabilization and Conservation Service	55, 917
Consumer and Marketing Service	25, 752
Farmers Home Administration	24, 071
Forest Service	39, 703
Soil Conservation Service	40, 323
Total	220, 000

Mr. HULL. And isn't this basically circumventing the wishes of Congress, since it objected to allocating the full request of the RCDS budget in 1965, which I believe Mr. Whitten touched on?

Mr. LEWIS. He did discuss that question. And Mr. Baker responded to it.

## COOPERATION WITH OTHER DEPARTMENTS

Mr. HULL. Since it appears the RCDS Administrator is given the responsibility for coordinating these programs, does this indicate that the Secretary has been unable to obtain the cooperation of the heads of the other agencies to carry out his wishes and directions?

Mr. BAKER. Mr. Chairman, I think I should answer that one for the Secretary's office. The Secretary looks on the Rural Community Development Service as a staff arm of the Secretary in carrying out his functions in this regard. RCDS is, as the chairman has pointed out, an agency that does not have operating functions of its own, but serves as an operating staff arm of the Secretary in connection with all of these rural community development services of our Department and of other departments in the executive branch.

## GRADE LEVELS OF EMPLOYEES

Mr. HULL. Thank you.

What are the grade levels of the individuals you are employing in Washington and in the field?

Mr. LEWIS. We have staffing pattern listed which we will submit for the record which will show that.

Mr. HULL. Thank you.

(The information follows:)

*Analysis of grade structure, Washington, D.C., and field*

Grades	Estimated, fiscal year 1966			Estimated, fiscal year 1967		
	District of Columbia	Field	Total	District of Columbia	Field	Total
18.....	1		1	1		1
17.....	1		1	1		1
15.....	2	8	10	16	11	27
14.....	1	20	21	2	33	35
13.....		4	4	13	34	47
12.....	4	1	5	5	22	27
11.....				1	10	11
9.....	2		2	3		3
7.....	4		4	18		18
6.....				8		8
5.....		11	11	7	15	22
4.....		12	12		37	37
Total.....	15	56	71	75	162	237

NOTE.—This includes the staffing pattern for all funds available to the agency exclusive of details to RCDS from other agricultural agencies.

## FUNCTIONS OF STATE DIRECTORS

Mr. HULL. Were you to establish a State RCDS director, what assignments are you giving him to indicate that he will be fully employed?

Mr. LEWIS. I have here a copy of our organization chart, which lists the responsibilities and functions of the State director.

Mr. HULL. Might we have those for the record?

Mr. WHITTEN. Certainly.

(The information follows:)

RESPONSIBILITIES AND FUNCTIONS OF RURAL COMMUNITY DEVELOPMENT SERVICE  
STATE DIRECTORS

1. Serves as the executive director of the State Technical Action Panel (TAP).
2. Responsible for reviewing with TAP the policies and programs developed and approved by the Policy Review Committee of the Department and the Rural Areas Development Board, as well as Secretary's memoranda and RAD Board chairman's instructions relating to rural development, to facilitate and coordinate implementation in the State by the respective agencies.
3. Responsible for adapting or formulating plans and evaluating operations at the State level for the "outreach" function to be performed by operating agencies of the USDA. Such plans include provision for the benefits of non-USDA Federal agencies to be made available to all eligible persons in rural communities.
4. Responsible for maintaining continuous liaison at the State or regional office level with other USDA agencies and non-USDA Federal agencies in an effort to see that all programs designed to assist in rural development reach all rural people in a coordinated, consistent, and effective manner.
5. Responsible for adapting plans and furnishing leadership at the State level in the execution of special pilot or demonstration projects in rural community development requiring the coordinated participation of two or more agencies or designed to achieve novel or exceptional community development benefits.
6. Responsible for a continuous review of the working relationships between the several USDA, non-USDA Federal, State, other public, and private agencies involved in work affecting rural community development, in the interest of expediting the achievement of effective rural community development. Prepares regular reports of programs planned, work underway, problems, and results, and recommendations pertaining thereto, to the Administrator.

Mr. HULL. Are you able to employ individuals with a capacity to fully understand all of the programs of Government in rural areas so that they can explain the programs to the people with whom they come in contact?

Mr. LEWIS. We are employing the very best people that we can find. This is a specialty for which no one has previously attempted fully to develop capability, but we are carrying out intensive training programs.

Mr. HULL. If you would put in the record, please, the criteria for personnel that you might use in this?

Mr. LEWIS. Yes, sir, for the State director positions.

Mr. HULL. Or any of the rest.  
(The information follows:)

BOARD OF U.S. CIVIL SERVICE EXAMINERS, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C., ANNOUNCES AN EXAMINATION FOR STATE DIRECTOR, AND DEPUTY STATE DIRECTOR, FOR DUTY AT U.S. DEPARTMENT OF AGRICULTURE RURAL COMMUNITY DEVELOPMENT SERVICE

*Description of work.*—The State Director, Rural Community Development Service, administers through existing Department agencies an active and effective program leading to significant improvement in the income, job opportunities, and human resource related facilities of rural areas in the State. The duties of these positions require frequent travel.

*Requirements.*—Applicants must have had 6 years of responsible administrative experience. At least 3 years of this experience must have been sufficiently responsible and important to show clearly the applicant's ability to perform the duties of the position and must have been experience in the type of work for which the applicant is being considered or experience which is qualifying for that type of work. For each of the positions specified above at least 1 year of this experience must have been comparable in scope, difficulty, and level to that in the GS grade which is the grade next below that for which the applicant is being considered.

*Substitution allowed.*—Education successfully completed in a resident school or institution above high school level may be substituted for the required ex-

perience at the rate of 1 academic year of education for 9 months of experience up to a maximum of 4 years of education for 3 years of experience.

*Equal employment opportunity.*—All qualified applicants will receive consideration for employment without regard to race, creed, color, sex, or national origin.

*What to file.*—1. Standard form 57: Be sure to show the title of the examination, the number of this announcement, and the lowest salary you are willing to accept. Because of the need for full information for rating purposes, you are urged to submit detailed statements on those portions of your experience which you consider qualifying. Please give specific information showing the amount and kind of supervision you received and exercised, the proportion of time you spent in various phases of your work, etc. Use the personal pronoun and avoid ambiguous terms like "assisted" and "handled."

2. Form 5001 ABC.

3. Standard form 15: With documentary proof required therein, if you are claiming 10 point veteran preference (disability). Documentary evidence will be returned to applicants.

*Where to get forms.*—Get the forms listed above, or information as to where they are available, from any post office in the State in which the position is located. Forms may also be obtained from the U.S. Civil Service Commission, Washington, D.C., 20415.

*Where and when to file.*—Send your application to the Executive Secretary, Board of U.S. Civil Service Examiners, U.S. Department of Agriculture, Washington, D.C., 20250.

Applications must be received or be postmarked not later than-----

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#### STATE DIRECTOR

*Requirements.*—Applicants must have had 6 years of responsible administrative experience. At least 3 years of this experience must have been sufficiently responsible and important to show clearly the applicants ability to perform the duties of the position and must have been experience in the type of work for which the applicant is being considered or experience which is qualifying for that type of work. For each of the positions specified above at least 1 year of this experience must have been comparable in scope, difficulty, and level to that in the GS grade which is the grade next below that for which the applicant is being considered.

*Substitution allowed.*—Education successfully completed in a resident school or institution above high school level may be substituted for the required experience at the rate of 1 academic year of education for 9 months of experience up to a maximum of 4 years of education for 3 years of experience.

This experience must clearly demonstrate that the applicant has the administrative, coordinative, and technical ability needed to plan, organize, conduct, coordinate, and supervise the activity of the State office either as the principal or in the position of deputy or assistant; that he can conduct educational meetings throughout the State and maintain cooperative relations with State and local governments, educational institutions as well as nongovernmental organizations interested in or having an impact on rural community development work. More specifically, the experience must demonstrate the capability to work with rural people and with public and private agencies oriented toward assisting in the development of rural communities. Candidates for those positions must possess a knowledge of and be sensitive to local and regional sociological factors which form the pattern in which the community exists. They must have a knowledge of the State and local body politic in order to effectively extend the programs to insure maximum development and improvement of economic conditions and the general welfare in the area of the State.

#### OPERATION WITHIN FEDERAL AND STATE LAWS

Mr. HULL. Does Rural Community Development Service require additional legal staff to help them analyze the laws of each State so that the advice and counsel of RCDS State directors may give these groups things legally correct, or are you bypassing the State?

Mr. LEWIS. No, sir; I'm not sure I fully understand the question. But let me respond as best I can, and—

Mr. HULL. You can correct it for the record.

MR. LEWIS. For example, in connection with the new legislation that has been proposed on community development districts, we are asking the Office of the General Counsel for an analysis of that legislation and also of appropriate State legislation to see how well it will square with the existing State laws.

MR. HULL. That is the answer I wanted.

MR. LEWIS. I might add to that, that we have found, for example, that in some cases, State laws may not allow for conventional operation of some of the Federal programs and in those cases where we can identify a problem of that kind, we go to the State officials and local people concerned.

MR. HULL. I probably didn't ask the question correctly, but I think you have covered it.

I think our Farm Home Administration has been beyond reproach. I know in our State, they have done a terrific job.

MR. LEWIS. I appreciate that compliment on behalf of the Farmers Home Administration.

MR. HULL. I think it is really a topnotch organization. In fact, I think practically all of the people involved in Agriculture are topnotch.

I believe that is all, Mr. Chairman. Thank you very much.

MR. WHITTEN. Mr. Michel.

#### GROWTH OF RCDS

MR. MICHEL. Mr. Lewis, to be perfectly frank I have even more profound concern over the rapid growth of your shop and the direction it is taking than was so ably expressed by our chairman at the outset of the hearings. I can't help but observe that I get the distinct impression you're moving toward the establishment of another Cabinet-level, department-head of Government, probably overseeing all the activities of the Department of Health, Education, and Welfare, the Department of Agriculture, and the new Department of Housing and Urban Development, to name just a few.

At the very outset of your prepared testimony, you say that "The mission of the Rural Community Development Service is to help people in rural communities to overcome the gaps in opportunity that handicapped children and their parents, and which deprive the old people of a decent level of comfort and security."

I happen to serve on the Health, Education, and Welfare Subcommittee on Appropriations, and this quoted phrase from your testimony sounds like the kind of thing I hear before that subcommittee every day. I'll be frank to admit that regardless of our political and philosophical persuasion none of us are prone to turn our back or cut down on any request of funds for handicapped children, and to begin your testimony the way you did kind of puts members of this subcommittee in a position of being against God, country and motherhood, if our line of questioning takes a critical form.

You devote several pages of your testimony to "rural outreach for medicare," and you'd think you had the sole responsibility of informing the entire population of participating in the newly enacted program. You devoted three times as much testimony as the Commissioner of Social Security Robert Ball did in testimony before our HEW Subcommittee.

It's no secret that I was very skeptical about the setting up of your shop in the first instance for a variety of reasons; and I must say that my fears and apprehension have been borne out by the facts.

Let's get down to some specific questions.

#### CONTACT WITH OTHER FEDERAL AGENCIES

Do you have an assigned contact in each of the other Federal agencies with whom you are working—that is, is there a person assigned by each of these agencies to be responsible for coordinating the outreach services of that agency according to the direction established by RCDS? If so, do you have the names of these individuals and their titles?

Mr. LEWIS. We do not restrict ourselves to specific assigned contacts in each of the other Federal agencies with whom we are working. Our staff representatives, in working on a particular project or problem, consult with whomever might be concerned and responsible in the other agency. In fact, we carry out a great deal of consultation with personnel of other agencies, much of it at the request of the other departments, as they seek to resolve administrative problems or problems relating to specific application for projects from rural areas.

In addition to this informal kind of consultation and liaison, a formal structure called the Rural Development Committee has been established by Executive order of the President. The Secretary of Agriculture is Chairman. The membership of the Rural Development Committee is as follows:

Orville L. Freeman, Secretary of Agriculture, Chairman.  
 John T. Connor, Secretary of Commerce.  
 John W. Gardner, Secretary of Health, Education, and Welfare.  
 Stewart L. Udall, Secretary of the Interior.  
 W. Willard Wirtz, Secretary of Labor.  
 Henry H. Fowler, Secretary of the Treasury.  
 Robert C. Weaver, Secretary of Housing and Urban Development.  
 Ross D. Davis, Executive Administrator, Small Business Administration.

#### EX-OFFICIO MEMBERS

Robert Sargent Shriver, Jr., Director, Office of Economic Opportunity.  
 Charles L. Schultz, Director, Bureau of the Budget.  
 Gardner Ackley, Chairman, Council of Economic Advisers.

Serving as a supporting staff to the Rural Development Committee is an interdepartmental staff group of the Rural Development Committee. The officers and members of the interdepartment staff group are as follows:

A. T. Mace, Deputy Administrator, RCDS, USDA, Chairman.  
 C. B. Gilliland, Director, Program Operations Division, RCDS, Executive Secretary.  
 Andrew J. Duran, Special Assistant to the Administrator, Economic Development Administration, Department of Commerce.  
 Thomas Prather, Assistant Program Officer, Office of the Secretary, Department of Health, Education, and Welfare.  
 F. Howard Forsyth, Resources Program Staff, Department of the Interior.  
 J. Dewey Coates, Chief, Community Employment Development Division, Bureau of Employment Security, Department of Labor.  
 Edward P. Snyder, Associate Director, Office of Debt Analysis, Department of the Treasury.  
 Ramsey Wood, Chief, Housing Market and Needs Branch, Office of Program Policy, Department of Housing and Urban Development.  
 Harold D. Brown, Assistant to the Administrator, Small Business Administration.

Clifford J. Parker, Budget Examiner, Bureau of the Budget.  
 Theodore James Goering, Economist, Council of Economic Advisers.  
 D. Richard Wenner, Rural Coordinator, Rural Task Force, Community Action program, Office of Economic Opportunity.

A number of task forces or subcommittees of the interdepartmental staff group are at work also on specific problem areas that concern rural development. The chairman of each task force represents the principal agency responsible for program within the assigned problem area. The task force includes members from all other areas involved. The full list of the task force is as follows:

Task Force on Housing :

- Community facilities
- Rural aged
- Rural roads
- Competition between industries
- New products development
- Rural children and youth
- Rural health
- Economic parameters of rural areas development
- Adequacy of capital funds in rural areas
- Concerted services on training and education
- Special training needs
- Relationship of government credit policies to RAD
- Consumer credit and purchases
- Natural resources
- Clearing house of rural health
- Statistics on children and youth
- Pilot project on rural health
- Pilot project on children and youth
- Outlook conference on rural youth

#### STATE AND LOCAL RAD COMMITTEES

Mr. MICHEL. Nothing is said in this year's justifications about the State and local RAD committees. Are they still in existence? How are their services being coordinated with RCDS, with the Extension Service, and with local community leaders?

Mr. LEWIS. The State and local Rural Areas Development committees are still in existence. Our most recent report indicates that there are 44 State committees and 2,389 regional and county committees. They continue to be the active lay groups that sponsor rural areas development in the various States and counties.

The Agricultural Extension Service continues with the primary responsibility of organizing these committees. Such RAD committees are serviced by a technical action panel at both the State and the local levels. These technical action panels include at the State level representatives of the Farmers Home Administration, the Soil Conservation Service, the Agricultural Stabilization and Conservation Service, the Forest Service, the Rural Electrification Administration, and other USDA agencies and other technicians that are available. At the regional and county levels the TAP's comprise local representatives of the above-named agencies. The county agent serves as a member of both the TAP and the RAD committees in most instances.

The RCDS representative in the State serves as the executive director of the State technical action panel and as such helps to bring information on all Federal programs, particularly the nonagricultural programs, to the attention of the technical action panels and the RAD

committees and assists them in making maximum use of these programs in rural areas.

EXTENSION SERVICE—RAD PROGRESS REPORT

Mr. MICHEL. I haven't seen a recent issue of the RAD progress report, which I believe is published by the Extension Service. Is this still being published?

Mr. LEWIS. Yes, the Extension Service is continuing to publish regularly its progress report on rural areas development. I will submit a copy of the latest issue for the record.

(The report follows:)

STATISTICAL SUMMARY

RURAL AREAS DEVELOPMENT AND AREA REDEVELOPMENT

QUARTERLY PROGRESS REPORT

August-October 1965

*Progress of rural areas development and area redevelopment, Nov. 1, 1965*

	Total for all States and Puerto Rico			
	In ARA (EDA) designated areas		In areas not designated	
	Nov. 1	Aug. 1	Nov. 1	Aug. 1
<b>1. County RAD committees:</b>				
(a) Number of county RAD committees organized.....	892	869	1,297	1,312
(b) Number of county RAD committees holding meetings during last 6 months.....	697	714	1,069	1,088
(c) Number of counties with completed OEDP's.....	755	( <sup>1</sup> )	537	( <sup>1</sup> )
(d) Number of counties planning or implementing projects.....	719	620	1,015	1,020
(e) Number of active county subcommittees.....	3,887	3,988	4,634	5,072
<b>2. Area RAD committees:</b>				
(a) Number of area RAD committees organized.....	190			180
(b) Number of active multicounty area subcommittees.....	569			654
(c) Number of multicounty areas with completed OEDP's.....	99			( <sup>1</sup> )
<b>3. State RAD committees:</b>				
(a) Number of States with organized committees, including Puerto Rico.....	44			44
(b) Number of States holding meetings during last 6 months.....	21			29
(c) Number of States holding executive committee meetings during the last 6 months.....	25			26
(d) Number of States with active subcommittees.....	22			22
<b>4. Total membership in all resource development (RAD) committees and subcommittees:</b>				
(a) County committee member.....	59,602			58,868
(b) Additional persons on county subcommittees.....	34,875			37,855
(c) Area committee members.....	7,216			6,888
(d) Additional persons on area subcommittees.....	4,409			3,768
(e) State committee members.....	1,868			1,939
(f) Additional persons on State subcommittees.....	2,150			1,225
<b>5. Progress in project work:</b>				
(a) Number of projects in planning stage.....	2,772	2,800	2,598	2,186
(b) Number of projects being implemented.....	2,188	2,145	1,949	1,835
(c) Number of projects completed since July 1, 1961.....	6,933	6,181	6,317	5,610
<b>6. CAP activities in EOA program:</b>				
(a) Number of county CAP's which extension assisted in organizing <sup>3</sup> .....			697	
(b) Number of county CAP's which extension provided assistance in development of project components <sup>3</sup> .....			689	
(c) Number of multicounty or area CAP's which extension assisted in organizing.....			284	
(d) Number of multicounty CAP's which extension provided assistance in development of project components.....			179	
(e) Number of counties involved in multicounty CAP's which extension has assisted.....			927	

<sup>1</sup> Comparable data were not available.

<sup>2</sup> Reduction in number over previous quarter results from reorganization in 1 State.

<sup>3</sup> Includes those covering an area of less than a county.

## LIST OF TABLES

## Table

1. Number of State and multicounty area committees organized and active as of November 1, 1965.
2. Number of meetings held by State RAD committees and State executive committees during the last 6 months, November 1, 1965.
3. Number of county committees organized and the number holding meetings during the last 6 months, November 1, 1965.
4. Number of active county subcommittees, November 1, 1965.
5. Number of county RAD committees planning or implementing projects, November 1, 1965.
6. Number of county and multicounty area committees with completed OEDP's, November 1, 1965.
7. Total membership of State committees and State subcommittees, November 1, 1965.
8. Total membership of RAD county committees and county subcommittees, November 1, 1965.
9. Total membership of area committees and area subcommittees, November 1, 1965.
10. Progress in RAD project development, November 1, 1965.
11. Number of county and multicounty CAP's assisted by extension, November 1, 1965.

TABLE 1.—Number of State and multicounty area committees organized and active as of Nov. 1, 1965

	State committees		Active State subcommittees	Multicounty area committees	Active multicounty area subcommittees
	Yes	No			
Alabama.....	X		0	6	6
Alaska.....		X	(1)	1	0
Arizona.....		X	(1)	0	0
Arkansas.....	X		2	6	9
California.....		X	(1)	0	0
Colorado.....	X		5	5	19
Connecticut.....		X	(1)	0	0
Delaware.....	X		0	0	0
Florida.....	X		1	3	4
Georgia.....	X		2	16	96
Hawaii.....	X		0	0	0
Idaho.....		X	(1)	0	0
Illinois.....	X		5	8	12
Indiana.....	X		0	6	5
Iowa.....	X		3	4	22
Kansas.....	X		0	5	0
Kentucky.....	X		2	17	44
Louisiana.....	X		0	0	0
Maine.....	X		0	0	0
Maryland.....	X		2	0	0
Massachusetts.....	X		5	0	0
Michigan.....	X		0	7	14
Minnesota.....	X		0	2	2
Mississippi.....	X		1	6	0
Missouri.....	X		7	5	0
Montana.....	X		4	1	3
Nebraska.....	X		4	3	8
Nevada.....	X		6	1	2
New Hampshire.....	X		(2)	2	6
New Jersey.....		X	(1)	0	0
New Mexico.....	X		0	1	4
New York.....	X		0	2	5
North Carolina.....	X		5	12	53
North Dakota.....	X		0	0	0
Ohio.....	X		1	4	0
Oklahoma.....	X		0	0	0
Oregon.....	X		0	2	2
Pennsylvania.....	X		0	11	11
Puerto Rico.....	X		0	16	142
Rhode Island.....	X		0	0	0
South Carolina.....	X		0	0	0
South Dakota.....	X		0	9	20
Tennessee.....	X		0	8	50
Texas.....		X	(1)	2	2
Utah.....	X		4	3	0
Vermont.....	X		1	2	7
Virginia.....	X		0	9	17
Washington.....	X		0	1	2
West Virginia.....	X		2	2	2
Wisconsin.....	X		0	2	0
Wyoming.....	X		0	0	0
Total.....	44	7	62	190	509

<sup>1</sup> No State committee.<sup>2</sup> Not available.

TABLE 2.—Number of meetings held by State RAD committees and State executive committees during the last 6 months, Nov. 1, 1965

	State committees	State executive committees		State committees	State executive committees
Alabama.....	2	0	Nevada.....	4	6
Alaska.....	(1)	(1)	New Hampshire.....	1	1
Arizona.....	(1)	(1)	New Jersey.....	(1)	(1)
Arkansas.....	0	3	New Mexico.....	1	0
California.....	(1)	(1)	New York.....	0	0
Colorado.....	0	2	North Carolina.....	2	2
Connecticut.....	(1)	(1)	North Dakota.....	0	1
Delaware.....	0	0	Ohio.....	4	2
Florida.....	1	2	Oklahoma.....	0	0
Georgia.....	1	1	Oregon.....	0	1
Hawaii.....	0	0	Pennsylvania.....	1	1
Idaho.....	(1)	(1)	Puerto Rico.....	1	0
Illinois.....	1	1	Rhode Island.....	0	0
Indiana.....	0	2	South Carolina.....	0	0
Iowa.....	0	3	South Dakota.....	2	0
Kansas.....	0	0	Tennessee.....	1	1
Kentucky.....	2	3	Texas.....	(1)	(1)
Louisiana.....	0	0	Utah.....	0	1
Maine.....	0	0	Vermont.....	2	1
Maryland.....	1	2	Virginia.....	1	0
Massachusetts.....	1	1	Washington.....	0	0
Michigan.....	0	0	West Virginia.....	0	1
Minnesota.....	0	0	Wisconsin.....	0	6
Mississippi.....	0	0	Wyoming.....	1	1
Missouri.....	1	1			
Montana.....	(2)	2	Total.....	32	48
Nebraska.....	0	0			

1 No State committee.

2 Not available.

TABLE 3.—Number of county committees organized and the number holding meetings during the last 6 months, Nov. 1, 1965

	County committees organized		County committees holding meetings	
	Designated ARA (EDA) areas	Areas not designated	Designated ARA (EDA) areas	Areas not designated
Alabama.....	38	29	20	11
Alaska.....	17	0	5	0
Arizona.....	4	10	4	10
Arkansas.....	49	24	31	22
California.....	0	2	0	0
Colorado.....	9	16	4	8
Connecticut.....	0	0	0	0
Delaware.....	2	0	1	0
Florida.....	12	9	10	9
Georgia.....	75	84	75	84
Hawaii.....	1	0	1	0
Idaho.....	7	25	7	25
Illinois.....	24	31	18	31
Indiana.....	23	5	12	4
Iowa.....	2	34	2	20
Kansas.....	3	101	3	101
Kentucky.....	68	25	57	18
Louisiana.....	14	37	12	28
Maine.....	8	5	0	3
Maryland.....	3	10	0	0
Massachusetts.....	1	0	0	0
Michigan.....	30	27	19	22
Minnesota.....	23	49	23	49
Mississippi.....	61	21	48	14
Missouri.....	18	13	10	13
Montana.....	6	20	6	20
Nebraska.....	10	14	8	7
Nevada.....	2	21	2	20
New Hampshire.....	3	7	3	7
New Jersey.....	5	15	5	15
New Mexico.....	14	12	13	9
New York.....	6	27	2	17
North Carolina.....	1 <sup>35</sup>	56	1 <sup>35</sup>	56
North Dakota.....	3	37	2	23
Ohio.....	23	54	18	43
Oklahoma.....	31	46	26	32
Oregon.....	4	25	1	13
Pennsylvania.....	34	4	25	3
Puerto Rico.....	2 <sup>0</sup>	2 <sup>0</sup>	2 <sup>0</sup>	2 <sup>0</sup>
Rhode Island.....	0	0	0	0
South Carolina.....	24	20	24	20
South Dakota.....	2	25	2	21
Tennessee.....	51	33	51	24
Texas.....	48	190	48	179
Utah.....	10	8	10	8
Vermont.....	4	8	1	8
Virginia.....	10	62	10	40
Washington.....	9	13	7	13
West Virginia.....	41	4	26	2
Wisconsin.....	20	21	5	6
Wyoming.....	1 <sup>5</sup>	18	1 <sup>5</sup>	11
Total.....	892	1,297	697	1,069

<sup>1</sup> Includes Indian reservation.<sup>2</sup> Puerto Rico is organized on an area basis.

TABLE 4.—Number of active county subcommittees, Nov. 1, 1965

	Active county subcommittees			Active county subcommittees	
	Designated ARA (EDA) areas	Areas not designated		Designated ARA (EDA) areas	Areas not designated
Alabama.....	196	130	Nevada.....	8	64
Alaska.....	29	0	New Hampshire.....	11	14
Arizona.....	16	41	New Jersey.....	25	76
Arkansas.....	281	91	New Mexico.....	87	45
California.....	0	0	New York.....	6	61
Colorado.....	12	30	North Carolina.....	162	274
Connecticut.....	0	0	North Dakota.....	4	47
Delaware.....	0	0	Ohio.....	77	170
Florida.....	76	78	Oklahoma.....	120	178
Georgia.....	226	251	Oregon.....	3	14
Hawaii.....	3	0	Pennsylvania.....	36	2
Idaho.....	36	64	Puerto Rico.....	1	1
Illinois.....	158	44	Rhode Island.....	0	0
Indiana.....	24	8	South Carolina.....	152	110
Iowa.....	2	19	South Dakota.....	11	28
Kansas.....	8	72	Tennessee.....	145	86
Kentucky.....	264	219	Texas.....	361	1,375
Louisiana.....	93	109	Utah.....	4	64
Maine.....	22	28	Vermont.....	2	23
Maryland.....	0	0	Virginia.....	35	92
Massachusetts.....	0	0	Washington.....	13	40
Michigan.....	86	8	West Virginia.....	75	2
Minnesota.....	100	200	Wisconsin.....	25	40
Mississippi.....	597	219	Wyoming.....	27	43
Missouri.....	172	77			
Montana.....	31	84	Total.....	3,887	4,634
Nebraska.....	30	15			

<sup>1</sup> Puerto Rico is organized on an area basis.

TABLE 5.—Number of county RAD committees planning or implementing projects, Nov. 1, 1965

	County committees			County committees	
	Designated ARA (EDA) areas	Areas not designated		Designated ARA (EDA) areas	Areas not designated
Alabama.....	38	20	Nevada.....	2	19
Alaska.....	6	0	New Hampshire.....	3	4
Arizona.....	3	8	New Jersey.....	5	15
Arkansas.....	39	13	New Mexico.....	13	9
California.....	0	0	New York.....	2	17
Colorado.....	7	13	North Carolina.....	135	56
Connecticut.....	0	0	North Dakota.....	2	17
Delaware.....	0	0	Ohio.....	15	31
Florida.....	12	9	Oklahoma.....	31	46
Georgia.....	75	84	Oregon.....	3	16
Hawaii.....	1	0	Pennsylvania.....	26	3
Idaho.....	7	17	Puerto Rico.....	2	2
Illinois.....	24	31	Rhode Island.....	0	0
Indiana.....	12	4	South Carolina.....	1	8
Iowa.....	2	34	South Dakota.....	2	19
Kansas.....	3	101	Tennessee.....	51	20
Kentucky.....	67	16	Texas.....	41	153
Louisiana.....	14	37	Utah.....	10	8
Maine.....	8	5	Vermont.....	4	8
Maryland.....	0	0	Virginia.....	10	40
Massachusetts.....	0	0	Washington.....	2	5
Michigan.....	26	6	West Virginia.....	26	2
Minnesota.....	23	49	Wisconsin.....	20	21
Mississippi.....	33	8	Wyoming.....	5	15
Missouri.....	0	0			
Montana.....	6	20	Total.....	719	1,015
Nebraska.....	4	8			

<sup>1</sup> Includes Indian reservation.

<sup>2</sup> Puerto Rico is organized on an area basis.

TABLE 6.—Number of county and multicounty area committees with completed OEDP's, Nov. 1, 1965

	County committees		Area committees
	Designated ARA (EDA) areas	Areas not designated	
Alabama.....	21	10	0
Alaska.....	1	0	0
Arizona.....	4	3	0
Arkansas.....	47	3	6
California.....	0	0	0
Colorado.....	9	1	0
Connecticut.....	0	0	0
Delaware.....	0	0	0
Florida.....	10	9	2
Georgia.....	75	84	16
Hawaii.....	1	0	0
Idaho.....	7	6	0
Illinois.....	22	9	1
Indiana.....	21	2	1
Iowa.....	2	8	2
Kansas.....	1	1	1
Kentucky.....	42	15	16
Louisiana.....	14	4	0
Maine.....	8	1	0
Maryland.....	0	0	0
Massachusetts.....	0	0	0
Michigan.....	30	16	1
Minnesota.....	20	5	0
Mississippi.....	58	19	0
Missouri.....	18	12	0
Montana.....	6	6	0
Nebraska.....	10	0	2
Nevada.....	2	4	0
New Hampshire.....	(1)	(1)	(1)
New Jersey.....	1	0	0
New Mexico.....	14	2	1
New York.....	6	1	1
North Carolina.....	2 31	5	3
North Dakota.....	0	0	0
Ohio.....	23	51	0
Oklahoma.....	31	40	0
Oregon.....	4	7	2
Pennsylvania.....	17	0	9
Puerto Rico.....	3 0	3 0	16
Rhode Island.....	0	0	0
South Carolina.....	24	3	0
South Dakota.....	2	1	1
Tennessee.....	48	12	5
Texas.....	47	182	0
Utah.....	10	1	0
Vermont.....	4	2	1
Virginia.....	0	0	8
Washington.....	4	1	0
West Virginia.....	41	1	2
Wisconsin.....	14	4	2
Wyoming.....	2 5	7	0
Total.....	755	537	99

<sup>1</sup> Not available.

<sup>2</sup> Includes Indian reservation.

<sup>3</sup> Puerto Rico is organized on an area basis.

TABLE 7.—Total membership of State committees and State subcommittees, Nov. 1, 1965

	State committee members			Additional persons on State subcommittees		
	Total	Men	Women	Total	Men	Women
Alabama.....	28	26	2	9	9	0
Alaska.....	(1)	(1)	(1)	(1)	(1)	(1)
Arizona.....	(1)	(1)	(1)	(1)	(1)	(1)
Arkansas.....	48	44	4	0	0	0
California.....	(1)	(1)	(1)	(1)	(1)	(1)
Colorado.....	9	8	1	0	0	0
Connecticut.....	(1)	(1)	(1)	(1)	(1)	(1)
Delaware.....	29	24	5	0	0	0
Florida.....	(2)	(2)	(2)	0	0	0
Georgia.....	24	20	4	0	0	0
Hawaii.....	18	15	3	0	0	0
Idaho.....	(1)	(1)	(1)	(1)	(1)	(1)
Illinois.....	54	50	4	26	20	6
Indiana.....	108	101	7	0	0	0
Iowa.....	65	60	5	22	22	0
Kansas.....	27	26	1	3	3	0
Kentucky.....	109	92	17	0	0	0
Louisiana.....	92	91	1	0	0	0
Maine.....	30	30	0	0	0	0
Maryland.....	47	40	7	15	12	3
Massachusetts.....	29	27	2	0	0	0
Michigan.....	29	21	8	0	0	0
Minnesota.....	50	50	0	0	0	0
Mississippi.....	41	37	4	0	0	0
Missouri.....	48	47	1	0	0	0
Montana.....	116	107	9	0	0	0
Nebraska.....	45	41	4	18	17	1
Nevada.....	33	30	3	10	10	0
New Hampshire.....	23	19	4	(2)	(2)	(2)
New Jersey.....	(1)	(1)	(1)	(1)	(1)	(1)
New Mexico.....	57	57	0	5	5	0
New York.....	33	33	0	0	0	0
North Carolina.....	62	56	6	24	20	4
North Dakota.....	34	32	2	0	0	0
Ohio.....	69	67	2	0	0	0
Oklahoma.....	39	37	2	0	0	0
Oregon.....	21	18	3	5	4	1
Pennsylvania.....	26	26	0	0	0	0
Puerto Rico.....	32	32	0	0	0	0
Rhode Island.....	13	17	1	0	0	0
South Carolina.....	48	46	2	(2)	(2)	(2)
South Dakota.....	32	32	0	0	0	0
Tennessee.....	50	49	1	8	8	0
Texas.....	(1)	(1)	(1)	(1)	(1)	(1)
Utah.....	41	36	5	0	0	0
Vermont.....	40	37	3	0	0	0
Virginia.....	27	25	2	0	0	0
Washington.....	(2)	(2)	(2)	(2)	(2)	(2)
West Virginia.....	46	43	3	5	5	0
Wisconsin.....	45	40	5	0	0	0
Wyoming.....	46	43	3	0	0	0
Total.....	1,868	1,732	136	<sup>3</sup> 150	135	15

<sup>1</sup> No State committee.<sup>2</sup> Not available.<sup>3</sup> Reduction in number over previous quarter results from reorganization in 1 State.

TABLE 8.—Total membership of county committees and county subcommittees, Nov. 1, 1965

	County committees			Additional persons on county subcommittees		
	Total	Men	Women	Total	Men	Women
Alabama.....	2,783	2,574	209	108	98	10
Alaska.....	356	262	94	0	0	0
Arizona.....	231	185	46	522	286	236
Arkansas.....	2,648	2,113	535	2,167	1,463	704
California.....	( <sup>1</sup> ) 411	( <sup>1</sup> ) 320	( <sup>1</sup> ) 91	( <sup>1</sup> ) 327	( <sup>1</sup> ) 258	( <sup>1</sup> ) 69
Colorado.....	0	0	0	0	0	0
Connecticut.....	43	44	4	0	0	0
Delaware.....	1,117	762	355	692	361	331
Florida.....	2,400	1,800	600	300	185	115
Georgia.....	20	14	6	186	109	77
Hawaii.....	708	649	59	444	383	61
Idaho.....	1,302	1,053	249	1,765	1,396	369
Illinois.....	541	443	98	96	77	19
Indiana.....	255	220	35	74	24	50
Iowa.....	849	680	169	63	31	32
Kentucky.....	3,198	2,370	828	1,487	1,052	435
Louisiana.....	2,900	2,873	27	436	410	26
Maine.....	545	522	23	0	0	0
Maryland.....	( <sup>1</sup> ) 0	( <sup>1</sup> ) 0	( <sup>1</sup> ) 0	0	0	0
Massachusetts.....	805	689	116	522	430	92
Michigan.....	765	550	215	3,355	2,450	905
Minnesota.....	6,889	4,877	2,012	0	0	0
Mississippi.....	1,000	798	202	2,336	1,951	385
Missouri.....	435	355	80	657	527	130
Montana.....	685	568	119	411	238	173
Nebraska.....	464	400	64	0	0	0
Nevada.....	193	175	18	6	5	1
New Hampshire.....	260	230	30	0	0	0
New Jersey.....	612	511	101	297	218	79
New Mexico.....	594	538	56	55	50	5
New York.....	1,322	1,048	274	1,353	747	606
North Carolina.....	323	282	41	923	811	112
North Dakota.....	1,966	1,418	538	2,675	1,872	803
Ohio.....	4,389	2,843	1,546	1,057	608	449
Oklahoma.....	597	533	64	124	98	26
Oregon.....	366	328	38	270	241	29
Pennsylvania.....	0	0	0	0	0	0
Puerto Rico <sup>2</sup> .....	0	0	0	0	0	0
Rhode Island.....	2,260	1,938	322	( <sup>1</sup> ) 174	( <sup>1</sup> ) 0	( <sup>1</sup> ) 0
South Carolina.....	301	( <sup>1</sup> ) 0	( <sup>1</sup> ) 0	0	0	0
South Dakota.....	1,690	1,612	78	0	0	0
Tennessee.....	8,008	5,430	2,578	8,449	4,979	3,470
Texas.....	250	200	50	700	400	300
Utah.....	146	124	22	302	245	57
Vermont.....	1,838	1,362	476	621	410	211
Virginia.....	435	339	96	484	336	148
Washington.....	795	690	105	380	290	90
West Virginia.....	1,500	1,100	400	1,000	700	300
Wisconsin.....	412	372	40	57	45	12
Wyoming.....						
Total.....	59,602	46,192	13,109	34,875	23,784	10,917

<sup>1</sup> Not available.<sup>2</sup> Puerto Rico is organized on an area basis.

TABLE 9.—Total membership of area committees and area subcommittees, Nov. 1, 1965

	Area committees			Additional persons on area subcommittees		
	Total	Men	Women	Total	Men	Women
Alabama.....	100	100	0	0	0	0
Alaska.....	8	5	3	0	0	0
Arizona.....	0	0	0	0	0	0
Arkansas.....	102	97	5	78	67	11
California.....	0	0	0	0	0	0
Colorado.....	85	57	28	57	50	7
Connecticut.....	0	0	0	0	0	0
Delaware.....	0	0	0	0	0	0
Florida.....	81	79	2	35	15	20
Georgia.....	280	260	20	60	40	20
Hawaii.....	0	0	0	0	0	0
Idaho.....	0	0	0	0	0	0
Illinois.....	124	84	40	112	78	34
Indiana.....	84	65	19	30	30	0
Iowa.....	51	42	9	350	290	60
Kansas.....	62	62	0	0	0	0
Kentucky.....	786	604	182	189	140	49
Louisiana.....	0	0	0	0	0	0
Maine.....	0	0	0	0	0	0
Maryland.....	0	0	0	0	0	0
Massachusetts.....	0	0	0	0	0	0
Michigan.....	14	14	0	150	125	25
Minnesota.....	60	50	10	0	0	0
Mississippi.....	(1)	(1)	(1)	(1)	(1)	(1)
Missouri.....	65	64	1	249	29	220
Montana.....	12	8	4	0	0	0
Nebraska.....	232	197	35	93	52	41
Nevada.....	8	8	0	0	0	0
New Hampshire.....	19	19	0	40	33	7
New Jersey.....	0	0	0	0	0	0
New Mexico.....	36	36	0	21	21	0
New York.....	53	53	0	0	0	0
North Carolina.....	604	499	105	911	756	155
North Dakota.....	0	0	0	0	0	0
Ohio.....	80	65	15	0	0	0
Oklahoma.....	0	0	0	0	0	0
Oregon.....	66	57	9	66	44	22
Pennsylvania.....	108	94	14	48	43	5
Puerto Rico.....	323	286	37	882	772	110
Rhode Island.....	0	0	0	0	0	0
South Carolina.....	0	0	0	0	0	0
South Dakota.....	0	0	0	0	0	0
Tennessee.....	168	168	0	583	583	0
Texas.....	3,000	2,700	300	0	0	0
Utah.....	287	279	8	31	31	0
Vermont.....	45	45	0	170	150	20
Virginia.....	97	86	11	0	0	0
Washington.....	101	81	20	254	214	40
Washington.....	15	11	4	0	0	0
West Virginia.....	45	45	0	0	0	0
Wisconsin.....	15	14	1	0	0	0
Wyoming.....	0	0	0	0	0	0
Total.....	7,216	6,334	882	4,409	3,563	846

<sup>1</sup> Not available.

TABLE 10.—Progress in RAD project development, Nov. 1, 1965

	Projects being planned		Projects being implemented		Projects completed since July 1, 1961	
	Designated ARA (EDA) areas	Areas not designated	Designated ARA (EDA) areas	Areas not designated	Designated ARA (EDA) areas	Areas not designated
Alabama.....	76	51	83	39	250	114
Alaska.....	11	0	1	0	6	0
Arizona.....	7	16	8	19	71	12
Arkansas.....	353	87	302	87	440	109
California.....	0	0	0	0	0	0
Colorado.....	46	65	28	23	36	71
Connecticut.....	0	0	0	0	0	0
Delaware.....	0	0	0	0	0	0
Florida.....	48	39	43	41	91	85
Georgia.....	55	65	25	20	208	242
Hawaii.....	12	0	6	0	11	0
Idaho.....	13	43	10	26	16	41
Illinois.....	119	112	121	83	149	93
Indiana.....	36	10	69	8	104	12
Iowa.....	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Kansas.....	9	61	2	12	24	46
Kentucky.....	299	120	242	103	505	31
Louisiana.....	36	143	12	48	29	48
Maine.....	37	12	12	8	32	4
Maryland.....	2	0	1	0	1	0
Massachusetts.....	0	0	0	0	0	0
Michigan.....	159	9	87	13	56	22
Minnesota.....	40	100	10	25	80	40
Mississippi.....	55	21	52	17	431	290
Missouri.....	96	25	232	86	453	638
Montana.....	24	59	11	9	27	55
Nebraska.....	5	5	5	5	70	60
Nevada.....	16	30	16	27	64	0
New Hampshire.....	9	4	11	3	23	2
New Jersey.....	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
New Mexico.....	105	76	28	23	78	31
New York.....	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
North Carolina.....	65	82	58	97	706	1,671
North Dakota.....	2	12	5	21	7	58
Ohio.....	42	82	27	44	86	55
Oklahoma.....	53	82	46	58	88	123
Oregon.....	10	25	9	24	18	17
Pennsylvania.....	93	61	49	12	283	43
Puerto Rico.....	372	( <sup>2</sup> )	154	( <sup>2</sup> )	1,270	( <sup>2</sup> )
Rhode Island.....	0	0	0	0	0	0
South Carolina.....	1	6	0	2	8	6
South Dakota.....	4	89	4	29	5	23
Tennessee.....	134	80	91	56	353	227
Texas.....	178	655	181	532	656	1,704
Utah.....	25	3	5	90	7	85
Vermont.....	7	142	13	188	15	108
Virginia.....	53	47	63	31	28	96
Washington.....	5	33	3	5	73	13
West Virginia.....	45	4	53	5	60	6
Wisconsin.....	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Wyoming.....	15	42	10	30	15	36
Total.....	2,772	2,598	2,188	1,949	6,933	6,317

<sup>1</sup> Not available.<sup>2</sup> Puerto Rico is organized on an area basis.

TABLE 11.—Number of county and multicounty CAP's assisted by extension, Nov. 1, 1965.

	County CAP's		Multicounty CAP's		Number of counties in multicounty CAP's assisted
	Assisted in organization	Assisted in project development	Assisted in organization	Assisted in project development	
Alabama.....	3	4	23	2	(1)
Alaska.....	2	2	1	1	2 1
Arizona.....	7	7	1	0	2
Arkansas.....	54	51	14	14	56
California.....	0	3	0	0	0
Colorado.....	18	20	3	3	9
Connecticut.....	1	1	0	0	0
Delaware.....	3	3	0	0	0
Florida.....	9	9	3	3	10
Georgia.....	(1)	(1)	16	16	134
Hawaii.....	4	5	0	0	0
Idaho.....	8	4	1	1	(1)
Illinois.....	19	22	7	7	29
Indiana.....	12	12	17	17	51
Iowa.....	6	6	23	6	51
Kansas.....	3	12	0	0	85
Kentucky.....	(1)	49	22	7	0
Louisiana.....	20	14	2	2	101
Maine.....	15	10	0	0	9
Maryland.....	10	10	1	1	0
Massachusetts.....	8	14	0	0	8
Michigan.....	27	25	10	5	0
Minnesota.....	1	0	12	0	26
Mississippi.....	2	0	22	9	40
Missouri.....	5	53	23	23	42
Montana.....	1	1	(1)	3	108
Nebraska.....	0	0	0	0	10
Nevada.....	2	2	0	4	0
New Hampshire.....	(1)	(1)	(1)	(1)	(1)
New Jersey.....	5	0	0	0	0
New Mexico.....	19	14	2	2	5
New York.....	38	37	1	1	2
North Carolina.....	38	18	12	10	43
North Dakota.....	4	2	0	0	0
Ohio.....	36	23	5	1	15
Oklahoma.....	57	44	6	0	(1)
Oregon.....	25	12	3	1	3
Pennsylvania.....	30	18	9	5	25
Puerto Rico.....	13	13	2	2	10
Rhode Island.....	1	1	0	0	0
South Carolina.....	6	4	3	1	(1)
South Dakota.....	4	3	1	0	4
Tennessee.....	62	55	10	5	11
Texas.....	63	58	11	11	32
Utah.....	2	0	0	1	5
Vermont.....	0	0	5	5	14
Virginia.....	16	9	5	3	12
Washington.....	6	6	0	2	(1)
West Virginia.....	31	31	4	4	16
Wisconsin.....	1	2	3	1	14
Wyoming.....	0	0	0	0	0
Total.....	697	689	284	179	932

<sup>1</sup> Not available.

<sup>2</sup> Alaska has 2 incorporated CAP projects, the rest of the State is on 1 overall CAP plan.

#### PROPOSED DEVELOPMENT DISTRICTS LEGISLATION

Mr. MICHEL. Is the workload in your 1967 budget request based upon passage of the President's proposed legislation on rural community development districts? If so, to what extent?

Mr. LEWIS. No, the total workload will not be affected by action on the proposed rural community development district act. If the bill is enacted, our field representatives will provide technical guidance and help on rural development problems to community development district boards, essentially in the same way as they would otherwise provide help to local leaders and local governments within the districts.

We expect that the formation of rural community development districts will make it possible for rural community leaders to achieve greater effectiveness in their rural development efforts, and to get greater benefits for the amount of effort that they and our Department of Agriculture specialists contribute.

Mr. MICHEL. In the event this proposed legislation were enacted and the designated districts proceeded to develop plans—what kind of major economic development objectives do you think are in greatest need (such as, community hospitals, high schools, public services and facilities, industrial decentralization, manpower training and development, recreation, etc.)?

Mr. LEWIS. The economic development activities that are most urgently needed will vary from one rural community to another, and we will attempt to respond to the needs that are recognized by the local people in each case. In general, as mentioned by the President in his message to Congress January 25, 1966, we intend to carry out special concerted services within the community development districts selected for pilot operation during fiscal year 1967. These will be in the fields of education and training, based on the experience we have gained in the three pilot counties during the current year, and in medical services.

In my judgment, considering rural community needs generally, the most important is for additional job opportunities to provide more adequate incomes, followed by educational and health-care opportunities. But in seeking to satisfy these needs, it is often necessary to proceed on a broad front to improve rural community public services and living conditions, as a preliminary step to prepare the ground, as it were, so as to make the community an attractive and suitable place for businessmen to establish new plants and to provide new job opportunities.

Mr. MICHEL. As I understand it, your shop is not responsible for the administration of any program requiring substantive legislation by Congress. If the President's proposed rural community development districts legislation is enacted, would you be delegated the authority to administer this program?

Mr. LEWIS. The Secretary of Agriculture intends to delegate to the Rural Community Development Service the responsibility for helping him carry out the functions that would be assigned to him under the proposed act for approving community development districts and certifying the grants to be made to community development district boards under the act.

Mr. MICHEL. Will the State governments determine the boundaries of the community development districts that the Secretary of Agriculture designates within the respective States?

Mr. LEWIS. As specified in the proposed act, the boundaries of community development districts would be delineated by the State agency designated by the Governor or legislature of the State. If the boundaries established by the State agency conform to the provisions of the act, they will be approved by the Secretary.

Mr. MICHEL. What, in your opinion, does "delineated by the State" mean?

Mr. LEWIS. This term means that the boundaries of the districts will be drawn by the appropriate State agency which is designated by the Governor or the legislature of the State for that responsibility.

Mr. MICHEL. Will the local government bodies within the designated districts have anything to say about what districts they will become a part of?

Mr. LEWIS. The powers of local government bodies within the States are determined by the constitution and laws of the respective States, and there is considerable variation from one State to another. However, we expect that local governments within community development districts established by the State will be fully consulted by the State agency charged with responsibility for delineating the district boundaries. We will exert every influence that we can to urge the States to do so.

Mr. MICHEL. Do you have in mind the size of a typical or average size district in terms of population or geographical area, municipal boundaries, et cetera?

Mr. LEWIS. We expect that the population and area of community development districts will vary a good deal. The purpose of the proposed act is to give residents of rural areas, and their neighbors in small- and medium-sized cities, who need to share and work together for their mutual interests, the means to do the best they can with the opportunities they have. Therefore, the population of a district will be determined by the number of people that live within commuting range, or are dependent upon the center for services and activities that usually are obtained by commuting from home. These include employment, health-care services, cultural activities, shopping and professional services, social activities, et cetera. This does not mean, of course, that all such services will need to be obtained in the center of the district. But generally it is true that it is not possible to obtain the full range of services and opportunities that are needed without some degree of dependence on or relationship to the commuting center or commuting centers in the district.

In areas of sparse population, the population base within commuting reach of a service center will be smaller than in more densely settled areas, and the range and quality of services might have to be lower, or the cost higher. In some areas where residents are beyond convenient commuting distance of any center, it may be more economical and satisfactory to provide some essential services through mobile facilities, rather than by commuting. Such areas would be included in the districts from which it is most economical and convenient for such mobile services to be based.

Mr. MICHEL. Could a county be partly in one district and partly in another or cover parts of more than one State?

Mr. LEWIS. We do think generally that it would be preferable for district boundaries to follow county boundaries. However, some rural counties are so located that residents in one end normally commute to one urban center, while residents in the other end normally commute to another. In such cases, the people in the county might prefer to have their county governing body participate in two or more districts, so that their residents will be represented in the planning activities and decisions that relate to the district in which they normally carry out their economic, social, and cultural activities.

Some rural residents of one State might be dependent upon a commuting center located on or near the State boundary. In such cases, a district would need to cover parts of both States in order to insure that all of the people who have mutual interests in the district's de-

velopment could participate in the planning activities. In such cases, a district might be delineated partially in one State and partly in the other.

Mr. MICHEL. Would you provide for the committee, a map showing the extent to which regions, districts, areas, et cetera, have already been established under previous legislative authority, such as the Appalachian Regional Development Act, the Economic Opportunity Act, Public Works and Economic Development Act of 1965, et cetera?

Mr. LEWIS. Yes, sir, I will furnish this for the committee's information.

(The information was furnished to the committee.)

Mr. MICHEL. How would the "board" and "agency" of a district be established; and how would their actions be subject to review and re-direction by the respective local government, by the Secretary of Agriculture?

Mr. LEWIS. The specific procedures for formation of a district "board" and "planning agency" would be up to the States to determine. As a general rule, this would be accomplished by enactment of a resolution or ordinance by the governing body of the participating local governments.

The board's only authority would relate to directing the activities of the planning agency and approving the district plans developed by the agency. Plans approved by a district board would have the status of recommendations to the local governments within the district, and the act would require all Federal agencies to take such plans into consideration before approving federally aided projects having a planning requirement within the district.

The planning activities of a community development district would be subject to the same kind of review for technical competence and adequacy as other planning activities for which Federal grants-in-aid are furnished under section 701 of the Housing Act of 1954, as amended. The Secretary of Agriculture will consult and collaborate closely with the Secretary of Housing and Urban Development, who is responsible for administering present planning grants under section 701.

Mr. MICHEL. Would you object to section 4 of the bill being amended to require that the members of the board consist of elected officials of the local governments, rather than being appointed by the government officials?

Mr. LEWIS. We would have no objection whatsoever to amending section 4 to require that the members of the board consist of elected officials of the local governments. The present bill provides that the participating local governing bodies shall appoint the members of the board, and we would expect them to make the appointments from among their own members. We believe it would improve the bill to require that this be done.

Mr. MICHEL. What are some of the increased efficiencies, services, and benefits that you contemplate for the participating districts which could not otherwise be obtained by the organized effort in these areas on a voluntary basis?

Mr. LEWIS. The principal objective of the bill is to provide Federal grants-in-aid to cooperating local governments to carry out planning activities which they cannot now afford to finance adequately. In addi-

tion, the bill would provide for a consistent pattern and structure for the planning of federally assisted development programs which involve mutual interests and concerns of rural and urban people within a commuting area. This will simplify the problems that local people encounter in dealing with such programs when the various Federal agencies set up differing requirements as to the pattern and structure of planning activities.

Mr. MICHEL. Do you contemplate the likelihood that local county agencies of the Federal Government (SCS, ASCS, FHA, Extension Service, etc.) might subsequently be consolidated into the central district headquarters—as another step toward increased efficiency?

Mr. LEWIS. State extension services in some States have already started to organize their services on a district basis, utilizing districts that are comparable in geographic extent to the standards that would be prescribed in the Community Development District Act. Usually this does not mean “consolidation” in a strict sense. General services should be, I think, furnished from field offices located close to the rural people in the rural communities. But frequently it is not feasible or economical to provide some of the more specialized services that are becoming increasingly important, in every rural county. Specialists might very well be, as some extension services are beginning to do, located in a district commuting center, where they can be readily available to handle cases referred to them from any of the counties surrounding the center. I believe there is a considerable opportunity for increased efficiency in many of the farm program activities by following that approach, without sacrificing the close and convenient access by rural people to the more general types of services of the respective agencies.

Mr. MICHEL. Would the enactment of this legislation tend to contribute to the eventual consolidation of local governments—counties and small urban centers—into one larger centralized governmental body for the district?

Mr. LEWIS. This would depend entirely upon what the local governments, and the State governments, might choose to do. I believe there are considerable opportunities for local governments to achieve greater economy in their operations by planning to work more closely together, without actual consolidation of the local governments themselves.

Mr. MICHEL. How much do you estimate will need to be appropriated for the first year of financing a district planning program?

Mr. LEWIS. The President has proposed that grants-in-aid for community development district planning be made to several pilot districts during fiscal year 1967. We estimate that not more than \$5 million would be required for planning grants to districts during fiscal year 1967.

Mr. MICHEL. Could the Federal Government withhold funds and technical assistance for other Federal programs in a district that does not elect to participate?

Mr. LEWIS. The proposed bill includes no authority nor requirement that funds and technical assistance for other Federal programs be withheld in a district that does not elect to participate. The administration has no intention of doing so. The proposed act would not in any way change the present procedures for administering Fed-

eral programs in areas that are not served by community development district planning activities. The bill does provide that the administrators of other Federal programs must take into consideration the plan of the district, before approving federally aided projects within the district that have a planning requirement.

Mr. MICHEL. How will the thousands of local RAD committees which you have promoted over the past 4 to 5 years fit into this program?

Mr. LEWIS. We anticipate that the formation of community development district planning agencies will greatly enhance the effectiveness of the rural area development committees that are active within the district. These volunteer citizens committees have been handicapped by the lack of full-time professional planning services. The district planning agency staff will be able to follow through and refine the rural development ideas originated by the RAD committee, and to do a more effective job than they have been able to do to get them carried out. Moreover, the district planning activity will actively involve the local governing bodies within the district in the planning activity, which should make it easier to secure the local governmental decisions that are often necessary to carry out development activities. The proposed bill, therefore, would close two important gaps that have handicapped the efforts of local RAD committees in many communities.

Mr. WHITTEN. Mr. Langen.

#### SERVICES AT LOCAL LEVEL

Mr. LANGEN. Mr. Chairman, and Mr. Lewis, I have followed the testimony and the questioning following quite closely and I should be frank to say that I don't know that the justification and the significance of the requests for the additional moneys here are of such significance that they warrant a great deal of questions.

It seems that almost every reference to service in your statement, as well as in response to questions, are already covered by Departments of Government and in a pretty adequate manner. And they are in a better position to provide that kind of service.

In the event that I should be completely wrong, let me ask this. Suppose someone in my district wanted to avail themselves of your services. Where would they go or to whom would they write?

Mr. LEWIS. They would go to the local USDA office in their county.

Mr. LANGEN. What do you mean by local USDA?

Mr. LEWIS. Farmers Home Administration, Soil Conservation Service, or ASCS or to the Extension Service.

Mr. LANGEN. And those are the offices that are there and have been established over the years and have been serving those people, I think, in a very adequate manner all during this time?

Mr. LEWIS. Yes, sir.

Mr. LANGEN. Should they then make the further inquiry that, now we don't think you are giving us the right answers, or the right service, and we understand that there is some other superior authority that you can rely on for information and would you please convey my requests to them, which would be your Agency. Is that how they ought to go about this?

Mr. LEWIS. No, if they have problems that do not relate to the specific programs of those agencies, they have not been in the habit of

going to their Department of Agriculture office for that kind of help, but for example, if they want help in getting a small business loan and the Small Business field office is out of reach or they don't know exactly where it is, under our rural development program, which is a partnership effort by all USDA agencies, they would be able to get that information and to make the appropriate contacts through their local Department of Agriculture offices.

Mr. LANGEN. Which brings them right back to the offices that are already there.

I will tell you why I asked, Mr. Lewis, because I raised somewhat the same question last year, and I have just been looking at the subjects that I raised then and the answers to those questions and I don't find a single one of them that have been responded to in any manner since that time either by our testimony today, or by any action that I have seen that has amounted to anything.

I shall recall for you one of the questions that I raised, right in this category, which had to do with FHA and small business loans.

I asked the question, "Should we refer these matters to your office so you in turn can advise ARA or FHA, of what they ought to do with regard to them?"

And your response was as follows:

I'm inviting work, Mr. Langen, that is exactly where you should refer them. That is our responsibility to put your constituents into a connection with the appropriate Government agency that has the program to serve them.

I don't mind saying that I had three such cases that came to my attention, and so I in turn, related them down to your office. And we got absolutely nothing out of one of the three.

However, it is interesting to note that in all cases, attention was directed to each of those cases, but didn't come from your office. And so it is for that reason, that I raise the question of just what is the object of all of this?

I note in your testimony, for instance, that you talk about rural areas being sparsely settled and difficult for them to get to the offices that are there now, and that a part of your assignment is to improve on this. Yet when we ask you the question of where do they go, you tell them to go to the offices that are already there.

Now what added service is that? I see nothing added in that whatsoever.

RURAL DEVELOPMENT PROJECT, TODD COUNTY, MINN.

Mr. LEWIS. We do not have our added service fully provided in your State; we do not have and have not had a State director responsible for Minnesota.

Mr. LANGEN. I notice when you refer to Minnesota, you take a great deal of credit for something taking place in Todd County, and I just wonder how much time your men spent in Todd County.

Mr. LEWIS. We are supervising the coordinator of that project. That is our one activity in Minnesota, other than what we can do through the existing Department of Agriculture agencies. That project, Mr. Langen, was planned under the leadership of the Rural Community Development Service—between the Department of Health, Education and Welfare, and the Department of Labor principally. They are the 3 departments which are administering the program under the coordinating leadership of our agency.

## USE OF ADDITIONAL PERSONNEL

Mr. LANGEN. Well, I shan't pursue that project, there are many items in connection to it, but I'm searching desperately for some justification for this terrific addition of moneys and personnel. And even if you get these 221, and spread them all over these United States, does anybody think that provides service any closer to rural people than there is now?

Don't you think it would be much better to add services necessary in connection with any one of these departments, to expand them to that degree?

We talked about Extension Service. Here is an agency that has performed with great distinction, and certainly with perfection as far as rural people are concerned, and yet within this same budget, we find, we are going to take some money away from them. We can't afford to carry on that department any longer, but we have to take some money away from them, move it out into some other special areas.

And you think you are going to be able to improve on the service that they provided, that is located in that local community, and are acquainted with the problems and people and everything that is there?

Mr. LEWIS. No, sir, we are going to reinforce the capability of the people who are there already in the Department of Agriculture team to be able to provide services in connection with programs of other Departments which they are not now getting equitably.

Mr. LANGEN. Like what?

## WORK WITH SMALL BUSINESS ADMINISTRATION—LOCAL DEVELOPMENT CORPORATIONS

Mr. LEWIS. Small Business Administration—

Mr. LANGEN. Let's talk about the Small Business Administration for a moment, and right now, and I haven't heard you make any reference to this, the Small Business Administration is about out of commission. They don't have any money for loans to begin with because of the emergency situation they have run into and we have any number of requests now for small business loans, and they get the answer, no funds.

What has your Department done to relieve that situation?

Mr. LEWIS. They have adequate funds for the foreseeable demand in their section 502 program, and we have just completed an agreement with SBA to provide very close working relationships with the Small Business Administration in helping to sponsor local development corporations which can provide low-cost financing in small communities under that program.

Their own field force is not extensive enough—

Mr. LANGEN. What do you mean when you say "local," establish what?

Mr. LEWIS. Local development corporations.

Mr. LANGEN. Local development corporations.

Mr. LEWIS. These are agencies which will be financed in part by local funds up to 20 percent, in most cases, and the balance will come from the Small Business Administration. And they in turn will make loans to local businessmen.

Mr. LANGEN. Have you solved the problem that prevails there at the moment? We have had some small business loans that have been turned down under the economic development program. And the reason they have been turned down is that they say that the only communities that are eligible are those that have community action programs already established.

Then in turn, we have communities that have requested moneys for the establishment of a community action program and they have been turned down by small business because they said they had no funds for that purpose.

And so where do you wind up? You wind up with an applicant for a loan that gets no money. Should we send them to you?

Mr. LEWIS. We will do the very best we can to help get their application—

Mr. LANGEN. What can you do that Small Business can't do?

Mr. LEWIS. Once the Small Business Administration has the application in hand, it is up to them to make the decision, but we can help the local people to develop their application—

Mr. LANGEN. How can you, where do they go to reach you? They have to go to the Small Business office to begin with. You are not there.

Mr. LEWIS. In the first place, we do not at the present time, as I say, have a State office active in Minnesota. In those areas where we have had field representatives at work—and they have not been available throughout the country—the experience has been that the proportion of applications approved by the Area Redevelopment Administration and to OEO, have been much higher than in the areas that have not had that service.

Our hope is to provide that kind of service, which we have done on a demonstration basis in some sections of the country, throughout the whole country in this coming year.

Mr. LANGEN. I think that is all, Mr. Chairman.

Mr. WHITTEN. Mr. Lewis, thank you. I realize that you believe in your work. I guess there can't be too many people working as a unit. But there is some question of duplication in my mind; with the OEO, and the various departments and agencies all involved in this work.

I could see at the outset, a need for somebody to coordinate the various agencies of the Department of Agriculture. But to duplicate office setup throughout the United States, I think, runs counter to the thinking of anybody I know of in Congress that deals in agriculture.

In addition to that, even if that were sound, when it comes at the expense of curtailing the programs of these other departments and agencies, I think you can see the problem that it causes us.

I have many reasons, as you know, to feel kindly toward the personnel and people that you work with, but we in turn have to deal with this overall budget. I have heard many compliments for the work you have done, but I don't believe that we can go along at this time with an increase of  $5\frac{1}{2}$  times the present level when all of the circumstances are considered.

Thank you for your appearance.

FRIDAY, MARCH 4, 1966.

## OFFICE OF THE INSPECTOR GENERAL

## WITNESSES

LESTER P. CONDON, INSPECTOR GENERAL, OFFICE OF THE INSPECTOR GENERAL

J. WILLIAM HOWELL, ASSISTANT INSPECTOR GENERAL, OPERATIONS, OFFICE OF THE INSPECTOR GENERAL

LEONARD H. GREESS, ASSISTANT INSPECTOR GENERAL, POLICY AND PLANS, OFFICE OF THE INSPECTOR GENERAL

WILLIAM E. FORSYTHE, ADMINISTRATIVE OFFICER, OFFICE OF THE INSPECTOR GENERAL

LOUIS J. ROTH, ASSISTANT INSPECTOR GENERAL, INSPECTIONS AND SPECIAL PROJECTS, OFFICE OF THE INSPECTOR GENERAL

CHARLES L. GRANT, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

MORRIS KAUFMAN, SECTION HEAD, BUDGET BRANCH, OFFICE OF MANAGEMENT SERVICES

## SALARIES AND EXPENSES

*Object classification*

[In thousands of dollars]

	1965 actual	1966 estimate	1967 estimate
Personnel compensation;			
11.1 Permanent positions.....	7,425	8,060	8,680
11.3 Positions other than permanent.....	4	4	8
11.5 Other personnel compensation.....	11	15	10
Total personnel compensation.....	7,440	8,079	8,698
12.0 Personnel benefits.....	550	604	648
21.0 Travel and transportation of persons.....	1,948	2,115	2,243
22.0 Transportation of things.....	34	35	38
23.0 Rent, communications, and utilities.....	224	222	235
24.0 Printing and reproduction.....	30	37	40
25.1 Other services.....	37	20	45
25.2 Services of other agencies.....	81	85	96
26.0 Supplies and materials.....	53	43	47
31.0 Equipment.....	56	25	35
99.0 Total obligations.....	10,452	11,265	12,125

*Personnel summary*

	1965 actual	1966 estimate	1967 estimate
Total number of permanent positions.....	846	866	910
Full-time equivalent of other positions.....	1	1	2
Average number of all employees.....	809	829	873
Average GS grade.....	9.6	10.1	10.1
Average GS salary.....	\$9,125	\$9,972	\$10,072

Mr. WHITTEN. We have with us today Mr. Condon, the Inspector General, and his associates.

Mr. Condon, we follow the practice of having anyone who might be new to the committee give us a brief resume for the record.

#### JUSTIFICATION MATERIAL

Prior to your statement, I would like pages 19 through 21 of the justifications to be included in the record at this point.

(The justification pages follow:)

#### OFFICE OF THE INSPECTOR GENERAL

#### PURPOSE STATEMENT

Internal audit and investigation activities are carried out by the Office of the Inspector General which was established by the Secretary of Agriculture's Memorandum No. 1503 dated June 25, 1962, and No. 1524 dated December 21, 1962. The Office is responsible to the Secretary for assuring that existing laws, policies, and programs of the Secretary are effectively complied with on every level of administration in accordance with the intent of the Congress and the Secretary. It insures prompt and appropriate corrective action in those areas in which deviation from established law, policy, procedure, rules, or regulations has developed; and conducts internal audit and investigative activities within the Department and coordinates and correlates them with various investigative agencies of the executive and legislative branches of the Government.

These audit and investigative services are carried out by the headquarters' staff and seven regional offices located in New York, N.Y.; Hyattsville, Md.; Atlanta, Ga.; Chicago, Ill.; Temple, Tex.; Kansas City, Mo.; and San Francisco, Calif.

## Available funds and man-years, 1965 and estimated, 1966 and 1967

Item	Actual, 1965		Estimated available, 1966		Budget estimate, 1967	
	Amount	Man-years	Amount	Man-years	Amount	Man-years
Office of the Inspector General: Salaries and expenses-----	\$10,116,137	778	\$10,613,000	788	\$11,602,000	838
Obligations under other USDA appropriations for audit and investigation services:						
Office of the Secretary: Civil rights activities-----			60,210	5		
Agricultural Stabilization and Conservation Service: Cost survey relative to CCC storage activities in grain-----			103,290	5		
Miscellaneous reimbursements-----	1,259		2,200		2,200	
Total, other USDA appropriations-----	1,259		165,700	10	2,200	
Total, agricultural appropriation bill-----	10,117,396	778	10,778,700	798	11,604,200	838
Other funds:						
Reimbursable audit and investigation services for other agencies:						
For coverage of ASCS State office activities incident to operations of the commodity loan programs financed by service fees or charges from producers-----	221,600	17	221,600	17	227,600	17
For consumer and marketing service inspection, grading, and classification standards activities financed by reimbursement-----	130,400	11	135,000	11	137,400	11
Miscellaneous (primarily work for Office of Economic Opportunity)-----	34,116	3	172,013	8	156,000	7
Total, other funds-----	386,116	31	528,613	36	521,000	35
Total, Office of the Inspector General-----	10,503,512	809	11,307,313	834	12,125,200	873

*Salaries and expenses*

Appropriations Act, 1966-----	\$10,491,000
Transferred to "Operating Expenses, Public Buildings Service, General Services Administration" for space rental-----	—23,000
Proposed supplemental, 1966, for increased pay costs-----	145,000
Base for 1967-----	10,613,000
Budget estimate, 1967-----	11,602,000
Increase (for increased pay costs pursuant to Public Law 89-301 and internal audit and investigation of the Department's programs) --	+989,000

## Project statement

Project	1965	1966 estimate	Increases and decreases		1967 estimate
			Increased pay costs (Public Law 89-301)	Other	
1. Internal audit and investigation					
Unobligated balance.....	\$10,064,926	\$10,613,000	+\$141,000	+\$848,000	\$11,602,000
Total increased pay costs (Public Law 89-301).....	51,211	(222,000)	(+83,836)	(+17,000)	(322,836)
Total available or estimate.....	10,116,137	10,613,000	+141,000	+848,000	11,602,000

## BIOGRAPHIES

Mr. CONDON. We have two new gentlemen here.

Mr. WHITTEN. Present them to the committee with a brief statement and then enlarge it for the record.

Mr. CONDON. I have to my left Mr. Leonard Greess, who is an Assistant Inspector General, Policy and Plans, and as such is very personally related to all of the planning and projections of the programs, both investigation and audit.

In the rear of the room we have Mr. Louis Roth, who is also an Assistant Inspector General, Inspections and Special Projects. His group works out of the Washington area. He is in charge of conducting very sensitive investigations and also has the duty of looking into any allegations against our own personnel.

Other than that, sir, you know Mr. Forsythe, who is in the executive office, and Mr. Howell, my assistant in charge of general operations. Mr. Kaufman, in the rear of the room, is the budget analyst who services us in that area.

I will submit to the committee a biographical sketch on both of these gentlemen.

(The biographical sketches follow :)

BIOGRAPHICAL SKETCH OF GREESS, LEONARD H., ASSISTANT INSPECTOR GENERAL,  
POLICY AND PLANS

Mr. Greess was born in New York City in 1924. He received a B.S. degree from New York University, New York City, in 1948. He served in the U.S. Army Air Force from 1943 to 1946, the major part of his assignments being in the electronics and radar fields.

Mr. Greess entered the Federal service as an auditor with the San Antonio branch of the U.S. Army Audit Agency in 1954. He further served that agency in Europe and in Washington, D.C., in increasingly responsible positions. During his service with the Army Audit Agency he supervised the technical aspects of a major segment of their work in Europe while serving in a European headquarters office, and directed that Agency's introduction of computer auditing from a position in their headquarters in Washington, D.C. In November 1962, he joined the Office of the Inspector General as Assistant Inspector General for Policy and Plans.

Mr. Greess is a CPA, and worked in public accounting prior to his Government service. He and his two children reside at 7607 Westminister Court, Falls Church, Va.

BIOGRAPHICAL SKETCH OF LOUIS J. ROTH, ASSISTANT INSPECTOR GENERAL,  
INSPECTIONS AND SPECIAL PROJECTS

Mr. Roth is a native of Chicago, Ill. He received a B.C.S. degree from Columbus University, Washington, D.C. He is a member of the Federal Government Accountants Association. He entered the Federal service in 1939 and has been with Department of Agriculture since 1943. From 1943 until 1962 he served as an auditor in the internal audit division of the Agricultural Stabilization and Conservation Service (ASCS) and its predecessor agencies. In November 1962, shortly after the Office of the Inspector General was established and following several years' service as Chief of the ASCS Internal Audit Division field office at San Francisco, he was appointed Assistant Inspector General in charge of internal inspections and special projects.

Mr. Roth, his wife, and their daughter reside at 7507 Fairwood Lane, Falls Church, Va.

Mr. WHITTEN. You might proceed, Mr. Condon.

GENERAL STATEMENT

Mr. CONDON. Mr. Chairman, I have submitted a statement to the committee of some 15 pages. With your permission, I would like to enter it into the record and make some comments.

Mr. WHITTEN. You may file it for the record and touch on it as you see fit.

(The statement follows:)

STATEMENT OF LESTER P. CONDON

Mr. Chairman and committee members, I appreciate the opportunity to come before you today to present the request for funds for the Office of the Inspector General.

For fiscal year 1967 we are asking for \$11,602,000, which is an increase of \$989,000 over the estimate for fiscal year 1966. Of the requested increase, \$848,000 is to meet our needs for internal audit and investigation relating to the Department's programs. The balance, an increase of \$141,000, is to provide for the full-year costs in fiscal year 1967 of the pay increase pursuant to Public Law 89-301.

With your permission, Mr. Chairman, I would like to have inserted at appropriate places in the record excerpts from the explanatory notes which have been submitted.

Our prior budget presentations have stressed the emphasis we are placing on the professional aspects of our service. The scope and character of the audits and investigation now being performed are quite different from those that preceded the establishment of the Office of the Inspector General. Our success in devising and performing reoriented and revitalized audits and investigations depends upon the professional capabilities, the professional orientation, and the professional commitment exemplified by the personnel who perform these services.

Our request for funds is not merely to provide manpower; it is essentially to enable us to recruit and retain personnel having qualifications and capabilities which will assure a performance level in keeping with professional standards.

For fiscal year 1967 we have provided an audit and investigation program of "reasonable risk." Coverage is selective rather than total, but planned to minimize the likelihood of the escape or concealment of significant matters.

*Plan of work*

Our annual program of work is designed to achieve maximum effective utilization of personnel through the designation of service areas of greatest benefit to the Department. It is the culmination of a survey and analysis effort designed to ferret out significant and sensitive areas for coverage.

During fiscal year 1967 it is planned to continue our emphasis on broad-scale coordinated audits. Manpower not engaged in these major audits will perform audits of individual organizational entities of the Department, stressing those in which there is an indicated sensitivity or problem. Since reserve manpower

has not been provided for, management requests for unprogramed work will be met to the extent that (1) manpower permits, and (2) requested service warrants deferral of existing scheduled work.

Planning and programing each year involves the introduction of new approaches to improve both economy and effectiveness. It also involves revision of objectives for many types of inquiries to meet changed policies and operating conditions with emphasis on those changes that respond to directives from the Congress and the President and recommendations of the General Accounting Office and other qualified groups.

In our annual programing effort we start from zero and construct a new program which is costed out in actual dollars. At the time the budget is prepared these plans are in broad terms. Such details as areas for emphasis, locations, and timing are added immediately prior to the fiscal year of operations.

The result we are after—you and I and our associates in the Congress and executive departments—is excellence in public administration—excellence that will foster in every citizen confidence in the integrity of his Government. The presence of a highly qualified, independent, and objective audit and investigative service within a department that can respond promptly can assist to this end. It is impossible to measure the harm that is done to Government as a result of criticism and bad publicity, justified or not—the extent to which confidence in Government is impaired on one hand by failure to take prompt action where warranted, or, on the other hand by exaggerated or unfounded allegations, to say nothing of the damage that is done to the reputations of individuals. An audit and investigation unit staffed to provide prompt service is equipped to effectively ferret out and present the facts so as to avoid the deterioration of confidence in instances of this kind. A price tag often cannot be put on these services; yet the value is there. Our request for \$11,602,000 will provide, we believe, a minimum risk program designed to achieve these objectives.

This program of work, as you well realize, has varying degrees of sensitivity and priority. We have given considerable thought to the nature of our program and the specific changes we might make if an adjustment is necessary. Allocations of the Office of the Inspector General manpower to areas other than Agricultural Stabilization and Conservation Service and Consumer and Marketing Service are so small that significant reductions are not possible. Of necessity, any required adjustments must affect our audit work in those two agencies. Therefore, based on our current studies, we believe that if we are unable to carry out our full 1967 program as planned, we would have to make the following adjustments:

*Nature of adjustment*

1. Defer audits of 160 food stamp project offices (based on projection of 410 food stamp project offices in operation by the end of fiscal year 1967; additional deferrals will be required if, as most recently estimated, this number is increased)-----	Amount involved \$262, 000
2. Defer approximately 275 audits of Agricultural Stabilization and Conservation Service county offices-----	315, 000
3. Maintain a backlog of investigative work which will delay our inquiry into matters which not only have serious implications for the Department, but, more importantly, because they involve the personal and financial interests of individuals, warrant prompt resolution-----	226, 000
4. Defer implementation of automated systems to (1) codify and list all audit and investigative findings, and (2) provide a master index and reference file of names and places involved in our inquiries; and defer certain aspects of our training program-----	45, 000

Mr. Chairman, in previous appearances I covered the organization and internal operating procedures that we have established to carry out our role in the Department. Therefore at this time, I will refer again only to our significant criteria reporting system. This system quickly transmits to all responsible officials significant information coming to our attention. It has been working most effectively in that it provides timely two-way communication, both to report conditions to the top level management and to transmit action instructions from them. It also provides the Office of the Inspector General an opportunity to learn of and follow actions being taken.

An area of major concern toward which we have been directing our efforts and concentrating our talents has been improvement in the nature and quality of our professional services. Toward this end, we developed in 1965 a comprehensive in-service training program. Last summer and fall we put all of our supervisory

professional personnel through a resident 2-week course. We also gave our new college graduate trainees a 3-week orientation session, and have continued the correspondence-seminar training of our professionals in scientific sampling techniques.

Our improvement has been constant and deliberate, but each day we see some evidence of the impact of our training and supervisory efforts. However, changing concepts and redirecting efforts is not easily nor quickly accomplished. The progress we have made has brought us only part way to our goal. In our training and development effort we will continue to devote our ingenuity and attention to obtaining greater returns for each dollar we spend.

Investments we are making are such as to bring not only immediate returns in efficiency and effectiveness, but continuing yields in the future. For example, we are working out methods to use computers to obtain samples of data for our audit and investigation inquiries. I believe we are in the forefront of our field in the introduction of this technique. It will permit us to request and obtain on short notice, completely random and objective samples of data stored in computers that are now being used in major programs of the Department at a cost of only a few moments of computer time.

Another example of an investment of tremendous immediate import, and one that will provide dividends in the future, is our program to develop productive relationships with the colleges and universities that can supply the lifeblood for this organization—bright young men and women. There can be no stinting in this effort if we are to get the number and kind of employees we must have to do our job.

I will now turn to the specific matters of our requests for fiscal year 1967. In a Department of approximately 100,000 employees spending about \$5 to \$7 billion per year, and operating on a worldwide scale, information is bound to reach us indicating improprieties of one kind or another. The data we receive from others or uncover during our audits and investigations contains its share of truth and untruth, fact and fancy. But it cannot be ignored. Truth must be separated from untruth—fact from fancy. Those unjustly involved must be cleared. Those who have acted wrongfully must also have the benefit of a truthful presentation of the facts. In either case, nothing short of an investigation will establish the facts and lay the basis for proper action.

Nothing short of a prompt investigation will meet the multiple interests of the public, the Department, and the individuals involved. Prompt investigation is essential if justice is to be served—personal and financial rights and interests protected.

In the Office of the Inspector General we use a priority system in managing our investigation work. This assures that the order in which investigations are scheduled is in keeping with the sensitivity and seriousness of the allegations and that necessary precedence is given to inquiries where timing is essential to the success of an investigation. This priority system is the cornerstone of our operation and provides the framework for this portion of our budget justification.

It would be incorrect for me to come before you and say that any specific number of man-years would be employed next year in a particular type of investigation. First, investigations are initiated, for the most part, in response to requests or complaints from persons outside the Office of the Inspector General. The following table shows the sources of complaints investigated from October 1, 1963 through June 30, 1965:

OFFICE OF THE INSPECTOR GENERAL	
<i>Complaints investigated Oct. 1, 1963, to June 30, 1965</i>	
<i>Source</i>	<i>Number</i>
USDA—agency and secretariat-----	1,602
Private citizens and firms-----	248
Other Federal, State, and local agencies-----	136
Other-----	21
Total from sources outside OIG-----	<u>2,007</u>
OIG audits-----	320
Other OIG investigations-----	261
Total generated within OIG-----	<u>581</u>
Total investigated-----	<u>2,588</u>

Second, for any future period, the number of such complaints and requests, and which agency or program they will involve, are only estimates derived from applying experience to projected operating conditions. Third, even if these estimates as to numbers of cases, agencies, and programs were completely accurate, there are many additional factors which influence the order in which the cases would be investigated. Therefore, our workload must be viewed in its totality and understood in terms of its effect on the varied and pressing interests of the public, the Government, the Department of Agriculture, and the Department's employees.

Before proceeding further, I would like to bring to your attention a transfer of an additional workload to the Office of the Inspector General. In keeping with the Secretary's intent (expressed in the memo transferring certain specific activities to the Office in December 1962) that "functions of such additional organizational units as may be carrying out audit and investigative-type functions will be transferred to the Office of the Inspector General upon determination that their activities fall within the scope and intent of this directive," we have finalized an agreement with the Consumer and Marketing Service which transferred the investigation of violations of the Meat Inspection Act and certain other investigation responsibilities to the Office of the Inspector General. The transfer will fund 20 man-years of work. The total transfer, to include travel and other incidental expenses, will amount to \$250,000. The details of this transfer were not finalized in time to be included in the budget schedules and justification submitted to this committee. Our total requirement for this work will be included in our submission for fiscal year 1968.

Our current investigative situation is reflected in the following charts :

#### *Investigations*

	Man-years expended <sup>1</sup>	Reports issued
Fiscal year 1964.....	137	1, 552
Fiscal year 1965.....	141	1, 504
6 months to Dec. 31, 1965.....	66	622

<sup>1</sup> Manpower required to process (estimated man-years, fiscal year 1967) recurring workload (historical average does not include increased workload projected in food stamp, meat law, or other new investigation areas): 139.

#### *Backlog*

Date	Number of cases	Estimated man-years to complete	Number delinquent <sup>1</sup>
June 30, 1964.....	781	60	391
June 30, 1965.....	689	48	329
Dec. 31, 1965.....	603	47	291
Feb. 18, 1966.....	652	<sup>2</sup> 51	345

<sup>1</sup> Cases not initiated or performed within established time criteria.

<sup>2</sup> Manpower required to process (estimated man-years, fiscal year 1967) current backlog, 51.

Note: Estimated man-years, fiscal year 1967, required for investigations: 190

In our budget for fiscal year 1967, we are requesting funds to finance 185 special agents. As shown in the preceding table, this number would permit us to respond to our historical workload and, in the event workload increases we foresee do not materialize, we would utilize the manpower to reduce our backlog to the point where we could promptly respond to any investigation requirement. If our backlog is reduced and no major recurring workload develops, we will allow normal attrition to reduce our staff to the appropriate level.

The following analysis of our backlog as it exists today is presented to facilitate evaluation of our need :

## Investigation backlog, Feb. 18, 1966

	Total	Number delayed	Percentage delayed
Priority I.....	99	38	38
Priority II.....	218	98	45
Priority III.....	335	209	62
Total.....	652	345	53

## Investigation backlog in selected categories

Category	On hand		Priority cases on hand, Feb. 18, 1966			Percent of increase (+) or decrease (-)
	Dec. 31, 1965	Feb. 18, 1966	I	II	III	
Personnel.....	84	107	26	65	16	+27
Warehouse.....	24	25	6	11	8	+4
Discrimination.....	38	27	18	9	0	-29
ACP.....	34	25	1	4	20	-26
Food stamp.....	58	84	7	29	48	+45
Meat and poultry.....	11	24	16	7	1	+118
Feed grain.....	27	28	3	9	16	+4
Wheat stabilization.....	15	23	1	7	15	+53
Borrower.....	48	55	3	23	29	+15
Total.....	339	398	81	164	153	+17

To furnish specifics in support of earlier comments as to the importance of promptly responding to investigation need, let us look at the possible impact of delaying three types of cases included in the backlog analyzed above:

*Personnel cases.*—Suspended innocent USDA employees suffer through withholding of pay, mental anguish, and damage to reputation.

Department suffers through prolonged interruption of program activities and through loss of suspended employee's work.

Punishment of guilty employees is delayed or sometimes lost.

*Warehouse shortage cases.*—Farmers in community are deprived of using the facilities of the warehouse for departmental programs during the period the Uniform Grain Storage Agreement (UGSA) is suspended.

Innocent warehouseman who is suspended from operations under his UGSA loses substantial business as well as reputation.

USDA is delayed in making a decision of the need to move its grain from the warehouse.

Criminal and civil actions are delayed and may be defeated by a tardy investigation report.

*Agricultural conservation program cases.*—Innocent suspended vendors may lose substantial business.

Farmers who have money owing to them by USDA on other farm programs will not be able to obtain it until the investigation report is received and ACP irregularities adjudicated.

Criminal and civil actions are delayed and, in some instances, defeated by a tardy investigation report.

Turning to audit, I want to say that our concepts and objectives are such that we hope the Office of the Inspector General will never be described in the terms which I noted some time ago—"a necessary but pedestrian function incapable of revealing many things of great importance to administration." The Secretary of Agriculture, the Assistant Secretaries, and the Administrators and the staffs in the various agencies are answerable for the ethics, loyalty, efficiency, frugality, and responsiveness to the public's wishes of some 100,000 employees in the Department. They must supervise the daily activities of these employees. They must assure that the laws and programs are faithfully executed. Consequently, an effective audit organization is needed to insure a timely inflow of information and a control mechanism to assist these departmental officials to achieve, with promptness and effectiveness, the goals that have been set. What is needed is a means to evaluate the reliability of performance data

that reaches the top executive levels. What is required is a planned system of performance appraisal that will selectively get to the cause of problem situations—that will let responsible administrators know whether their agencies are being operated effectively and with integrity, that quality does not fall victim to quantity, that cost reduction does not actually impair efficiency, and that there are no incidents in the making which will diminish the reputation of the Department—in summary, “That the Government will get a dollar’s value for a dollar spent.”

CONSUMER AND MARKETING SERVICE—FOOD STAMP PROGRAM

This program is quasi-Federal in nature since State, county, and city governments also participate. This means that determination must be made at each of these levels as to whether operations are being performed within the scope and intent of the law and the regulations.

Banks and other financial institutions issue food stamps. Determinations must therefore be made to insure that cash and coupons received and disbursed by these establishments are accounted for and safeguarded.

Since food coupons are negotiable, they are subject to improper use by both participants and stores. Some of the misuses which can occur are (1) discounting of coupons for cash, (2) accepting coupons to satisfy old debts, and (3) selling nonfood items, including alcoholic beverages, for coupons.

The food stamp program expanded considerably during fiscal year 1965. Continued growth is planned for fiscal years 1966 and 1967. It is anticipated that in fiscal year 1966, annual program expenditures will reach \$100 million. The program will embrace approximately 260 projects in 40 States and the District of Columbia. Some 35,000 retail stores will accept food coupons and 1.3 million people are expected to participate in the program.

By the end of fiscal year 1967, costs of the program are expected to increase to about \$150 million. Approximately 1.9 million people will participate in the program. More important from an audit and investigation standpoint is the projection that over 400 projects will be involved in 45 States and the District of Columbia. Some 50,000 retail stores will accept food coupons. These are major factors influencing the Office of the Inspector General manpower required to service this program.

In our appearance last year we explained our plan for the audit of the food stamp program. Basically, it is productive and constructive in nature. It is based on the same philosophy as expressed by this committee over the past years that regular inspection eliminates temptations and is a better means of control than waiting to catch people after they have violated the law or regulations. We think it advisable to visit each new project office within 90 days of its opening, and again 1 year later. Our objective is to assure that systems, procedures, and performance are adequate to control activities in which many millions of dollars of negotiable instruments are handled and in which it is possible to divert program resources to improper ends. After the first annual audit we plan to selectively adjust the audit cycle so that we will again visit an office either 1 or 2 years later, depending upon the results of the last audit.

The food stamp program is changing rapidly to meet new demands and situations. Our estimate for audit purposes last year, based upon Consumer and Marketing Service projections, was that by the end of fiscal year 1966, the number of project offices would reach 115 in approximately 35 States. Now it is estimated that there will be approximately 260 projects in operation in 40 States and the District of Columbia. In order to make our initial visit to this larger number of new project offices in fiscal year 1966, we have deferred our follow-on annual visit to a considerable number of those offices which had received the initial 90-day audit.

Further, when preparing our initial budget request last fall, we reacted to agency estimates that indicated there would be approximately 400 project offices in 45 States and the District of Columbia in operation by the end of fiscal year 1967. This was the basis for our planning and for our presentation to this committee. The most current estimate by Consumer and Marketing Service is that there will be approximately 550 project offices in operation at the end of fiscal year 1967. If their current projection proves accurate, we will not be able to fully meet our service objective in this area. Even with the \$11,602,000 requested, we would still have to defer approximately 100 annual audits of project offices.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE (ASCS)—AUDITS OF COUNTY OFFICES

One of the major revisions in approach in which we have broadened the scope and depth of our audits is the review of ASCS operations on a statewide basis by coordinating concurrent reviews of the ASCS State office and selected county offices within the State. This approach is designed to evaluate the supervision and management of the operating programs and administrative functions throughout each State. The plan provides that individual counties (over and above those coordinated with State offices) will be audited in order to cover each county about every 2 years.

By comparison with prior audits, additional time is required to plan and synchronize the efforts of a team of auditors working simultaneously at several locations. Additional manpower is also required to go beyond the fiscal integrity and compliance reviews of past audits to appraise management operations. However, the advantages of this reoriented effort have already been demonstrated in the form of broader recommendations aimed at generating administrative action to remedy adverse conditions and in the ability to present the more significant matters in summary reports that are distributed to all persons having a responsibility for or involvement in these matters.

With the ability to introduce changes in the degree of attention and manner of approach to the many programs in which ASCS county offices participate, the Office of the Inspector General believes that the broad plan for an annual coordinated audit of ASCS State and county operations in each State, along with individual audits of additional ASCS county offices (to provide an audit of each county every 2 years), is sound and should be executed. This has been provided for in the program covered by the full budget request we have submitted.

At this point, I request permission to insert selected examples of recent progress relative to rural development and conservation, domestic and foreign stabilization, and marketing and consumer service contained in the status of program on pages 27-29, volume 3 of the explanatory notes.

Mr. Chairman, this is my statement. The amount requested reflects my hopes, plans, programs, and desires for fiscal year 1967.

With your permission, I would like to submit additional justification material for the record.

RURAL DEVELOPMENT AND CONSERVATION

1. *Forest Service Job Corps program.*—Surveys of seven newly created Forest Service Jobs Corps Conservation Centers were completed in fiscal year 1965. The purpose of these surveys was to ascertain if operation of the centers was fulfilling the objectives of the Economic Opportunity Act of 1964. A number of areas were identified where improvement will assist management in administering this program. Recommendations made to Job Corps and Forest Service included those for (a) providing more complete instructions, policies, guidelines, and directives; (b) improving recruitment, screening, and placement of corpsmen in centers; (c) clearly defining organization structures and individual responsibilities; and (d) improving center facilities. A secondary, but more important, objective of these surveys was to develop ground work for a more intensive audit of the Forest Service Job Corps program to be made in fiscal year 1966.

2. *Economic opportunity loans.*—During fiscal year 1965 under a new lending program, Farmers Home Administration made loans totaling about \$20 million to a total of 11,000 individuals and 82 cooperative associations. With funds provided by the Office of Economic Opportunity, this program was audited in about 100 FHA offices throughout the country. No serious weaknesses were disclosed in these audits. Review of economic opportunity loans made by FHA county offices is being continued in our fiscal year 1966 audit program.

DOMESTIC AND FOREIGN STABILIZATION

1. *ASCS State and county offices.*—Audits of Agricultural Stabilization and Conservation Service operations in Arkansas disclosed excess planting of allotments of cotton and rice without payment of penalty. Because these producer irregularities did not appear to be isolated, a broad plan was developed to remeasure cotton and rice acreage in 32 counties in the States. The remeasurement of 3,773 farms in the 32 counties disclosed 6,657 excess cotton acres on

425 farms and 2,328 excess rice acres on 141 farms. Separate investigations were also made in the more serious individual cases. Quick investigative action on these audit disclosures enabled the agency to promptly institute the necessary corrective measures.

2. *CCC and ASCS Commodity Offices.*—Audits of cotton cooperative associations disclosed a significant area of concern relating to outside, open-yard storage of cotton contrary to regulations. This practice was found to have an adverse effect on CCC's interest in the cotton, both from the standpoint of quality and value. Improved regulations and controls were initiated as a result of conditions disclosed.

3. *Foreign investigation and audit.*—Intensified investigative activity continued overseas. Investigations were conducted in 14 foreign countries: Europe, the Middle East, Africa, and Asia. Most of the investigative activity concerned Public Law 480 matters, and involved alleged diversions of commodities and market development operations. One of the investigations, in process for more than 2 years in Europe and the United States, involved the diversion of commodities destined for Austria under the barter program. By the close of fiscal year 1965, the investigation resulted in:

(a) Criminal indictment of one American grain export company, three affiliated foreign organizations, and five officers of the firms, all for conspiracy to defraud the United States. The American firm and one of its officers were convicted on that charge and each was fined the maximum of \$10,000.

(b) Civil suits being filed by the Department of Justice against various American commodity exporters and barter contractors in this case for contract damage and civil fraud forfeitures totaling about \$3 million.

A comprehensive audit of Public Law 480 activities in southeast Asia was started during the latter part of the 1965 fiscal year and included the following countries: India, Pakistan, Philippines, Hong Kong, China (Taiwan), Korea, and Japan.

#### MARKETING AND CONSUMER SERVICE

1. *Food stamp program.*—The expanding food stamp program necessitated the stepping-up of audit and investigation services. OIG audits and investigations resulted in a number of recommendations to strengthen operating procedures, records, controls, and certification of eligibility procedures by improving liaison between certifying offices which approve applicants for participation in the program and offices which issue the stamps. Recommendations included suggestions for improving procedures for bonding of employees and safeguarding cash and coupons.

2. *Direct distribution program.*—Audits of this program, which operates in all 50 States in about 1,500 counties, and in Puerto Rico and the Virgin Islands, have resulted in recommendations to bring about improvements in program operations, particularly in commodity accountability and equitable distribution to recipients.

3. *Meat inspection.*—A comprehensive audit of the Meat Inspection Division of the Consumer and Marketing Service was initiated during fiscal year 1965. This audit included an evaluation of the control over meat imported from foreign countries as well as the nationwide operation of the meat inspection program. The audit disclosed a need for improved control over foreign meat inspection programs and a more thorough inspection at ports of entry to insure a wholesome product to the American consumer. In the domestic program, strengthening of the laws, regulations, and policies were found to be needed to reduce opportunities for unwholesome meat products moving in interstate commerce.

4. *Poultry inspection and grading programs.*—The objective of this nationwide program audit was to identify areas where improvements in organization, inspection, manpower utilization, and the coordination of field operations would materially increase effectiveness and efficiency of the inspection and grading services. The audit disclosed a need for an improved field organization, better utilization of graders, and more effective supervisory practices to insure greater uniformity of inspection and grading of poultry. Recommendations were also made to improve billings and collection procedures and statistical reporting procedures.

5. *Community Exchange Authority.*—A comprehensive audit of this agency was performed to determine the overall effectiveness with which the CEA carried out its regulatory role under the Commodity Exchange Act. This audit was initiated largely as a result of the disruption of the edible oils market caused by the operations of Anthony DeAngelis. A number of recommendations were made to assist management in improving its policies and in operating procedures.

#### MANAGEMENT ACTIVITIES

1. New audit techniques applied during the year included the use of statistical sampling in the payroll audit of MODE, in several audit segments of the ASCS Kansas City Commodity Office, and in the audit of Federal crop insurance in Missouri. Statistical sampling was used to select (1) commercial warehouses for confirmation of CCC-owned grain inventories, (2) loan documents for audit tests, (3) sight drafts for confirmation with the recipients, and (4) crop insurance contracts for audit tests.

2. Training needs were inventoried, programs planned, and a number of courses implemented for the development of the OIG professional staff. A 2-week in-service course for experienced professional employees and a 3-week orientation course for new employees were prepared. A carefully chosen group of outstanding auditors and investigators was given a special civil service course to prepare them to be instructors in our various training programs. Almost 200 of our professional employees were trained in the use of scientific (statistical) sampling methods by means of a correspondence-seminar course, designed to meet our particular needs. A course in workpaper preparation was presented in each of our regional offices. A very extensive training program was planned for fiscal years 1966 and 1967.

#### PROGRAM PLANS

Mr. CONDON. Thank you. There are a few points I would like to emphasize and highlight as you point out. One, we feel the program that we have provided for and projected in our plans can be described only as one of reasonable risk. Namely, that our coverage in the audit areas particularly is selective rather than total. However, we feel that all of the criteria of professional analysis has been given to minimize the likelihood of concealment or escape of matters that could be of significant interest if not resolved.

The plan of work is directed to those areas which we feel are service areas of greatest benefit to the Department. I say the Department, but I also mean to include the interests of this committee and the citizens of the United States.

#### LACK OF RESERVE

One other point, sir, I want to emphasize is that in our projections we have not in any way provided for reserve manpower. This means, of course, that if we have any workboards we cannot foresee for one reason or another they would have to be handled on a manpower permitting basis. We would have to defer other work we have included in our plans.

In our annual programming effort we have frankly gone back and started from a zero base. We have constructed our new program starting from zero. We have prepared our plans in terms of the areas we feel have to be audited and in terms of the experience we have gained as to the normal investigation workload and have costed them out in actual dollars. This in effect means we have costed the employment of all ranges and types of personnel and all of the overhead, including travel costs, per diem, and so forth. So it is an actual zero base budget.

As you know more than anyone else, the workload has varying degrees of sensitivity and priority. These priorities change from year to year. We hope that the priorities are reactive to the sensitivities of the workload involved and the valid interest of Congress, the administration, and the citizen.

As contrasted with operating activities, sir, in audit and investigation the additions to our programs are not necessarily those that would drop out if the total program is not financed. Therefore, to afford the committee an opportunity for effective review, we are presenting those adjustments that we believe we would have to make if we were unable to carry out our program. It is in that light that we are making this presentation.

Our presentation, as you no doubt recognize quickly, is a little different than the normal presentation or representation of a budget for a program activity where either it is approved in terms of what should be done and to that extent, the services are afforded to the interested citizenry, or to the degree that the dollars are not given, it is not.

In our particular area of course, because of investigations, we have little or no control, other than reacting to a workload. All of our operations are based on one important factor, namely, we do our business through the services of a man. To the degree manpower is made available to us, that would in effect measure the contributions we can make in terms of the responsibilities that we have.

#### INVESTIGATION PRIORITIES

In terms of the priorities, I might say that in the investigative area we have basically three priorities: priority 1 cases are those for immediate attention. This is defined in terms that from the time we get a request or allegation or complaint to the time we would respond to it or initiate the investigation would be no more than 30 days.

Priority 2, are cases for prompt attention. Here we try to handle these cases from the time of the complaint or referral to the start of the investigation within 60 days. The standard attention type cases, for want of better phraseology, are called priority 3 cases. We try to respond to these within 120 calendar days.

Within each one of these priorities—there are, of course, guides. We have an Inspector General Bulletin No. 59 which sets forth the guides, purposes, backgrounds, and policies concerning investigation priorities. I will furnish this to the committee, so that it will have the benefit of information on the different categories that fall within the different and varying priority areas.

Let us consider a case in the Office of the Inspector General that is in priority 1, and that is not handled within the 30 days. We feel it is necessary in the interests of all concerned that it is delinquent if it passes the 30 days.

A further example, if we could not get around, due to limitation of manpower, to a case in priority to within 60 days, the case would then be a delinquent case in terms of our definitions and feelings as to what is proper or needed in this area.

One of the important things I think is not that these priorities have been set up in the interests of the Department of Agriculture, but that they have been created because of the interest, for the most part,

in the citizen, particularly the individual or corporation, that is the subject of the investigation.

As you can well understand, no one would care to, so to speak, "hang by their thumbs" waiting to be investigated and to suffer the anxiety and anguish that goes with being the subject of an investigation for a long period of time. You can well recognize that if after a long period of investigation, the individual is proved to be innocent, this delay would be tragic. On the other hand, even if he proves to be guilty, this long period of time could, particularly if he was prohibited from participating in our programs during the investigation, be de facto harassment since the dollar loss to him could be greater in some cases than the penalty given by a competent judicial or administrative body.

From that aspect, I would like to impress upon the committee that the priority system is in keeping with these thoughts.

#### INVESTIGATION WORKLOAD

In terms of the priorities, and the deferrals which we have presented in our statement, which reflects the investigation workloads, and quite apart from this statement, I have some other analyses reflecting different alternatives, which are not, sir, in our statement. I think we have a chart here that might help.

I hope my explanation is such that it will be completely understood.

Now as far as the OIG investigation workload to date, you will notice that we refer to a reoccurring workload of 139 man-years. Now that 139, sir, has been an average of what we have been able to compute as a result of experience in fiscal year 1964, which is 137, and fiscal year 1965, 141. Obviously the average is 139 work-years. That is the definition of that figure.

We also have a current backlog of 51 man-years. About the time of the organization of OIG in 1963 the best we could calculate was we had 60 man-years, that has fluctuated from 48, 47, and 51 direct man-years of backlog. So that to a degree it has gone down in some years, up in others.

#### WORKLOAD UNDER ALTERNATIVE SITUATIONS

At the present time we have 51 direct man-years of backlog. Now insofar as the workload is concerned, or in the knowledge of this committee, they feel my representations would support 185 man-years of special agent time, and we had the full benefit of the 185 man-years from the first day of the fiscal year 1967 to the first hour and first day of fiscal year 1968, namely the full year, we would be able to handle, without an increase in our workload, which I will touch on later, our reoccurring workload of 139 man-years, and our current backlog of 51 man-years, and under these ideal conditions, we would arrive at the first hour of the first day of fiscal 1968 with 5 direct man-year of backlog.

Or equated in terms of response, response namely from the time we would receive a valid complaint or allegation to the time we would investigate it would take an average of 10 days.

Now in the event we continued the manpower that is supported within our appropriation as it stands now and we had, ideally speaking, the full and complete use of 171 man-years from the start of the fiscal year to the end, we would handle the reoccurring workload, cut

into the backlog, and be left with a residue of 19 direct man-years of backlog. This in turn, if defined into a response reaction by our staff, would be a delay of 40 days from the time we received an allegation or complaint until the time we could start. You can see that 40-day average would be 10 days beyond that called for in priority 1.

Now in the event that we have an increase of 10 percent in our workload—and we feel this is a conservative projection, of an increase in our workload—and once again this is a projection based on the experiences we have had to date and also takes into consideration the characteristics of some of the new extensions of programs—we would be able to handle, with 185 man-years—the full use of 185 man-years—as you well recognize it would be almost impossible to have 185 man-years because you have turnover and replacement lag and so on—we would be able to handle some of the current backlog of 51 man-years and the increase, and we would wind up at the end of the year—the start of fiscal 1968—with 19 direct man-years of backlog which, equated in terms of the time we receive a complaint, until the time we could even start the case, it would be a 35-day response.

If we had 171—the full use of 171 man-years this same type of definition (including 10 percent increase in workload) would create a situation where in every case, so to speak, from the time a complaint was received until the time we responded would be over 60 days.

Now one thing I want to impress you with is, if we were given 185 man-years, and we got down to the situation where there would be 5 direct man-years of backlog, which would mean a 10-day response, I do not think in anyway this is a lush figure. I think in terms of the interest here, namely, that justice delayed is justice denied. I think we have a moral and legal responsibility to conduct these cases with knowledge and alacrity, so that all of the parties to an evaluation can move quickly and give whatever resolution merits dictate I think 10 days is a reasonable situation.

Now in the event that my best projections here are substantiated by factual development and there is no increase in the workload of 10 percent, we would then go along in our conduct of our cases, and as we move down through to this situation (year end) we would reduce our working force by normal attrition and turnover, thus we could very well wind up at the end of the year with a staff of only approximately 153 men with a 10 increase, or 139 men with no increase. Next year, instead of coming in and asking for an increase in special agent manpower, we would be back indicating a reduction in manpower. That, I think, is the case I can make, sir, in terms of those alternatives.

#### PREVENTING IRREGULARITIES

Mr. WHITTEN. Mr. Condon, you make a good case, and in addition do a good job of presenting it. You are dealing with a committee here which in turn has some realization of the magnitude of the transactions that take place in the many programs of the Department of Agriculture, including the \$14½ billion Commodity Credit Corporation.

We also are aware of the many overall programs in connection with it. While I think this is the kind of presentation that you should have

made, I couldn't help but think as we were listening that the best testimony of a highway patrolman or sheriff or police inspector is not necessarily the number of investigations that he has made or the convictions that might follow, but it is the handling of the matter to keep these things from occurring.

Now I don't know just how much leeway the Department has given you. Prior to setting up the Inspector General's office, the Secretary did show me the courtesy of counseling with me and advising me what the plans were. I was in thorough accord with bringing this investigating authority under a central head.

Prior to that time each agency had somewhat its own responsibility and they accepted it, and discharged it.

But the point I make here is—how much attention does the Department call on you to give to improvements in the handling of these matters, so as to limit or reduce the total number of these investigative cases that you have?

Now let me go a step further. For instance, we have had something to say here about the total number of airplanes that are checked coming into this country. My own experience leads me to believe that the notices that the air carriers are giving at the place of embarkation overseas, is wholly inadequate to put the embarking passenger on notice that he is violating a Federal law that could lead to real serious damages.

Some years ago this committee had an investigation of the shortages on the part of some warehousemen, leading to indictments, convictions, and lots of very bad results in the way of losses to the Government and losses to many individuals who were forced into bankruptcy. It developed that the inspections had been so infrequent that it almost constituted a temptation for somebody to let his grain in storage get below that which he had committed himself to keep for the Government.

What I'm trying to say is, are we so busy in the Department handling the investigative workload that we are not giving attention to what we might do by a little bit of thought and time to prevent these things from happening?

The best game warden is one that the hunters know is going to be around and one that can show them the wisdom of sticking to the rules. The best officer is one that sees that they don't disobey the law in the first instance.

Mr. Natcher and I have both been District Attorneys, others have had experience here. The poorest officer frequently is the one who will make the arrest and prosecution. But if he lays in wait trying to make a case, it is not near as good as the one who prevents it happening in the first instance.

Now in making this statement, it is my understanding that I'm in an area which is not your prime responsibility at all. But it is one in which your findings or your opinions should carry a lot of weight with folks in the Department that do have to do with this overall planning of handling things.

Do you have any comment on that?

## USE OF "AUDIT GUIDES"

Mr. CONDON. Mr. Chairman, your philosophy and this committee's philosophy; namely, that "an ounce of prevention is worth a pound of cure" has been taken by us as more or less a mandate, not only because it is in deference to this committee and responsive to this committee, but the facts merit this particular principle.

We use this philosophy as a basis of our audit area. Frankly, sir, we make an analysis of investigation cases. If I run into a situation where there is a constant recurrence of cases in a particular area, I want to know the cause. I know the effect, but I want to find out, through the audit process, the cause.

This is the effort that goes into ascertaining what are the causes and hoping to remove licenses, just a list as you portrayed in your example. To remove the license, we use the vehicle of audit.

The auditor, pursuant to his audit guide, has the responsibility of making an appraisal to find out why. In fact, our audit guides reflect that we capture there, for the benefit of the auditor, the investigative experience we have had. We bring to his attention the very thing you are talking about. He in his audit endeavors gets at the cause of the matter and I would hope then substantiates it in a manner that it could then be sent to those who can do something about it, namely the administrative or operating officers of the Department.

In connection with that, I have before me an audit guide which is entitled "County Office Bin Site Operations." Part of that guide is entitled "Possible Problem Areas," and reads:

Although not all inclusive, the program objectives may be defeated or circumvented by any of the following methods: (A) By improper acquisition of equipment or leasing of sites; (B) by improper use or maintenance of bins and equipment—

and so on, with subsequent breakdown enumerations under other categories. This information that is put in here and entitled "Possible Problem Areas," has been gleaned from a review of investigation reports we have in the Department.

To that degree we are utilizing the intelligence and material we developed on various cases, and relating it to an audit program, trying to get at the cause. Frankly, if a "ridiculously ideal situation" could be achieved, it would be brought about through the utilization of audit; we would thereby rule out the areas of license which lead to the improprieties that serve as the cause for the investigation itself.

I hope that is responsive, sir.

Mr. WHITTEN. Thank you. This is ample at this point. My question was more to call attention to this area, and to make certain it was kept in mind as you deal with these problems.

Mr. CONDON. I would also like to say your interest in the warehouse areas has been given some meaning in terms of the audit area. We have stepped up a lot of our work in the warehouse shortage area.

Mr. WHITTEN. As I have said before—it is not that some grain warehousemen are any more dishonest, but any program where you permit commingling leads to the temptation to sell more grain when the price is up, and to expect to replace it when the price goes down. It is a natural tendency.

Mr. HOWELL. If I may inject here, in connection with this kind of thing you are talking about now, in our regular recurring audits we

are looking at the frequency and types of inspections that are being given by the operating people.

In addition to this, we are planning to make special studies, which we have scheduled for the next 3 or 4 months, in which we will make a broad comprehensive study of the whole warehousing program as it is carried on under the U.S. Warehouse Act and Uniform Grain Storage agreements.

Mr. WHITTEN. I appreciate that. I do think you, like this committee, have a responsibility to do the best you can to point out these areas that might lead to trouble, as well as to try and find out where the trouble exists.

#### REIMBURSABLE ACTIVITIES

Now with regard to your activities, I note in the table on page 20 of your justifications that you have transfers from ASCS for inspection of State office activities incident to the operation of the commodity loans program.

In 1966, you have \$221,600, and for 1967 you estimate \$227,600. Is that a regular activity, where you just allocate the cost? What do you do for them and what is the basis for handling it this way?

Mr. CONDON. I'm advised this is the only way these funds could be legally made available. Namely, we provide to Agriculture Stabilization and Conservation Service audit and investigation of the inspection, sampling, grading, testing, and selling procedures applicable to commodity loan programs administered by the State office and for which a producer's fee or service charge is collected.

Part of this amount, which is collected from those sources is allocated to us to do this work.

Mr. GRANT. Mr. Chairman, if I recall this project, this is not a part of the regular audit and investigation program. ASCS is undertaking an analysis or study of the fees that are charged. And because they needed to get cost data from various organizations, they asked the Inspector General's Office to assign some people who had training in accounting to go in and analyze the books of these organizations, and collect data for them to use in their survey.

Mr. WHITTEN. Could we have for the record the order and the findings in this area? This somewhat intrigues me. I mean the matter of recommendation to the Congress to shift certain presently Government-paid-for activities over to a fee basis certainly is within the realm of the Secretary or the Department to make.

But to spend money which had been appropriated for another purpose to go out and get private information from any organization, to check their books and bring it together so as to support a later recommendation, that leads me to some curiosity, if I understand you right.

If ASCS has some future legislation in mind and they want to get a lot of information from other sources, for them to call on the Inspector General's Office to go out and get this information to bolster their future recommendation, without prior clearance by Congress, strikes me as being improper.

Perhaps I have misunderstood what is involved. I would like a little more detailed description of when it originated, who originated it, what they had in mind, and where they aim to go.

Mr. GRANT. I will put that statement in the record.

Mr. WHITTEN. Could you now orally describe it somewhat?

Mr. GRANT. There are certain fees and charges now being made and have been for many years in connection with the storage of commodities under the price support program, and as I understand it, the study that is underway has to do with an updating of those fees and service charges to determine whether or not they are appropriate.

Mr. Chairman, there are two items here. The one that I'm talking about is the estimated reimbursement of \$103,290—1966.

Mr. WHITTEN. How did you arrive, if I might interrupt, at that figure? They transferred this to you in advance, didn't they?

Mr. CONDON. No, sir. This was arrived at in terms of actual cost of the OIG direct manpower used by ASCS in this endeavor. It is a one-shot situation.

Mr. WHITTEN. It is a reimbursement item?

Mr. CONDON. Yes. The other \$221,600 fee is not. That is the result of the pro rata share to our activity from the funds that are derived from the producer's fees and that is a longtime established practice.

Mr. WHITTEN. Now could you tell us what you did for this money?

Mr. CONDON. For the money that we spent, that is suggested here or reflected as \$221,600 for the year 1966, and what is \$227,600 for the coming fiscal year——

Mr. WHITTEN. Let's judge the future by the past. How many people did you have, where were they stationed, and what did they do in line with that request?

Mr. CONDON. On the reimbursement item you are talking about?

Mr. WHITTEN. I want to know about both of them.

Mr. CONDON. In the reimbursement item, which is estimated \$103,290, this involved the utilization of auditors in giving assistance to the Agricultural Stabilization and Conservation Service in cost surveys which related to, one, grain storage activities throughout the country, and two, cotton storage and handling functions and three dairy products storage and handling. Incidentally, the survey was conducted by approximately 40 auditors from the OIG staff. Those 40 auditors were assigned and spread throughout the country.

Mr. WHITTEN. Do you have a copy of the letter of transmittal in which they described what it was they wanted you to do?

Mr. CONDON. I don't have a copy with me, but I can furnish it.

#### SCOPE OF ASCS STORAGE AUDIT

Mr. WHITTEN. Offhand, what do you recall it amounted to? "Audit" can mean a lot of things.

Mr. CONDON. The auditors were under the technical direction of the Economic Research Service, who made out the plan. They, the auditors, participated within that framework of plan to ascertain what the costs were which were involved in these three particular programs. The eventual idea of the study is to determine what is proper in terms of cost and to adjust if necessary. This is an ASCS evaluation. We are only the fact finders.

Mr. WHITTEN. As you say, you were just trying to find out what was involved. But apparently ASCS was trying to determine the investment in the warehouse, fee charges, the volume, and whether the fees were too high or too low.

Mr. CONDON. ASCS and ERS, sir.

Mr. WHITTEN. Was that ever called to the attention of Congress in any way? Was it ever cleared, Mr. Grant?

Mr. GRANT. I don't recall, sir.

Mr. WHITTEN. Is this in the nature of what is usually presented to the Congress?

Mr. GRANT. I do not believe it was called to the attention of the Congress.

Mr. WHITTEN. Do you recall the date when it started?

Mr. GRANT. Last summer.

Mr. CONDON. I don't recall either whether it was discussed with Congress. But I do know that auditors in ASCS, prior to the setting up of the OIG, have been used in the past for this type of thing.

Mr. WHITTEN. I don't know that there is anything wrong with what is being done. I don't know but what there is a need for it. We are dealing with an agency that seems to keep its operations to itself and which is a little hesitant in laying it on the table, so we may know what they have in mind. I don't refer to your agency, Mr. Condon.

Mr. HOWELL. May I raise something off the record?

Mr. WHITTEN. Yes.

(Discussion off the record.)

Mr. HOWELL. They came to us in May, as I recall, and asked for our service. As I understand it, they would have had to go outside to hire people with capability to perform this study.

Mr. WHITTEN. Thank you. We just want the record to be factual. Since this has come up, I might go back and say in one period of time we had a group in charge of the CCC storage. They wanted to take the first bid of private warehousing and use that as a means to go and build Government warehousing, without going back and saying "that is too high, scale it down." They wanted an excuse to build Government bins.

We went through another period, and I think it is still in the law, when the Department was directed to use private warehousing. My own analysis is, we went through a period where the folks in charge of the Department didn't seem to care how much they paid out in the way of warehousing fees, because it added to the sum total cost, which in turn helped some people in their argument about price support.

So, I realize this is an area of controversy. But knowledge about what the real costs are is a subject that those in charge should have knowledge about. But I do want to know how this was handled for the record.

Mr. HOWELL. I might say this, sir, that a deadline of May 31 I believe for the completion of the job and the report to the Secretary was set by the Secretary, so the job actually has not been completed at the present time.

Mr. WHITTEN. Well, any actual knowledge is an appropriate thing. As I say, it might have been cleared by this committee, as far as I know. I can't keep up with all of those details. You might supply the full information for the record.

(The information follows:)

#### REIMBURSEMENT FOR REGULAR RECURRING ASCS ACTIVITIES

At the time audit and investigative functions were centralized in the Office of the Inspector General there were some items for which adjustments in appropriations could not be made since they were financed from fees. One of these

was the regular audit and investigative service for that part of the ASCS commodity loan program which is financed by producer fees. These fees are placed in a special deposit account and part of the collections are used to finance services performed by the Office of the Inspector General in this activity. The estimated cost of these services is \$221,600 in fiscal year 1966 and \$227,600 in fiscal year 1967.

#### REIMBURSABLE ACTIVITIES—STORAGE AND HANDLING COST SURVEYS

In the interest of the efficient management of the Commodity Credit Corporation's price support programs, periodic surveys of the warehouseman's cost of storage and handling of agricultural commodities are made. The information gathered in these studies provides officials of the Department a better basis for evaluating the rates agreed upon by CCC and the warehouseman in the storage and handling of our agricultural commodities.

The charges for storing and handling of agricultural commodities by warehousemen materially affects the cost of operating the price support programs. The storage and handling charges by commercial warehouses affect also the returns to farmers since they are responsible for the storage cost during the price support period. The average annual cost to CCC for the storage and the handling of agricultural commodities under the price support programs based on the last 8 fiscal years has been about \$438 million. Congressional committees have urged the Department to properly and continuously evaluate its cost of storing agricultural commodities and the effect of the warehouseman's rate for storage and handling services on the producers. The General Accounting Office continues to urge us to do the same. On several occasions the GAO has made studies of the cost of storage and handling of agricultural commodities to the commercial warehouseman and its relationship with the rate structure agreed upon by CCC.

The Department began in 1959 to conduct periodic surveys on the cost of storage handling and other services performed by commercial warehousemen for CCC. Prior to the establishment of the Office of the Inspector General, the Agricultural Stabilization and Conservation Service employed its own audit staff, and, therefore, was able to perform these studies without the assistance of other agencies' personnel. The results of these surveys have aided officials of the Department in determining the adequacy of the rates to be paid for these services.

ASCS is responsible for the management of the CCC's commodities. A memorandum of agreement between ASCS and the Economic Research Service defines the area where the latter would conduct studies of the warehousemen's cost of storing and handling functions for the former. In order to make the 1965 grain, cotton, and other agricultural commodities storage and handling studies properly and most economically, ERS needed the assistance of the auditors from the OIG.

The Department's auditors are well qualified to assist in these surveys for several reasons, the most of which are (1) their possession of the needed accounting knowledge in the performance of this type job adequately, (2) their experience in the gathering of accounting and financial data from the warehouseman's books and records, and (3) their ability to converse with warehouseman's employee on accounting and bookkeeping matters. An agreement between ASCS and the Office of the Inspector General for the reimbursement of salaries and other personnel costs was signed July 12, 1965, to cover the 1965 grain storage and handling cost survey, and was subsequently amended to cover the 1965 cotton storage and handling cost survey. Estimated cost of OIG personnel detailed to ERS for the two studies would be about \$103,290.

DEPARTMENT OF AGRICULTURE,  
*Washington, D.C., June 29, 1965.*

To: Inspector General, Office of the Inspector General.

From: The Under Secretary.

Subject: Comprehensive economic cost surveys relative to CCC storage activities of grain, cotton, edible beans, rice, and dairy products.

The Secretary of Agriculture on May 14, 1965, approved CCC's Board recommendation that a comprehensive economic cost study of grain storage and handling functions be undertaken promptly and completed, if possible, by March 1, 1966. Economic cost studies of storage and handling functions for cotton, edible beans, rice, and dairy products are also needed and will be undertaken.

ASCS is responsible for the management of the CCC's commodities. Their representatives have held preliminary discussion with representatives of ERS

on these surveys, and particularly that of the grain. ASCS has requested ERS to conduct the survey on the cost of grain storage and handling functions.

In order to make the grain warehousing functions study, ERS will need the assistance of 40 auditors (preferably those who have had experience in past studies of a similar nature) to work with representatives of ERS for a total of about 255 man-weeks in making the grain study. The collection of field data for the grain study is tentatively planned to begin August 30, 1965. ERS needs the assistance of two of your best qualified supervisory auditors; the first one is to be assigned to work on this survey for a period of about 17 weeks beginning June 28, 1965, and the other supervisory auditor is to be assigned for 10 weeks beginning August 9, 1965, the remaining 38 auditors will be needed about August 30, 1965, for a period of about 6 weeks.

Scheduling and manpower requirements to do the comprehensive economic cost surveys for the storage and handling of cotton, edible beans, rice, and dairy products are being developed by ASCS and ERS. They will attempt to arrange the scheduling of field work for these studies, especially that of cotton, promptly after the completion of the field work for the grain survey. The number of auditor-weeks needed to assist on these latter surveys, however, will be materially less than that on the grain survey. You will be kept informed of development of plans for these surveys.

Your assistance on these studies is appreciated.

(Signed) JOHN A. SCHNITTKER.

Mr. WHITTEN. May I say further, to assign this to your office indicates they are trying to get an objective finding.

Mr. CONDON. Thank you, Mr. Chairman.

#### TRANSFER OF FUNDS FOR AUDIT OF OTHER OFFICES

Mr. WHITTEN. I also note that you have had, from the Office of Economic Opportunity, the transfer of \$34,116 in 1965 and \$172,013 in 1966. You expect \$156,000 this coming fiscal year.

What functions do you perform with these funds?

Mr. CONDON. Audit for OEO, audit and investigation service for coverage of the Forest Service Job Corps centers and OEO loan activities in Farmers Home Administration county offices. These FHA audit activities, are conducted concurrently with our county audits. It is an add on. I might say, sir, that this is based on an agreement, and we project exactly what we will do for the dollar. So it is not done in any way to the detriment of the Department of Agriculture programs. With permission, I would like to go off the record.

Mr. WHITTEN. Yes.

(Discussion off the record.)

Mr. WHITTEN. For the record, this has to do then with the audit of activities which are performed by various departments and agencies of the Department of Agriculture.

You are not over in the area of auditing projects that are handled directly by the Office of Economic Opportunities?

Mr. CONDON. No, sir. Only those areas where agencies have been designated as the action agent within the Department of Agriculture.

#### FOOD STAMP PROGRAM

Mr. WHITTEN. Describe briefly your experiences with the food stamp plan? What is your responsibility? How do you perform it, and what are the regulations and instances of violations?

Mr. CONDON. With your permission, I defer to Mr. Howell, who is the assistant in charge of operations.

Mr. WHITTEN. Much of this is in the justification sheets, which will appear in the record. But generally speaking, advise us what the situation is?

Mr. HOWELL. All right, sir. The food stamp program, of course, is carried out now under the 1964 Food Stamp Act. This is a system whereby the Department through public welfare departments of the various States make stamps available to those who meet the income criteria, and these, of course, are geared to public welfare standards within the State. Approximately 60 percent of the stamp cost is paid for by the stamp recipients and the Government subsidizes about 40 percent of the costs.

At the present time there are somewhere around, I believe, 260 projects that are in operation. These are individual projects where the community or the area within the project area is serving the residents who meet this income level for the purchase of stamps. Of course, stamps can be used for certain specified products, or more appropriately, they exclude certain commodities which cannot be purchased with the stamps. Now, because the stamps are negotiable, because there is cash to be accounted for, and because there can be abuses in this kind of a program where millions of dollars of stamps are being issued and handled, that speaks for the necessity for trying to maintain the integrity of the program, and determining that the program reaches those who are eligible for the program.

We have found in our experience with the food stamp program that to get into these project areas within approximately 90 days after they open tends to disclose much which would help us to make recommendations, detect areas of weakness, and so forth, which would produce the recommendations which would enable the tightening up of the controls and see that the program gets off to a good start in those particular areas. This is in line, I think, with another subject matter, the principle we discussed earlier, that is, to make sure that the controls and procedures and direction and guidance that are being given to the program is good and sound from the start, and this, at least minimizes the future possibilities of abuses that can arise from the program.

After the 90-day period, then it is, or has been, our practice in the past, to go in on an annual basis thereafter, and to provide audit coverage on an annual basis.

Mr. WHITTEN. You might give us the number of inspections you have made and any recommendations that may have been made with regard to improving the operations—for the record.

(The information requested follows:)

FOOD STORES DISQUALIFIED FROM FOOD STAMP PROGRAM—FISCAL YEAR 1965

During fiscal year 1965, 39 food stores were disqualified from the food stamp program based on findings of OIG investigations. Periods of disqualification ranged from 30 days to 3 years as follows:

Period of disqualification:	<i>Number of stores</i>
30 days -----	4
60 days -----	12
90 days -----	3
6 months -----	8
1 year -----	4
3 years -----	8
	-----
	39

Each disqualification was generally based on the occurrence of two or more types of violations. The following is a summary of the main types of violations involved and the number of cases in which they were noted.

<i>Type of violation</i>	<i>Number of stores</i>
Accepted coupons for ineligible items-----	38
Accepted loose \$2 coupons -----	33
Gave cash as change in food coupon transaction -----	15
Gave credit slips in excess of permissible amount (49¢) -----	13
Accepted coupons for back bills -----	11
Accepted coupons in exchange for cash -----	10
Short-changed food-stamp customer -----	7
Accepted coupons to pay cash loans -----	6
Bought coupons at discount for cash -----	3

*Summary of food stamp audit recommendations, calendar year 1965*

	Initial audits <sup>1</sup>	Annual audits <sup>2</sup>	Total
Project area offices:			
Number of reports-----	79	31	110
Recommendations:			
To strengthen certification activities by—			
Improving supervision and training of personnel-----	22	6	28
Verifying information furnished by applicants and documenting case records-----	40	16	56
Establishing controls for followup recertifications-----	11	1	12
Improving communications and operating instructions-----	10	10	20
Subtotal-----	83	33	116
To strengthen control over cash and food coupons by—			
Providing for daily deposits of cash, reconciliations of coupons, and accounting for overages and shortages-----	12	4	16
Providing adequate bonding for employees and physical safeguards for assets-----	6	2	8
Establishing controls for the proper identification of recipients and acknowledgement of receipt of coupons-----	14	5	19
Maintaining adequate inventory control over coupons, ID cards, and authorizations to purchase-----	5	1	6
Separating employee responsibilities for cash, coupons, and reconciliations-----	3	2	5
Subtotal-----	40	14	54
Other:			
Prepare accurate and complete reports and records, including adequate cost accounting-----	15	5	20
Establish controls to insure that welfare grants are not reduced-----		1	1
Correct isolated mistakes and clerical errors-----	20	4	24
Use State audits of currency exchanges as a control-----	1		1
Subtotal-----	36	10	46
Total project area offices-----	159	57	216
Food distribution field offices:			
Number of reports-----		23	23
Recommendations:			
Strengthen controls to assure that all retailers and wholesalers are contacted regularly and contacts recorded-----		3	3
Caution retailers concerning possible violations which may lead to disqualification-----		3	3
Maintain records of complaints and reports of violation and subsequent investigations, if any-----		3	3
Instruct retailers and banks in preparation of redemption certificates-----		2	2
Subtotal-----		11	11

See footnotes at end of table, p. 126.

## Summary of food stamp audit recommendations, calendar year 1965—Continued

	Initial audits <sup>1</sup>	Annual audits <sup>2</sup>	Total
Food distribution area offices:			
Number of reports.....		2	2
Recommendations:			
Include all provisions of regulations in State plans of operation.....		1	1
Clarify instructions concerning deductions for hardship cases.....		1	1
Subtotal.....		2	2
State agencies:			
Number of reports.....		17	17
Recommendations:			
Strengthen controls over project areas—			
Through periodic supervisory field visits.....		5	5
Through proper record maintenance and retention requirements.....		4	4
Through issuing concise and clear instructions.....		3	3
Strengthen issuance and redemption controls over authorization to purchase cards.....		3	3
Provide adequate bonding on employees.....		1	1
Maintain adequate supporting data on reimbursable costs.....		3	3
Provide for proper determinations of applicants' budgets in establishing purchase requirements.....		1	1
Subtotal.....		20	20
Grand totals:			
Reports.....	79	73	152
Recommendations.....	159	90	249

<sup>1</sup> Initial audits performed 90 days after opening of project office.

<sup>2</sup> Recurring audits performed annually after initial 90-day audit.

Mr. CONDON. I think, sir, maybe it is because I have reservations about a lot of things, in terms of the characteristics of humanity. The absence of a lot of problems, in terms of investigations, supports I think the policies we have embarked on, going into the projects in the 90 days and again in the annual audit.

Mr. WHITTEN. Thank you, Mr. Condon. As I have said earlier, I had some misgivings about the food stamp program, and I still have some. Any time the Government pays up to 40 percent of the price of retail articles, the desire of areas and their Representatives in the Congress will be such that I don't know whether there is any limit as to how much demand there may be in the future. It is entirely likely that it will get so very expensive that you can't finance it. But in many ways it is an improvement over some of the commodity distribution programs.

On the other hand, with present farm situations, soon we are not going to have any surpluses. But due to the very fact I mention, the desire may expand all over the country. This leads to a real need to have somebody's advice about proper rules and regulations, plus the endorsement after the fact. We would be interested in being sure that you tell us what your experiences are up to now, and any recommendations you may have made to the Department as to how to improve the handling of it.

Have you made such?

Mr. CONDON. Yes, sir. We will supply those for the record—the recommendations that have been made. I don't want the record to indicate that our recommendations were made over the objections of C&MS. In fact, they encouraged us. They are very much interested in the proper policing of this.

Mr. WHITTEN. I am sure they would desire that information.

Mr. CONDON. Policing and efficient administration of this program is desired by C&MS.

Mr. WHITTEN. I want to commend you from my own observation of the good job you do. We can recognize the absolute necessity for it.

#### RECRUITMENT AND TRAINING

In view of its importance, and the size of the job, how are your employees selected? What training do you give them? I am talking about your new employees?

Mr. CONDON. Well, sir, in response—

Mr. WHITTEN. Where do you get them?

Mr. CONDON. We go out into the highways and byways, namely, the college campuses. And, as I remember, the figure of 200 colleges and campuses and other sources comes to mind in the past 6 or 8 months, where we have tried to recruit the type of personnel that both you and the committee and I would know is needed. Because, after all, we are recruiting an individual to become a special agent and auditor and we need someone, if possible, that is of good health, both in mind and body, without any prejudices, so he would have no inhibitions in doing an impartial and objective job.

Mr. WHITTEN. What kind of training or coaching do you give them?

Mr. CONDON. We have embarked upon a new agent and new auditor training program, giving 3 weeks resident-orientation. We go down to Front Royal, Va., where we have a class and curriculum that we put all of the boys and girls through, and we school them intensively for 3 weeks. We also have an on-the-job training program, which is, of course, for the most part, based upon direction given by older more experienced supervisors, and which is responsible, to their individual needs.

And during the year we have also technical conferences at least twice a year, where all employees, irrespective of their grade or rank, are trained in what is considered important in the conduct of the work at that time.

We have also embarked upon an in-service program. You know, that too often, I think the facts are, we get out of law school, college, get into something; we embark on it and feel we need no further training. You and I know there are tremendous changes in all elements of the Federal establishment, particularly in the Department of Agriculture.

So, it is important that we give the continuous training necessary to get the people to a recognition of what is needed, so they can conduct themselves in a knowledgeable and intelligent manner in their work.

Last year approximately half of our professional staff went through an in-service training program of 2 weeks duration at Fort Royal, Va. We intended to put 200 more through this year. So we have embarked on a program that I think you would approve very much of in terms of the effort and quality of training which we have given to maintain and assure the American public and Congress that our men are worth every dollar they are paid.

Mr. WHITTEN. Thank you, Mr. Condon.

Mr. Natcher?

## MANNER OF CONDUCTING INVESTIGATIONS

Mr. NATCHER. Mr. Condon, assuming that your office is making an investigation of certain practices now carried out in the ASCS, wherein it is not a matter of obtaining property under false pretense, but it is a matter of maybe not spending enough time in employment, or that certain times during the year there are 2 or 3 weeks wherein, maybe in the inspection and grading service, the employees are off duty.

What do you do in a case like that, Mr. Condon?

Mr. CONDON. In a case like that, we make a survey to ascertain the characteristics of what you described. After getting at the characteristics, in terms of the facts, we forward this to the officials of the particular area involved. The survey or audit, sometimes called an investigation, is sent to the Service which has the responsibility, namely, in this case, if it was grading, it would be C&MS. They examine it and make their determinations as to whether or not corrections should be made and what measures should be taken. I have no decisionmaking powers in terms of the solutions or judgments that are made in terms of the facts. I am a factfinder.

Mr. NATCHER. In other words, as a factfinder you merely point out certain practices that exist, and are being carried out and it is up to the Department or the Service—

Mr. CONDON. Yes; and we try to give both sides and why, in effect, the practice is being carried out.

Mr. NATCHER (presiding). Mr. Langen?

Mr. LANGEN. Mr. Condon, I note your request includes an increase of about \$848,000. And the justification for those increases seem to settle around two fields, primarily, the food stamp program and the Agriculture Stabilization and Conservation Service.

Mr. CONDON. And the backlog that exists today, sir, in investigations.

## AUDIT OF ASCS COUNTY OFFICES

Mr. LANGEN. In view of the attention directed to these two items in the justifications, we have talked some about food stamp, but what about Stabilization Service, in the county offices? I gather there is to be an increase in the audit procedure, as it relates to county offices? What brings this about?

Mr. CONDON. Not really an increase. What has happened we underestimated the extent of the work we need to do in this area. Therefore there was an overestimate as to the number counties we could audit. As it turned out, we didn't have the manpower necessary to carry out that plan. So we fell short in terms of the number of counties in which we could review the ASCS county program.

Part of this request is to bring us up to the point where we could get the manpower necessary to conduct, basically, the 2-year cycle review on all of the counties. For the benefit of the committee members, we have a chart that shows basically the thrust of our work and where it is directed.

## AREAS OF WORK

You are aware, sir, that 56 percent of our work is directed toward ASCS; C&MS, 20 percent. (I am talking about both investigative and audit.) Farmers Home Administration is somewhat increased, 10 percent. SCS, 3 percent; Forest Service, 3 percent; all other, 8 percent. One of the important things I would like to bring home, as you can see, if I have any adjustment in my workload, necessarily it has to come out of these two areas (indicating ASCS and C&MS on chart). Not that I want to; it is a necessity. Otherwise, what I consider an overall minimum risk program could pass beyond the bounds of propriety in terms of other activities.

Mr. LANGEN. I gather by the implication of that chart, that ASCS includes Commodity Credit Corporation?

Mr. CONDON. Yes, sir, it does include Commodity Credit Corporation.

Mr. LANGEN. This is where the big volume of expenditures are?

Mr. CONDON. Yes. And in recognition of that this is where the big volume is in terms of our agency.

Mr. LANGEN. I just didn't want the County Offices to be reflected in the light that they needed that much investigation.

How many men do you have assigned to the food stamp program now?

Mr. GREESS. Sixteen, sir. Sixteen doing audit work.

Mr. HOWELL. Sixteen man-years of audit.

Mr. LANGEN. How much do you expect to increase that in the coming year?

Mr. GREESS. Another 16 to 32. As we mentioned in the statement, sir, on page 14, when we prepared our request, C&MS was projecting a little over 400 project offices. Now they are projecting 558. Our major response is to the number of project offices, so that with this type of a shift, even while we are sitting here before the committee; even if we get our full request, we will have to defer some of the audit we planned to make in the food stamp area. The agency seems to extend the number of projects necessary to get their program across a little more quickly than we can establish the audit program behind it.

## COORDINATING PROGRAMS

Mr. LANGEN. Is there coordination of your work in connection with food stamp and the General Counsel?

Mr. CONDON. As far as coordination, sir, yes. We coordinate all of our efforts. We are clients in a lot of cases of the General Counsel. We refer, to the OGC for instance, an investigation or audit which indicates a violation of the law. We send it to the General Counsel to make an evaluation, and then it may go to the Justice Department.

In terms of the Consumer and Marketing Service, we have a man on Mr. Howell's staff who is an assistant to him who is charged with the development and coordination of all audit programs relative to C&MS. So there is constant rapport and liaison between the agency and our organization. And I would say that frankly, and I have been in several Federal agencies, that the coordination is one that is effective, but independent, sir, if you know what I mean.

We consider all of the workload, including responsiveness to the worries of the administrator and so on, but, nevertheless, we do not lose our independence or objectivity.

Mr. LANGEN. I can appreciate where there is need for coordination there, because one follows the other in many instances, before the cast is completed.

What is the experience of your work there in terms of finding violations, exposing them, eventual prosecutions, and so on?

#### FOOD STAMP AUDITS

Mr. CONDON. Mr. Howell, do you have some statistics in terms of audit?

Mr. HOWELL. I have some statistics on the investigations and I can also give you an idea as to the kinds of things we find during the course of the audits.

Mr. LANGEN. Just a general idea. If you have further figures, you can submit them.

Mr. CONDON. This would be included in the request the committee already made for the experience.

Mr. LANGEN. Fine. Just leave it that way, then.

Mr. CONDON. We will include our experiences in both investigations and audit in that submission.

Mr. LANGEN. Fine. That is all, Mr. Chairman.

Mr. WHITTEN. Thank you a lot for your presentation, Mr. Condon. Also, we thank your associates. I think the record is rather complete. We appreciate your coming.

Mr. CONDON. Thank you very much, Mr. Chairman.

## OFFICE OF INFORMATION

## WITNESSES

JOSEPH M. ROBERTSON, ASSISTANT SECRETARY FOR ADMINISTRATION

HAROLD R. LEWIS, DIRECTOR, OFFICE OF INFORMATION

GORDON WEBB, DEPUTY DIRECTOR, OFFICE OF INFORMATION

JAMES H. McCORMICK, ASSISTANT DIRECTOR, OFFICE OF INFORMATION

FRANCIS A. SHEA, EXECUTIVE ASSISTANT TO DIRECTOR, OFFICE OF INFORMATION

CHARLES L. GRANT, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

MORRIS KAUFMAN, SECTION HEAD, BUDGET BRANCH, OFFICE OF MANAGEMENT SERVICES

## SALARIES AND EXPENSES

*Object classification*

[In thousands of dollars]

	1965 actual	1966 estimate	1967 estimate
Personnel compensation:			
11.1 Permanent positions.....	886	942	1,005
11.3 Positions other than permanent.....	2		
11.5 Other personnel compensation.....	5		
Total personnel compensation.....	893	942	1,005
12.0 Personnel benefits.....	65	70	74
21.0 Travel and transportation of persons.....	5	7	8
22.0 Transportation of things.....	3	3	3
23.0 Rent, communications, and utilities.....	101	100	101
24.0 Printing and reproduction.....	537	720	557
25.1 Other services.....	8	10	10
25.2 Services of other agencies.....	48	46	48
26.0 Supplies and materials.....	13	13	14
31.0 Equipment.....	11	4	6
99.0 Total obligations.....	1,685	1,915	1,826

*Personnel summary*

	1965 actual	1966 estimate	1967 estimate
Total number of permanent positions.....	126	126	133
Average number of all employees.....	112	115	120
Average GS grade.....	7.8	7.8	7.8
Average GS salary.....	\$7,936	\$8,312	\$8,394
Average salary of ungraded positions.....	\$5,766	\$5,766	\$5,766

Mr. WHITTEN. The committee now turns to the Office of Information. We have with us Mr. Joseph M. Robertson, Assistant Secretary; Mr. Harold R. Lewis, Director of the Office of Information; together with their associates.

Mr. Lewis, we will be glad to have you proceed in your own way.

## JUSTIFICATION MATERIAL

Prior to that, I should like to have pages 45 through 47 of the justifications, volume 3, inserted in the record.

(The material requested follows:)

## OFFICE OF INFORMATION

## PURPOSE STATEMENT

The Office of Information was established under its present name in 1925 as a consolidation of functions formally organized as early as 1889, to coordinate in the Department the dissemination of information useful to agriculture as directed by the act establishing the Department of Agriculture in 1862.

The Office has general direction and supervision of all publications and other information policies and activities of the Department including the final review, illustrating, printing and distribution of publications; clearance and release of press, radio, television, and magazine materials; maintenance of central files of news and general illustration-type photographs; and the preparation and distribution of exhibits and motion pictures. The Office publishes the Yearbook of Agriculture, the annual report of the Secretary of Agriculture, the Department Directory, and the Department List of Publications; handles the details of distributing farmers' bulletins allotted to Members of Congress; and services letter and telephone requests for general information received in the Department. Under the Department's working capital fund, the Office also produces visual informational materials, such as motion pictures, exhibits, art and graphics materials, and still photographic work for the Department and other Government agencies.

*Available funds and man-years, 1965 and estimated, 1966 and 1967*

Item	Actual, 1965		Estimated available, 1966		Budget estimate, 1967	
	Amount	Man-years	Amount	Man-years	Amount	Man-years
Office of Information: Salaries and expenses.....	\$1,689,000	112	\$1,915,000	115	\$1,826,000	120
Obligations under other USDA appropriations:						
Agricultural Research Service (for pesticides information).....	19,675	1	38,100	2	38,100	2
Great Plains conservation program, SCS (for information services).....	15,245	1	17,000	1	18,000	1
Working capital fund (primarily for motion picture, photographic, art and graphics, and exhibit services for other agencies, including agencies of the Department of Agriculture).....	1,743,142	114	1,750,000	114	1,750,000	114
Miscellaneous reimbursements.....	12,413	1	13,925	2		
Total, other USDA appropriations.....	1,790,475	117	1,819,025	119	1,806,100	117
Total, agricultural appropriation bill.....	3,479,475	229	3,734,025	234	3,632,100	237
Other funds:						
Assistance to EDA program (Department of Commerce).....	20,788	2				
Agency for International Development:						
Training of foreign participants.....	23,786	3	24,800	3	25,000	3
Technical consultation.....	16,395	1	23,550	2	23,750	2
Latin America.....	2,799					
Funds received from States, local organizations, individuals, and others for work under cooperative agreements.....	9,037		1,211			
Miscellaneous reimbursements.....	9,626		12,000		12,000	
Total, other funds.....	82,431	6	61,561	5	60,750	5
Total, Office of Information.....	3,561,906	235	3,795,586	239	3,692,850	242

*Salaries and expenses*

Appropriation Act, 1966.....	\$1, 689, 000
Supplemental Appropriation Act, 1966.....	200, 000
Proposed supplemental, 1966, for increased pay costs.....	26, 000
Base for 1967.....	1, 915, 000
Budget estimate, 1967.....	1, 826, 000
Decrease.....	-89, 000

*Summary of increases and decreases*

	1966 available	Increase or decrease		1967 estimate
		Pay costs	Other	
Reprints of farmers' bulletins.....	\$267, 500		+\$30, 000	\$297, 500
Coordination and direction of departmentwide information programs.....	48, 900	+\$400	+61, 700	111, 000
To establish a centralized departmental file of color slides.....			+10, 300	10, 300
Elimination of nonrecurring item in the Supplemental Appropriation Act, 1966, for reprinting of the 1965 Yearbook of Agriculture.....	200, 000		-200, 000	
All other.....	1, 398, 600	+8, 600		1, 407, 200
Total.....	1, 915, 000	+9, 000	-98, 000	1, 826, 000

*Project statement*

Project	1965	1966 estimated	Increase or decrease		1967 estimated
			Increased pay costs (Public Law 89-301)	Other	
1. Publications review and distribution....	\$758, 024	\$758, 400	+\$3, 800	+\$30, 000	\$792, 200
2. Review and distribution of current agricultural information.....	622, 100	843, 600	+3, 000	+138, 300	708, 300
3. Review, preparation, and distribution of visual agricultural information.....	304, 400	313, 000	+2, 200	+10, 300	325, 500
Unobligated balance.....	4, 467				
Total increased pay costs (Public Law 89-301).....		(26, 225)	(+10, 375)	(+400)	(37, 000)
Total available or estimate.....	1, 689, 000	1, 915, 000	+9, 000	-98, 000	1, 826, 000

## Supplementary project statement

(The following schedule reflects a more detailed analysis of the obligations shown in the regular project statement.)

	1965 actual	1966 estimate	1967 estimate
1. Publications review and distribution:			
(a) Publications management.....	\$89,900	\$86,200	\$86,900
(b) Printing procurement.....	65,600	67,300	67,800
(c) Inquiries and distribution.....	318,800	315,200	317,600
(d) Printing of farmers bulletins, reprints, and lists.....	276,461	267,500	297,500
(e) Publications use study.....	7,263	22,200	22,400
Total.....	758,024	758,400	792,200
2. Review and distribution of current agricultural information:			
(a) Press service.....	167,203	191,300	192,500
(b) Preparation of reports.....	96,226	87,200	149,600
(c) Radio and television.....	135,671	142,100	143,200
(d) Printing Agriculture Yearbook.....	223,000	423,000	223,000
Total.....	662,100	843,600	708,300
3. Review, preparation, and distribution of visual agricultural information:			
(a) Art and graphics.....	20,697	24,900	25,000
(b) Exhibits service.....	66,079	70,400	70,700
(c) Motion picture service.....	122,586	121,100	122,000
(d) Photographic distribution.....	95,047	96,600	107,800
Total.....	304,409	313,000	325,500
Unobligated balance.....	4,467		
Total, available or estimate.....	1,689,000	1,915,000	1,826,000

## GENERAL STATEMENT OF DIRECTOR

Mr. LEWIS. Thank you, Mr. Chairman and members of the committee. It is a pleasure to be able to talk with you about some of the things we have been doing and where we have gotten with some of our efforts in the last couple of years.

You may recall that in the last 2½ years or so I have been coming before the committee I reported on information in two phases: First, how we are meeting our basic information job of providing information support for all Department activities; and second, an expanded effort to get information beyond agricultural channels, to explain Department activities and agriculture to urban people. In doing so, we have worked more closely with Department agencies to bring all information resources to apply on departmentwide programs or problems. We have taken steps to disseminate information on new or expanded programs or redirected programs. And this has been a fairly constantly increasing job.

More particularly, as to our discussion today, we have broadened much of our information program—as far as our facilities would permit—to reach all 196 million Americans. This has taken our information beyond the farm families and agricultural organizations we have served so long, but who remain our first interest and obligation.

We have had some measure of success in certain of our new efforts. We have found that there is a real interest among urbanites in Department services which affect them directly. We now have demands coming to us from sources that were not previously aware of Department information.

Our success, as far as it has gone, has brought us some problems. However, as you know, we have outreach or channels to farmers, but we lack the capacity we need for doing a fully effective job with urban audiences. The demand from these urban sources is exceeding our capacity to satisfy it.

Our basic difficulty is that, while we have been working in an expanding situation, the resources of the office have stayed fairly stable. This has been creating some serious staffing problems, particularly in the key area where we are working to reach out to nonfarm people.

We are also having some difficulty in meeting the demand for publications, and we need very much to provide low-cost color photo service to meet requirements from the media and organizations.

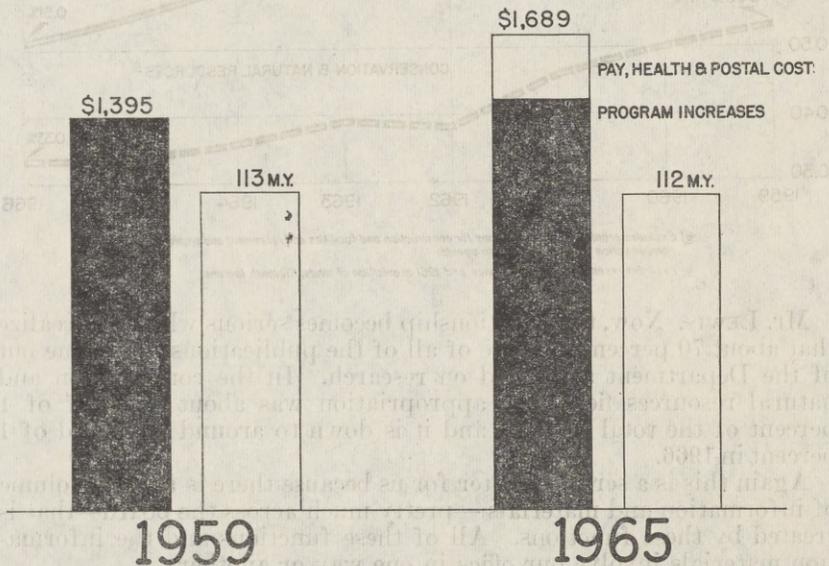
#### RESOURCES IN THE OFFICE OF INFORMATION

Speaking of our resource situation, I would like to point briefly to two charts. The first compares the direct appropriation for the Office of Information in fiscal 1959 with what it was in fiscal 1965.

(The chart referred to follows:)

#### COMPARISON OF DIRECT APPROPRIATION AND MAN YEARS, 1965 WITH 1959

THOUSANDS OF DOLLARS



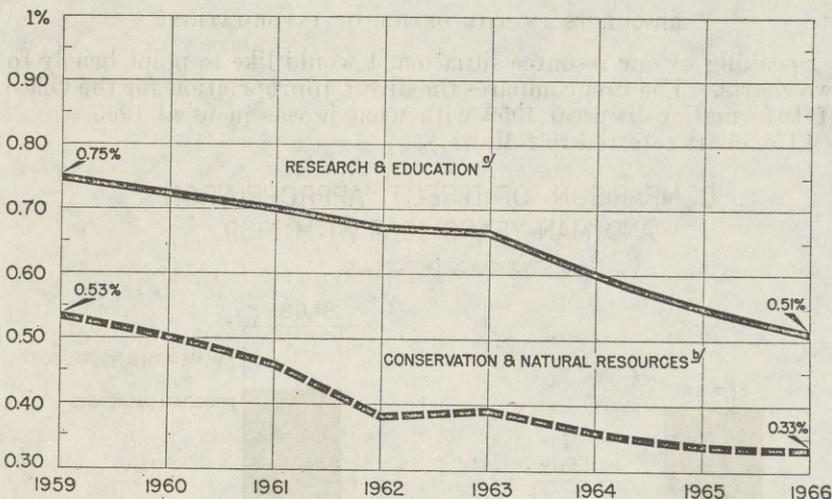
Mr. LEWIS. Our direct appropriation in 1959 was \$1,395,000 and supported 113 man-years of work. By 1965 it was up to \$1,689,000, and it supported 112 man-years. Most of the increase in the intervening years came to take care of added pay, health, and postal costs. We had increases for what we call program operations totaling \$92,500 during this period, and the last such increase was in fiscal 1962.

Another way to compare our situation is to look at it from the standpoint of the percentage of our appropriation to that for research and education, and for conservation and natural resource functions.

In the case of research and education, as the second chart shows, our appropriation was about three-quarters of 1 percent of that for research and education in fiscal 1959. By 1966 it is estimated to be around one-half of 1 percent.

(The chart referred to follows:)

### INF. APPROPRIATIONS AS PERCENTAGE OF CERTAIN USDA ACTIVITIES



a) Excludes grants and appropriations for construction and facilities and retirement and employees compensation costs for extension agents.

b) Excludes research for Forest Service and 1961 acquisition of lands, Klamath Indians.

Mr. LEWIS. Now, this relationship becomes serious when you realize that about 70 percent or more of all of the publications that come out of the Department are based on research. In the conservation and natural resources field, our appropriation was about one-half of 1 percent of the total in 1959, and it is down to around one-third of 1 percent in 1966.

Again this is a serious matter for us because there is a large volume of information and materials—pretty much across the board—that is created by these functions. All of these functions and the information materials involve our office in one way or another.

In the meantime, against this stable situation, we have been obligated to provide information support for a number of increasing Department activities—in the conservation field, the commodity programs, food use programs, credit, and other activities. This indicates that we have little control over our workload. In order to move ahead as we feel we can on our twofold basis, we need additional resources on a minimum basis.

## BUDGET ESTIMATES FOR 1967

To summarize our current resource situation, the budget estimate for 1967 is \$1,826,000, as compared to \$1,915,000 estimated for 1966. The net decrease is \$89,000. Within this, the 1967 estimates include a program increase of \$102,000, to provide for additional key personnel to help us meet the added demands coming from Departmentwide information activities we have initiated; to provide low-cost color photo service with color slides, and to provide additional reprints of farmers bulletins. It provides for an increase of \$9,000 to provide for full-year costs in fiscal 1967 of the pay increase pursuant to Public Law 89-301, and a decrease of \$200,000 for a nonrecurring item for reprinting the 1965 yearbook.

## INTERESTS OF THE GENERAL PUBLIC

Now speaking of our resource situation in the area where we have been expanding our effort to reach beyond agriculture, we have found that to promote an understanding of the problems that are unique to agriculture, we have needed to gear our information message more and more to the interests of the general public.

By appealing to specific interests of urbanites, we have found they have not only a better understanding of what we do specifically for them, but we also create a better climate for explaining agricultural programs and agriculture across the board.

Now, this emphasis has broadened our audience, as I pointed out, but it has brought greater demand from the media and organizations which we are having some difficulty in meeting.

To illustrate, let me point out a few examples in the consumer information field. These are examples of outlets that, by and large, were not available to us to any appreciable degree 2 years ago. One, a national magazine that has a circulation of 5 million, used Department information as features or in other ways in 10 of its 12 issues last year.

A national Sunday supplement has been using information from the Department, mentioning bulletins particularly. This has a nationwide circulation. A single mention of this publication, for example—our "Consumer's Guide to USDA Service"—brought 40,000 requests.

## DEMAND FOR CONSUMER PUBLICATIONS

The demand for consumer publications is up substantially, in 1965 being up 58 percent over the level of 5 years ago.

I mentioned before that we had started a monthly newsletter to report on USDA's consumer-oriented services. This little newsletter brought us 100,000 requests last year for publications and other types of information materials and services. In fact, we are getting so many requests for publications from the public now that we have backlogs up to the 100,000 mark for the first time.

Organizations are coming to us more. For example, as a result of this effort, one national labor organization that reaches 14 million members is using Department information in its news outlets and community service programs.

We have found that by opening doors with this type of information, we open interests to other kinds of information that come from the

Department—such as conservation, research, international trade, and other types of information. One newspaper syndicate that reaches 750 papers has fairly consistently been using such information.

In this situation the stepped-up use of information is only part of the story. The unseen part, and this is the part we are having difficulty with, is our inability to follow up effectively and to reach other channels we know are interested and are open to us. It doesn't do a lot of good in the long run to open a channel if you can't follow up and service it on a continuing basis.

The same situation applies to other types of efforts. As far as the commodity programs are concerned, there is a great deal of new interest in them now because of the developing world food situation.

We are finding more interest in our conservation and natural resource functions from people who work outside of agriculture—conservation writers, organizations that get to large memberships. And we find that again when we relate these activities to specific interests, we see a great deal of interest in our information.

#### EFFORT TO REFLECT ROLE OF AGRICULTURE IN THE ECONOMY

Another effort I want to point to very briefly is our work to increase the understanding of agriculture's status in the economy and what agriculture contributes to the national economy. I have had this publication, "Background on U.S. Agriculture," up here before. We revised it last year. We are out of copies, because of the demand. This little publication points out agriculture as a customer of industry, a creator of jobs, and so on.

An urban paper in the New York area carried a full-page feature based on the contents of this little publication, and this is a newspaper that normally does not use such information. But through its feature, it carried a great deal of information about what agriculture is and does throughout the metropolitan area.

Another publication we have had for this purpose is our Fact Book. This has been extremely useful in furnishing writers, editors, editorial writers, and others background on agricultural programs, and on agriculture as an industry. This needs to be brought up to date and we are now out of copies. We are not able at the moment to do this because of a lack of resources.

So we are asking \$61,700 to provide additional help in this area—to produce the materials required by Department-wide information programs, to make it possible for us to work more closely with Department agencies in planning and carrying out these essential programs, and to meet most fully and effectively the demands from public mass media and interested organizations.

#### INCREASE IN REQUESTS FOR INFORMATION AND PUBLICATIONS

The second part of our request concerns publications. As you know, publications for many, many years, have formed the basis of much of our information work. We need adequate supplies to satisfy requests from the public, from constituents of Members of Congress, and from the State extension services.

But because the demand for certain kinds of publications is increasing—such as the consumer-oriented publications—and because of

increased costs, we have been experiencing serious delays in taking care of requests, particularly toward the end of the fiscal year.

For example, in June and July of 1965 we were unable to furnish 16 percent of the bulletins requested by constituents through Members of Congress. Now, the situation looks about the same this year. This has meant long delays in meeting requests until we get into the next fiscal year and can order publications on funds available to us then.

The situation on requests from the general public has been much the same. In June–July of 1965, we were unable to furnish 25 percent of the publications requested.

Mr. WHITTEN. I think I have to my credit, probably more bulletins than you have on hand. We know that you attempt to keep a reasonable backlog. But when you say 25 percent—what does that mean. Has that caused you to revise your estimates so that you keep adequate supplies of popular bulletins and only a limited number of those that are not so much in demand? I know you try to keep a limited backlog or a reasonable backlog. How do you go about determining what is reasonable for a popular bulletin and what is reasonable for one not so popular?

Mr. LEWIS. Well, we base this pretty largely on the experience we have had on the demand for various types of publications. We know, for example, that there are 10, roughly, that are going to be the most popular—and we will always look out for those. On the Congressional lists, for example, there are certain types of subject matter publications that are in most demand. This is not a matter that you can estimate on a precise basis, because demand fluctuates. But we can tell, pretty largely, what types of publications will be in most demand, and we use our reprint money for these publications, by and large. But at the same time we try to keep some balance in supplies. We try to keep our stocks down to working levels, because publications can get out of date, and we want them as current as possible.

Mr. WHITTEN. How much of this shortage is due to bad guessing?

Mr. LEWIS. This is a hard one to answer, Mr. Chairman.

Mr. WHITTEN. Well, what bulletins were you short of?

Mr. LEWIS. Let me tell you, last year, for example—

Mr. WHITTEN. List the principal ones. I know you can't estimate the numbers now. I am just trying to show the facts in the record.

Mr. LEWIS. I understand. In fiscal year 1965 we should have ordered, in April or May, quantities of publications such as the following: "Family Fare Food Management and Recipes," "Home Freezing of Fruits and Vegetables," "Eggs in Family Meals," and then there is one back here on "Farm House Heating," and one on "Roofing Farm Buildings." These are publications that had been, or we knew would be in demand, but we were not able to order at the time we should have. These are some of the publications that we could not furnish during this deficit period.

Mr. WHITTEN. I am not finding fault with you. You can't tell precisely what the public will want, but these titles give some idea.

Mr. LEWIS. It is generally the publications, currently, that have some consumer orientation.

Mr. WHITTEN. The fact that the yearbook was disseminated caused people to read the bulletin list, which in turn would lead them to ask for things related to it.

Mr. LEWIS. That is right, and also we cannot always know when a magazine or a newspaper will mention one of our publications.

Now, single copies are free to anyone who wants to request them. For example, this one (Consumer Guide)—a writer mentioned it, and we got 40,000 requests.

Mr. WHITTEN. Sometimes they say "If you want a free copy write your Congressman"; then we get 40,000 requests.

Mr. LEWIS. I understand, Mr. Chairman.

In order to tailor our supply to the demand, we had to cut down on a number of publications that were on congressional list No. 1 from 493 in January 1964 to 402 in May of 1965. We have restored part of those. I think it is back up to around 430 or thereabouts now. Now we will eliminate only those that we know there is the least demand for, and try to concentrate on the ones for which there is heavier demand.

#### INCREASED COSTS OF PUBLICATIONS

The cost situation on publications has been increasingly difficult. For several years there has been a constant increase. Only last December the Government Printing Office announced another 3½ percent increase across the board. This is serious, because the type of printing that the Department has will result in a larger overall increase than the 3½ percent. We estimate that for each \$100 of added cost, there are 2,500 publications that we cannot print and supply. So this is kind of a squeeze between demand for certain types of publications and the added cost. We are asking for an increase of \$30,000 to help us buy or publish more reprints.

Now, this probably won't take care of all the problems, but it will help substantially to eliminate the end-of-the-year deficit situation. We can't get out of it now. We have a period for about 2 months at the end of the year, and it will go over into the new fiscal year, when we cannot furnish all of the bulletins. Then we get the new fiscal year funds and sometimes have to allocate 50 percent of them in the first quarter to take care of demands on hand. We think the requested funds will help us level out this peak and deficit period.

#### INCREASED USE OF COLOR PHOTOGRAPHS AND COLOR SLIDES

Our third request is for \$10,300 to make it possible for us to set up a continuing service to supply color photographs and color slides to media organizations and for use by Department agencies and State extension services.

About 1,000 daily newspapers now use color photographs and the general magazines, as well as farm magazines, are increasing their use. Television in the last year has taken real steps forward in the amount of material they use in color. About 61 percent of the stations in the country now have equipment for using color slides. There are about 4 million slide projectors in use in the country, many of them in the hands of organizations and schools who use slide material.

While this is not new information material, Department agencies are finding slides, film strips, and slide series more useful than they were in recent years for explaining programs and activities. They are flexible; you can cut them to size. In fact, we made 400,000 slide

duplicates for Department agencies last year. This is three times above the level of about 5 years ago.

Now, we estimate that there is about—as far as we can tell—\$75,000 invested in original slide material which is located in a number of places throughout the Department. We do not have the means of pulling this material together and of putting it in a central file in our office. Almost all of the program agencies in the Department have requested this.

The funds we ask would make it possible for us to pull this material together, to organize it, review it, put captions on it, catalog it, and make it available on a continuing, more efficient and low-cost basis than is possible now.

#### YEARBOOKS OF AGRICULTURE

I would like to speak just briefly about the yearbook. As you know, the 1965 yearbook "Consumers All" has been out for 6 months. It has had a good public reception. Government Printing Office sales have been high. I think the book has done a very good job of relating to the general public, particularly the urban public, what we do that benefits them directly.

The 1966 book is well underway, and as you know, this is concerned with many subjects concerned with the protection of food supply, both as to quantity and quality.

The 1967 book is in the formative stage. We are working to make this one, hopefully, as popular as the 1965 book. Our aim is to relate the conservation and natural resource activities that the Department carries out to the interests of individuals in the conservation and use of land, forest, and water resources. We have looked it over very carefully, and we think we can move ahead in this way.

#### EXAMPLES OF PROGRESS

Mr. Chairman, at this point I request permission to insert selected examples of recent progress relative to current information work as contained in the status of program on pages 57-61.

Mr. WHITTEN. You may do so.

(The material follows:)

#### CURRENT INFORMATION

##### (a) *Press service*

Work was continued with agency information divisions to improve quality of releases, put more emphasis on releases of national import, and to confine reports and announcements of limited interest to regional distribution. This resulted in an increase in regional and limited-distribution releases, and a slight reduction in the number of national releases—a deliberate managerial policy action designed to make maximum use of news releases and cut production and distribution costs. The number of national releases totaled 3,306, compared with 3,409 the previous year.

Reports—situation, special studies, and other—totaled 1,005, about the same as in 1964. The number of news releases "posted" increased from 963 to 1,442. (News releases of sectional rather than national interest are "posted" for interested correspondents. This reduces paper, mimeographing and distribution costs.)

Increased emphasis was placed on the auxiliary services of answering queries, supplying background information, arranging for press representatives to confer with specialists, and providing other services which enabled correspondents to obtain the information they needed more easily to facilitate accurate publication of material about the Department's programs and services.

Efforts were continued to maintain and expand personal contacts with the media as a means of keeping alert to press needs and assuring maximum dissemination of Department information through press media. Mailing lists for Food and Home Notes continued record high. This newsletter now goes to more than 5,500 women's editors, other writers on mass media, and home economists in business, universities, hospitals and government. By request of writers, Farm Paper Letter added 76 to its 1964 mailing list of 633.

(b) *Radio and television service*

Two significant changes in the broadcast media during the past year have been the vast increase of transistorized radio receivers in use by Americans in almost every conceivable location, and the tremendous growth in the use of video tape by television networks and stations as a substitute for "live" or film presentations. However, the increase in radio stations on the air from 5,689 in July 1964 to 5,934 in July 1965, and the increase in television stations from 790 in December 1964 to 821 in July 1965 has further stimulated demands for radio and television materials from the Department. Nationally recognized surveys show that the average family home in the United States watches television 5.5 hours per week.

"Across the Fence," the weekly half-hour color videotaped program produced by USDA in cooperation with WRC-TV, Washington, is now into its fifth year on the air and is now being broadcast weekly by 14 stations from coast to coast, at no cost to the Government. A year ago it was shown on seven stations. A new weekly videotaping activity in cooperation with WRC-TV, Washington, provides USDA with five 4½ minute featurettes per week of USDA material for duplicating and distribution to the 140 stations using USDA videotapes regularly. Production of these featurettes is done at no cost to the Government. WRC-TV makes first use, then releases the material to USDA. The number of TV stations using short video taped features regularly from USDA, about one per week, has grown from 100 to 140 during the past year. The greatly increased demand for videotaped information has created some problems of maintaining high quality of tapes repeatedly used. Still-photo packages with scripts continue to be in demand by farm and home programmers on over 400 TV stations.

Increases in the weekly "Agri-Tape" radio feature are from 315 to 374 during the past year, in "Agriculture USA" from 200 to 212. "Agri-Tape," because it is used on several land-grant college and State farm organization tape services to stations, is heard on an estimated 400 to 500 stations. USDA production, weekly, of the ABC radio network program "American Farmer," continues.

(c) *Special services*

Broad areas of information service emphasized in fiscal year 1965 included consumer services, rural areas development, pesticide safety, agricultural trade and commodity programs. In addition, material was prepared to service requests for information on new agricultural programs; poverty and Appalachian programs; income producing outdoor recreation; importance of agriculture in the national economy; and interdependency between consumers and farmers. Articles were prepared on request for magazines, encyclopedias, and newspapers. Subjects ranged from teenage nutrition, school lunch, meat inspection and grading, USDA functions, agricultural trade, food prices, food buying, consumer credit, cooperatives, production trends, research, farm recreation, rural areas development to urban consumer's dependence on agriculture.

(1) *Consumer services*.—This information program was geared toward the group approach—to work through large consumer-interest groups with established channels of communications to members; to produce program material for groups; to intensify work with information multipliers on the national level. The purposes were: To increase consumer awareness of, and thus make better use of, the many USDA services which directly or indirectly benefit and safeguard them; and to help urban consumers better understand the interdependence of consumers and farmers in today's economy.

During the year the Office worked with special interest groups. For example, a program and information material were developed for annual convention of labor editors. The program emphasized Department services of interest to union families, which also served to broaden the base of understanding and interdependence between farm-labor. Also tailored was an information program, which featured a panel of top-level USDA experts, for AFL-CIO conference of community service leaders. Over 500 attended, representing community service centers in 150 major cities. Both groups represent millions of families. A program prepared for General Federation of Women's Clubs included general

background on USDA services; national school lunch program; and the need for improving teenage nutrition. The report on teenage nutrition was also made available to other consumer groups. This resulted in nationwide news coverage for a period covering 6 months, with pickup by network television, a wire service, and two national weekly magazines.

Service, a monthly consumer newsletter, generated broad national interest in USDA services and activities in fiscal year 1965. It stimulated more than 100,000 requests for information and publications concerning school lunch, natural beauty, recreation, nutrition, consumer protective services, pesticide safety, gardening, agricultural facts. A short item brought over 200 requests for a beef grading demonstration and also resulted in radio-TV appearances.

Service, now in its second year, is mailed on request to 5,500 people in associations, house organs, consumer cooperatives, women's organizations, business, industry, labor, church, civic, trade, senior citizens groups, and other multipliers which have newsletters or publications.

"Consumer's Quick Credit Guide" and "A Consumer's Guide to USDA Services," two new brochures, were among the top 10 most popular publications for fiscal year 1965. The credit guide, second most popular publication, had distribution totaling 467,700, while consumer's guide distribution totaled 156,415. The two publications were developed as part of the consumer information program. The Office continued to cooperate with the office of the Presidential Assistant for Consumer Affairs, providing information support with reference to USDA programs. Attention in fiscal year 1965 was focused on low income consumers.

(2) *Rural areas development (RAD)*.—In 1965 a number of new RAD pamphlets were published, including "Rural Areas Development at Work," "The Role of the Department of Agriculture in Accelerating Rural Outdoor Recreation on Public and Private Lands," "Home Economists and Rural Areas Development," and a pamphlet on rural renewal in Arkansas. Work began on a new RAD film. Two short RAD films were shown more than 1,000 times during the fiscal year, which included 65 television bookings. Nearly 100 TV stations in major metropolitan areas received a color short reporting on income-producing outdoor recreation enterprises. The effect of a changing rural America on town and city is to be highlighted in a slide series now underway. Background on outdoor recreation was provided for articles in a national magazine and in a nationally syndicated column. State secretaries of agriculture and other were encouraged to prepare directories of privately owned outdoor recreational areas. Information support was provided to the newly formed Rural Community Development Service.

(3) *Pesticide safety and pest control*.—In consultation with State information leaders and other USDA agencies, a national pesticide information program was planned and launched with the twofold objective of informing the public of the importance of pest control in our modern society and encouraging the proper, safe use of pesticides. To implement the program, fact sheets, picture stories, and motion pictures were prepared and distributed on a nationwide basis. A filmstrip and picture story relating to pesticide safe use were made available during fiscal year 1965 to a national distribution service which supplies weekly news series to schools. This fall, 1 million schoolchildren in 5,000 schools will have the opportunity to learn about the need for using pesticides safely. With the endorsement of the Advertising Council, for a second year, program materials including filmed and recorded spot announcements were supplied to all radio and television stations.

A pest control symbol was designed for use on Department publications and general public distribution. Release of information was expanded on the Department's pest control activities in areas of research and regulation. The Office also cooperated with the National Safety Council's campaign to promote rural pesticide safety. Liaison with other Federal agencies was maintained in an effort to coordinate pest control information. The Office is represented on the Federal Pest Control Committee's information subcommittee. Some 70 publications were revised to update pesticide information, stressing the Department's policy of safe use, and the necessity of pesticides in our economy.

(4) *Agriculture's importance to the national economy*.—Heavy demand continued for information about the importance of agriculture to the national economy and to individual consumers. The leaflet "Background on U.S. Agriculture" was revised and reprinted. The revised issue resulted in feature newspaper treatment in a New York City paper, and favorable editorial comment in other parts of the country. "The Fact Book of U.S. Agriculture," which also has

been revised, is still in strong demand and is being sent on request to editors and broadcasters, business, industry, and trade associations.

(5) *Defense*.—Nine publications on defense subjects were reprinted, revised, or printed new during the fiscal year 1965. The two most popular were "Family Food Stockpile for Survival" and "Defense Against Radioactive Fallout on the Farm." Seven motion pictures and three filmstrips were completed in cooperation with other agencies. A radio program on rural defense was distributed to 180 radio stations, and the exhibit "Your Family Survival Plan" continues to be displayed at various conferences, conventions, and fairs around the country.

*Great Plains conservation program*.—A continuing objective in fiscal year 1965 was to inform people outside the Great Plains of the progress made in solving the region's special conservation problems, and its significance to them. The drought in the southern plains provided an opportunity to show how the Great Plains conservation program helped farmers and ranchers prepare for and minimize losses recurring from natural disasters. In addition to presenting Great Plains information through regular press, radio, and television outlets and through work with the Great Plains Agricultural Council, the Office cooperated with the Soil Conservation Service to produce special materials. These included a 12-minute color documentary motion picture, "New Life for the Plains"; preparation of a well-illustrated progress report entitled "The Great Plains Conservation Program," and obtaining additional motion picture footage and completion of much of the production work for a 27½-minute documentary motion picture on the progress made by a group of farmers and ranchers participating in the Great Plains conservation program.

Mr. LEWIS. That completes my presentation.

1966 YEARBOOK—CONSUMERS ALL

Mr. WHITTEN. How many copies of "Consumers All" have you sold?

Mr. LEWIS. As of not too many days ago, GPO sold almost 63,000 copies of the book.

Mr. WHITTEN. Do you sell those on a cost-plus basis; or how are they sold?

Mr. LEWIS. GPO sets the price on the book. The price to the public is \$2.75.

Mr. WHITTEN. How about last year's supplemental appropriation? Last year we provided \$200,000 of additional money for printing and distribution of "Consumers All." Has that printing been distributed?

Mr. LEWIS. The printing has been completed. The books are not all bound. The arrangements on delivery have been made between the folding rooms and the Superintendent of Documents. I believe a little over 25 percent of the total number of copies for Members of Congress have been delivered. The House is having 5,000 copies delivered a day. At the moment, I don't think there is any schedule of delivery on the Senate side, beyond something like the 20,000 copies which have been ordered delivered.

Mr. WHITTEN. The demand has been terrific for this "Consumers All." Has there been any suggestion as to the need for a reprint, or has this caught on so that you feel others might pick it up and distribute it? Then you might not have to reprint it yourself.

Mr. LEWIS. We feel, at least for the foreseeable future, that with the copies available from the reprint and the non-Government publication that is involved, that the demand can be met for the months ahead. I think we ought to see how this new experiment works out before we look into another reprinting.

If I may say something off the record—

(Discussion off the record.)

## WORKING CAPITAL FUND

Mr. WHITTEN. Mr. Lewis, you have a working capital fund. There is \$1,750,000 a year which you get from other agencies. Is that a matter within your discretion, or is it your responsibility merely to print what they order and look to them for reimbursement? How is that handled?

Mr. LEWIS. The reimbursable activity we have, Mr. Chairman, is concerned with the production of visuals. The production of all visuals is centralized in our office, and it is done on a reimbursable basis. This includes films, exhibits, art and graphics, and our photographic work.

Mr. WHITTEN. What work do you do in connection with it? Do you do the planning and all of that, or do you just actually produce it?

Mr. LEWIS. The planning of the production is a cooperative affair between us and the agencies. We first agree on the type of materials that should be produced to provide the information desired. We then take the production over and go on from there and complete the production, always, of course, with the consultation of the agency involved. The agencies in effect, are customers that we serve.

## RURAL AREAS DEVELOPMENT

Mr. WHITTEN. I notice on page 50 of your justifications you refer to the Rural Areas Development Program. What are your responsibilities in this area? How many people do you have? How do you operate?

Mr. LEWIS. This is an ongoing Department program, and our responsibilities are, of course, to provide information support for all Department activities. We have two professionals on our staff, two information people, who provide or produce certain types of materials that the agencies cannot effectively produce. We have a little publication that rounds up all of the types of services that are involved in this program. And then—

Mr. WHITTEN. Could you have samples of that presented to the committee?

Mr. LEWIS. Yes, sir. The current one is in revision, but we will be able to send one we have on hand, if this is satisfactory. The information on activities that apply here are scattered, so our job also is to help pull together information that would be useful to people in the Department in carrying out this activity.

Mr. WHITTEN. Do you get any repayment for your efforts in this area?

Mr. LEWIS. These people are on our own payroll. There will be times when we will need some assistance, such as in the production of materials, which we get from the agencies.

Mr. WHITTEN. Do you deal directly with the Farmers Home Administration, or the other action agencies? Or do you go through the Rural Area Development group?

Mr. LEWIS. It will work both ways, Mr. Chairman, depending on what kind of activity is involved. The Farmers Home Administration might have an announcement to get out on a program that is involved with rural areas development. They may come to us directly, and we will take their material, review it, and if it seems that it ought

to be reviewed with the people who are directly concerned with the overall management of rural areas development, we will do that.

On the other hand, there might be an activity that would come up through the people who are concerned with the management of the rural areas development program that would involve FHA, or another agency. We would take a look at the material, and if it seemed necessary and desirable to work with FHA, we would do this.

Mr. WHITTEN. I believe that is all, Mr. Lewis. Thank you for your presentation.

Mr. WHITTEN. Mr. Langen?

Mr. LANGEN. Mr. Chairman, I think the subject has been sufficiently covered. I want to compliment Mr. Lewis on presenting very factual and precise information to the committee.

Mr. LEWIS. Thank you very much, sir.

## NATIONAL AGRICULTURAL LIBRARY

### WITNESSES

GEORGE L. MEHREN, ASSISTANT SECRETARY OF AGRICULTURE  
FOSTER E. MOHRHARDT, DIRECTOR, NATIONAL AGRICULTURAL LIBRARY

KIRBY B. PAYNE, ASSISTANT DIRECTOR, PUBLIC SERVICES, NATIONAL AGRICULTURAL LIBRARY

BELLA E. SHACHTMAN, ASSISTANT DIRECTOR, TECHNICAL SERVICES, NATIONAL AGRICULTURAL LIBRARY

WILLIAM J. GRAVES, ASSISTANT TO THE DIRECTOR, NATIONAL AGRICULTURAL LIBRARY

CHARLES L. GRANT, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

GALEN YATES, SECTION HEAD, BUDGET BRANCH, OFFICE OF MANAGEMENT SERVICES

### SALARIES AND EXPENSES

#### Object classification

[In thousands of dollars]

	1965 actual	1966 estimate	1967 estimate
Personnel compensation:			
11.1 Permanent positions.....	1,129	1,255	1,382
11.3 Positions other than permanent.....	8	13	8
11.4 Special personal service payments.....	10		
11.5 Other personnel compensation.....	2	1	1
Total personnel compensation.....	1,149	1,269	1,391
Personnel benefits.....	83	95	104
21.0 Travel and transportation of persons.....	6	6	41
23.0 Rent, communications, and utilities.....	15	19	20
24.0 Printing and reproduction.....	35	37	53
Binding.....	59	102	154
25.1 Other services.....	104	5	377
25.2 Services of other agencies.....	34	100	232
26.0 Supplies and materials.....	13	13	16
31.0 Equipment.....	91	89	113
99.0 Total obligations.....	1,590	1,735	2,501

## Personnel summary

	1965 actual	1966 estimate	1967 estimate
Total number of permanent positions.....	200	201	219
Full-time equivalent of other positions.....	2	3	2
Average number of all employees.....	164	172	188
Average GS grade.....	6.6	7.0	7.0
Average GS salary.....	\$6,793	\$7,314	\$7,380

## LIBRARY FACILITIES

## Object classification

(In thousands of dollars)

	1965 actual	1966 estimate	1967 estimate
NATIONAL AGRICULTURAL LIBRARY			
21.0 Travel and transportation of persons.....		2	
25.2 Services of other agencies.....		2	
Total obligations, National Agricultural Library.....		4	
ALLOCATION TO GENERAL SERVICES ADMINISTRATION			
21.0 Travel and transportation of persons.....		1	
24.0 Printing and reproduction.....	1	20	
25.1 Other services.....	9	185	
31.0 Equipment.....		450	
32.0 Lands and structures.....		6,395	
Total obligations, General Services Administration.....	10	7,051	
99.0 Total obligations.....	10	7,055	

## JUSTIFICATION MATERIAL

Mr. WHITTEN. We shall insert in the record pages 64-67 and page 74 of the justification.  
(The material follows:)

## NATIONAL AGRICULTURAL LIBRARY

## PURPOSE STATEMENT

The National Agricultural Library, pursuant to the Department's Organic Act of 1862, and under delegation from the Secretary, "procures and preserves all information concerning agriculture which can be obtained by means of books \* \* \*." A specific appropriation for the library was first made in the act appropriating funds for the fiscal year 1865.

In addition to the central library which serves the whole Department, several agencies of the Department maintain and finance their own libraries and provide library and bibliographical services. These libraries are situated at various field locations where concentration of work and research staff warrants on-site library services. The Director of the National Agricultural Library prescribes library policy, standards, and procedure of these field library services and exercises such controls as are needed to coordinate library services in the Department.

The National Agricultural Library makes available to the research workers of the Department and the State agricultural colleges, as well as to the general public, the agricultural knowledge of the world that is contained in published literature. This reduces duplication of effort and avoids diversion of valuable time of scientists and administrators by letting them know what has been done previously in their fields. The library collects current and historical published material and organizes it for maximum service to the Department and to the public through reference services, plans of publications, bibliographical serv-

ices, and photoreproductions of library material. It issues a monthly Bibliography of Agriculture in which is listed the agricultural literature of the world. It also issues a biweekly Pesticides Documentation Bulletin in which is listed literature on pest control. The book collection approximates 1,248,000 volumes.

*Available funds and man-years, 1965 and estimated, 1966 and 1967*

Item	Actual, 1965		Estimated available, 1966		Budget estimate, 1967	
	Amount	Man-years	Amount	Man-years	Amount	Man-years
National Agricultural Library:						
Salaries and expenses.....	\$1,599,000	164	\$1,735,000	172	\$2,501,000	188
Library facilities.....			7,000,000			
Total.....	1,599,000	164	8,735,000	172	2,501,000	188
Obligations under other USDA appropriations: Special bibliographic services for the Agricultural Research Service.....	8,484	1	8,800	1	9,100	1
Total, agricultural appropriation bill.....	1,607,484	165	8,743,800	173	2,510,100	189
Working capital fund for microfilm and photoprint reproductions of library materials.....	41,492	4	46,000	4	44,000	4
Other funds:						
Agency for International Development:						
Training of foreign participants.....	7,945	1	7,100	1	7,100	1
Technical consultation.....					128,800	13
Total, Agency for International Development.....	7,945	1	7,100	1	135,900	14
Farm Credit Administration-library services.....	5,576	1	6,000	1	6,000	1
Special library services for other organizations.....	66,844	8				
Total, other funds.....	80,365	10	13,100	2	141,900	15
Total, National Agricultural Library.....	1,729,341	179	8,802,900	179	2,696,000	208

*Salaries and expenses*

Appropriation act, 1966.....	\$1,699,000
Proposed supplemental, 1966, for increased pay costs.....	36,000
Base for 1967.....	1,735,000
Budget estimate, 1967.....	2,501,000
Increase.....	+766,000

*Summary of increases*

	1966 available	Increase		1967 estimate
		Pay costs	Other	
To provide urgently needed services to scientists, to acquire, catalog, maintain, and service publications, and to coordinate scientific and technical information activities of the Department.....	\$1,626,900	+\$12,000	+\$366,800	\$2,005,700
To automate those systems which will permit the library to provide broader, more efficient services.....	108,100	+400	+386,800	495,300
Total.....	1,735,000	+12,400	+753,600	2,501,000

## Project statement

Project	1965	1966 estimated	Increases		1967 estimated
			Increased pay costs (Public Law 89-301)	Other	
1. Agricultural library services:					
(a) General library services.....	\$723,175	\$742,600	+\$5,400		\$748,000
(b) Specialized services to research.....	867,000	992,400	+7,000	+\$753,600	1,753,000
Unobligated balance.....	8,825				
Total increased pay costs (Public Law 89-301).....	(.....)	(36,000)	(+12,400)	(+3,600)	(52,000)
Total available or estimate.....	1,599,000	1,735,000	+12,400	+753,600	2,501,000

## Library facilities

Appropriation act, 1966..... \$7,000,000  
 Budget estimate, 1967.....

Decrease (nonrecurring construction funds were appropriated in 1966)..... -7,000,000

## Project statement

Project	1965	1966 estimate	Decrease	1967 estimate
1. Plans and specifications.....				
2. Construction of facilities.....		\$7,000,000	-\$7,000,000	
Total available or estimate.....		7,000,000	-7,000,000	

The following statement reflects estimated obligations on the basis of available funds:

Project	1965	1966 estimate	Increase or decrease	1967 estimate
1. Plans and specifications.....	\$10,035	\$55,432	-\$55,432	
2. Construction of facilities.....		7,000,000	-7,000,000	
Total obligations.....	10,035	7,055,432	-7,055,432	
Unobligated balance, start of year.....	-115,356	-105,321	+55,432	-\$49,889
Unobligated balance, end of year.....	105,321	49,889		49,889
Total available or estimate.....		7,000,000	-7,000,000	

## INTRODUCTORY REMARKS OF THE CHAIRMAN

Mr. WHITTEN. We come now the library.

I sometimes think that the Office of Information, which we have just heard from, and the library of the Department of Agriculture, are taken so much for granted that perhaps the Congress and the committee doesn't give as much attention to them as they should and give them credit for the real part they play in the overall activities of the Department, and of the country.

We sit on this committee conducting hearings having to do with perhaps \$200 million worth of research, or work which is related to carrying out the results of research. We have all of these millions of dollars spent in carrying on various activities of the Department, and

yet their value is to a great degree for those that might make use of it. In making use of it, we have to have it recorded someplace and that record must be in such form as can be distributed through the Office of Information, and as can be made readily accessible by the library to all of those who make use of it.

In times past I pointed out that, while research in the Department may appear a duplication of what our people read in farm journals and other magazines, such information is based on the tests made by the Department. I say that here to recognize for the record the feeling this committee has for the very fine job that has been done through the years in bringing together the myriad of agricultural information which is the basis for so many things.

Mr. Mohrhardt, I think you and the folks in the library have always done a very excellent job. I think your money has been held very tight. I don't have any special regret about that, because sometimes the fewer people you have and the harder they work, the better job they do, within limits.

I don't mean it should be too tight. But I do think the record should carry this statement on behalf of the committee, that the library, while taken for granted to a great degree, is kind of the heart and soul of all of the work that has gone on before and which is going on now in the field of agriculture.

#### BIOGRAPHIES

We will be glad to have your general statement. I do note you have two new people here and we are pleased to welcome them to the committee. You might wish to present them to the committee, and we will have the record carry a brief biographical sketch.

Mr. MOHRHARDT. Thank you.

These are Miss Shachtman and Mr. Payne, two Assistant Directors. This is their first time up here.

Mr. WHITTEN. We welcome them here.

Mr. MOHRHARDT. I don't think they could have had a better introduction than you have given them. I appreciate that statement, Mr. Chairman.

(The biographical sketches referred to follow:)

#### BIOGRAPHICAL SKETCH OF KIRBY B. PAYNE, ASSISTANT DIRECTOR, PUBLIC SERVICES, NATIONAL AGRICULTURAL LIBRARY

Mr. Payne was born June 3, 1916, in Clarksburg, W. Va. He began his Government service in the Washington, D.C., Public Library, employed there from 1936 to 1942. He was on active duty with the U.S. Navy from 1942 to 1946, served primarily as communications officer aboard two ships in the Pacific, and was discharged with the rank of lieutenant. He was the recipient of numerous campaign ribbons including Navy Unit Commendation. From 1946 to 1949 he was employed in private industry. Mr. Payne's graduate library training was obtained at the Catholic University, Washington, D.C., preceded by undergraduate study at George Washington and Maryland Universities.

He has been employed in the National Agricultural Library, U.S. Department of Agriculture, since 1949, and he continually assumed positions of greater responsibility and importance. Mr. Payne served as Assistant Director, Field and Special Services, from 1962 to 1966, when he assumed his present position.

BIOGRAPHICAL SKETCH OF BELLA E. SHACHTMAN, ASSISTANT DIRECTOR,  
TECHNICAL SERVICES, NATIONAL AGRICULTURAL LIBRARY

Miss Shachtman, Assistant Director, Technical Services, was born in Malden, Mass. Early in her life she moved to North Carolina where she received her education. She is a graduate in library science from the University of North Carolina, Greensboro.

Miss Shachtman joined the National Agricultural Library early in her professional career and she has progressively assumed positions of broader responsibility and importance. In 1961 she was the recipient of a USDA Superior Service Award for exceptional service, initiative, and leadership in library service, resulting in more effective nationwide service to Department research workers and agricultural scientists.

Among the library organizations of which she is an active member are the American Library Association, council member since 1963; Special Libraries Association, Washington, D.C., board of directors, 1963-64; American Documentation Institute; International Association of Agricultural Librarians and Documentalists; and the Potomac Technical Processing Librarians. She is at present secretary of the U.S. Book Exchange, Inc. Miss Shachtman is the author of a number of articles in the field of library science and lectures on occasion to graduate library schools.

As the library's Assistant Director, Technical Services, Miss Shachtman is responsible for selecting, acquiring, cataloging and making available for use all materials procured for the library collection.

JUSTIFICATION MATERIAL

Mr. WHITEN. At this point we shall insert pages 69-73 of volume 3 in the record.

(The information is as follows:)

STATUS OF PROGRAM

The National Agricultural Library cooperates jointly with the two other national libraries—Library of Congress and the National Library of Medicine—in collecting, on a worldwide basis, publications in the sciences and organizing them for optimum use. Its services are made available not only to the Department of Agriculture, but throughout the world to agricultural colleges and universities, other research and educational institutions, individual scientists, industry, farmers, and the general public.

*Current activities*

These services are performed through the following major functional areas and include:

1. *Office of the Director.*—Direction and supervision of all library services in the Department, as well as the Pesticides Information Center.

2. *Technical services.*—Selection from national and international sources, acquisition, classification, cataloging, and preparation for maximum use all books, journals, and other publications for the Department library collection; development of an agricultural vocabulary suitable for national use; upon request, classification and cataloging for agency field libraries; and maintenance of a national information center on exchange of agricultural publications.

3. *Public services.*—Individual reference and lending work, compilation of special bibliographies, provision of photoprint and microfilm copies of library material, and preservation and maintenance of the Nation's and world's heritage of published knowledge in the field of agriculture.

4. *Field and special services.*—Compilation of continuing bibliographies, provision of reference, bibliographic, and lending services in specialized areas, authorization, direction, and review of agency field libraries; and provision of leadership in developing plans for maximum utilization of the Nation's agricultural-biological library resources and services.

5. *Program coordination services.*—Coordination of policy releases and general management requirements of the library; orientation and training of nonlibrary personnel; and development of procedures and controls for Department-wide coordination, documentation, and other than initial dissemination of scientific and technical information.

*Selected examples of recent progress*

*Office of the Director.*—The establishment of a Pesticides Information Center was accomplished during fiscal year 1965.

A biweekly indexing journal, *Pesticides Documentation Bulletin*, covering worldwide literature in pest control-related research, was designed and regular publication begun in March 1965.

Specifications for a complete computer-based system were set forth and bids invited. A contractor was selected and work on the first phase—systems design—was completed in November 1965.

*Technical services*

Arrangements to publish the *Dictionary Catalog of the National Agricultural Library, 1862-1965*, without cost to the Department and at a reasonable cost to purchasers were successfully completed. It is expected that the complete work will be published in about 68 volumes during fiscal year 1967. Arrangements also have been made to publish a monthly catalog during calendar year 1966.

Results of a special project show a reduction in the receipt of duplicate copies of periodical issues, 63,665 fewer pieces this year than last. The time saved permitted the addition to the collection of 9,191 more periodical issues than were added in 1964.

The program to acquire publications of importance to agriculture without cost was expanded to include selected books from five commercial publishers and one university press. In addition, agreements have been made with publishers to supply continuing subscriptions to 193 periodicals without cost to the library in exchange for indexing them in the *Bibliography of Agriculture*.

The development of an authoritative agricultural vocabulary for national use is well underway. The agricultural/biological subject category list has been issued.

The cataloging situation improved again this year due to continuous staff training and development. As a result, 1,753 more titles were cataloged than during the previous year. Only 322 pieces were added to the cataloging backlog in 1965, a reduction of 2,379 pieces from the 2,701 pieces added in 1964, making a total cataloging backlog of 43,768 pieces.

*Public services*

The number of reference questions answered during the past fiscal year increased by 2,913, or 2.6 percent, from 111,789 to 114,702. A total of 240,866 loans were made in 1965, a slight decrease from the previous fiscal year.

Sixty-two printed, typewritten, mimeograph, or slip bibliographies and lists were prepared, an increase of seven from the previous fiscal year. Representative examples include:

- (a) Aircraft in agriculture (printed).
- (b) Absorption of iron and zinc by plants (typewritten).
- (c) Food technology and marketing (slip).
- (d) Range management (mimeograph).
- (e) Allergic reactions to bee stings (typewritten).
- (f) Kinetin (typewritten).
- (g) USDA publications on adhesives (slip).

Major bibliographies in progress include "Cooperation in Agriculture," "Utilization of Soybeans," and "Activated Charcoal."

Binding was again performed by a small business concern at a cost of \$2.75 per volume, an increase of 25 cents per volume, under a waiver issued by the Public Printer. In 1965, 7,850 volume were bound as compared with 9,163 in 1964, a decrease of 1,313 volumes.

*Field and special services*

A total of 110,172 items indexed in the *Bibliography of Agriculture* increased access to the world's agricultural literature. Items indexed in fiscal year 1964 amounted to 106,712. The third edition of *Serial Publications Indexed in the Bibliography of Agriculture* (library list No. 75) was completed for publication. Mechanization of the Personal Index to the *Bibliography of Agriculture* was completed. Work was started on the bibliography's mechanized subject indexes. Both indexes utilize a scanner-computer combination.

The preparation of two more bibliographies for the Library's oriental publications are expected to be completed by mid fiscal year 1966—one for the agricultural publications issued in mainland China before the Communists took over, and the other for the Communist Chinese monographs.

The Beltsville Branch, which gives on-site service to the Agricultural Research Center, loaned 24,269 books and periodicals, answered 18,859 reference questions, and prepared 15 bibliographies. The Bee Culture Branch added 1,080 items to its comprehensive bibliography of the world's beekeeping literature, made 1,474 loans, and answered 849 reference questions. The Law Branch loaned 13,088 publications, answered 13,075 reference questions, and prepared 59 legislative histories.

As of June 30, 1965, 13 agency-supported field libraries, authorized to meet specialized, on-site field needs, were in operation.

Forest Service has established libraries at the Forest Products Laboratory, Madison, Wis.; Pacific Northwest Forest and Range Experiment Station, Portland, Oreg.; Pacific Southwest Forest and Range Experiment Station, Berkeley, Calif.; Region 8 (southern region), Atlanta, Ga.; Southern Forest Experiment Station, New Orleans, La.; Northeastern Forest Experiment Station, Upper Darby, Pa.; and Southeast Forest Experiment Station, Asheville, N.C.

The Agricultural Research Service has libraries at the National Animal Disease Laboratory, Ames, Iowa; Plum Island Animal Disease Laboratory, Greenport, Long Island, N.Y.; and one each at the four regional research and development divisions located at Albany, Calif.; New Orleans, La.; Peoria, Ill.; and Wyndmoor, Pa.

A survey begun during fiscal year 1964 of library facilities and services available to USDA employees in field locations was completed in fiscal year 1965. This study revealed that 12 percent of these employees felt that inadequate library facilities or services seriously hampered their effectiveness as research scientists. Most of these employees, in ARS and FS, were located at the smaller "isolated" facilities in a non-land-grant institution environment.

To better inform field personnel services available from the National Agricultural Library, brochures describing NAL's collections and services were supplied to ARS and FS. On-site visits were also made to 11 installations at 7 locations.

#### *Program coordination services*

Departmentwide regulations were issued providing policy and procedural rules for handling the management and dissemination of scientific and technical information. Also developed was a system for issuance of policies adopted by the Secretary upon recommendation of the Federal Council for Science and Technology.

A current inventory and report covering approximately 7,500 agreements entered into by the Department of Agriculture involving the international exchange of scientific and technical data and information was compiled and submitted to the Office of Science and Technology.

Informal agreements have been reached with some college and university libraries under which the State institutions will accept nationwide responsibility for collecting and servicing publications issued by that State. Problem areas are being investigated and formal cooperative agreements are being developed.

Department scientists were notified of bibliographic and reference services available to them from the Defense Documentation Center and from the British Commonwealth Agricultural Bureau.

Data to be included in the National Referral Center's Social Science Directory was collected from USDA agencies, summarized, and submitted to the Center. This is important since the National Referral Center, located at the Library of Congress, is the national repository wherein all sources of scientific information are registered.

A total of 789 persons were given library orientation through program coordination services' programs. Two types of library orientation for USDA personnel were organized—one designed for the researcher himself and the other for clerical and stenographic personnel. Arrangements were also made to brief U.S. experts being sent overseas to participate in agricultural development programs under the auspices of AID. These briefings include an explanation of the National Agricultural Library services available to the experts and to foreign institutions in the countries to which they are assigned.

#### *Volume of work*

The following table shows a comparison of the workload for fiscal year 1965 with the estimated workload for fiscal years 1966 and 1967. Figures include bee culture, Beltsville, and law branch statistics, as well as those of the main library.

Item	1965 actual	1966 estimate	1967 estimate
Titles cataloged.....	14,714	15,500	16,500
New catalog cards prepared.....	72,259	77,500	82,500
Loan of books or periodicals.....	240,866	241,000	275,000
Reference questions answered.....	114,702	120,000	153,000
Periodical issues received (including unsolicited gifts).....	508,965	500,000	500,000
Periodical issues added to collection.....	241,193	260,000	285,000
Items indexed in bibliography of agriculture.....	110,172	160,000	200,000
Items indexed in pesticides index.....	11,594	32,000	35,000
Volumes sent to bindery.....	7,850	7,850	11,440
Purchase, gift, and exchange orders for publications.....	8,472	12,000	13,200

### GENERAL STATEMENT

Mr. MOHRHARDT. Mr. Chairman, this is a fairly long statement. I might just summarize it.

Mr. WHITTEN. All right. It will be carried in full in the record. (The statement follows:)

Mr. Chairman and members of the committee, the opportunity to meet with you is always a challenging and exciting experience and I am happy to be here today. I'd like to begin with some highlights of our work last year showing how this fits in with our efforts to make the National Agricultural Library effectively serve the people of this Nation. Our efforts are joined on a continuing basis with those of the Library of Congress and the National Library of Medicine so that we can provide agricultural/biological literature to users throughout the country.

A brief résumé of some of the library's major accomplishments during fiscal 1965 shows how we are moving forward. The Pesticides Information Center is feeding vital information to the Department, Government agencies, land-grant institutions, industry, and others who require this specialized data for their work. Our pesticides index is a basic research tool. A complete computer-based pesticides information storage and retrieval system is in the final stages of development.

Arrangements were completed to publish the Dictionary Catalog of the National Agricultural Library, 1862-1965, without cost to the Government and at a reasonable price to purchasers. The complete work, covering some one and one-half million cards (68 volumes), will be published during fiscal 1967.

An authoritative agricultural vocabulary for national use is being developed.

The land-grant colleges and universities as well as other Government agencies are cooperating with us in this basic tool required for practical storing and retrieving of information.

We have increased our efficiency through the use of computers and optical scanners for the personal index to the Bibliography of Agriculture. Now work has been started on mechanizing the bibliography's subject indexes. The heart of the bibliography—the actual citations to the literature—will be the next step in our improvement of rapid, complete, low-cost information service to the Nation.

The Department has a variety of activities in scientific and technical publications. We have put into effect a system for coordinating documentation work throughout the Department. The land-grant institutions face greater demands for library service and greater numbers of publications. They turn to us for leadership in developing cooperative services for broadening service and reducing overlapping work. Preliminary plans for cooperative special information centers in veterinary medicine, agricultural economics, plant pathology, etc., are underway.

Increasing workloads have built up in all of the regular library activities. Accomplishments and estimates show :

Item	1965 actual	1966 estimate	1967 estimate
Titles cataloged.....	14,714	<sup>1</sup> 14,000	15,925
New catalog cards prepared.....	72,259	<sup>2</sup> 88,200	95,550
Loan of books and periodicals.....	240,866	241,000	248,000
Reference questions answered.....	114,702	120,000	136,800
Periodical issues received (including unsolicited gifts).....	508,965	500,000	500,000
Periodical issues added to collection.....	241,193	242,000	242,000
Items indexed in Bibliography of Agriculture.....	110,172	110,000	149,000
Items indexed in Pesticides Documentation Bulletin.....	11,594	32,000	47,000
Volumes sent to bindery.....	7,850	7,850	11,440
Purchase gift and exchange orders for publications.....	8,472	12,000	13,200

<sup>1</sup> New classification scheme introduced.

<sup>2</sup> 1 additional card per title beginning 1966.

The need for immediate and large-scale improvements in national service for scientific and technical information has been stressed by various branches of the Government. The Congress of the United States was a leader in pointing out that the rapid development of research and technology demanded a drastic overhaul of nationwide library and science information activities. House and Senate committee hearings and reports highlighted the national dependence upon the Library of Congress, the National Library of Medicine, and the National Agricultural Library for collecting, organizing, and disseminating world information in the sciences. These libraries have problems, challenges, and demands unique in the library field. Government officials, scholars, research workers, scientists, industry, and libraries throughout the country depend on the collections and services of the national libraries to help them carry out their own specialized assignments.

Some subject fields such as chemistry, medicine, engineering, and physics are well advanced in their total information services to scientists. Agriculture is furthest behind and faces the greatest challenge in its history.

The nationwide importance of agriculture and the areas of biology which we cover is now recognized in scientific and educational groups. As the pressures build up for library services at the land-grant institutions and at the industrial level, the subsequent demands upon us for service are ever greater. The mountain of publications in our fields grows higher and, at the same time the urgent needs for service from these publications is constantly increasing.

We have internally simplified procedures. We have eliminated publications of marginal interest. We have reassigned workloads for maximum effectiveness, and we have encouraged all employees to look for and suggest more efficient methods.

With the cooperation of experts from all segments of the Department of Agriculture, with the advice of land-grant librarians, with the internal studies of library staff members, with advice of systems experts we have tried to lay out the long-range reshaping of the Library to meet conditions completely different from those of 20 years ago.

Our budget for fiscal 1967 has been based upon: (1) the needs of the library today to collect, organize, and disseminate worldwide publications in agriculture; (2) the needs of the library to utilize advantageously the modern techniques, developments, and equipment that will enable it to handle efficiently the volume of publications and meet the demand for service.

The program increase requested for 1967 totals \$753,600 consisting of:

#### SERVICE TO SCIENTISTS AND OTHERS

Because the National Agricultural Library collects comprehensively the world's publications on agriculture, other general and specialized libraries in every State and community can concentrate on their own areas of specialization knowing that they can always call upon our resources when required.

## ACQUISITIONS AND CATALOGING

All library functions are so closely interrelated that it is difficult to pinpoint one as more critical than any other. However, both the scope of service and the eventual quality are limited by the effectiveness of what we librarians call technical services. This includes the careful screening of new publications issued in every part of the world, accurate selection, prompt procurement, and speed in making those selected available for use.

Staff members must be able to determine the contents of books in about 30 languages.

In addition they must be familiar with the many subject fields in agriculture and other sciences so that they can determine the proper classification and subject headings.

## ACQUISITIONS

The library obtains materials through purchase, exchange, and gifts. During the past fiscal year we explored the possibility of increasing our receipts through gift and exchange by temporarily assigning a special staff member to this activity. Our results were highly successful and indicated the desirability of assigning a full-time staff member to expedite the library's acquisition through gift and exchange work.

We have tried to exploit acquiring free copies of books, and journals, in a manner that would be considerate of private enterprise, yet on the other hand provide national service at lowest cost. Many publishers have been anxious to cooperate with us and we are appreciative of their consideration and help.

There are still many publications that must be purchased, and prices of agricultural publications, continue to increase. Additional funds are needed merely to maintain our present purchasing level. There is also an urgent need for additional funds to purchase new books and journals in highly important fields significant to agricultural research workers.

A further effort toward greater efficiency reduced the number of duplicate issues which needed to be handled by our staff. This special effort during fiscal 1965 cut down by 64,000 the number of issues which were checked and handled.

## REFERENCE AND SPECIAL BIBLIOGRAPHIES

The utilization and dissemination of the Department's "giant brain" of irreplaceable data is provided by reference librarians. Inquiries are received by phone, mail, wire, or directly from individuals. Every effort has been made to screen requests for essentiality, to reduce searches to a bare minimum and to organize searches systematically. There is still an urgent need for additional staff in the reference unit of the library to meet the needs of those who have legitimate demands for library aid.

Departmentwide needs and demands for reference service have been continuously increasing. Our reference staff answered 114,702 requests in 1965 compared to 111,789 questions in 1964. The Reference Division has also been given the responsibility for our successful clearinghouse for translations and bibliographies. The workload per reference librarian has increased to the point where a greater output is impossible.

## SPECIAL BIBLIOGRAPHIES

Department employees wish to increase their effectiveness. Administrators, scientists, and others can increase their total efficiency when they can utilize the services of our library specialists. Although it is hoped that eventually the storing of bibliographic information on computers will provide a more rapid and economical method for providing short lists of important articles, this type of service is at least 5 years in the future for our library. Our urgent need at present is to meet the needs of the Department workers for literature searches, collecting of reference and annotations of outstanding references.

Important requests for bibliographic aid mount up and our staff is unable to meet the demand. The result is that workers in every phase of agriculture in the Department find it necessary to search thousands of articles in order to find those that meet their needs. Qualified library experts can furnish this selective bibliographic service far more rapidly and efficiently than those whose specialties are in other areas.

Some of the library's operations are comparable to large stores where efficiency and effectiveness of service depend upon completeness of stock and ready availability of items when required. Stack attendants must be able to locate readily desired material, return it properly to shelf positions, keep the million items in proper order and assist those who are looking for material in the stacks.

As use of the library increases extreme pressures are placed upon those responsible for handling, storing, recording, or locating information concerning the publications. The quantity of publications, variety of sizes, intermixing of bound and unbound publications, and tremendous quantities of pamphlets and bulletins make our stack handling problem one of the most complicated and difficult of any library. Proper service to our users necessitates slight increases in the staff providing this direct service.

#### BINDING

We are the Nation's repository for many rare and unique publications. To protect this irreplaceable part of our national intellectual resources we must bind and preserve these materials. Our backlog of binding has been building up for a half century. In addition to the constant deterioration and loss which occurs when publications are not bound, our efficiency in locating, storing, and maintaining proper order in the stacks is compounded when publications are tied up or are kept in separate issues.

Although the National Agricultural Library emphasizes constantly its utilitarian aspects, during the past 100 years many items have been collected in the field of agriculture and biology that are unusual, rare, and particularly valuable. We are probably the only major reference or research library in the country that has not made special provisions for the care and handling of rare materials. Fortunately we have been able to make provisions for appropriate space in our new building. We hope to inaugurate this year a long-range project for selection of unusually valuable items that need special care and handling and then provide binding or other preservation aid that will enable us to carry out our repository responsibilities.

#### PHOTOCOPY IN LIEU OF LOAN

Since the majority of Department workers are located outside Washington, we make every effort to provide them with service comparable to that given those who are located near the National Agricultural Library. Whenever the original volume is sent to the user, it entails wrapping, postage charges, and the elimination of the entire volume from use by others during the transit and use time by the borrower. The most effective way now for providing loans of articles is through photocopying. The life of the original publication is extended since the extra handling and mailing are factors which rapidly decrease the life span of the publication. Additional funds for photocopy will greatly increase our service outside the District of Columbia area.

#### NATIONAL BIBLIOGRAPHIC SERVICES

The National Agricultural Library as a Federal service agency must provide access to its extensive collections to those throughout the country, as well as to those who reside in the District of Columbia area.

The Bibliography of Agriculture and the Pesticides Documentation Bulletin provide constant and continuing channels of communication for those who need our services. Ready and constant knowledge of the resources of the National Agricultural Library is obtained by individuals and libraries through our monthly Bibliography of Agriculture.

#### BIBLIOGRAPHY OF AGRICULTURE

Although the output of agricultural/biological publications continues to double about every 10 years, the small additions to the library staff have enabled us to increase only slightly our national bibliography for agriculture, the Bibliography of Agriculture. In order to provide agricultural and biological workers throughout the country with at least a listing of the major articles produced, we should include 39,000 additional items in the Bibliography of Agriculture. Since space limitations made it impossible for us to add to our present Bibliography of

Agriculture staff, we are recommending consideration of contractual services for the supply of the necessary items beyond those which we can produce in our own office. During the past 10 years, various private firms have established competence in providing such service. The use of contracts for such service would enable us to expand the Bibliography of Agriculture to give a more accurate and complete picture of world publications, and in addition would enable us to reassess the effectiveness of our own services and compare them with those performed outside on a commercial basis.

#### PESTICIDES DOCUMENTATION BULLETIN

The Pesticides Documentation Bulletin which began publication on March 19, 1965, has received widespread praise from workers in all parts of the country. It furnishes a highly useful variety of information. The needs of those doing pesticide work are greater than had been expected and are increasing at a high rate.

Here again our space limitations would not permit the addition of staff members. We are therefore recommending as an alternative the use of contractual services to provide 15,000 additional items in 1967. Even this added to our present indexing output would only cover about half of the total output of contributions in this broad field.

#### NATIONAL NETWORK AND COORDINATION

Experience during the past 3 years has proven the value to the Department, the land-grant institutions, and others, of a centralized source of information on bibliographies, translations, and other information activities.

As a result of continuing requests from the land-grant institutions for guidance, assistance, and cooperation in improving their library services, we have developed the general outline of a comprehensive National Agricultural Library network. Centralized at the National Agricultural Library in Washington this would provide us with a direct line of feed-in from the land-grant institutions and would also provide them with a direct hookup for their computerized systems which they are now developing. In order to explore possibilities for savings both to the land-grant institutions and to us, we are proposing the establishment of three or four experimental programs with the land-grant institutions in subject fields such as veterinary medicine, plant pathology, and agricultural economics to find out whether or not it is feasible to decentralize some activities that are now performed centrally by the National Agricultural Library.

To carry out all of these important activities we are requesting \$366,800. This amount would enable us to step up at once our services to scientists and others.

#### SYSTEMS, AUTOMATION, MECHANIZATION

In addition to these urgent present requests for service, we must develop our systems studies and programs for automation.

Experimentation and pilot projects during the past 10 years have shown the suitability of computer systems for solving the major problems of research libraries in organizing and retrieving information in large collections. Systems developed by industry, by a few universities, and by the National Library of Medicine provide us with factual information on which we base our request for the initiation of systems design and mechanization of library activities. Our own experience on a very small scale with the index to the Bibliography of Agriculture shows that we can reduce the unit costs in some programs under carefully worked out and tested automated systems. It generally takes about 5 years from the time a systems design is initiated until the actual full operation of the system at maximum efficiency. Hence, it is very important for us to begin our systems design as soon as possible. Most of the money requested for systems design and automation would be for contracts with outside specialists for systems design.

In 1967 we would propose to increase the following elements essential to an automated library system.

A. Development of systems design for acquisitions of publications, recording of receipts of materials, cataloging operations and circulation control, and records. An added benefit from this system would be the constant provision of data necessary for management and administrative decisions. Studies made by congressional committees, the Executive Office of the President, other Government agencies, and research firms all point toward the need for strengthening of our

national library services and the simultaneous development of network arrangements with libraries throughout the country. It is urgent that the National Agricultural Library begin its systems design as quickly as possible in order that we may coordinate our work at an early stage with that of the Library of Congress, the National Library of Medicine, and land-grant institutions throughout the country.

B. Bibliography of Agriculture: Preliminary experience with the author index has shown that in this particular area the use of computers in the preparation of the bibliography provides significant savings. In order to carry out the full computerization of the Bibliography of Agriculture additional computer time is needed to handle the projected increases in the bibliography and aid is needed to perfect the system, modify the format and program and reimburse the Department for time used on the computer.

C. Pesticides Documentation Bulletin: With currently available funds we are issuing a general index to pesticides publications and also working on the basic system for collecting, organizing, and issuing all pesticides data both published and unpublished. We hope to have the final system design completed by the end of this fiscal year.

We will then need additional funds to operate the system and to cover the production of the information services including the semiannual and annual cumulative issuances.

#### AGRICULTURAL VOCABULARY OR THESAURUS

Since it is not feasible to index every word in every article of every publication in the library, it is necessary to have a standard dictionary, vocabulary, or thesaurus that will provide a means for selecting, storing, and recalling information. At the present time this is provided by the subject cards in the card catalog and the subject index to the Bibliography of Agriculture. Both of these schemes are now greatly limited and highly inefficient. In every development of a computerized information storage and retrieval system it is necessary to develop a standard thesaurus or vocabulary. In order to be useful both for library users as well as the library staff it is important that in the development of the thesaurus the competences of experts in the scientific fields as well as those in library work be used. The Department has initiated the development of a standardized vocabulary which will be used by the National Agricultural Library, the bioagricultural scientific community, the project control system by the land-grant institutions and by those with special needs for standardized agricultural vocabularies. Funds are needed to carry on this project to completion in fiscal 1967.

#### COMPUTER FEASIBILITY STUDY

The National Agricultural Library's automation plans include the factors of quantity, quality, kind, and time of documentation services to users. These factors are in turn related to the computer capacities and configurations that are required for an efficient, responsive operation both short and long range. A study by experts is required to provide the U.S. Department of Agriculture management with exhaustive data on which to base its decision for library needs.

These basic studies, evaluations, and systems are urgently needed by the library if it is to continue its national role and work most effectively with the Library of Congress and the National Library of Medicine. An increase of \$386,800 is requested to enable us to take the necessary steps toward automation and improved services.

During the past decade, there have been numerous, varied major studies, explorations and experiments in information, systemization, and automation. Our library staff has had an unexcelled exposure and participation in these activities. We are neither starry-eyed about automation, nor are we tied to outdated procedures. We recognize that there are many library functions now being computerized throughout the country and that automation will change and improve many of our procedures in the next decade. Our proposed program is based upon careful study of needs and costs, upon developments in the land-grant libraries and upon the programs of the Library of Congress and the National Library of Medicine.

We have an important basic national responsibility for providing necessary information to a wide group of users. Our request is for funds to aid us in meeting their needs.

Mr. MOHRHARDT. We are working very closely with the Library of Congress and the National Library of Medicine in our efforts to provide to everyone in the country access to the agricultural/biological literature.

I would like to report briefly on some of the accomplishments we had in the recent past. Thanks to the support of this committee, we have established a Pesticides Information Center and we are supplying the pesticides bibliographies to people in that field on a continuing basis—and they are highly enthusiastic, the users of this information.

We are publishing a complete catalog of the library, and this is carried on without any cost to the Government. It is being done commercially.

We have progressed with the agricultural vocabulary, which will be a tool for the land-grant institutions, as well as the Department. It will be used by all units of the Department.

The personal index to the Bibliography of Agriculture has been mechanized, and as I pointed out before, we reduced the unit cost of operation. We have coordinated the various activities in documentation and science information in the Department, so that we have better information on this than ever before.

In a broad sense, our biggest job now is to try to handle the tremendous amount of information that is increasing in the biological agricultural field and to supply to the country the information that is needed. Our services must collect, organize, and disseminate this information. We work very closely with the land-grant institutions, as well as the other national libraries.

The field of agriculture is behind in the handling of scientific information, as compared to engineering, medicine, and physics. The demands on us are greater than ever before, both in terms of the amount of information published and the use of our collection. Our total request for increase this year, 1967, is \$753,600.

#### MEETING THE INFORMATION NEEDS OF RESEARCHERS

This is grouped in two large categories. First, an attempt on our part to meet immediately the needs of the scientists and research workers and others for library information; and the second large element is for starting a modernization of our complete library techniques, a mechanization, and eventual computerization, if feasible.

#### ACQUISITIONS AND CATALOGING

In the first group, the service to scientists today, we would like to meet needs for current publications. This is a key part of what we do, and it includes the careful screening of new publications, selection, and then making this material rapidly available for use.

In our field, the catalogers must be acquainted with about 30 different languages as well as a large variety of subject fields that are of interest to biology and agriculture. We obtain material through purchase, exchange, and gifts. We have pushed as far as we can the possibilities of getting more material through exchange and gift.

We have reached a point where there are many publications that must be purchased. The prices of these are increasing every year. And fields of new technology are developing, so that we are in a bind in our area of trying to purchase materials.

## REFERENCE AND SPECIAL BIBLIOGRAPHIES

We have put into operation successful efforts for increasing the efficiency of cataloging and classification. We also have an urgent need for help in the reference and special bibliographic work. This is the area where the scientist needs help. When he starts on a project, instead of his having to search through the variety of publications, he turns to the librarian who is an expert in the field, and who can do it more efficiently and effectively and at a lower total cost to the Government.

This includes the reference work, the preparation of special bibliographies and special literature searches, and listing of notations in fields where he has a special project.

## MAINTENANCE AND SERVICE

We are also having problems in the handling of materials in the stacks. We have probably a more serious problem than most libraries, in that we have more publications that are in pamphlet and unbound form than any other library that I know of. Unbound publications are extremely hard to handle. They get lost, torn, worn out, and we need help urgently, more people, to help us keep this material organized so we can find it when somebody wants it.

Similarly, we need help in binding this information, because our copy often is the only one, and this is the only accessible national copy. The other libraries throughout the country rely on us to have one copy, and it is important that we bind this material.

In addition, we are probably the only major research library in the country that has not had a special rare book collection. In 100 years we have acquired some extremely valuable information, and we are trying to put more emphasis on identifying this material, taking better care of it, and binding it in cases where it is deteriorating.

## NATIONAL BIBLIOGRAPHIC SERVICES

In addition to this, as the major library in the country for biology and agriculture, it is our responsibility to list and issue on a continuing basis a notification of all of the articles of any significance that appear in the agricultural biological field. We do this through two publications—the “Bibliography of Agriculture” and the “Pesticides Documentation Bulletin.” In both of these we are only covering a fraction, about 50 percent of the information that should be covered. And here again we are in urgent need of help to enable us to add more items, so the scientist does know what is going on.

Our problem, in addition to not being able to include more information, is that until we get in the new building, we are very short on space. However, the demand of the people for information doesn't wait for this. So we are recommending this year the use of contractual services for the supplying of more information both for the “Bibliography of Agriculture” and for the pesticides bulletin. This is a service that has been used successfully by NASA and other organizations, so we feel sure it is an economical method.

## NATIONAL NETWORK AND COORDINATION

The final element we have in this first area of providing immediate help to the scientists throughout the country is a strengthening of our network arrangements with the land-grant institutions. The genesis of this is strong interest on the part of the land-grant institutions themselves for a better and more direct tie-in with us than they have now. The land-grant institutions are dependent upon us for a large amount of foreign, highly specialized, technical information, that they know we have. This then enables them to use their funds for other purposes and come to us for specialized publications. But they are at the point where many of them are moving into highly advanced research programs, and they don't have the facilities, they don't have the help they need, and they are looking to us for a greater amount of formalization of our arrangements. We are asking for the establishment of three or four experimental programs to find out two things: Just what we can do effectively to help them, and secondly, what they can feed into us from their end to possibly reduce some of the costs and problems and workloads that we have.

Now, this is comparable to a program that is being successfully carried out in medicine by the National Library of Medicine. We feel it can be just as effective in agriculture and biology. The total for all of the direct services we are asking for immediately is \$366,800. That is the first group.

## SYSTEMS, AUTOMATION, MECHANIZATION

The second large area is one of trying to lay the groundwork for a modernization of our library program. I think it is pretty well accepted by experts in the library field, the science information field, as well as the administration and the computer fields, that within 10 years we will have a highly intensified computerization of specialized library services. And since there is a 5- or 10-year lag in making these programs effective, we are asking that there be immediate steps taken to enable us to begin a program of modernization and computerization of the total library system.

This is broken down into, first, a request for the development of a system design that would include the cataloging, the acquisition processes, and circulation records. These would all be in one complete system, and would enable us to carry out programs that have been suggested by congressional committees, the Executive Office of the President, and committees of professional organizations, for an increase in the amount of information we can give scientists and a stepping up of the speed with which they can get information.

Secondly, we are asking for help in the development of a computerization of the Bibliography of Agriculture. As we reported last year, we experimented with the index and found we could reduce the unit cost by one-half. Although we don't think we can carry out this same ratio all of the way through, we are convinced that it is a practical and efficient way to handle the bibliographical work.

The Index Medicus at the Library of Medicine is totally mechanized and is effective. We are asking for funds to carry on the Pesticide Documentation Bulletin, to increase its size, and to issue more indexes. Users are insistent on better indexes.

Another element is an agricultural vocabulary or thesaurus. In view of the fact that you can't index every word in every article and publication, you have to have a standard vocabulary. Then when you store information, you can get access to it immediately. We have started within the Department the first step toward this thesaurus or index or vocabulary. It is being developed cooperatively with the various units of the Department. We are working with land-grant institutions, and most of the other Government agencies. This is a very important first step and a basic element in our system.

We are also asking for funds to conduct a computer feasibility study. This is a standard requirement for any attempt toward computerization, in that there are a variety of computers and they are designed to handle a variety of jobs. In a computer feasibility study, they take a look at the operations you are planning to carry out, they determine the feasibility of these operations, and they make a recommendation as to whether or not you do need a computer, whether you need your own computer or you can use someone else's computer. This is a basic element in all computer activities.

The total for this entire request of systems—automation and mechanization—is \$386,800. So that the total then that we are requesting is \$753,600.

#### SUMMARY

In summary, we are extremely anxious to meet the needs of the scientists and other users throughout the country for information today.

In addition to this, we would like the opportunity to begin the modernization of our library, so it can meet the future needs of workers throughout the country.

Thank you very much, sir.

#### FUNDS RECEIVED FROM AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. NATCHER. I note on page 65 of the justifications that you expect to receive \$128,800 in fiscal year 1967 for technical consultation with AID.

Mr. Mohrhardt, what do you intend to use these funds for?

Mr. MOHRHARDT. This was a program that was developed by the AID staff and by the Foreign Agricultural Service staff. They have found that as our programs abroad increased, and they sent people from land-grant institutions or industry or others, that they should be better briefed in the total aspects of the country where they are going. They should know the sociology, economics, agriculture; they should have a pretty clear picture before they go there.

In view of the fact that our library does have the most comprehensive collections of this kind, rather than initiate a program of their own and set up a duplicating service, they have asked, if they get the money, for us to provide this kind of service.

It would mean that in addition to the present information we gather, we would also collect unpublished reports; that is, typewritten reports and this kind of material. We would organize it, index it in depth, and provide summaries and briefings to these people before they go abroad.

This essentially is the service we agreed to do for them, sir.

## NEW LIBRARY FACILITIES

Mr. NATCHER. When do you expect the library at Beltsville to be completed?

Mr. MOHRHARDT. Thanks to the help of this committee, the money was appropriated for this. We are awaiting every day for them to let the contract. We were told that once the contract is let, it would be about 2 years. So I would hope it is in 1968. But it could be 1969. I am not too optimistic, because I have seen how long it took to get these plans approved, as the committee predicted.

Mr. NATCHER. Mr. Mohrhardt, do you have a sketch or floor plan to show the committee at this time of the new library?

Mr. MOHRHARDT. I am extremely embarrassed that I don't. We will get it up here Monday morning to you, sir.

Mr. NATCHER. That's all right. Just briefly give us some idea as to the design of this building.

Mr. MOHRHARDT. Yes, sir. This is certainly a mistake on my part not to have had it.

The basic design—may I say in the beginning, its design was cleared through the Commission of Fine Arts in Washington. The Commission said they thought it was a major architectural achievement. They were enthusiastic about it.

The design of our building was based on our basic need for moving books, rather than people in contrast with the university library, where they have to provide for tremendous movements of people. Much of our service is outside of the library.

So the architects decided, on a vertical design as the most effective way to handle our problem.

So it is a 14-story building, essentially holding the stacks, with the entrance in the tower section. The back is a low connecting building, where we have our processing, acquisitions, cataloging, and so forth, and the reading room.

It will be brick, to conform with the other buildings at Beltsville. I think the location is very attractive. And we think it is a very wonderful building.

## LIFE EXPECTANCY OF NEW FACILITIES

Mr. NATCHER. For how long do you expect this building to meet your needs, Mr. Mohrhardt? Is this a building that will serve the needs of the Department for years to come?

Mr. MOHRHARDT. Yes, sir. The general guidelines in planning for library buildings is to plan for at least 20 years' growth, so according to the standard prediction we have now, it would be a 20-year growth. We are hopeful that within the next 20 years there will be developments so we can miniaturize much of the information and it will be preserved in microfilm, microcards, microfiche, or other ways. My hope would be that with these developments in mechanization, it might serve 50 years.

But if it doesn't, and these developments don't come, the architects have a plan to run another unit up to take care of expansion. But I would say at least 20 years.

Mr. NATCHER. Do you expect to hold the cost within the \$7 million figure?

Mr. MOHRHARDT. Yes, sir. We have no choice.

Mr. NATCHER. Do you expect any personnel or administrative problems as a result of the move to Beltsville, Mr. Mohrhardt?

Mr. MOHRHARDT. No, sir. We are asking, on a continuing basis, for the people to carry out our work, and I don't anticipate any complications.

Mr. NATCHER. What provision for library facilities have you made for personnel located in the buildings on Independence Avenue?

Mr. MOHRHARDT. We have been working for 3 years on trying to find out the minimum library needed in that location. Once they have had library facilities, the people left there are not going to be very happy to have them taken away.

On the other hand, when we are building a new building in Beltsville, we have to keep the branch to a minimum. So we have tried to find out the elements of the Department that will be left on Independence Avenue. These are primarily people in the social sciences, agricultural economics, rural sociology, and administration.

We hope to retain a strong social sciences working collection, a basic collection in the other sciences, and then have such good service back and forth from Beltsville that they just aren't going to miss having the library there.

We are going to try to keep it to the barest minimum.

#### INCREASES FOR FISCAL YEAR 1967

Mr. NATCHER. Are you asking sizable increases in 1967 totaling, I believe, \$766,000? Last year the committee deferred any further expansion until the new library at Beltsville was ready. Since the new library will not be completed until fiscal 1968, or later, does it seem logical that some of these requests could be deferred, Mr. Mohrhardt?

Mr. MOHRHARDT. Well, in view of the fact that you asked us this last year, we did a lot of self-analysis on it. We feel that in order to properly carry out the assignments that we have, to furnish biologists and scientists in agriculture and others with information, that we should put every effort we can into meeting their needs on a continuing basis. If they are doing research they must have the information now and can't put off the projects for 2 years. That is one part of our request for increases.

The other is that as we go into the new building, we would like to have the beginning of this modernized program to fit into the building.

Dr. MEHREN. Could I speak to this one, Mr. Chairman?

Mr. NATCHER. We would be glad to hear from you, Dr. Mehren.

#### IMMEDIATE NEED FOR PROGRAM IMPROVEMENTS

Dr. MEHREN. This one I take very seriously, both personally and as a member of the Office of the Secretary. I would most unequivocally, with whole heart and with no reservation whatsoever, support the request of this agency and urge that the committee consider it favorably. I would concede at the outset that I speak from a sort of a double bias. I have worked in and out of this Department for 20 years and, quite truly, I have a very deep respect for their work. I have a high measure of affection for their people.

Perhaps more important, I have been a research scientist basically for some 30 years. I think I have begun to learn what a library does and I know fully why they ask for these additions now. I think that in the past 25 years there has truly been an explosion in science and in scholarship. I think the volume of research work that has been done in the past 25 years, the breakthroughs of human knowledge that have come, exceed those of the total prior history of mankind.

It was less than 25 years ago that plutonium was isolated. That marked, but did not start, a sort of a revolution in the area of physics. Within a year or two chemistry followed. Within 4 or 5 years after that the line between physics and chemistry had almost disappeared.

Then shortly there was an equally explosive and dramatic change in the biological sciences, with which we are most intimately concerned.

Now, the distinction between physics and chemistry and the biological sciences—the life sciences generally—is almost totally dissipated. In that process of this massive increase in the scope of research and scholarship, and the immense changes that have occurred, the position of the Department of Agriculture is grossly different from what it was 20 years ago. Twenty years ago we were 40 percent of the federally supported research and scholarship in this Nation. Today we are  $1\frac{1}{2}$  percent of it. And we are larger than we were then.

In that kind of development, I think the function of a library still involves two major purposes: One, it provides a sort of a store of knowledge which, if properly managed, makes it unnecessary for every generation to learn that which an earlier generation has already learned, and it makes it unnecessary for a research scientist to have to do it over.

A second function that I have learned personally is that a good library is an everyday working instrument in the research area. It is not just for scholarship. It is to get your job as a research scientist done.

Now, the major reason, after many hours of work with the library people and our research people generally, that I would like immensely to see this program move as quickly as we can, is that we are now a minute part of this massive \$15 billion science and research establishment in the Federal Government at large. That huge science establishment, of which we are a minute part now, is well along on program planning. They are well along on mechanized procedures for programing, for storage of scientific findings, for retrieval, for communications. The efficiency impact of that kind of a development is clear.

So first I think it is worth doing this, in terms of providing our services effectively. But perhaps more important and perhaps important economically, I want as quickly as we can to tie our research establishment into those of the universities, to tie it into those of the Office of Science and Technology, to tie it into all of the other science agencies of this Government, and for two reasons: To give them what we have got, to get from them what they can give us, and to keep our status there.

This library activity I don't think any longer can be considered merely as a repository or a storage space for antiquary items. This is a crucial, important part of our whole science and research activity. Unless I can find means to fit the library directly and tightly into

the rest of this system, I think our status in the overall research and science activities of this Government will suffer drastically. For our own interests and for the interests of the country at large, I don't want that to happen.

So again, for what my personal opinion is worth, the time to begin to put agricultural science and the library as one integral component of it into the stream of science generally is now. I don't believe it is in any sense related to the completion of the new facility.

I should like to move as rapidly as the committee will permit us to.

Mr. NATCHER. All right. Thank you, Dr. Mehren.

#### PESTICIDES INFORMATION CENTER

I note on page 69 you refer to the establishment of a pesticide information center in 1965. Describe this center and give us some information as to what use will be made of it and who will make use of the center, who will use it, Mr. Mohrhardt.

Mr. MOHRHARDT. I would like to begin with a general introduction and I will ask Mr. Payne to give some supplementary information.

The pesticide information center is worked out as a part of a total cooperative Government effort, in which we are working with the other agencies, including HEW, Interior, and others who have interests in the pesticide field. It has been determined that our library, our department, will be the center for this information. When we came up and requested the supplemental, we indicated we wanted to get some information out immediately to help the people that were working in this field, but we would also be simultaneously developing a more extensive, a more efficient operation to follow what we are doing now.

#### PESTICIDE DOCUMENTATION BULLETIN

Up to now we have been assembling—and there is an estimate of about 75,000 articles a year in the pesticide field—we are assembling this information and screening it. We have only at this time been able to issue a bibliography that comes out twice each month. It is distributed on request to major universities and industry and workers in the pesticide field. So at the present time what we are furnishing them in this center is not a complete assembling of the information, but a selection of it, a bibliography, and an index of information on a regular basis.

Those who need specialized information can come in to us and we furnish it to them. This is just the first stage.

In addition to this, in the center as it will eventually work, we will include unpublished as well as published information. Some of the most valuable information you have, some of the most valuable data on pesticides is not even published. It is on cards in a research worker's office in Beltsville, or in some industry or some pharmaceutical firm. We are making arrangements to gather this information and provide this to the scientists also. So for the first time, in practically any scientific field, he will have access to the totality of information, not just what is in the publications.

Mr. Payne, do you want to add anything to this?

Mr. PAYNE. Yes, sir.

Mr. MOHRHARDT. This is the bulletin [handing]. We can supply copies for the committee.

Mr. PAYNE. I have just one comment. In addition to what Mr. Mohrhardt has described, at present, systems have been developed which will be tested shortly in order to get more information into this bulletin, and to get it in, in a little different form.

This was put out as our first step, an interim publication. But it will change in that it will include a little different information, unpublished information. Right now this is just published information. But the system's work is now being done to include unpublished information. The system will also provide for special bibliographies. In other words, if a man doesn't want to review the entire field, or all subjects in this field, but wants to know the specific effects of a certain chemical, under certain conditions, he can ask the center for this and it can be produced out of the total system.

Mr. MOHRHARDT. We might give an example. A typical question might be this: Say he is studying Johnson grass, and he wants to know the effect of 2-4-D on Johnson grass; he wants all of the articles that have been published in English and French, in the last 4 years, but he wants those that use element "X" but not "Y." With this kind of request, under this system, we can within minutes furnish him the information on anything that has gone on in this area.

We also have planned for the system what is called selective dissemination of information. Under this, you build up a profile of interests. You find out exactly what the interests of the individual are, what he is working in, so the machine once a week would feed out automatically to him all of the information that fits the particular needs he has for that job he is doing.

#### PUBLIC LAW 480 FUNDS FOR PUBLICATIONS ACQUISITION

Mr. NATCHER. Now, Mr. Mohrhardt, the ARS is requesting funds under the special foreign currency program for translation of scientific publications.

What part will this play in your overall setup and who will determine as to how this is to be handled? What volume of such publications have you received in the past 3 years. Give us some idea as to what use will be made of these publications?

Mr. MOHRHARDT. Yes, sir. I am going to ask Miss Shachtman to reply on this, since she helped develop the program.

But I think the line item reads "Translations and dissemination of information." Primarily what we are interested in now is collecting publications for us and the land-grant institutions.

Would you tell him specifically what it is, Miss Shachtman?

Miss SHACHTMAN. I would be glad to.

Translations have been part of the program in the Department, and the Department has used funds for it in the past. We want to enlarge the program now to secure publications from India, Israel, and Poland, to make those that we have not been able to afford to procure available to U.S. scientists. We hope to make them available not only in our library, but also in the libraries of the land-grant colleges and universities.

At the same time we would like to begin indexing foreign publications in these areas, to feed into the Bibliography of Agriculture and

to the Pesticides Documentation Bulletin. So we give a more complete picture of the scientific research literature that is available elsewhere in the world to help our scientists.

Mr. NATCHER. All right.

#### RECRUITMENT OF QUALIFIED PEOPLE

What problems are you having in obtaining and retaining qualified personnel, Mr. Mohrhardt? Please give us some idea as to where you recruit new librarians and particularly qualified people that you use in your section.

Mr. MOHRHARDT. Well, this is one of the most serious problems that all libraries have now, because there is a shortage of trained librarians, particularly in research libraries, where we need people with special qualifications.

We have to have a variety of language competency. They have to know something about subjects in the broad field of agriculture. So, in addition to trying to get the general librarians, we want these other elements and it is extremely difficult.

We have had some problems in the past because of the specifications for library jobs that have been written by civil service. These have now been almost completely revised and this will be very helpful to us.

We work with the major library schools throughout the country. We are asked to give talks to their classes. We try to maintain liaison, and we work through meetings of librarians and follow every avenue we can to get the highest qualified people. Our problem is twofold: to find people and to get qualified people. This is very difficult.

Mr. NATCHER. Mr. Langen?

#### REQUEST FOR INFORMATION FROM COLLEGES

Mr. LANGEN. Mr. Chairman, I think the subject has been very well covered but I want to ask a very elementary question or two.

You made reference several times that you are in communication and in correspondence with the respective colleges around the Nation.

Mr. MOHRHARDT. Yes, sir.

Mr. LANGEN. I am sure the requests coming from these places are both numerous and many. At the same time it causes me to ask whether or not there is still a communication with the realm of educational curiosity that you find around the colleges? And let me emphasize the point that causes me to ask this.

It seems that in recent years the requests coming even to a congressional office for information of one kind or another—and in my instance many times it relates to agriculture, because it is an agricultural area. This leads me to believe somehow or other they don't know where to get this information.

Is there a gap here, or lack of acquaintance with where this knowledge is available? In many instances I think it might better have been directed to your Library.

Mr. MOHRHARDT. There certainly is, sir. I think there is a wide responsibility on the part of the schools, the local libraries, the State

libraries, the university libraries and us, to do a better job of letting people know where to go to get information.

For instance, just as an alternative to the problem you have, many times we get direct requests from individuals and farmers that could have better gone to the local library. But we certainly give them information; we do what we can. But the general problem you raise, I will certainly admit is something librarians haven't done a very good job in structuring.

Mr. LANGEN. For instance, a school like the Northwest Agricultural College at Crookston. Are they aware of the extent to which you have documented information in the respective fields they are working in?

Mr. MOHRHARDT. To be honest and frank with you, we try to keep people informed, but I think this is an area where we could mount a program to do better.

Dr. Mehren has pointed this problem out earlier. How well do we know our users? How formal and continuous is our contact with them? We have indicated before we should strengthen this relationship and we will.

Mr. LANGEN. If we direct some of these inquiries to you—

Mr. MOHRHARDT. You send any of them in that you want and we will take care of them, and let you know what we do.

#### AUTOMATION

Mr. LANGEN. One other area. I did note the added increase requested related to automation. One of the things that always puzzles me in this category, and I don't know that it should, but automation initially seems to mean to me that you have a faster, a better, a more economical way of handling a volume of information, recognizing of course that speed and volume are both essential.

What surprises me is it always costs more money.

Mr. MOHRHARDT. Well, we don't want to kid ourselves, and it would be easy to do it, because the only automation we have in effect now is this author index to our bibliography. There we did cut the unit cost one-half. We did it, we know, because it was primarily a clerical operation. This is one area where computers can save money. If they can't here, they couldn't anyplace. I think as we move to the subject index, we will still have a favorable balance in the efficiency of the product.

One of our requests is for this total computer feasibility study, and we would hope out of this it will tell us just what the cost benefit is of the computer system.

I agree with you; I think one of the difficulties that we have had is that we just don't have comparable data as to how much it costs to do the work manually, and how much it costs to do it using computers.

Dr. MEHREN. But we do have information that the best estimate is it costs the States and us for handling of research projects and information about \$4 million, which is what we spend now doing this, without any part of the library costs being associated with that. We have already computerized our inventory of research and that of all of the State universities, and we can print out any combination of activities, resources, commodities, in the field of science. We have the nucleus, such that if we can tie it into the library vocabulary, the library sys-

tem, and then tie it to other agencies, while the cost may be higher than we anticipate, the efficiency of performance will clearly be vastly greater, and agriculture will be the mainstream of science and scholarship, where it belongs.

Mr. LANGEN. This leads me to the next question which I was going to raise anyhow, that with the automation endeavors, and the new building, and for the sake of justifying each of these expenditures, is there any way of determining the extent that they will make a greater volume of information available, or make it available faster.

I think it becomes a rather pertinent factor in the sale of the expenditure.

Mr. MOHRHARDT. We are very fortunate in that the National Library of Medicine does have in operation a very effective computer program for carrying out these operations. We know from their experience it does just what you indicated: it covers the material much faster, in much more detail, so that you can find it more readily to meet the user's needs. Actually it is a very, very efficient program.

The results from the medical profession, the deans of medical schools, have all indicated it has increased their efficiency. We feel, therefore, that we have good justification for saying this is something we ought to be doing.

Mr. LANGEN. That is all, Mr. Chairman.

Mr. NATCHER. Mr. Mohrhardt, we want to thank you and the members of your staff for an excellent presentation.

Dr. Mehren, it is always a pleasure to have you appear before our committee.

The committee will adjourn until 1 o'clock Monday.

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MONDAY, MARCH 7, 1966.

NATIONAL ADVISORY COMMISSION ON FOOD AND  
FIBER

WITNESSES

DR. SHERWOOD O. BERG, CHAIRMAN, NATIONAL ADVISORY COMMISSION ON FOOD AND FIBER

DR. HARLOW W. HALVORSON, EXECUTIVE DIRECTOR, NATIONAL ADVISORY COMMISSION ON FOOD AND FIBER

DR. NATHAN M. KOFFSKY, DIRECTOR, AGRICULTURAL ECONOMICS, DEPARTMENT OF AGRICULTURE

CHARLES L. GRANT, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

Mr. WHITTEN. Gentlemen, the committee will come to order.

We turn now to the National Advisory Commission on Food and Fiber.

JUSTIFICATION MATERIAL

At this point we would like to have pages 1 through 5 of the justifications and the Executive order creating this Commission included in the record.

(The justifications referred to and a copy of the Executive order establishing the Commission follow:)

(1) EXECUTIVE ORDER

THE PRESIDENT

EXECUTIVE ORDER 11256—ESTABLISHING THE PRESIDENT'S COMMITTEE ON FOOD AND FIBER AND THE NATIONAL ADVISORY COMMISSION ON FOOD AND FIBER

By virtue of the authority vested in me as President of the United States, it is ordered as follows:

SECTION 1. Establishment of Committee. (a) There is hereby established the President's Committee on Food and Fiber (hereinafter referred to as the "Committee").

(b) The Committee shall be composed of the Secretary of Agriculture, who shall be the Chairman of the Committee; the Secretary of State; the Secretary of Commerce; and the Secretary of Labor. Each member of the Committee may designate an alternate member, who shall serve as a member of the Committee whenever the regular member is unable to attend any meeting of the Committee.

SEC. 2. Duties of the Committee. (a) The Committee shall:

(1) Appraise existing and alternative agricultural policies and foreign trade policies related thereto in terms of the national interest, the welfare of farmers, workers, consumers, rural Americans, and the general public; their effects on the performance of the economy and on foreign relations; and their implications for the optimum allocation of Federal resources among national objectives; and

(2) Develop such recommendations for action by Government or by private enterprise as it deems most appropriate to advance the general public interest.

(b) Such recommendations shall take into account the final report of the National Advisory Commission on Food and Fiber established by Section 3 of this order, which report shall be transmitted to the President with the recommendations of the Committee.

SEC. 3. Establishment of Commission. (a) To assist the Committee in carrying out its functions under Section 2 of this order, there is hereby established the National Advisory Commission on Food and Fiber (hereinafter referred to as the "Commission").

(b) The Commission shall be composed of members appointed by the President. The President shall designate the Chairman of the Commission from among its members.

(c) The Commission shall meet on call of the Chairman.

(d) Each member of the Commission may be compensated for each day such member is engaged upon the work of the Commission, and shall be reimbursed for travel expenses, including per diem in lieu of subsistence, as authorized by law (5 U.S.C. 55a; 5 U.S.C. 73b-2) for persons in the Government service employed intermittently.

(e) The Commission shall have an Executive Director, who shall be designated by the President. Under the direction and supervision of the Chairman, the Executive Director shall direct and supervise staff assigned to assist the Commission in carrying out its responsibilities under this order.

SEC. 4. Duties of the Commission. (a) The Commission shall transmit to the Committee its dependent analysis, evaluation, and recommendations with respect to all matters assigned to the Committee for study and recommendations.

(b) In carrying out its duties under subsection (a) above, the Commission shall:

(1) Make a comprehensive study and appraisal of the current economic situation and trends in American farming, including productivity, costs, prices, incomes, farm employment, labor standards, foreign trade, and related matters;

(2) Evaluate existing and alternative agricultural policies and foreign trade policies related thereto in terms of the national interest, the welfare of farmers, workers, consumers, rural Americans, and the general public; their effects on the performance of the economy and on foreign relations; and their implications for the optimum allocation of Federal resources among national objectives; and

(3) Develop such recommendations for action by Government or private enterprise as it deems appropriate to advance the general public interest.

(c) The Commission shall submit its final report and recommendations to the Committee no later than eighteen months after the date of its first meeting, and may make any interim reports which it deems would expedite the work of the Committee.

SEC. 5. Federal departments and agencies. (a) The Committee or the Commission is authorized to request from any Federal department, agency, or independent instrumentality of the Government any information deemed necessary to carry out its functions under this order; and each department, agency, and instrumentality is authorized, to the extent permitted by law and within the limits of available funds, to furnish such information to the Committee or the Commission.

(b) Each department the head of which is named in Section 1(b) of this order shall, as may be necessary, furnish assistance to the Committee or the Commission in accordance with the provisions of Section 214 of the Act of May 3, 1945 (59 Stat. 134; 31 U.S.C. 691), or as otherwise permitted by law.

(c) The General Services Administration is hereby designated as the agency which shall, on a reimbursable basis, provide administrative services for the Commission.

SEC. 6. Termination of the Committee and the Commission. The Committee and the Commission shall terminate ninety days after the submission of the final report of the Commission.

SEC. 7. Revocation of orders. Executive Order 10472 of July 20, 1953, and Executive Order 10937 of May 3, 1961 are hereby revoked.

LYNDON B. JOHNSON.

THE WHITE HOUSE, November 4, 1965

[F.R. Doc. 65-12155; Filed, Nov. 9, 1965; 9:39 a.m.]

(2) JUSTIFICATIONS

PURPOSE STATEMENT

The National Advisory Commission on Food and Fiber was established by Executive Order 11256, dated November 4, 1965.

The Commission was set up to assist the President's Committee on Food and Fiber, established in the same Executive order, in carrying out the Committee's primary function of appraising existing and alternative agricultural policies and related foreign trade policies.

The Commission must submit its final report and recommendations to the Committee no later than 18 months after the date of its first meeting in January 1966, and must terminate within 90 days after that. It is anticipated that the Commission will make its final report and recommendations in July and terminate in October 1967.

*Available funds and man-years, 1965 and estimated, 1966 and 1967*

Item	Actual, 1965		Estimated available, 1966		Budget estimate, 1967	
	Amount	Man-years	Amount	Man-years	Amount	Man-years
National Advisory Commission on Food and Fiber: Expenses					\$645,000	28
Obligations under other appropriations: Transfers from agencies of the Department of Agriculture			\$200,000	8		
Total, National Advisory Commission on Food and Fiber			200,000	8	645,000	28

*Expenses*

Appropriation act, 1966 and base for 1967	-----	
Budget estimate, 1967	-----	\$645,000
Increase	-----	+645,000

*Project statement*

National Advisory Commission on Food and Fiber :		
1965	-----	
1966 (estimated)	-----	
Increase	-----	+\$645,000
1967 (estimated)	-----	645,000

## INCREASE

The Committee on Food and Fiber was established by the President to (1) appraise existing and alternative agricultural and related foreign trade policies in terms of the national interest, the welfare of farmers and others, effects on the economy and on foreign relations, and implications for optimum allocation of Federal resources among national objectives, and (2) develop such recommendations for appropriate action by Government or private enterprise to advance the general public interest.

The Committee was established by Executive Order 11256, dated November 4, 1965, and is composed of the Secretary of Agriculture, chairman, and the Secretaries of State, Commerce, and Labor.

To assist the Committee in carrying out its functions, the Executive order also established the National Advisory Commission on Food and Fiber. The members of the Commission are appointed by the President.

An appropriation of \$645,000 is requested to meet the expenses of the Commission in fiscal year 1967. These funds will be needed for salary, travel, and related costs involved in carrying out the following assigned duties:

(a) Make a comprehensive study and appraisal of the current economic situation and trends in American farming, including productivity, costs, prices, incomes, farm employment, labor standards, foreign trade, and related matters;

(b) Evaluate existing and alternative agricultural policies and foreign trade policies related thereto in terms of the national interest, the welfare of farmers, workers, consumers, rural Americans, and the general public; their effects on the performance of the economy and on foreign relations; and their implications for the optimum allocation of Federal resources among national objectives; and

(c) Develop such recommendations for action by Government or private enterprise as it deems appropriate to advance the general public interest.

The Commission is to transmit to the Committee its independent analysis, evaluation, and recommendations with respect to all matters assigned to the Committee for study and recommendations.

The final report and recommendations of the Commission are scheduled for completion in July 1967.

## LANGUAGE CHANGE

The 1967 budget estimates included proposed new language for the National Advisory Commission on Food and Fiber as shown below:

## EXPENSES

*"For necessary expenses, not otherwise provided, of the National Advisory Commission on Food and Fiber established to assist the President's Committee on Food and Fiber, including services as authorized by section 15 of the Act of August 2, 1946 (5 U.S.C. 55a), but at rates for individuals not to exceed \$100 per diem, \$645,000."*

The proposed language would provide an appropriation of \$645,000 for the National Advisory Commission on Food and Fiber.

The 1967 budget contemplates that this appropriation would be made to the Department of Agriculture and then transferred to a special fund from which the expenses of the Commission would be paid.

Under Executive Order 11256, each member of the Commission may be compensated for each day he is engaged in the work of the Commission and is to be reimbursed for travel expenses, including per diem in lieu of subsistence. The proposed appropriation language includes necessary authority to provide such payments.

COMMISSION MEMBERS

Mr. WHITTEN. We have with us Dr. Berg, Chairman of the National Advisory Commission on Food and Fiber; Dr. Halvorson, Dr. Koffsky, and Mr. Grant.

Mr. MORRIS. Could I ask unanimous consent that the names of members of this National Advisory Commission also be printed in the record, if it is in order.

Mr. WHITTEN. We would be glad to have that included in the record.

Mr. MORRIS. And also where they are from.

Mr. WHITTEN. And we might have a statement as to their background and experience.

(The information requested follows:)

CHAIRMAN: SHERWOOD O. BERG, DEAN, INSTITUTE OF AGRICULTURE,  
UNIVERSITY OF MINNESOTA

Dr. Berg is an authority on agricultural economics. His work in the Federal service brought him the U.S. Department of Agriculture's Superior Service Award in 1956, and his work in education the appointment as dean of the Institute of Agriculture, University of Minnesota, in July 1963. He received his B.S. degree from South Dakota State University in 1947, where he worked as an undergraduate research assistant and, in his senior year, as an instructor. A year later, he took his M.S. degree at Cornell and then in 1951, his Ph. D. at the University of Minnesota, having worked extensively in research at both institutions. Following completion of his doctorate, he was appointed to the U.S. agricultural attaché positions, first, to Yugoslavia (1951-54) and, second, to Denmark and Norway (1954-57). His professorship and subsequent appointments at the University of Minnesota followed.

Currently, he is a member of the Agricultural History Society, the American Association of University Professors, the American Economic Association, and the American Farm Economic Association (national vice president, 1961-62). In addition, he is a consultant to the Agency for International Development and a director of three midwestern research institutes. In 1963, Dr. Berg was appointed to the USDA Agricultural Economics Research Advisory Committee and in November of 1965 Chairman of the National Advisory Commission on Food and Fiber.

EXECUTIVE DIRECTOR: HARLOW W. HALVORSON, CHAIRMAN, DEPARTMENT OF  
AGRICULTURAL ECONOMICS, UNIVERSITY OF WISCONSIN

Professor Halvorson is an authority on agricultural economics. He has been chairman of the department of agricultural economics at the University of Wisconsin since July 1962. He received his B.S. degree at the University of Minnesota in 1938 where he graduated with high distinction. When he completed his M.S. degree in agricultural economics at Minnesota in 1940 he was appointed an instructor in the department. In 1942 he enlisted in the Air Force and after training as meteorologist and fighter controller was stationed for 2 years in the South Pacific and Japan until January 1946. He was appointed assistant professor of agricultural economics at the University of Wisconsin in January 1948 where he was successively promoted in 1950 and 1959. His principal research has been in the areas of demand projection, supply response, and dairy marketing. In addition to journal articles and experiment station bulletins he has prepared reports for the Joint Economic Committee and the National Milk Producers Federation in the field of supply management. In 1959 he was chairman of the Interregional Committee of Land Grant College specialists in agricultural policy which sponsored the USDA report published as Senate Document 77 which appraised the probable consequences of removal of farm price

supports. In 1961-62, he was a member of the Federal Milk Order Study Committee of the USDA. In 1964 he assisted in an evaluation of the educational program needs of the University of Ife, western Nigeria, which the Wisconsin College of Agriculture is now assisting. He is a member of the American Farm Economics Association, the Econometric Society, and the American Statistical Association. In February 1966 he was appointed Executive Director of the National Advisory Commission on Food and Fiber.

*Other members of the National Advisory Commission on Food and Fiber*

Name	Occupation	Profession
Harry B. Caldwell.....	Executive vice president, Farmers Co-op Council of North Carolina.	Food producer, farm organization executive.
Dr. Willard W. Cochrane..	Professor of economics, University of Minnesota.	Educator, economist.
Chauncey W. Cook.....	President, General Foods Corp., New York	Business executive, food processor.
George C. Cortright.....	Chairman of the board, National Cotton Council.	Fiber producer.
Woodrow W. Diehl.....	Corn farmer.....	Food producer.
Edmund H. Fallon.....	General manager, Agway, Inc.....	Business executive.
Carl Farrington.....	Vice president for Development Agricultural Group, Archer-Daniels Midland Co.	Do.
Frank L. Fernbach.....	Assistant director of research, AFL-CIO.....	Labor official.
Roscoe G. Haynie.....	President, Wilson & Co.....	Business executive.
Fred V. Heinkel.....	President, Missouri Farmers Association.....	Food producer and farmers organization executive.
Roy F. Hendrickson.....	Executive director, National Federation of Grain Cooperatives.	Farm producers organization executive.
William A. Hewitt.....	Chairman of the board, Deere & Co.....	Business executive, agricultural machines producer.
George K. Hislop.....	President, National Woolgrowers Association.	Wool producer.
James G. Horsfall.....	Director of Connecticut Agricultural Experiment Station.	Scientist and biologist.
Herbert J. Hughes.....	Wheat and cattle farmer.....	Food producer.
Dr. D. Gale Johnson.....	Professor of economics, University of Chicago.	Educator, developmental economist.
Herman S. Kohlmeier.....	President of Kohlmeier & Co., former president of the New Orleans Cotton Exchange.	Textile exchange executive.
Robert Magowan.....	President, Safeway Stores.....	Business executive
L. L. Males.....	Independent farmer and conservationist.....	Food producer.
Edward F. Mauldin.....	Farmer: president, Bank of Leighton; partner in Mauldin & Preuit Implement Co.	Farmer and banker.
Dr. Paul A. Miller.....	President, University of West Virginia.....	Educator.
William B. Murphy.....	President, Campbell Soup Co.....	Business executive.
Leon Schachter.....	Vice president of the Amalgamated Meat Cutters and Butcher Workmen of North America, AFL-CIO.	Labor leader.
Dr. Janice M. Smith.....	Head of the Department of Home Economics, University of Illinois.	Educator, nutritionist.
Lauren K. Soth.....	Editorial editor, Des Moines Register.....	Newspaperman.
Jesse W. Tapp.....	Retired chairman of the board, Bank of America.	Banker.
Jay Taylor.....	President, Texas Livestock Marketing Association.	Cattle producer, business executive.
Dr. Herman B. Wells.....	Chancellor of the University of Indiana.....	Educator
John H. Wheeler.....	President, Mechanics & Farmers Bank.....	Banker.

REPORTING TO WHICH RESPONSIBLE

Mr. WHITTEN. Dr. Berg, I might ask first if the fact that all agricultural activities dealing with foreign trade now have been made subject to decision by the State Department in any way affects your Commission and its activities? Whom do you report to? You reported to the President to start with, didn't you?

Dr. BERG. The Commission reports really to the President's Committee on Food and Fiber, which consists of four Secretaries—the Secretaries of Agriculture, State, Commerce, and Labor.

Mr. WHITTEN. Do you have a copy of the order?

Dr. BERG. Yes, Executive Order No. 11256, dated November 4, 1965.

Mr. WHITTEN. Well, we already have that Executive order carried in the record.

Now, if you have a general statement, Dr. Berg, will be glad to hear from you.

GENERAL STATEMENT, CHAIRMAN, NATIONAL ADVISORY COMMISSION  
ON FOOD AND FIBER

Dr. BERG. Mr. Chairman, this committee and the Congress as a whole may very well ask "Why another Commission?" What is the purpose and justification for another public Advisory Commission at this particular time, when several other hearings are already scheduled or being held on agricultural legislation and agricultural policies?

Mr. Chairman, this is always a proper question, and a very challenging one. I am more than happy to try to answer this question in this hearing, since I am deeply convinced personally as to the timeliness, the importance and the urgency of the review and appraisal of agricultural and trade policies, which the National Advisory Commission on Food and Fiber is being entrusted to undertake by the President.

CABINET LEVEL COMMITTEE ON FOOD AND FIBER

In his Executive order of November 4, 1965, creating this Commission, the President also established a Committee on Food and Fiber at the Federal Cabinet level. The Chairman is the Secretary of Agriculture, and the other members are the Secretaries of State, Commerce, and Labor. These and other departments and agencies of the Government are called upon to supply information as requested, and to assist the Commission to the extent permissible under applicable law—Federal Register volume 36, No. 218, Wednesday, November 10, 1965.

The central responsibility of the Cabinet level Committee under this Executive order is to "appraise existing and alternative agricultural policies and foreign trade policies related thereto in terms of the national interest, the welfare of farmers, workers, consumers, rural Americans, and the general public; their effects on the performance of the economy and on foreign relations, and their implications for the optimum allocation of Federal resources among national objectives": and secondly, "to develop such recommendations for action by Government or by private enterprise as it (the Committee) deems most appropriate to advance the general public interest."

DUTIES OF THE COMMISSION

The President's instructions to the Commission closely parallel the above, and in addition the Commission is instructed to conduct its own independent analysis, evaluation, and recommendations with respect to all matters assigned to the Committee, and to transmit its report in these matters to the Committee. The Commission's report is to be forwarded by the Committee to the President, together with the Committee's recommendations.

The Commission is specifically instructed to make a comprehensive study and appraisal of the current economic situation and trends in American farming, including productivity, costs, prices, incomes, farm employment, labor standards, foreign trade, and related matters.

## ROLE OF ADVISORY COMMISSIONS

The Federal Government has made use of public advisory commissions or committees for a long time. The Country Life Commission appointed by President Theodore Roosevelt in 1908 set an important milestone in this regard. In this century, under each administration, public advisory commissions have played a significant and highly constructive role in the shaping and guiding of our major Government decisions and policies with respect to agriculture in the United States. Many of the distinguished members of the National Advisory Commission on Food and Fiber have served their Government before in various public advisory capacities similar to the role which they are now called upon to play as members of this Commission.

They are competent, dedicated citizens with an intensive interest in the assignment which they have been given. They share with the Congress a mounting concern for the world's population and food supply today and in the years ahead and the interplay of these forces on American agriculture and rural life.

## MALTHUSIAN ECONOMICS—POPULATION VERSUS PRODUCTION

Well over a century and a half ago, Thomas Malthus of England called attention to the theoretical threat that human population had the built-in capacity to outgrow its food supply on the earth, and might one day do so. His analysis and prediction were denounced and scoffed at, at the time, and indeed for many years, in view of the expansion of settlement into new continents, the rapid advances made in agricultural science and technology and the unprecedented growth and development in the world economy in the intervening century and a half.

With the enormous strides which have been made in the fields of health and sanitation, particularly under the auspices of UNICEF, the World Health Organization, and other agencies of the United Nations, we have gone far in programs to safeguard human life, to reduce infant mortality—in effect to achieve a high degree of death control.

We have unleashed the very forces which Malthus warned about. On a world scale, there appears to be a real and imminent danger that all of the readily available food production resources of the world may not be sufficient to adequately provide food for all of the people in the world, unless conscious and maximum efforts are made by governments to bring to bear substantially all of the resources and all of the technology which will be required.

It is clear that the primary and direct burden of responsibility for reaching these increasing food and fiber needs must fall on the governments of the countries where the need exists. Current studies by the World Food and Agricultural Organization and by our own U.S. Department of Agriculture and other authoritative sources bear out that, by and large, the greatest need and the greatest population pressure is building up in the underdeveloped countries which, by very definition, are the least prepared and the least capable to achieve the rates of accelerated progress which their needs require. In meeting these problems they will need assistance from the United States and other nations.

This presents a formidable challenge to our Nation's agriculture, which could set in motion forces that might change the entire course of recent history, at least insofar as American agriculture is concerned. We now face the prospect that, for the first time since the era of the Farm Board, during the Hoover administration in 1928, it may be necessary and possible to unshackle the full productive strength of America's agriculture for the good of all.

Mounting world hunger, particularly in the emerging nations, and the increasing import demands of the Communist-bloc countries, because of their own shortfalls in production, are creating pressures on world food stocks which have a pronounced influence on food inventories, and place pressure on our Nation's and the world's food production capacity. Thus, the role of our Nation's food and fiber industry in our foreign policy has acquired a new and vital significance.

#### CHANGE IN WORLD PRODUCTION AND DEMAND

Conversely, these impending changes in foreign policy and trade decisions will have a major impact on our food and fiber industry; on the lives and welfare of our rural people; and those directly dependent upon the food and fiber industry, including our 196 million consumers.

The world supply/demand balance of food and fiber is changing rapidly. The structure and organization of industry to produce, distribute, and process the food and fiber, and demand patterns for these commodities are likewise changing rapidly.

Fibers from domestic animal or vegetable sources are encountering intensified competition not only from other sources in the world but also from manmade fibers. Changes in technology and opportunities for growing other crops have affected the production of farm fibers.

#### CHANGING RURAL ECONOMY

Our Nation's food and fiber productivity has increased dramatically. This increase has been accomplished with a greatly expanded use of purchased inputs such as machinery, fertilizers, chemicals, and petroleum on increasingly larger commercial farms, utilizing less labor. As the number of farms declines, there is increased participation by rural residents in nonfarm employment.

As a result of these and other changes, all segments of the rural economy, including the gigantic complex we refer to as "agribusiness" are now more closely interrelated and interdependent.

Serious attention must be given to the welfare of all rural people for the purpose of identifying and formulating recommendations for the strengthening and reinforcement of rural life through means and measures other than commercial agriculture.

Under increased competitive demand for resource use, a new look will be required at programs and needs for resource conservation and development for use.

#### COMPOSITION OF COMMISSION

These factors, Mr. Chairman, impress me and the members of the Commission as major justification for a broad reappraisal of our agri-

cultural, trade, and economic development policies, as contemplated by the President in his instructions to the Commission.

To facilitate and expedite comprehensive analysis and appraisal of all phases of the food and fiber industry, the Commission has been divided into six working committees. They are concerned with the following fields of interest:

- (1) Production and consumption trends and potentials in the world;
- (2) Policies for commercial agriculture;
- (3) Policies for the noncommercial sector of agriculture;
- (4) Policies for forestry and natural resources development;
- (5) Agricultural trade and foreign economic policy; and
- (6) Role of agriculture in world economic development.

The assignment of Commission members to each of these six working committees is reported in detail in one of the exhibits which is being filed with this statement. You may wish to make these exhibits as part of the record.

(The exhibit referred to follows:)

NATIONAL ADVISORY COMMISSION ON FOOD AND FIBER STUDY GROUPS—SUBJECT MATTER

I. Production and consumption trends and potentials in the world:

E. H. Fallon, chairman.  
C. W. Cook.  
W. A. Hewitt.  
H. S. Kohlmeier.  
H. B. Wells.

II. Policies for commercial agriculture:

Lauren Soth, chairman.  
H. B. Caldwell.  
W. W. Diehl.  
C. C. Farrington.  
H. V. Heinkel.

III. Policies for the noncommercial sector of agriculture:

John Wheeler, chairman.  
George Cortright.  
Frank Fernbach.  
P. A. Miller.  
J. M. Smith.

IV. Policies for forestry and natural resources development:

L. L. Males, chairman.  
R. G. Haynie.  
G. K. Hislop.  
R. A. Magowan.

V. Agricultural trade and foreign economic policy:

D. G. Johnson, chairman.  
H. J. Hughes.  
Leon Schachter.  
J. W. Tapp.  
Jay Taylor.

VI. The role of agriculture in world economic development:

W. W. Cochrane, chairman.  
R. F. Hendrickson.  
J. G. Horsfall.  
Ed Mauldin.  
W. B. Murphy.

PROGRAM OF COMMISSION

Dr. BERG. In its general plan of action, the National Advisory Commission on Food and Fiber has tentatively scheduled a series of meetings in all regions of the United States between now and the

spring of 1967, preliminary to completion of its analysis and recommendations.

Public hearings will be held in connection with each of the regional meetings, at which time farmers, business firms, institutions, individuals and any other interested groups will be given an opportunity to submit papers and to appear for direct testimony.

#### STAFFING OF COMMISSION

A small professional staff of experts and technicians is being assembled at the Commission Headquarters in Washington, D.C., to assist the Commission in accomplishing its responsibilities. The composition and structure of this staff is reported in detail in the documents before the committee. This represents a minimal staff operation to assist the Commission in performing its duties. The rates of compensation have been established in consultation with the U.S. Civil Service Commission and with the executive departments most directly involved. They are commensurate with the levels of technical capability and responsibility required.

#### COMPENSATION OF MEMBERS

The compensation given to Commission members is limited to a modest honorarium, and out-of-pocket costs for subsistence and transportation. These rates of compensation certainly do not represent full payment for the services of these distinguished Americans who serve on the Commission. They have already devoted many hours and days of time and expertise on a gratis basis to accomplish the work of this Commission. They will continue to do so during the duration of the Commission.

Mr. Chairman, in summary, we are in a transitional period in history, and the challenge to America's food and fiber industry is without precedent. The President of the United States, following a pattern frequently used in times of national stress, has called upon a group of leaders from our food and fiber industry, educational institutions, and other segments of our society, to work together as a National Advisory Commission, to help evaluate and appraise agricultural and trade policies in the light of impending world developments, and to make recommendations in this regard.

Mr. Chairman, I am confident that this committee and the Congress recognize the importance and urgency of this need, and will provide the necessary appropriations for the Commission to do its work.

Mr. WHITTEN. Dr. Berg, I believe you said that behind the Commission you had a committee.

Dr. BERG. We are a Commission of 30 members chosen from the public at large. This is called the National Advisory Commission on Food and Fiber. In addition to the Commission, then, there is the President's Committee on Food and Fiber, which consists of the four secretaries.

#### ACRES DIVERTED FROM PRODUCTION

Mr. WHITTEN. Yes.

Now, if I may appear to be going somewhat far afield, I hope you will understand. This is an independent Commission and this hearing

in which we are asked to recommend some \$645,000 may be our last chance to place before you some of the facts that presently exist.

Certainly, I have to say that it would be difficult to find any argument with your general statement. It is rather general in nature. That being true, the end objective and the truisms which you have expressed are worthy of this committee's attention. In view of that, however, and in order that the facts as we see them on this committee might be placed before this Commission, I think we might well at this point put in the record the amount of land that is being taken out of production in the United States under various programs for wheat, cotton, corn and all the rest, and the amount of money that is being paid out by the Government to restrict production at a time when conditions are as you have pictured them.

(The information follows:)

*Acres diverted under conservation reserve and diversion programs for wheat and feed grains by commodity crop year 1965*

Commodity :	Acres diverted <sup>1</sup> (thousands)
Corn-----	26, 400
Wheat-----	9, 000
Upland cotton-----	1, 396
Barley-----	4, 300
Oats-----	1, 900
Grain sorghums-----	9, 100
Other <sup>2</sup> -----	5, 320
Total-----	57, 416

<sup>1</sup> Excludes cropland conversion program. Data not available.

<sup>2</sup> Acres removed from production included: Rye, Irish potatoes, hay and pasture, vegetables, miscellaneous crops, summer fallow, idle, and failures with adjustments for double cropping, crop failure replanted, etc.

*Estimated payments to producers under conservation reserve, and diversion programs for wheat and feed grains by commodity 1965 crop year*

(NOTE.—No valid comparison can be made between payments by commodity for production avoided because distribution of payments by commodity for the conservation reserve program has been necessarily based on a national average cost per acre for all crops.)

Commodity :	Estimated payments (millions)
Corn-----	\$806
Wheat-----	51
Upland cotton-----	74
Barley-----	48
Oats-----	20
Grain sorghums-----	158
Other <sup>1</sup> -----	69
Total-----	1, 226

<sup>1</sup> Acres removed from production included: Rye, Irish potatoes, hay and pasture, vegetables, miscellaneous crops, summer fallow, idle, and failures with adjustments for double cropping, crop failure replanted, etc. Includes \$15 million for crop L and conversion program for which commodity breakdown is not available.

AUTHORIZATION FOR AND MEMBERSHIP OF COMMISSION ON FOOD  
MARKETING

MR. WHITTEN. Also, I think it would be well to have at this point in the record with reference to the Commission on Food Marketing, the order by which it was set up, the membership of that committee, and such information as is presently available.

(The information follows:)

Public Law 88-354, July 3, 1964, established a bipartisan National Commission on Food Marketing. The assignment of the Commission was to "study and appraise the marketing structure of the food industry" from farmer to consumer with recommendations for changes in law and improvements in Government programs. Specific duties assigned the Commission included the following:

1. The actual changes, principally in the past two decades, in the various segments of the food industry;
2. The changes likely to materialize if present trends continue;
3. The kind of food industry that would assure efficiency of production, assembly, processing, and distribution, provide appropriate services to consumers, and yet maintain acceptable competitive alternatives of procurement and sale in all segments of the industry from producer to consumer;
4. The changes in statutes or public policy, the organization of farming and of food assembly, processing, and distribution, and the interrelationships between segments of the food industry which would be appropriate to achieve a desired distribution of power as well as desired levels of efficiency;
5. The effectiveness of the services, including the dissemination of market news, and regulatory activities of the Federal Government in terms of present and probable developments in the industry; and
6. The effect of imported food on U.S. producers, processors, and consumers.

Although Public Law 88-354 set July 1, 1965, as a date for submission of the Commission's final report, Public Law 89-20 extended that date to July 1, 1966. The Commission has held several public hearings. Its staff has developed facts and analyses basic to the final report of the Commission. An interim report of the Commission was filed on July 1, 1965. The final report is due by July 1, 1966.

The bipartisan Commission consists of five Senators, five Representatives, and five private citizens. They are—

Hon. Warren G. Magnuson.  
 Hon. Gale W. McGee.  
 Hon. Philip A. Hart.  
 Hon. Thruston B. Morton.  
 Hon. Roman L. Hruska.  
 Hon. Leonor K. Sullivan.  
 Hon. Graham Purcell.  
 Hon. Benjamin S. Rosenthal.  
 Hon. Glenn C. Cunningham.  
 Hon. Catherine May.  
 Hon. Phil S. Gibson, Chairman.  
 Hon. William M. Batten.  
 Hon. Elmer R. Kiehl.  
 Hon. Fred J. Marshall.  
 Hon. Albert K. Mitchell.

#### COTTON AND OTHER EXPORTS

Mr. WHITTEN. I think it well, too, that we point out here the existing law with regard to cotton, and the act of 1956 which provided that the Secretary of Agriculture shall annually determine what the U.S. share of world markets may be.

I would like to set out at this point, too, the determinations that have been made under that law each year by the Secretary of Agriculture as to what our fair share of world markets is, together with the exports that we have actually had during this period when the law required us, as it still does, to determine our fair share and to reduce prices to the point of obtaining that share.

(The information follows:)

The legislation with respect to the obtaining for the United States a fair share of the world cotton market is contained in section 203 of the Agricultural Act of 1956 (70 Stat. 188). It is as follows:

"SEC. 203. In furtherance of the current policy of the Commodity Credit Corporation of offering surplus agricultural commodities for sale for export at competitive world prices, the Commodity Credit Corporation is directed to use its existing powers and authorities immediately upon the enactment of this act to encourage the export of cotton by offering to make cotton available at prices not in excess of the level of prices at which cottons of comparable qualities are being offered in substantial quantity by other exporting countries and, in any event, for the cotton marketing year beginning August 1, 1956, at prices not in excess of the minimum prices (plus carrying charges, beginning October 1, 1956, as established pursuant to section 407 of the Agricultural Act of 1949) at which cottons of comparable qualities were sold under the export program announced by the U.S. Department of Agriculture on August 12, 1955. The Commodity Credit Corporation may accept bids in excess of the maximum prices specified herein but shall not reject bids at such maximum prices unless a higher bid is received for the same cotton. Cottons of qualities not comparable to those of cottons sold under the program announced on August 12, 1955, shall be offered at prices not in excess of the maximum prices prescribed hereunder for cottons of qualities comparable to those of cottons sold under such program, with appropriate adjustment for differences in quality. Such quantities of cotton shall be sold as will reestablish and maintain the fair historical share of the world market for U.S. cotton, said volume to be determined by the Secretary of Agriculture." (7 U.S.C. 1853.)

Throughout this administration annual fair share determinations have been made by the Secretary, but they have not been made public. The reasons for this are: If a determination of our fair share of the world markets for a given year were published in advance, other cotton-producing countries could be expected to object through diplomatic channels to the export of any U.S. cotton in excess of the amount so determined. On the other hand, if it appeared that we were running behind in our efforts to attain exports equivalent to our determination, foreign buyers might well be expected to restrict their purchases in the expectation that the price of U.S. cotton would be lowered. Accordingly, it has been the view in the Department of Agriculture that making public the determination of our fair share in world cotton markets would have the effect of restricting exports in both good and poor years, and that we would have nothing to gain and everything to lose by such action.

A comparison of actual exports and "fair historical share of the world market for U.S. cotton" as determined by the Department expressed in millions of bales is as follows:

Marketing year beginning Aug. 1—	Initially determined fair share	Actual exports	Deficit or excess
1960-61.....	6.5	6.6	+ .1
1961-62.....	<sup>1</sup> 5.5	4.9	- .6
1962-63.....	<sup>2</sup> 5.0	3.4	- 1.6
1963-64.....	<sup>3</sup> 5.0	5.7	+ .7
1964-5.....	5.0	4.1	- .9

<sup>1</sup> Reduced to 5,000,000 later in season.

<sup>2</sup> Reduced to 3,500,000 later in season.

<sup>3</sup> Increased to 5,700,000 later in season.

In 1961-62 foreign free world production was up 0.7 million bales while consumption in foreign free world importing countries declined slightly. In addition stocks in these importing countries were reduced by 1 million bales. These factors all lead to a softening in demand and related prices thus creating a stronger than normal competition for market outlets.

In 1962-63 foreign free world production was at an alltime high, up by more than 2.3 million bales. Consumption in foreign free world importing countries was down 0.4 million bales from preceding year. Many major importing countries were experiencing a textile recession. These factors led to a very sluggish demand in importing countries for raw cotton, thus competitive prices softened substantially creating strong competition for market outlets.

In 1964-65 foreign free world production increased 0.8 million bales from a year earlier. Consumption in foreign free world importing countries increased

by about 0.3 million bales almost all of which was in India and Japan. Many major importing countries, especially those in Western Europe which are usually good U.S. customers, experienced declines in cotton consumption. There was also some downward adjustment in stocks in consuming countries. These factors tended to weaken prices and thus lead to strong competition for market outlets.

Prior to the Agricultural Act of 1956, U.S. cotton exports fell to very low levels. During the early 1950's, 1950-55, exports averaged 3.8 million bales and fell to 2.3 million bales in the 1955-56 crop year. For the period 1950-55, U.S. exports accounted for about 30 percent of total world exports. Almost 33 percent of U.S. exports for this period were under special Government programs, principally mutual security.

Since 1956, U.S. exports have averaged 5.5 million bales and accounted for over 34 percent of world trade. Shipments under special programs accounted for 31 percent of total U.S. cotton exports. World exports since 1956 have averaged about 3.5 million bales above the 1950-55 average. At the same time, average U.S. exports have risen 1.7 million bales or accounted for about 50 percent of the increase in world trade.

GAO FINDINGS ON FAILURE TO SELL COTTON ON WORLD MARKETS, AND  
OTHER ADDITIONAL MATERIAL

Mr. WHITTEN. I also would like at this point to have in the record the findings by the General Accounting Office that the Department had violated the law by failing to keep cotton offered in world trade on the competitive basis.

Also, I think it would be well to show the various authorities which presently exist for U.S. commodities to be sold or exported to foreign countries, including that for cash and that under Public Law 480. The other fact that I think we should show is the reduction in supplies on hand of various commodities in the United States in the hands of the CCC, since the date of the creation of your Commission, November 1965, and also such reduction as might have been made in supplies for the last several years.

(The information follows:)

LETTER OF TRANSMITTAL  
COMPTROLLER GENERAL OF THE UNITED STATES,  
*Washington, May 29, 1959.*

XXXXXXXX

HON. SAM RAYBURN,  
*Speaker of the House of Representatives.*

DEAR MR. SPEAKER: Herewith is our report on the audit of Commodity Credit Corporation, Department of Agriculture, for the fiscal year 1958. Although this report pertains primarily to the financial statements, accounting, and internal control, it includes several significant findings and recommendations relating to other matters.

The prices at which CCC has made cotton available for export for the 1958-59 marketing year have been maintained at levels in excess of competitive world prices. This action, in our opinion, does not comply with the requirements of section 203 of the Agricultural Act of 1956. We are recommending that the Secretary of Agriculture periodically adjust prices at which CCC makes cotton available for export. We are recommending also that the Secretary determine at least annually the volume of cotton exports necessary to maintain the fair historical share of the world market for U.S. cotton.

A summary of significant findings and recommendations and the status of prior years' findings and recommendations are included in the forepart of the report.

Our report is also being sent today to the President of the Senate. A copy is being sent to the Secretary of Agriculture.

Sincerely yours,

JOSEPH CAMPBELL,  
*Comptroller General of the United States.*

## EXCERPTS FROM JANUARY 1961 GAO REPORT

*Export prices for cotton have not been competitive in the world market*

In our audit report to the Congress for the fiscal year 1958, we stated that prices at which CCC had made cotton available for export for the 1958-59 marketing year had been maintained at levels in excess of competitive world prices. This action, in our opinion, did not comply with section 203 of the Agricultural Act of 1956 (7 U.S.C. 1853). This act requires CCC to encourage the export of cotton by offering to make cotton available at prices not in excess of the level of prices at which cottons of comparable qualities are being offered by other exporting countries.

We recommended that the Secretary of Agriculture periodically adjust the prices at which CCC makes cotton available for export in order to keep U.S. cotton in a competitive position on the world market as required by law.

Sales of cotton from CCC inventories for export under competitive bids were discontinued effective August 1, 1959, in order to encourage export of cotton from commercial stocks. However, the Department of Agriculture announced that the competitive sales program would be reinstated if the payment-in-kind program, with reasonable export payments, does not prove effective. The payment-in-kind program provides for paying the exporters in commodities rather than in cash for the difference between the domestic market prices and the export prices of commodities exported.

For the marketing year beginning August 1, 1959, the rate of export payment under the cotton payment-in-kind program was set at 8 cents a pound, an increase of 1½ cents over the rate for the previous marketing year. The 8-cent rate remained in effect throughout the marketing year 1959-60. At the same time CCC's minimum sales price of Middling 1-inch cotton for unrestricted use was reduced to 31.24 cents a pound. The effect of the increased export payment and reduced minimum sales price was to make cotton available to exporters at a net minimum price of 23.24 cents a pound—basis Middling 1-inch at average location—during the 1959-60 marketing year, a reduction of 5.06 cents a pound from the minimum price of 28.30 cents a pound at which CCC had offered to sell cotton for export under the competitive bid program during marketing year 1958-59.

Through August 5, 1960, CCC had announced the registration for export of about 7,100,000 bales of cotton under the program in effect during the 1959-60 marketing year, compared with about 2,800,000 bales exported under the programs in effect during the 1958-59 marketing year.

*Need for determination of "fair share" export volume*

In our audit report to the Congress for fiscal year 1958, we commented that since enactment of the Agricultural Act of 1956 the Secretary of Agriculture had not made a formal determination of the volume of exports necessary to maintain the fair historical share of the world market for U.S. cotton. Such a determination is required by section 203 of the Agricultural Act of 1956 (7 U.S.C. 1853). We recommended that the Secretary make this determination at least annually. As of July 1960, no such determination had been made by the Secretary.

*Stocks of specified commodities: Total and quantities in CCC inventory, 1960 to present*

Commodity	Begin- ning date	Unit	Stocks at beginning of crop year					Nov. 5 1965 <sup>1</sup>	Mar. 4, 1966 <sup>1</sup>
			1960	1961	1962	1963	1964		
All wheat, total.....	July 1	Million bushels.....	1,314	1,411	1,312	1,195	901	818	
CCC.....		do.....	1,195	1,242	1,097	1,082	820	646	488
Rice, total.....	Aug. 1	Million hundredweight.....	12.1	10.1	5.3	7.7	7.5	7.7	7.5
CCC.....		do.....	6.9	4.1	0.3	1.9	1.4	1.0	0.7
Corn, total.....	Oct. 1	Million bushels.....	1,787	2,008	1,640	1,346	1,527	1,170	0.2
CCC.....		do.....	1,286	1,327	888	810	828	540	245
Barley, total.....	July 1	do.....	167	153	124	147	134	102	
CCC.....		do.....	69	51	29	38	29	20	11
Grain sorghum, total.....	Oct. 1	do.....	581	702	661	655	649	567	
CCC.....		do.....	549	666	628	627	615	540	369
Oats, total.....	July 1	do.....	267	325	277	274	315	283	
CCC.....		do.....	15	9	14	17	28	42	36
Cotton, total.....	Aug. 1	Thousand bales.....	7,559	7,228	7,831	11,216	12,378	14,291	
CCC.....		do.....	5,041	1,519	4,726	8,155	10,393	11,616	9,832
Soybeans, total.....	Sept. 1	Million bushels.....	51.8	27.1	78.3	46.0	67.3	29.6	
CCC.....		do.....	9.7	0	42.5	1.7	30.0	0	0
Flaxseed, total.....	July 1	do.....	3.0	5.3	3.6	8.4	13.1	10.8	
CCC seed.....		do.....	0.1	0	0	5.3	6.3	3.8	2.0
CCC linseed oil.....		do.....	0	0	0	0	53.0	80.0	80.0
Butter, total.....	Apr. 1	Million pounds.....	65	98	303	392	191	96	
CCC.....		do.....	45	68	294	361	151	58	
Nonfat dry milk, total.....	Apr. 1	do.....	276	370	553	634	324	232	0.1
CCC.....		do.....	174	265	425	548	226	118	4

<sup>1</sup> These data include commitments to purchase minus commitments to sell. Hence, they are not strictly comparable with the annual data showing stocks in inventory. Part of the decrease from Nov. 5, 1965, to Mar. 4, 1966, is the result of normal seasonal outturnment of stocks.

## Foreign disposal authorities available in the 1966 fiscal year

Type of disposition	Authority	Appropriation or authorization
<p style="text-align: center;">SALES FOR FOREIGN CURRENCIES</p> <p>The President is authorized until Dec. 31, 1966, to carry out a program for the sale of surplus agricultural commodities for foreign currencies. Exchange rates are to be the highest legally obtainable and no less favorable than those obtainable by any other nation. The Secretary of Agriculture is authorized to determine the nations with whom agreements shall be negotiated (except that no sales shall be made to (1) Communist governments or nations or areas controlled by a Communist government; (2) any country permitting transportation of materials in its carriers to or from Cuba; (3) any country determined by the President to be a military aggressor or to be using funds from the United States for purposes inimical to U.S. foreign policy; or (4) United Arab Republic without a Presidential determination), and to determine the commodities and quantities thereof which may be included in the negotiations with each country after advising with other agencies of Government affected and within broad policies laid down by the President for implementing this act. CCC price-support stocks are to be made available for these sales (including extra-long staple cotton and products thereof as long as cotton is in surplus supply) and its funds are to be used to finance the sale and exportation of surplus commodities. The act authorizes various specified uses of the foreign currencies by departments or agencies of the U.S. Government and requires reimbursement to CCC by the agency using such funds if dollar appropriations have been made for any of the specified uses. To the extent CCC is not thus reimbursed by other agencies, the act authorizes appropriations to reimburse CCC for its investment in commodities sold under the act, including processing, packaging, transportation, and handling costs, and for costs incurred in financing the exportation of commodities.</p> <p>Financing of ocean freight is limited to differential by which U.S.-flag rate exceeds foreign-flag rates on agreements signed after Dec. 31, 1964. The balance of transportation charges on U.S. vessels is to be paid by foreign countries in dollars. The 1966 Appropriation Act provides an appropriation for current year costs not otherwise recoverable and unrecovered prior year costs. CCC funds are used until subsequent appropriations are available when such costs exceed the amount appropriated.</p> <p>CCC is authorized under its general sales authority to export CCC-owned commodities for foreign currencies when such sales are in the interest of CCC.</p>	<p>Title I, Agricultural Trade Development and Assistance Act of 1954, as amended (7 U.S.C. 1701-1709, 79 Stat. 662); sec. 8, act of Sept. 6, 1958 (7 U.S.C. 1701 note).</p>	<p>Transactions requiring appropriations were limited to \$6,250,000,000 through Dec. 31, 1959; to \$1,500,000,000 in calendar year 1960 and \$3,500,000,000 in calendar year 1961, plus unused balances of previous authorizations; to \$4,500,000,000 during the period Jan. 1, 1962, and ending Dec. 31, 1964, with a limitation of not more than \$2,500,000,000 during any calendar year; to \$2,700,000,000 during the period Jan. 1, 1965, and ending Dec. 31, 1966, plus unused balance of previous authorizations with a limitation of not more than \$2,500,000,000 during any calendar year. Cumulative total, \$18,450,000,000.</p>
<p>The Secretary of Defense is authorized, with the approval of the Director of the Bureau of the Budget, to construct, or acquire by lease or otherwise, family housing for occupancy as public quarters, and community facilities, in foreign countries by using foreign currencies acquired pursuant to the provisions of the Agricultural Trade Development and Assistance Act of 1954 or through other commodity transactions of CCC.</p>	<p>CCC Charter Act, as amended (15 U.S.C. 714) and sec. 407, Agricultural Act of 1949, as amended (7 U.S.C. 1427), Act of Sept. 7, 1962 (10 U.S.C. 2081) . . .</p>	<p>Reimbursement for net realized losses, CCC.</p> <p>Not in excess of \$250,000,000. The Department of Defense shall pay CCC not to exceed \$6,000,000 a year until the amount due for foreign currencies has been liquidated.</p>

At least 75 percent of the total cost of any family housing project or community facility constructed or accepted in any foreign country after June 8, 1960 (with certain specific exceptions), by any military department shall be paid for from foreign currencies acquired under title I, Agricultural Trade Development and Assistance Act of 1954, as amended.

#### FAMINE RELIEF AND OTHER ASSISTANCE

Upon determination of the President, any Government agency is authorized to furnish commodities to friendly countries, international organizations, the American Red Cross, and voluntary nonprofit relief agencies registered with and approved by the Advisory Committee on Voluntary Foreign Aid.

CCC is directed to make available to the President surplus agricultural commodities out of its stocks for transfer to friendly nations and friendly populations to meet famine or other urgent or extraordinary relief requirements. In addition, to facilitate utilization of surplus agricultural commodities and to promote economic and community development in underdeveloped areas, the President may authorize transfers on a grant basis to assist programs undertaken with friendly countries or through voluntary relief agencies. No programs are to be undertaken after Dec. 31, 1966. Funds required for ocean freight costs for this program as well as for sec. 416 donations are transferred by CCC to AID. Instead of processing wheat, corn, or other grains, CCC may purchase flour and meal or other processed food grain products of equivalent quantity and make such products available. (Administered by AID.)

In order to prevent the waste of food commodities in private stocks or acquired through CCC price-support operations before they can be disposed of in normal domestic channels without impairment of the price-support program or sold abroad at competitive world prices, CCC is authorized to make donations to nonprofit voluntary agencies registered with the Committee on Voluntary Foreign Aid of AID or other appropriate agency and to intergovernmental organizations, for use in the assistance of needy persons and in nonprofit school lunch programs outside the United States. Donated food commodities may be used for community and other self-help activities. Not to exceed \$7,500,000 per year of funds available under title II may be used to purchase title I currencies to meet costs designed to assure that commodities are used to carry out more effectively the purposes for which such commodities are made available or to promote community and other self-help activities. CCC may pay processing, reprocessing, packaging, transporting, handling, and other charges, including ocean freight. CCC is authorized to purchase products of oilseeds, and edible oils and fats and products thereof, for donation for foreign distribution. CCC is also authorized to dispose of its stocks of animal fats and edible oils or products by donation for use in the assistance of needy persons and in nonprofit school lunch programs outside the United States, or to purchase for donation such quantities of animal fats and edible oils and products as will tend to maintain the support level for cottonseed and soybeans without requiring the acquisition of such commodities under the price-support program. Instead of processing wheat, corn, or other grains, CCC may purchase flour, meal, or other processed food grain products of equivalent quantity and make such products available.

Sec. 509, act of June 8, 1960 (7 U.S.C. 1704b note).

Sec. 607, Foreign Assistance Act of 1961 (22 U.S.C. 2357).

Title II, Agricultural Trade Development and Assistance Act of 1954, as amended (7 U.S.C. 1721-1724); sec. 103, Agricultural Trade Development and Assistance Act of 1954, as amended (7 U.S.C. 1703); and act of Aug. 19, 1958, as amended (7 U.S.C. 1431 note).

Section 416, Agricultural Act of 1949, as amended (7 U.S.C. 1431); titles II and III, Agricultural Trade Development and Assistance Act of 1954, as amended (7 U.S.C. 1697; 7 U.S.C. 1723); sec. 9, act of Sept. 6, 1958 (7 U.S.C. 1431b); and act of Aug. 19, 1958, as amended (7 U.S.C. 1431 note).

Military agencies purchase foreign currencies from U.S. Treasury and dollars received are credited to CCC.

Advance of funds or reimbursements basis. Advances or reimbursements received within 180 days after the close of the fiscal year in which services and commodities are delivered, may be credited to the current applicable appropriation, account, or fund of the agency concerned and shall be available for the purposes for which such appropriation, account, or fund is authorized.

Appropriations are authorized to reimburse CCC for its investment in the commodities, including processing, packaging, handling, and transportation costs, including ocean freight. Total expenditures could not exceed \$1,100,000,000 through Dec. 31, 1960, plus unused balances of previous authorizations; for the period Jan. 1, 1961, through Dec. 31, 1964, program commitments rather than expenditures are not to exceed \$300,000,000 per calendar year and \$400,000,000 per year through December 1966, plus unused balances of previous authorizations. Cumulative total, \$3,100,000,000.

Reimbursement for net realized losses, CCC.

Type of disposition	Authority	Appropriation or authorization
<p style="text-align: center;">FAMINE RELIEF AND OTHER ASSISTANCE—continued</p> <p>The Secretary is authorized to use CCC funds to purchase dairy products, except fluid milk for schools, at market price to meet the requirements for domestic relief, foreign distribution, and other programs authorized by law when the CCC inventory is inadequate for these uses.</p> <p>Wheat delivered to the Secretary as a result of exceeding acreage allotments shall become the property of the United States and shall be disposed of by the Secretary for relief purposes in the United States or foreign countries or in such manners as he shall determine will divert it from the normal channels of trade and commerce.</p>	<p>Sec. 709, Food and Agriculture Act of 1965 (79 Stat. 1212).</p> <p>Sec. 379c, Agriculture Adjustment Act of 1938, as amended (7 U.S.C. 1379c, 79 Stat. 1206).</p>	<p>Reimbursement for net realized losses, CCC.</p> <p style="text-align: center;">Do.</p>
<p style="text-align: center;">SUPPLY PROGRAM</p> <p>CCC is authorized to procure agricultural commodities for sale to foreign governments, foreign or international relief or rehabilitation agencies.</p> <p style="text-align: center;">LONG-TERM SUPPLY CONTRACTS</p> <p>The President is authorized to enter into agreements with friendly nations, including financial institutions acting in behalf of such nations, and the Secretary of Agriculture is authorized to enter into sales agreements with foreign and U. S. private trade to provide for delivery annually, for periods not to exceed 10 years, of agricultural commodities in surplus at time of delivery, to assist the economic development of friendly nations and to maximize dollar trade. Commodities are to be supplied on a long-term dollar credit basis in reasonable annual amounts over periods of not to exceed 20 years after delivery. Any friendly nation ineligible because of any other act would be restricted to 5-year credit.</p> <p>The date for beginning payments may be deferred not later than 2 years after date of last delivery. Credits to bear interest at not less than minimum rates required for development fund loans under Foreign Assistance Act.</p>	<p>CCC Charter Act (15 U.S.C. 714c) and act of July 16, 1943 (15 U.S.C. 713a-9).</p> <p>Title IV, Agricultural Trade Development and Assistance Act of 1954, as amended (7 U.S.C. 1731-1739).</p>	<p>No losses sustained. Full reimbursement of sale or transfer price provided.</p> <p>Appropriation authorized to reimburse CCC for its costs. Foreign governments repay agreement value on long-term basis.</p>
<p style="text-align: center;">NEW OR EXPANDED MARKETS</p> <p>CCC is authorized to export or cause to be exported or aid in the development of foreign markets for agricultural commodities.</p> <p>The exportation of agricultural commodities and the products thereof is to be encouraged by the payment of benefits and indemnities.</p>	<p>CCC Charter Act (15 U.S.C. 714c)-----</p> <p>Sec. 32, act of Aug. 24, 1935, as amended (7 U.S.C. 612c).</p> <p>Sec. 205, Agricultural Act of 1956 (7 U.S.C. 1855).</p>	<p>Reimbursement for net realized losses, CCC.</p> <p>Amount equivalent to 30 percent of the gross customs receipts is appropriated annually for sec. 32 purposes. In addition, up to \$500,000,000 can be carried forward from the past year. A total of \$631,080,018 is available to the Department in the 1966 fiscal year for sec. 32 purposes.</p> <p>\$500,000,000 appropriation authorized.</p>
<p>To further carry out the provisions of sec. 32, an additional sum is authorized to be appropriated of which up to 50 percent may be devoted to any one agricultural commodity during any fiscal year.</p>		

## GENERAL SALES

General authority for export sale of CCC inventories, including sales at competitive world prices. Under the CCC export credit sales program, commodities in CCC inventory and tobacco under loan may be sold for export on a deferred payment basis for periods up to 3 years provided assurance of payment is furnished by a bank in the United States.

Sales for export include sales made on condition that like commodities of comparable value or quantity be exported in raw or processed form.

CCC is directed to make extra-long staple cotton (except stocks released from the stockpile) available for export at world price as long as it is in surplus. These exports are not to be considered, however, in setting marketing quotas.

Sales to foreign governments are authorized on condition that commodities be held in reserve not less than 5 years and not disposed of unless war or war conditions interrupt normal supplies. (There has been no activity under this authority and none is expected.)

CCC is directed to offer to make upland cotton available at not in excess of the level of prices at which cottons of comparable qualities are being offered in substantial quantities by other exporting countries. CCC may accept bids in excess of these prices but is not to reject bids at such maximum prices unless a higher bid is received for the same cotton. Such quantities of cotton are to be sold as will reestablish and maintain the fair historical share of the world market for U.S. cotton.

## BARTER AND EXCHANGE

CCC is authorized to accept strategic and other materials produced abroad in exchange for agricultural commodities acquired by CCC, for transfer in accordance with pertinent statute to the national stockpile, to the supplementary stockpile, to foreign economic or military aid or assistance programs, or to offshore construction programs, and to fulfill specific requirements of Government agencies. The Secretary of Agriculture and all agencies of the Government which procure materials, goods, or equipment are directed to work together to dispose of surplus agricultural commodities whenever possible through barter or exchange for commodities meeting their respective needs.

In addition, to prevent waste of commodities whether in private stocks or acquired through price-support operations before they can be disposed of in domestic and foreign markets, CCC is authorized to (a) make such commodities available to any Federal agency for use in making payment for commodities not produced in the United States; (b) barter or exchange such commodities for strategic or other materials as authorized by law. CCC may pay processing (in the case of food commodities), reprocessing, packaging, transporting, handling, and other charges.

The Secretary is also directed to assist farmers' cooperatives in affecting exchange of agricultural commodities in their possession for strategic materials.

Sec. 5, CCC Charter Act (15 U.S.C. 714(c)), and sec. 407, Agricultural Act of 1949, as amended (7 U.S.C. 1427).	Reimbursement for net realized losses, CCC.
Sec. 3, act of Oct. 8, 1964 (7 U.S.C. 1852a).	Do.
Act of Aug. 11, 1939 (15 U.S.C. 713a-6).	Do.
Sec. 203, Agricultural Act of 1956 (7 U.S.C. 1853).	Do.
CCC Charter Act (15 U.S.C. 714b); sec. 206, Agricultural Act of 1956, as amended (7 U.S.C. 1856); and sec. 303, Agricultural Trade Development and Assistance Act of 1954, as amended (7 U.S.C. 1692).	CCC shall be reimbursed for materials transferred to the stockpile provided for by the Strategic and Critical Materials Stockpiling Act from funds available under that act in an amount equal to the fair market value as determined by the Administrator of the General Services Administration, and shall be reimbursed for materials transferred to the supplemental stockpile provided for by title I of the Agricultural Trade Development and Assistance Act of 1954 in an amount equal to the lower of the domestic market price or CCC's investment, as determined by the Secretary of Agriculture. For transfers to other Government agencies, CCC shall be reimbursed by such agencies from their respective appropriations for the value of the materials transferred. Reimbursement for net realized losses, CCC.
Sec. 416, Agricultural Act of 1949, as amended (7 U.S.C. 1431).	Reimbursement for net realized losses, CCC.
Sec. 303, Agricultural Trade Development and Assistance Act of 1954, as amended (7 U.S.C. 1692).	Do.

*Foreign disposal authorities available in the 1966 fiscal year—Continued*

Type of disposition	Authority	Appropriation or authorization
<p style="text-align: center;">INTERNATIONAL WHEAT AGREEMENT</p> <p>CCC, under special circumstances, sells wheat acquired under the price-support program at prices at or below the maximum equivalent price, but not below the minimum equivalent price provided for in the Wheat Agreement. CCC also makes payments to exporters to implement the Wheat Agreement.</p>	<p>International Wheat Agreement Act of 1949, as amended (7 U.S.C. 1641, 1642).</p>	<p>When CCC stocks are exported, appropriation is made, pursuant to act, for amount by which domestic market price exceeds sales price. Amount by which CCC's cost exceeds domestic market price is recovered through reimbursement for net realized losses. Payments to exporters, administrative expenses, and interest costs are recovered by appropriation.</p>

Mr. WHITTEN. I mention this because it is mighty easy for a commission composed of 30 people from all over the United States to spend a year or two just bringing together the information that I have placed here in the record. This at least should give you a starting point toward advising the President or the Secretary of Agriculture, or now the Secretary of State, as to just what the starting point is as we get ready, apparently, to recognize and do what we can to meet the needs of the people of the world. You may have gathered by this time that I personally think it is unsound for the Government to have a program to curtail production in our country on the one hand, and on the other hand set up various and sundry commissions and other groups for the purpose of trying to provide commodities to the rest of the world. That is the situation that we are in right now. We are working at crosspurposes, or so it seems to me.

At any rate, these facts in the record, if they will have the attention of your Commission, will give you a starting point as to where we are now.

#### COMMISSION OPERATIONS

Now, turning to your Commission, I notice you mention a modest honorarium. That in itself is a rather general term. It depends on who determines what "modest" is.

Dr. BERG. That is correct.

May I say that I appreciate very much your general remarks on the statement—

Mr. WHITTEN. You are not responsible for policy; neither am I. But the policy, as I say, seems to be going in two opposite directions.

Dr. BERG. I appreciate very much your placing in the record the type of information that you have just indicated, and I assure you that it will come to the attention of the Commission.

Moreover, in our efforts to ascertain interests of the various commodity groups, such as cotton, wheat, soybeans, we are holding hearings in various parts of the country.

Mr. WHITTEN. Well, now, Dr. Berg, what is your background, if I may inquire?

Dr. BERG. I am a native Minnesotan.

Mr. WHITTEN. May I say that we do have lots of Minnesotans here in Washington and they are all capable.

Dr. BERG. I am dean of the Institute of Agriculture at the university. The suggestion that is made here as to the honorarium for the members of the committee—

Mr. WHITTEN. I am not finding fault because I still don't know.

Dr. BERG (continuing). Is consistent with the honorarium that has been made to the Food Market Commission.

Mr. WHITTEN. That still leaves me high and dry.

Dr. BERG. \$100 a day for the members of the Commission.

Mr. WHITTEN. You haven't yet stated whether the \$100 would be reasonable.

Dr. BERG. Our suggestion would be \$100, and this conforms to Public Law 88-354 of July 3, 1964.

Mr. WHITTEN. Is there any limit on the number of days that you may put in?

Dr. BERG. Yes, there are. But the service from the Commission members certainly will not approach the permissible maximum.

#### MEETINGS AND OBJECTIVES

Mr. WHITTEN. What are the limits? We ask these questions of every group that comes before us, Doctor.

Dr. BERG. I believe—and perhaps Mr. Koffsky can help me out—that the theoretical limits would be 130 days. But, for the life of this Commission I have scheduled 10 or 11 meetings of which we will be meeting from 2 to 3 days at a time. That is for the full Commission.

Now, in addition to this, sub-Commission groups, groups or committees of the Commission will be meeting to conduct their regional hearings.

Mr. WHITTEN. Have you arranged any joint meetings with this Food Marketing Commission?

Dr. BERG. Yes.

Mr. WHITTEN. You are going to have some joint meetings with them?

Dr. BERG. We plan to meet with that Commission in July. At the moment they seem to be extremely busy drawing together their final report and we have not been able to get together with them until that time.

Mr. WHITTEN. Dr. Berg, as to this matter of having hearings over the country, I can appreciate that it might be worthwhile, and it is also worthwhile to have the viewpoint of various groups. We can see that. But you do understand that sellers will have one interest and buyers will have another interest; those with international investments will have another viewpoint; and those who are strictly domestic will have another one.

Now, I don't know that I ever learned it, but you should learn not to set out on an investigation unless you think you know what you are going to find; and never ask a question unless you think you know what the answer is going to be.

Did you recommend the creation of the Commission in advance?

Dr. BERG. No, I was asked by the President of the United States to serve as one of a group of interested citizens.

Mr. WHITTEN. What I am trying to do is to get at the purpose. Now, if you have these meetings, what are you seeking? Will you be attempting to find out whether the producers would like for you to use all the land and pay them good prices so you can feed the world? Or will you be having hearings to see if they want to go back into production and release the Government from these payments which we are now making not to produce.

Will you be trying to get the State Department to let the Department of Agriculture sell some of our commodities, or will you be trying to get the Foreign Agriculture Service to quit telling foreign countries what we have for sale?

Now, you are bound to have some objectives. I have read your statement. I won't read it back to you. You have gone clear back to Malthus. He said that the world might outgrow its food supply. That is about to happen.

Just what do you hope to end up with other than the \$100 a day and expenses?

Dr. BERG. All right, sir. The purpose of holding the regional hearings was to give the Commission, the members of the Commission, an opportunity to hear these range of views. We know, or at least some of us on the Commission know that there will be one set of attitudes professed by the producer. There may be another set given by the processors. There might be quite another viewpoint given by the merchandizers or the sellers of the finished product.

Furthermore, this may vary by regions of the country. What we will hear in the southeastern part of the United States may be quite different from what we hear out in California.

We should recognize that the Commission is a public body sensitive to many needs and requirements of our society. They are all really dutybound to bear the views of various and diverse groups within our Nation. Moreover, I don't think they are going into their tasks with a lot of prejudgments.

To some of the Commission members this experience will be quite new. The Commission represents a wide spectrum of interests. It is made up of eight farmers, eight or nine people from the food industry, three bankers, seven educators, two people from labor; there is one editor. All these people come into this undertaking with a little different point of view.

One of the objectives, then, of these hearings is to expose this Commission, whose membership is made up of individuals with diverse views from almost every section of the United States, to the expressions of interest and concern and anxiety regarding our public policies for food and fiber in various regions of the country.

Now, from their personal experience and background, from the analysis that will be developed by the professional staff as to the current situation and trends and so forth, and from the exposure that they get in these public hearings, the members of the Commission hope to come up with a set of recommendations for the food and fiber industry of this country for the years ahead.

I might say, too, Mr. Chairman, that it would be impossible to hear all points of view in the time that we have allotted ourselves for these hearings. However, there is the possibility—groups have been informed through public announcements—that they can present written briefs to the Commission on their outlook or their stand on certain aspects of public policy.

Mr. WHITTEN. Dr. Berg, now with 30 people on a commission, how many meetings are you going to have?

Dr. BERG. Eleven meetings.

Mr. WHITTEN. And you meet and you introduce the members of the Commission. You put in a hard day. Let's say you start at 9 o'clock and work through to 5, with an hour off—somewhat like this subcommittee—and you send out invitations. These various groups accept those invitations and either come in person or send in a report.

Are you aware that that has already been done?

Now, this subcommittee, when we get through here with departmental witnesses, will sit for days and every interested group in the United States, of which I am aware that has anything to say or do with agriculture, almost without exception, will appear in person or supply a statement here in which they will present their inter-

est, their side, and their viewpoint, and there will be various and sundry differences among them.

Now, this is just one subcommittee. There is the Senate subcommittee somewhat similar to ours. There is the legislative Committee on Banking and Currency, the legislative Committee on Foreign Affairs, and many and sundry others, together with the legislative Committee on Agriculture. Then you have your Cabinet officers.

What new discoveries are you anticipating that you will find? I am asking you because I think we do need to know. One way to bury something is to appoint a commission, and then a committee, and before it gets to report you appoint another one.

Do you have any reaction? This is not personal, Dr. Berg.

DR. BERG. I know it is not. I might say that we have had excellent cooperation to this point with every committee of Congress. We are getting much of the testimony as it is being presented to the various subcommittees and the committees.

#### FUTURE WORK OF COMMISSION

Within the Commission we expect to take a look at agricultural policy needs, not for today or tomorrow, but in a time frame that will run at least until 1980. It may well go beyond this time, for many of the capital investments that are made in agribusiness at this time will have to run for a longer period, maybe 20 or 30 years.

There are management judgments, reactions, and decisions that have to be made regarding important changes that are taking place in our agriculture. As a result of the continuous application of new science and technology in our agriculture, for example, we have changes in the structure of American farming. These changes are reflected in enlarged farm size, reduced farm numbers, and expanded productivity on our farms. We do well to look at the situation today, but in the interest of improved performance of our food and fiber industry we are also looking to 1975 and 1980.

Now, we may start with and agree on the same base figures today, 1965-66, but the judgments that one group makes, the judgments that another committee makes, and the judgment that this Commission makes on what is likely to transpire within agriculture in the next 2 decades, and the implications that this then has on farm incomes, on trade possibilities and opportunities, may differ.

What the President has asked is that 30 people of the Commission bring their best judgment to bear on the major issues likely to confront the food and fiber industry in the next 15 to 25 years.

#### SELECTION OF COMMISSION'S MEMBERS

MR. WHITTEN. How were these 30 members selected? I have already asked that their names and backgrounds and affiliations be included in the record.

DR. BERG. I am not informed on how the membership of the full Commission was determined. I do know this much: During the latter part of August when I was on vacation on the farm in northwestern Minnesota, I got a call inviting me to become a part of this Commission.

MR. WHITTEN. Appointments made by the President?

Dr. BERG. The appointments to the Commission were made by the President of the United States.

One of the early understandings that I had was that this would be about a 14- or 15-man Commission. By the time the Executive order came out in November, the membership had risen to 30.

#### RESPONSIBILITY FOR FOREIGN AGRICULTURAL PROGRAMS

Mr. WHITTEN. I note that you expect to evaluate existing and alternative agricultural policies and foreign policies related thereto. In view of the recent decision, I believe the notice was handed us last Friday, that all of these activities as far as foreign trade are now placed under the State Department; I wonder what a Commission here can do. The Secretary of Agriculture is a member of the group. But you have the Secretaries of State, Commerce, and Labor, and he would be outvoted three to one. Then an order supersedes this one putting this whole business under the State Department. So it looks as if the chairman will be presiding over a committee on which he is subordinate to one of the members, if I read it right.

Dr. BERG. Mr. Chairman, I am not, of course, familiar with the developments that you referred to last Friday. As to the implications for the structure and operations of government, I have no knowledge.

It is true that the Secretary of State is also a member of this committee. Therefore, I imagine that any recommendation that comes from the Commission has to be reviewed and taken under consideration by the Secretary of State just as it would be by the Secretary of Agriculture.

Mr. WHITTEN. Dr. Berg, this matter of having a committee composed of four Cabinet officers, the chairman representing agriculture and the man who has been put over him under this recent order, a member of it, concerns us. Some years ago I was named chairman of a special committee of the Appropriations Committee, consisting of one other member and myself. So I told him how much more important my position was because I was the chairman. He said "you haven't figured it out yet. The chairman can vote only in case of a tie, and I am not about to split my vote."

This will lead to some unusual problems on the committee, won't it?

Dr. BERG. I am not familiar with the guidelines of the committee itself, other than those in the Executive order.

#### EXPENSES BY OBJECT CLASS

Mr. WHITTEN. Dr. Berg, how much money are you asking for travel?

Dr. BERG. Somewhere around \$75,000 for the members of the Commission.

Mr. WHITTEN. How much have you requested for printing?

Dr. BERG. For printing and reproduction, there is \$30,000.

Mr. WHITTEN. Where do you plan to have your office space?

Dr. BERG. Our office at the present time is at 1321 "H" Street. It is in the same building that houses the Federal Maritime Commission. We have about 3,000 square feet there.

I wish to state further that we have rather extensive needs for printing and reproductions. Minutes are reproduced of the Com-

mission's regular meetings. Abstracts are made of the Commission hearings. There are periodic reports that are issued by the various study groups. All materials are circulated to the Commission members. The Commission is empowered to issue interim reports. These reports will be published and distributed to appropriate bodies, agencies and individuals.

Mr. WHITTEN. Thank you, Dr. Berg.

Mr. Natcher?

#### FARM EMPLOYMENT

Mr. NATCHER. I notice from your statement, Dr. Berg, that you point out to the committee that the Commission is specifically instructed to make certain studies, one of which pertains to farm employment.

What do you have in mind now from the standpoint of farm employment, Dr. Berg? Just give us some idea as to what a comprehensive study and appraisal would consist of insofar as this one particular item is concerned?

Dr. BERG. I think, Mr. Congressman, one of the really remarkable things that has taken place in American agriculture in the last 20 years has been the change in the resources used in agriculture. Someone has referred to these resources as the "input mix." If we look at American agriculture, say, 20 years ago, and we look at the resources that went into agriculture at that time, we would find about 15 percent of the inputs were for the services of the land; about 55 to 60 percent was for labor; and about 25 to 30 percent was for capital.

We look at this industry only 20 years later, and we find that input mix has changed tremendously. Land roughly is the same: 15 percent of the inputs are represented by the services of the land. But capital now comprises about 55 to 60 percent of the inputs, and labor only 20 to 25 percent. In other words, in 20 short years we have reduced the labor within agriculture by over one-half and we have increased the capital inputs by about 110 percent.

Mr. NATCHER. Now, Dr. Berg, right at that point; is that good?

Dr. BERG. Well, it depends upon the goals that we have set out for ourselves. Certainly, there is no agriculture in the world that is comparable to ours in terms of productivity and abundance. Moreover, I don't think you can malign an industry that permits its people to obtain its food for only about 18 or 20 percent of its take-home pay. I don't think you can malign an industry that gives its people as wide a selection and variety of food as ours does.

There may be countries that are ahead of us in moon-probing and satellite technology, but there is no country that is ahead of us in agricultural production. What we are experiencing in this country is part and parcel of the phenomenon of economic growth. As our economy grows, we do release manpower from the agricultural sector. This released manpower then becomes available to produce the many other goods and services that you and I desire in the mid-1960's. I don't think people make the move from agriculture unless they can better themselves—better themselves financially and in terms of the educational and cultural opportunities that become available to them.

One now comes to a philosophical question, and I frankly can't

answer it. True, there are stresses and strains in this process of economic growth. It isn't all one smooth transition. It is not painless. There are pains associated with it.

One does find slum conditions building up in certain cities. It is true that you have isolated pockets in rural areas where people haven't moved but preferred to stay. Maybe the value judgments of these people are such that they are more content to stay there at a lower level of living than they would be if they were to move into the urban setting. What we have experienced is the result, at least in part, of the national policy that we have followed in recent decades.

Mr. NATCHER. Thank you very much.

#### PROFESSIONAL STAFFING

Mr. WHITTEN. Dr. Berg, I neglected to ask you earlier the size of staff you contemplate and the total amount of salaries, et cetera, that you will have.

Dr. BERG. We will have a professional staff of 12 people. There will be a clerical staff of about 10. In addition to that, we will call upon consultants as they are needed.

Mr. WHITTEN. The Economic Research Service has been working in this field for many, many years. They have a tremendous amount of information.

I wonder what use you are going to make of that agency and of their resources?

Dr. BERG. Mr. Chairman, we are relying very heavily on the information that is in the Economic Research Service. In addition, the Economic Research Service has been kind enough to loan us personnel to help us in various phases of the Commission's work.

#### TRANSFER OF FUNDS FROM AGRICULTURE DEPARTMENT AGENCIES

Mr. WHITTEN. What are their names and what is the total amount? How are you being financed and how much will you spend this year and whose appropriation is it coming out of?

Dr. BERG. At the present time we have with us Dr. Olson. We have Dr. Chryst and Mr. Kulp. As far as I understand, this is on a reimbursable basis.

Dr. KOFFSKY. That is right, Mr. Chairman.

Mr. WHITTEN. Reimbursable from what?

Dr. KOFFSKY. There has been a transfer of some \$200,000 from Department funds to the Commission for the current fiscal year.

Mr. WHITTEN. When was that transfer made, at whose request, and what is your authority to transfer money from the Department to an independent agency which is not a part of the Department?

Mr. GRANT. Mr. Chairman, the transfer was made at the request of the Director of the Bureau of the Budget under authority of the Executive order. This is based on the act of May 3, 1945, regarding availability of appropriations for expenses of committees, boards, and interagency groups.

Mr. WHITTEN. Can we have a copy of that act incorporated at this point in the record? And a copy of the opinion by the Comptroller General. Did he rule on that or was that a ruling of the General Accounting Office?

Mr. GRANT. No, sir; we dont have a ruling on this particular Executive order. But we do have precedent, General Accounting Office opinions on other cases of this nature. I can put one of those in the record.

Mr. WHITTEN. Mr. Grant, was any effort made to advise the Congress of this transfer of funds? Congress is not trying to prevent the President from taking action in line with the authority of the Executive Department. He has his emergency fund. The Bureau of the Budget is his right arm. He has available to him the supplemental budget route. But this is my first knowledge of this, as chairman of this subcommittee.

We had Dr. Koffsky and his group here to justify funds for the Economic Research Service. Relying on that justification, and relying on the fact that the fund would be used by the personnel of the Department, the Congress acted. Now we find months later that instead of the funds being used as justified, some part has been transferred to an independent agency, where to me at least it is questionable whether, with all due deference to the very fine people on there, they could come up with anything new or original or anything that is not covered by three or four existing committees, departments, or agencies.

That is not said with any desire to reflect on the very fine membership of this Commission. We have had this several times in these hearings.

Now, where no attention at all is paid to what the money is appropriated for, if you could do this with \$200,000, you could do it for \$1 million. If Dr. Koffsky is not going to get to use the money, we might just as well cut his agency down now.

Mr. GRANT. Mr. Chairman, I want to make one point clear. As I understand it from what has been said here, the Economic Research Service people to which Dr. Berg referred would be paid from the funds that have been transferred to the Commission.

Now, the funds that were transferred to the Commission were not from the Economic Research Service.

Mr. WHITTEN. I see that you have the Agricultural Stabilization and Conservation Service, \$75,000; Foreign Agricultural Service, \$30,000; Consumer and Marketing Service, \$22,000; Soil Conservation Service, \$12,000; Agricultural Research Service, \$12,000; Farmers Home Administration, \$12,000; General Administration, \$25,000.

It looks like we really have overappropriated for the Secretary at the administrative level if you are able to put up \$25,000 where these other agencies put up only \$12,000. Does that reflect the liberality of the Congress in making appropriations last year?

Mr. GRANT. No, sir. That payment was from an item included in the 1966 appropriation for "General administration" for the former National Agricultural Advisory Commission. It was a separate item. That Commission was abolished during the summer. This Commission, as I understand it, is to do somewhat similar-type work.

Mr. WHITTEN. Mr. Grant, I realize you are just the budget officer. Who in the Department would have authority to make this determination officially?

Mr. GRANT. The Secretary.

Mr. WHITTEN. Who, under the Secretary, has this responsibility?

Mr. GRANT. The Under Secretary, and I think he discussed it with the Secretary.

Mr. WHITTEN. How is that?

Mr. GRANT. The Under Secretary approved this distribution of funds, as I recall it.

Mr. WHITTEN. Mr. MORRIS?

Mr. MORRIS. Mr. Chairman, do we ever send any official suggestions or have written into any of our appropriation bills instructions to the Department that this committee be notified any time they transfer any funds like this?

Mr. WHITTEN. Speaking from recollection, for years the basic law permitted, within a broad title such as research, them to transfer not to exceed 7 percent from one area to another.

Mr. GRANT. That is right.

Mr. WHITTEN. For some years they had transferred money from one side of the country to the other without the knowledge of the committee. We took issue with the Department and wrote a flat prohibition in the bill. At the insistence of the Department we agreed to modify that, provided they would take up with the committee such transfers within the general area.

Then we evolved an arrangement, so that where funds weren't needed in the same area, and were needed for things as an outbreak, they would notify the committee and, if they didn't get an answer within a reasonable time, they would proceed to make the transfer. That is the understanding so far as I have any knowledge of it.

But this thing of taking money appropriated for one purpose and using it for something that is not even in being when the appropriation is provided, is just absolutely saying to the Congress that it doesn't make any difference what you do. We will just do what we please.

Mr. MORRIS. I agree with you on that, Mr. Chairman. However, the thought has occurred to me that we might, to some degree, be at fault. As long as we permit them to do this without making any strenuous objection it is kind of like going with a girl for a period of years and saying to her, "I really don't intend to have any serious relationship" yet you keep on going back. I wonder if maybe we should consider taking some action, too.

Mr. WHITTEN. We took the action once before. We have no desire, I am sure, to prevent a transfer that is proper, where funds are not needed for the purpose for which they were appropriated, all of it within the general area of the Department. But they just haven't kept faith with us.

Mr. MORRIS. Well, I agree with you there, too, Mr. Chairman. And I am not saying that this Commission isn't a necessary commission and won't make some great contribution. I don't know.

Mr. WHITTEN. Supplemental requests are considered by Congress to meet additional needs as they arise.

Mr. MORRIS. I am sure the chairman would have given some priority to a request for supplemental appropriations and try to get action.

Mr. WHITTEN. Certainly. Could we have copies of these orders directing that funds be transferred?

(Information relating to financing the National Advisory Commission on Food and Fiber in fiscal year 1966 follows:)

1. *Executive Order 11256*.—The National Advisory Commission on Food and Fiber was established by Executive Order 11256, dated November 4, 1965. This order reads in part as follows:

"Sec. 5. Federal departments and agencies. (a) The Committee or the Commission is authorized to request from any Federal department, agency, or independent instrumentality of the Government any information deemed necessary to carry out its functions under this order; and each department, agency, and instrumentality is authorized, to the extent permitted by law and within the limits of available funds, to furnish such information to the Committee or the Commission.

"(b) Each department the head of which is named in section 1(b) of this order [i.e., the Departments of Agriculture, State, Commerce, and Labor] shall, as may be necessary, furnish assistance to the Committee or the Commission in accordance with the provisions of section 214 of the act of May 3, 1945 (59 Stat. 134; 31 U.S.C. 691), or as otherwise permitted by law."

2. *Act of May 3, 1945*.—Section 214 of the act of May 3, 1945, referred to in Executive Order 11256, reads as follows:

"Appropriations of the executive departments and independent establishments of the Government shall be available for the expenses of committees, boards, or other interagency groups engaged in authorized activities of common interest to such departments and establishments and composed in whole or in part of representatives thereof who receive no additional compensation by virtue of such membership: *Provided*, That employees of such departments and establishments rendering service for such committees, boards, or other groups, other than as representatives, shall receive no additional compensation by virtue of such service." (31 U.S.C. 691.)

In November 1946 the Comptroller General commented on section 214 as follows:

"Having regard for the provisions of section 214, above quoted, there now would appear to be no reason why agencies of the Government cannot, in a proper case, utilize appropriated funds under their control, through an interagency group, for the purpose of performing 'authorized activities of common interest' to such agencies." (26 C.G. 357.)

3. *Transfer of funds*.—Pursuant to Executive Order 11256, the Budget Bureau requested the Department to make \$200,000 available to the National Advisory Commission on Food and Fiber in 1966. This request was contained in the following letter from the Bureau's Director:

EXECUTIVE OFFICE OF THE PRESIDENT,  
BUREAU OF THE BUDGET,  
Washington, D.C., December 20, 1965.

Hon. ORVILLE L. FREEMAN,  
*Secretary of Agriculture, Washington, D.C.*

DEAR MR. SECRETARY: You will recall that Executive Order No. 11256 signed by the President on November 4, 1965, establishes a National Advisory Commission on Food and Fiber of 30 members, and a committee composed of the Secretaries of Agriculture, Commerce, State, and Labor. In order to activate the Commission, immediate steps must be taken to provide financing for the Commission in accordance with the provisions of that order.

Dr. Sherwood Berg, Chairman of the Commission, has informally submitted a budget estimate totaling \$845,000 for the 18-month life of the Commission. It is estimated that \$200,000 will be required during fiscal year 1966 and \$645,000 during fiscal year 1967.

After considering this matter, we believe that the most advisable method of financing the Commission would be to obtain the major contribution from the Department of Agriculture. The other Departments represented on the President's committee would each make contributions in kind. For fiscal year 1966, the Department of Agriculture would contribute the \$200,000 indicated above, and for fiscal year 1967, the Department would request an appropriation of \$645,000.

Dr. Berg indicates that he must begin making financial commitments almost immediately in order to prepare for the first meeting of the Advisory Commission early in January 1966. To permit this to be done, it is requested that you arrange to make available to the Commission the sum of \$200,000 at the very earliest possible time, and that you submit a 1967 budget request for \$645,000 as soon as possible. The 1966 funds should be transferred to the Treasury Accounting Station

No. 47-00-0002 for account 1163934 consolidated working fund, executive, National Advisory Commission on Food and Fiber.

Sincerely,

CHARLES L. SCHULTZE, *Director.*

Funds made available to the Commission in fiscal 1966 are as follows:

Agricultural Stabilization and Conservation Service.....	\$75,000
Foreign Agricultural Service.....	30,000
Consumer and Marketing Service.....	22,000
Soil Conservation Service.....	12,000
Agricultural Research Service.....	12,000
Farmers Home Administration.....	12,000
Forest Service.....	12,000
General Administration.....	25,000
Total.....	200,000

#### BREAKDOWN OF 1967 BUDGET

Mr. MORRIS. I would like, Mr. Chairman, for the detailed breakdown of the budget, for this Commission to be made part of the record. Now, we have heard the \$75,000 travel, and a few other items, and the number of employees. I might point out to the Chairman of the Commission that we have one professional staff employee on this subcommittee. You are getting 10 on your Commission, and 10 clerical employees. I don't know how many. That is a pretty good contrast there.

I am not saying that the Commission shouldn't have 10. I am just pointing out the difference there. Again, maybe that is not your fault on that side of the table. Maybe it is somebody else's. I don't know.

Dr. BERG. Sir, we will see that you have that information.

Mr. MORRIS. But I would like to have in the record a detailed breakdown of the budget as you see it. I am sure you are going to have some flexibility in your budget like every other budget, and I am not asking that that be put in the record with the idea of saying well, you spent \$76,000 for travel next year whereas you said you would spend \$75,000, or anything like that. I just want to know for the record how the money is going to be spent.

Thank you, Mr. Chairman.

(The above-mentioned information follows:)

#### Object classification

[In thousands of dollars]

	1965 actual	1966 estimate	1967 estimate
Personnel compensation:			
11.1 Permanent positions.....		95	280
11.3 Positions other than permanent.....		20	140
Total personnel compensation.....		115	420
12.0 Personnel benefits.....		7	25
21.0 Travel and transportation of persons.....		20	*110
23.0 Rent, communications, and utilities.....		5	10
24.0 Printing and reproduction.....		10	30
25.1 Other services.....		15	20
25.2 Services of other agencies.....		10	20
26.0 Supplies and materials.....		3	5
31.0 Equipment.....		15	5
99.0 Total obligations.....		200	645

\*Includes \$75,000 for travel by Commission members.

## Personnel summary

	1965 actual	1966 estimate	1967 estimate
Total number of permanent positions.....		22	22
Full time equivalent of other positions.....		1	10
Average number of all employees.....		8	28
Average equivalent GS grade.....		13.0	13.0
Average equivalent GS salary.....		\$15,000	\$15,000

## ADVANCES AND REIMBURSEMENTS

	1965 actual		1966 estimate		1967 estimate	
	Number	Total salary	Number	Total salary	Number	Total salary
Grades and ranges:						
GS-18. \$25,382: Executive director.....			1	\$25,382	1	\$25,382
GS-17. \$22,217 to \$25,325: Associate director.....			1	22,217	1	22,994
GS-16. \$19,619 to \$25,043:						
Chief, commercial agricultural division.....			1	19,619	1	20,297
Chief, human and natural resources division.....			1	19,619	1	20,297
Chief, foreign trade and international development division.....			1	19,619	1	20,297
GS-15. \$17,055 to \$22,365: Deputy division chief.....			3	51,165	3	52,935
GS-14. \$14,680 to \$19,252: General counsel.....			1	14,680	1	15,188
GS-13. \$12,510 to \$16,425.....			1	12,510	1	12,945
GS-12. \$10,619 to \$13,931.....			1	10,619	1	10,987
GS-11. \$8,961 to \$11,715.....			1	8,961	1	9,297
GS-9. \$7,479 to \$9,765.....			3	22,437	3	23,199
GS-8. \$6,869 to \$8,921.....			1	6,869	1	7,097
GS-7. \$6,269 to \$8,132.....			3	18,807	3	19,428
GS-5. \$5,181 to \$6,720.....			1	5,181	1	5,352
GS-4. \$4,641 to \$6,045.....			1	4,641	1	4,797
GS-2. \$3,814 to \$4,975.....			1	3,814	1	3,943
Total permanent.....			22	266,140	22	274,405
Pay above the stated annual rate.....						1,100
Lapses.....			-14.1	-171,140		4,495
Net permanent (average number, net salary).....			7.9	95,000	22	280,000
Positions other than permanent: Intermittent employment.....				20,000		140,000
Total personnel compensation.....				115,000		420,000

Mr. WHITTEN. Mr. Langen?

## PROCEDURE FOR COMMISSION REPORTING

Mr. LANGEN. Surely I find some pleasure in welcoming to the committee a fellow Minnesotan and one from the district. I should say in behalf of the report and the response that you have given to the committee, that obviously you have pointed out some rather pertinent and significant items that do need study as we look to the future and attempt to find some solutions to the problems that confront agriculture as they are today.

However, I find some little question in the mechanics of so doing, and just how it is going to work out. Before pointing those out I should express my agreement with the questions that have been raised by the chairman and other members of the committee relative to the manner in which the Commission has been financed up to this point, and the possibility of fulfilling the objective as assigned to the committee and the Commission.

Now, may I raise the question about the mechanics of the report and the efforts that you hope to accomplish. I read in your statement on page 2, "To develop such recommendations for action by Government or by private enterprise as it," and then I note the committee in parentheses, where Commission has been struck out, "deems most appropriate to advance the general public interest."

In the next paragraph:

In meeting its obligations to assist the Cabinet level Committee, the Commission is instructed to conduct its own independent analysis, evaluation, and recommendations with respect to all matters assigned to the Committee, and to transmit its report in these matters to the Committee.

Now, the Committee is the four Secretaries.

Dr. BERG. Right.

Mr. LANGEN. So it becomes apparent that the entire scope of your activity is entirely under the jurisdiction of the committee. They are the ones that are going to make the assignment to you of the exact range of all of your exploration and all of the report that comes back again. Even to the point of where they say all matters assigned to the Commission and the Commission in turn transmits its report on these matters back to the Committee again.

Now, in view of the fact that a major part of the problems that you are going to explore are the direct responsibility of the Cabinet members who are a part of the Committee, I don't see how you are possibly going to reach into the problems that the public may be concerned with, because the entire nature of the report and the subject material and all is in complete control of the Committee itself.

Now, if it is this kind of investigation that is necessary, and I am not saying that it isn't necessary, I would rather emphasize that it is, then each of these respective departments which constitute the Committee could well have accomplished everything assigned to this Committee within their own jurisdiction.

I am wondering just what value there can come out of a Commission and all of the money expended relative thereto where the complete control is obviously in the hands of those that are now responsible for those areas of government.

Dr. BERG. Congressman Langen, the Executive order provides for reporting to the Committee in the fashion you suggest. It is also true that the Executive order lays out clearly a charge to the Commission. In the section 4 of the Executive order it says that we shall transmit to the Committee independent analysis, evaluations and recommendations, as you have stated. In carrying out these duties, the Commission is instructed—

Mr. LANGEN. Just one minute. Read all of that paragraph. Independent analysis, evaluation, and recommendations, with respect to all matters assigned to the Committee, which is the four Secretaries.

Dr. BERG. Right.

Mr. LANGEN. Which leaves your Commission completely out of the scene, and the only jurisdiction that is there rests directly with the Committee. So don't leave out a part of the paragraph. That is misleading to this Committee.

Dr. BERG. All respects relative to the study and recommendation. Then part B of that same section says that, "In carrying out its duties under subsection A above, the Commission shall make a comprehen-

sive study and appraisal of current economic situations and trends in American farming, including various factors ranging from productivity to foreign trade; evaluate existing and alternative agricultural policies and foreign trade policies, related thereto, in terms of the national interest, welfare of the farmers, workers, consumers, and the general public; their effect on the performance of the economy and"—and then three, "to develop such recommendations for action by Government or public enterprises as it deems appropriate to advance the general public interest."

Then it indicates the final submission of the report should be within 18 months after the date of its first meeting. I would concur with you that the Committee could take an attitude such as you suggest. Under the Executive order, the Committee is to transmit the report of the Commission so that it would be a public document available to the Congress and to the public. The findings and recommendations of the Commission are, of course, binding on no one. These are the results of exploratory work by a group of public-spirited citizens.

Now, the degree to which recommendations are implemented by the Congress, by the executive agencies, or in this case, recommendations to the general public, is really dependent upon the intrinsic value or the inherent feasibility of these recommendations. So it would seem to me that these are not going to be binding on any one.

Mr. LANGEN. But I think they are very binding on you and I am raising these points attempting to give you as Chairman of the Commission a little more leeway.

Dr. BERG. We appreciate that.

Mr. LANGEN. Let me cite to you an example of what I mean. One of the items which at the moment I would feel sure would be raised at some of your hearings, for instance, are the commodity credit sales and their effect on the market. Now the commodity credit sales are entirely under the jurisdiction of the Commodity Credit Corporation and the Secretary of Agriculture, and who is a part of the Committee that gives you the assignment. Last week the Wall Street Journal referred to the volume of such sales. I happen to have a copy of the article here, which refers to the effect of those sales on the market, indicating it has gone down substantially. You are going to find it awfully difficult to come up with an objective analysis of this matter and get the Committee to approve it for you. What they will be doing is examining themselves, because the committee has complete jurisdiction over the findings.

That self-examination, certainly they can make without any problem. In fact, they have had plenty of questions on it before this subcommittee already, without any answers that have supplied any great revelation. As a matter of fact, just within the last couple of days.

Now in looking at the regulation authority, that the Department now has over the futures markets by the commodity exchange authority where they are attempting to register some control over the activities of the various participants in the futures market so that no violations occur. Now the Commodity Credit Corporation is the biggest violator in the manipulating of the market by their sales, which have brought the prices down. How is the committee going to explore this matter in the best interest of agriculture?

This is but one example. Now look through the entire budget and remember the broad scope of your investigation, as you have noted many times. There is a lack of funds for research for instance, a lack of moneys to land-grant colleges for the training of specialists in the agricultural field. As we relate these facts to the world food problem which is the big item of study for your Commission. I note there has been conveyed to the Agriculture Committee not only once but several times during the last week or 10 days, as they have been holding hearings on this subject, that there is a great expanded need for this kind of know-how. Now we find a slackening off of Federal participation in the funds that accomplish that objective.

Here again you are going to find yourself in the position of criticizing the Committee, and criticizing the authority and the actions that they themselves have established in this budget.

This is why I wonder about the mechanics of accomplishing a constructive objective. These are only a couple of examples that I have cited; there are many more. I can see where the Commission is far too limited in being able to come up with a constructive analysis of these problems. This is what concerns me, because the objectives, that I think both you and I have in mind, are most desirable, and it is most important that we achieve them.

I am just wondering how in the world you, as a Commission, are going to be able to achieve them under the restrictions of having everything assigned to you by the Committee and reporting back to that same Committee. Congress could probably help you out on some of this, but you don't report to the Congress, just back to the same committee. They in turn will put their own analysis on it and then convey to Congress only what they want to.

These, I think, are pertinent procedural considerations.

Dr. BERG. Mr. Congressman, I can say that to this point in time there has been no deterrent placed in our path in terms of restricting us in the charter that we have laid out for ourselves.

Furthermore, I think that the Commission is courageous and that they are going to speak their mind.

Now, the degree to which the Secretaries are going to take the recommendations of the Commission and adopt them as a part of either operating procedure or administrative policy, I can't predict.

Mr. LANGEN. I realize and am well aware of that. But for that same reason I think it is well that we point them out here. I wonder if they have suggested to you that you ought to take a look into the matter of the commodity credit sales and the extent to which they may have had an adverse effect on the market, with a direct bearing on farm income as it exists today.

Dr. BERG. This matter has, I know, been discussed by the appropriate subcommittees in the Commission.

Mr. LANGEN. I just want to make real sure that those items are subject to full consideration and recommendation. Surely these are matters which are of great significance to American agriculture and of great interest to the Congress, but there is nothing in here that says any of this material will ever reach the Congress, or the American farmer except as determined by the Committee again, who have the full and complete authority.

That is all, Mr. Chairman.

Mr. WHITTEN. Mr. Michel?

Mr. MICHEL. Doctor, I think the points that all of the members of this subcommittee have made here are very apropos. Following up Mr. Langen's line of questioning and knowing that the individual members of your Commission are men and women of strong minds and individual thought and views, would we expect that in the final report of this Commission that the Commission would speak with any voice of unanimity, a consensus or would there be annotations to the effect that the majority of the Commission felt this way, but there were strong dissenting views that raised these questions? What do you foresee as the ultimate handiwork of your Commission in this respect?

Mr. BERG. We hope to operate in such a manner that the Commission will arrive at a consensus in the various areas of policy recommendations. This is not to say, however, that certain members or certain individuals may feel so strong on a particular aspect of agricultural or foreign trade policy that he might not file a disclaimer in the form of a minority report.

Mr. MICHEL. Would it be permissible that some additional views or observations might accompany your report?

Mr. BERG. Correct.

Mr. MICHEL. I think the chairman made a very good point when he had inserted in the record a number of the other commissions that are in being, the reports that have been submitted, the testimony that we have heard, and the other side has heard. But I am also not so naive as to think that all of the knowledgeable people in the country have had occasion and have been moved to testify before our committee or other appropriate committees of the Congress.

We know that many times there are certain pressures that are brought to bear that really bring people to come to testify. Do you, off the top of your head, know of any facet of American life, particularly in the agricultural and marketing community that hasn't had an opportunity for a forum before appropriate committees that might very well be sought out for views before your commission when you are traveling about?

Dr. BERG. The type of thing that is likely to be of that nature in hearings held throughout the country are questions relating to the impact of recent or new administrative decisions to implement laws, or laws that have just been formulated.

The question immediately arises, how does this affect my farm operation. For example, when the Food and Agriculture Act of 1965 was passed and the new programs were announced, there were many questions asked. As I recall, at the time the Food Marketing Commission met in the Twin Cities, and while their attention was directed to a specific area, I know they entertained some questions that had arisen because of changes in law.

It is the nature of this type of an inquiry that such matters will come before a commission of this sort.

Mr. MICHEL. Will any of the work of the Commission be contracted out in any form?

Dr. BERG. We may ask for certain position papers covering certain aspects of agricultural policy development from individuals. For example, we may approach some people at the Iowa State University in the Agricultural Economic Research Adjustment Center there, and either hire them for a short period of time or contract with them to give us the information we want. We would put this in the category of consultants who we might bring to the Commission.

Mr. MICHEL. In other words, if you do any of this contracting work it would be found in your justifications or in whatever budget under which you are operating, under consultants, I suspect.

Dr. BERG. Correct.

#### FARM EMPLOYMENT

Mr. MICHEL. As I recall you made mention, in your colloquy with Mr. Natcher, of the fact that the labor factor in farm operations now has been reduced by roughly a half over the past 20 years or so, while at the same time capital investment is up. Is it up 110 percent?

Dr. BERG. Over 100 percent.

Mr. MICHEL. To make that picture complete, could you cut up that pie of whatever 100 percent is now and what it was 20 years ago?

Dr. BERG. I am sorry, I can't right at the moment.

Mr. MICHEL. Could you for the record?

Dr. BERG. I certainly can, for the record.

Dr. KOFFSKY. I think part of that is in the record in the statement that I gave before this committee on February 7.

Mr. MICHEL. Right. Well, could we have a part of it repeated?

Dr. BERG. The part that goes for farm machinery, insecticides, pesticides, et cetera, we would go into that.

Mr. MICHEL. Isn't the purpose of this committee to bring us up to date so that we have got hard and fast figures as against any time in the past?

Dr. BERG. That is correct.

(The information follows:)

During the two decades since World War II, total farm inputs have increased only slightly—from 99 to 104 (based on 1957-59 average). The amount of farm labor used decreased sharply during this period, while real estate increased moderately, from an index of 88 to 100. The other classes of farm inputs increased sharply. Fertilizer and liming materials increased most rapidly, rising from 45 to 166.

*Index numbers of total farm inputs, and inputs in major subgroups,  
United States, 1945-65*

[1957-59=100]

Year	Total inputs	Farm labor	Farm real estate	Mechanical power and machinery	Fertilizer and liming materials	Feed, seed, and livestock purchases <sup>1</sup>	Miscellaneous
1945.....	99	174	88	54	45	72	76
1946.....	99	167	91	58	53	69	77
1947.....	99	159	92	64	56	73	78
1948.....	100	156	95	72	57	72	74
1949.....	101	150	95	80	61	69	82
1950.....	101	140	97	86	68	72	85
1951.....	104	141	98	92	73	80	88
1952.....	103	134	99	96	80	81	88
1953.....	103	128	99	97	83	80	91
1954.....	102	123	100	98	88	82	91
1955.....	102	119	100	99	90	86	94
1956.....	101	112	99	99	91	91	98
1957.....	99	103	100	100	94	93	95
1958.....	99	99	100	99	97	101	100
1959.....	102	98	100	101	109	106	105
1960.....	101	92	100	100	110	109	106
1961.....	101	89	100	97	116	123	109
1962.....	101	85	101	97	124	121	113
1963.....	102	83	101	99	141	124	115
1964 <sup>2</sup> .....	103	79	102	101	155	123	120
1965 <sup>2</sup> .....	104	78	100	101	166	124	124

<sup>1</sup> Nonfarm portion of feed, seed, and livestock purchases.

<sup>2</sup> Preliminary.

Mr. MICHEL. That is all, Mr. Chairman.

Mr. WHITTEN. Dr. Berg, we wish to thank you for your appearance—you and your associates. I want to say again that this matter that we have explored here has to do with our overall problems, and in no way reflects on you and your associates. Without exception I know they are outstanding Americans and are recognized as outstanding in the area in which they have worked.

Mr. MICHEL. Doctor, I think we made some point in last year's hearing about the fact that these Commissions have a way of starting and going, and going, and some considerable thought was given to our making absolutely sure the Commission was going to be finished at a certain date.

Mr. BERG. Sir, the Executive order reads that the life of this Commission shall be 18 months after the date of the first meeting. This will bring us to July 1, 1967.

I have scheduled no meetings of the full Commission after March 1967. I want the work of the Commission completed on time. This is one prerogative the Chairman is going to have.

Mr. MICHEL. Fine.

Dr. BERG. I thank you very much for the opportunity to appear here.

Mr. WHITTEN. Yes. Thank you very much.

MONDAY, MARCH 7, 1966.

## OFFICE OF MANAGEMENT SERVICES

## WITNESSES

JOSEPH M. ROBERTSON, ASSISTANT SECRETARY FOR ADMINISTRATION

JOHN C. COOPER, JR., DIRECTOR, OFFICE OF MANAGEMENT SERVICES

JOHN J. KAMINSKI, CHIEF, DIVISION OF BUDGET AND FINANCE, OFFICE OF MANAGEMENT SERVICES

CHARLES L. GRANT, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

## SALARIES AND EXPENSES

*Object classification*

[In thousands of dollars]

	1965 actual	1966 estimate	1967 estimate
Personnel compensation:			
11.1 Permanent positions.....	2,436	2,512	2,668
11.3 Positions other than permanent.....	6	7	7
11.5 Other personnel compensation.....	24	25	25
Total personnel compensation.....	2,466	2,544	2,700
12.0 Personnel benefits.....	184	191	202
21.0 Travel and transportation of persons.....	29	33	35
22.0 Transportation of things.....	1	1	1
23.0 Rent, communications, and utilities.....	80	90	90
24.0 Printing and reproduction.....	67	70	70
25.1 Other services.....	12	12	12
25.2 Services of other agencies.....	46	55	55
26.0 Supplies and materials.....	60	65	65
31.0 Equipment.....	31	23	26
99.0 Total obligations.....	2,976	3,084	3,256

*Personnel summary*

	1965 actual	1966 estimate	1967 estimate
Total number of permanent positions.....	374	375	397
Full-time equivalent of other positions.....	1	1	1
Average number of all employees.....	339	341	359
Average GS grade.....	6.8	6.9	6.9
Average GS salary.....	\$7,091	\$7,476	\$7,547

Mr. WHITTEN. We come, now, to the Office of Management Services. We have with us Mr. Robertson, Assistant Secretary of Administration; Mr. Cooper; Mr. Kaminski; as well as the representative of the Budget Office, Mr. Grant.

## JUSTIFICATION MATERIAL

I would be glad to have inserted in the record pages 75 to 84 of the justification, volume 3.

(The material referred to follows:)

## PURPOSE STATEMENT

The Office of Management Services provides consolidated management support services to certain agencies and offices of the Department. It was established by Secretary's Memorandum No. 1529, dated January 29, 1963, to provide greater economy and effectiveness in the rendering of management services through: improved utilization of manpower and management techniques; increased specialization of professional skills; and more extensive use of timesaving equipment.

The consolidated management support functions include budget and finance, personnel and related programs, administrative services, and information work. The organization structure of OMS is based upon these functions with operating divisions providing the services for the following agencies and offices: Office of the Secretary, Office of Budget and Finance, Office of Hearing Examiners, Office of Management Appraisal and Systems Development, Office of Personnel, Office of Plant and Operations, Rural Community Development Service, Office of Information, National Agricultural Library, Office of the General Counsel, Office of the Inspector General, Farmer Cooperative Service, Commodity Exchange Authority, Cooperative State Research Service, Economic Research Service, and Statistical Reporting Service.

*Available funds and man-years, 1965 and estimated, 1966 and 1967*

Item	Actual, 1965		Estimated available, 1966		Budget estimate, 1967	
	Amount	Man-years	Amount	Man-years	Amount	Man-years
Office of Management Services: Salaries and expenses-----	\$2,483,014	281	\$2,542,000	283	\$2,687,000	297
Obligations under other USDA appropriations: Management support services related to—						
Departmentwide supply, duplicating, data processing, and other services carried out under the working capital fund by agencies serviced by OMS-----	216,500	28	220,000	28	220,000	28
Special economic studies performed by the Economic Research Service for other agencies on a reimbursable basis-----	32,350	4	39,000	5	28,000	4
Special crop and livestock studies and data processing services performed by the Statistical Reporting Service for other agencies on a reimbursable basis-----	113,293	15	91,000	13	120,000	16
Reimbursements for supplies and duplicating services-----	62,341		65,000		65,000	
Miscellaneous reimbursable services-----	17,600	3	43,000	4	49,000	5
Total, other USDA appropriations ..	442,084	50	458,000	50	482,000	53
Total, agricultural appropriation bill .....	2,925,098	331	3,000,000	333	3,169,000	350
Other funds: Miscellaneous reimbursable services for agencies other than those in USDA-----	75,038	8	84,000	8	87,000	9
Total, Office of Management Services-----	3,000,136	339	3,084,000	341	3,256,000	359

*Salaries and expenses*

Appropriation act, 1966-----	\$2,483,000
Proposed supplemental, 1966, for increased pay costs-----	59,000
Base for 1967-----	2,542,000
Budget estimate, 1967-----	2,687,000
Increase (for management support of increased agency programs and for additional pay costs pursuant to Public Law 89-301)-----	+145,000

## Project statement

Project	1965	1966 estimate	Increase or decrease		1967 estimate
			Increased pay costs (Public Law 89-301)	Other	
Management support activities..	\$2,459,211	\$2,542,000	+\$20,000	+\$125,000 (1)	\$2,687,000
Unobligated balance.....	23,803				
Total increased pay costs (Public Law 89-301).....		(59,000)	(+20,000)	(+3,000)	(82,000)
Total available or estimate..	2,483,014	2,542,000	+20,000 (2)	+125,000	2,687,000

(1) An increase of \$125,000 for management services incident to expanding agencies' programs.

*Need for increase*

The 1967 budget estimates of the agencies serviced by the Office of Management Services involve a net increase of 424 man-years. These increased activities to be served are primarily in the Rural Community Development Service, Economic Research Service, Statistical Reporting Service, the Office of the Inspector General, and the National Agricultural Library. Based upon the established need for 9.3 man-days per man-year served, an increase of 18 man-years and \$160,000 will be needed to service the increased agencies' programs. However, in an effort to absorb added costs through improved productivity, the Office of Management Services is establishing as its goal a 1.3-percent gain in employee productivity and is reflecting a reduction of 4 man-years and \$35,000 in the estimated requirements for fiscal year 1967.

The following table reflects the basis for the Office of Management Services, estimated requirements for fiscal year 1967:

*Basis for computation*

	Man-years	Cost
Net increase in agency (man-years).....	424	
Man-days required by OMS to service a man-year.....	×9.3	
Total man-days required.....	3,943	
Productive days per man-year.....	+225	
Man-years required by OMS for services.....	18	\$160,000
Less allowance for increased efficiency goal.....	-4	-35,000
Net increase requested.....	14	125,000

The requirement of 9.3 Office of Management Services man-days per agency man-year is based on a rigorous work measurement system used throughout the Office. The 9.3 man-days represent only the time of those employees involved in performing support functions directly affected by the number of agency personnel served. It excludes the offices of top staff as well as activities not directly affected by increases in man-years served, such as information activities.

As a direct result of improved efficiency and productivity in fiscal year 1965, the Office of Management Services has reduced the overall total number of man-days required to serve an agency man-year from 9.5 to 9.3, despite increased requirements for serving new program activities.

The functional groupings of the direct service activities comparing the man-days required to serve an average agency man-year for fiscal years 1964 and 1965 are listed below.

Functional activities	Average man-days required to serve agency man-year	
	1964	1965
Budget and management analysis.....	1.25	1.28
Fiscal, accounting, and reporting.....	2.11	2.45
Procurement, property, and records management.....	1.95	1.65
Employment and employee services.....	1.19	1.09
Classification management and training.....	.77	.63
Miscellaneous administrative services.....	2.23	2.16
Total OMS man-days/agency man-year served.....	9.50	9.26
Rounded.....	9.5	9.3

(2) An increase of \$20,000 to provide for the full-year costs in fiscal year 1967 of the increase pursuant to Public Law 89-301.—(An overall explanation of increases for pay act costs is included in the preface to the explanatory notes in vol. 1.)

#### STATUS OF PROGRAM

The Office of Management Services was established by Secretary's Memorandum No. 1529, dated January 29, 1963, to provide consolidated management support services to 17 selected agencies and offices of the Department.

Support functions of OMS comprise administrative services, budget and finance, information work, personnel and related programs, and general management assistance. To the maximum extent possible, the costs of management support for the agency programs are financed by direct appropriations to OMS.

There are programs of work performed by the OMS supported agencies on either a reimbursable or advance basis. To the extent that an OMS-served program agency performs work for any other Government agency or private organization, and receives funds from those sources, the necessary management support costs are similarly financed from those same sources, by reimbursement from the OMS-served agency. Reimbursement for these services, documented in agreements with the affected agencies, are requested and performed on the basis of actual cost recovery.

Agencies and offices served present a widely varied pattern of programs, professional skills, organization, and geographical location. Programs cover a broad range of activities. These include physical and biological science research, economic research, gathering and reporting of statistics, investigation and evaluation, auditing, library maintenance, commodity futures markets surveillance, assistance to farmers' cooperatives and to general departmental management. Professional skills include: physical and biological scientists, statisticians, lawyers, economists, hearing examiners, accountants, demographers, pathologists, home economists, sociologists, veterinarians, mathematicians, and management analysts. Organizational and geographical diversity is indicated by services provided to the Departmental policy staff offices in Washington, and to various field staffs at 170 separate locations.

Office of Management Services plays a positive role in management support of the agencies served. It designs and operates appropriate systems for financial, personnel, property and paper work management. It establishes and carries out balanced information programs for several of the agencies. It provides professional management advice to agency personnel. It relieves agency personnel of as much of the operational details of management services as possible, recognizing that the final management responsibility rests with the key program officials in the agencies served.

Office of Management Services is headed by a Director and staff, and is organized into 4 Divisions for service to 17 agencies:

- (1) The Division of Administrative Services is responsible for providing such services as purchasing, contracting, property and space management, records systems, mail, messenger, duplicating, central files, administrative issuances, and related support work.

(2) The Division of Budget and Finance is responsible for providing the budgetary and financial management services. These include preparation of budgets, financial analysis, program reviews, work measurement, establishment and maintenance of fiscal records, billing and collecting, certification of payments, and related systems work.

(3) The Division of Information serves the Cooperative State Research Service, Economic Research Service, Statistical Reporting Service, and Farmer Cooperative Service. It advises the agencies on information policy, develops materials for release to the press, radio, and television media, provides ideas and designs for exhibits and motion pictures. It edits research manuscripts, stocks and distributes publications of the agencies, and arranges for printing publications and other materials for all agencies served.

(4) The Division of Personnel is responsible for the full range of personnel management support. These include staff work and operating systems for employee recruitment, placement, promotion, training incentives and safety; performing organizational surveys and analyses; administering classification systems; and carrying out employee relations and services.

#### *Selected examples of recent programs*

##### *Management of Office of Management Services*

1. *Work measurement cost reduction and cost avoidance.*—Based on operation of the work measurement system since fiscal 1963, a base period has been established against which work performance and capability is measured. This comparison of actual performance in relation to both the base period and the current year's projection of the work done is expressed and reported in a production index. For fiscal 1965, the overall index was 106.2. This means that the production expectancy was exceeded by more than 6 percent. Through this increase in productivity rates and by consolidation of services, Office of Management Services was able to provide increased management services to its client organizations at a cost which was \$132,000 less than fiscal 1964.

Reporting time allocations and work performed under the various units of the Office of Management Services work measurement system has been automated. The system provides for a daily port-a-punch card to be prepared by each employee. The cards are processed by automatic data processing procedures with weekly and monthly summary reports provided to operating officials. The new system provides more accurate and timely evaluation of manpower utilization, work performance, and analysis of costs.

In addition to the savings of \$132,000 representing 22 man-years set forth above, Office of Management Services absorbed in fiscal year 1965 \$70,000 for pay act costs resulting from Public Law 88-426. Office of Management Services also avoided management support costs in the amount of \$104,000, equivalent to 12 man-years, by rendering the support services necessitated by agency increases of \$10,132,000 for pesticide research; Appalachia regional development; upland cotton production costs; McIntire-Stennis forestry research; grants for scientific research; grants for research facilities; and increased funds for crop and livestock estimates. Office of Management Services aided its client agencies through obtaining salvageable and usable equipment instead of new, resulting in a savings to them of \$108,000.

2. *Consolidating of accounting systems.*—The consolidation of the individual agency obligation and accounting systems into a single Office Management Services operating system was completed in 1965. The system is being further amended to provide for accrual accounting prescribed by Public Law 863, 84th Congress. With the single accounting system completed, the Office of Management Services accounting systems manual, begun in 1964, is being revised to provide for accrual accounting and conversion to automation of certain source data. Procedures will be submitted to the Department and the General Accounting Office for consideration and approval.

3. *Source data automation.*—In fiscal 1965 Office of Management Services initiated a program providing for the automation of fiscal and account maintenance and reporting systems. Conversion is scheduled to be accomplished in three phases:

Phase I: Conversion of the accounting and distribution ledgers to computer operation.

Phase II: Conversion of the general accounts and subsidiary ledgers to computer operation.

Phase III: Conversion of the working capital fund and the remaining records to computer operation.

Savings are expected to accrue through the elimination of need for replacement of manual bookkeeping equipment, which avoids the planned annual replacement costs of approximately \$9,000. Upon the successful transition to the automated accounting system, approximately five positions can be used to improve services.

4. *Automatic data processing property accountability system.*—Conversion of the property accountability records to the composite system for control of capitalized personal property through the use of electronic data processing equipment is nearing completion. Physical inventories and preparation of records for key punching has been completed for many of the agencies serviced by the Office of Management Services. The system is expected to be in full operation by the end of the 1966 fiscal year.

5. *Directives system.*—The single uniform directives system, established in fiscal year 1964 is now moving ahead rapidly. The system consists of a five-part manual grouped by subject matter which contains directives and procedures for all phases of the administrative management operations. It is maintained and expanded continually for use of all agencies and offices serviced by the Office of Management Services. This system replaces the individual agency management support directives previously existent and establishes a uniform basis for Office of Management Services operations and service.

6. *Automatic data processing operation of personnel and payroll data.*—Full automation of employment and payroll data has been completed. The procedure for orderly and timely processing and flow of documents between the Management Data Service Center in New Orleans and the Office of Management Services personnel office in Washington and the various field offices, enables maximum efficiency in the issuance of salary checks to employees. Emphasis is now being placed on assistance in the development of techniques for automation of skills inventory and performance evaluation of personnel under the Department's program for automation of these data.

7. *Publications storage and disposition.*—All stocks of publications are being consolidated into one location releasing prime office space to the Department. An effective distribution has been established in the 1965 fiscal year resulting in the disposal of about 112,000 copies of publications no longer in demand.

*Significant service to agencies serviced by the Office of Management Services*

1. *Automation of mailing lists.*—All mailing lists of the Department are to be converted to the automatic data processing system. In cooperation with the Department and the Office of Management Services serviced agencies, assistance has been given in the conversion of about 50 percent of the mailing list names to punch cards. These lists will continue to be maintained manually until the conversion is completed.

2. *Forms management.*—The demand for assistance in forms design has steadily increased. Special attention has been given to reduce oversize forms and typewritten tables. These improvements have eliminated the need for several long-carriage typewriters, saved time and promoted efficiency of operation in the agencies served. Forms analysts attended special training classes for the analysis and correlation of forms with electronic data processing methods.

3. *Records management and disposal.*—Through inspection, training, and education by on-the-site workshops for field personnel the paperwork and records management program was continued, and 40 files systems designed and installed. Continued emphasis has been placed on the retirement and disposal of records. During fiscal 1965, the agencies served by OMS disposed of 2,700 cubic feet of files, equal to 5 percent of their total holdings.

4. *Equipment utilization.*—The President's recent directive emphasizing reduced equipment expenditures was incorporated in the OMS procurement procedures. In accordance with this policy agencies were encouraged to satisfy furniture and equipment needs from Government surplus stocks. During fiscal 1965 OMS located and secured for its agencies \$108,000 of surplus equipment. These savings were returned to the agencies for program operations.

5. *Publications awards.*—

(a) The Agricultural Science Review: A quarterly journal published for the Cooperative State Research Service, to exchange information among the various scientific disciplines, won a first prize award in the 1965 Gov-

ernment-wide contest sponsored by the Federal Editors Association. In a field of 52 competing publications from 21 bureaus and agencies, this journal was declared winner in the technical periodical category.

(b) The Farm Index: A popular periodical published monthly for the Economic Research Service, which reports the results of broad economic research programs to the agricultural trade and farm groups, won an award in 1965 for excellence in its class. This publication previously won first prize in the 1964 contest also sponsored by the Federal Editors Association.

(c) Two publications, *General Report No. 120 Improving Management of Farm Cooperatives*, published for Farmer Cooperative Service, and *Graphic Summary of World Agriculture*, for Economic Research Service, were selected as USDA entries for the national contest of American Association of Agricultural Editors.

6. *Other publications produced.*—Sixteen popular publications were published or in preparation during the year. Production was started on the documentary, "Food for Thought," designed to promote marketing research. Eight educational reports on cooperatives were produced and monthly publication of the Agricultural Outlook Digest was started.

7. *Exhibits designed.*—One major exhibit and two smaller ones were designed for meetings of the American Institute of Cooperation. Six new exhibits were designed and four others were reworked for use in the USDA cooperative month observance exhibition.

8. *Writer training.*—Three 5-week courses in technical report writing were conducted for research personnel. Sixty staff members from three agencies participated and technical editors have noted an improvement in writing quality of manuscripts subsequently submitted by those who took the courses. A series of small-group seminars is being conducted for Economic Research Service authors who have unique writing problems or difficult writing assignments. This new plan is already showing much promise as an inservice training method.

9. *Movies produced.*—Three movies, "Safe Handling of Livestock" (10 minutes), "This Is Livestock Pooling," (5 minutes), and "Bulk Service an Easier Way," (4 minutes), were produced for Farmer Cooperative Service. Also produced was a sound slide series on opportunities for forestry and recreation cooperatives in the rural areas development program.

10. *Equal opportunity program.*—Office of Management Services participated fully in the Department's civil rights program. Twenty-three Negro colleges in nine States were visited by agency representatives in an effort to acquaint them with opportunities available in the Department.

11. *Research evaluation guide.*—Completed research management position evaluation guide for evaluating and classifying professional positions in the Cooperative State Research Service. The guide embodies the man-in-job concept as uniquely related to the agency's responsibilities for administration of grant funds for research.

12. *Safety program.*—The Government's safety program was promoted by use of pamphlets, "Safety Themes of the Month," and selected "Safety Signals." Two on-site safety inspections were completed and another started during fiscal 1965. Followup review of previously identified safety hazards were completed in five other offices. Agencies served by Office of Management Services will continue to be inspected at scheduled intervals.

13. *Incentive and honor awards.*—Assistance was provided to the agencies in operation of their incentive awards program. Over 400 service awards were completed. A number of incentive award themes of the month bulletins were designed and issued, to stimulate and maintain interest in the suggestion and performance awards programs. Updating and issuing pertinent operating procedures and criteria in the suggestion, performance, and quality step increase phases of the awards program has provided more efficient and expeditious handling of suggestion and performance award nominations.

14. *Management advisory assistance.*—Special advisory assistance has been rendered by key Office of Management Services personnel to program administrators in the Economic Research Service, Statistical Reporting Service, Commodity Exchange Authority, Office of the Inspector General, and the Cooperative State Research Service. These services included: participation in a comprehensive agency program evaluation; review of field office operations; membership in teams performing station reviews; assist agency in management-union negotiations.

Mr. WHITTEN. Do you have a general statement to present to us?

Mr. COOPER. Yes; I have a general statement. And I will be glad to submit it for the record and summarize it.

Mr. WHITTEN. Well, we won't mind listening to a short statement like this. You can present it as you like.

#### GENERAL STATEMENT OF DIRECTOR

Mr. COOPER. I am pleased to be here today, Mr. Chairman, to discuss the work of the Office of Management Services. Although I have appeared before this committee in past assignments, this is my first appearance as Director of this staff office.

The Office of Management Services is requesting an increase of \$145,000 for fiscal year 1967 consisting of: \$20,000 to provide for the full-year costs in fiscal year 1967 of the recent pay act, Public Law 89-301; and \$125,000 to finance the increased workload necessary to service the expanding program of agencies we service.

The Office of Management Services was created by the Secretary of Agriculture on January 29, 1963, to provide management support services on a consolidated and centralized basis for 17 agencies and offices of the Department. This Office has a significant role in the management of the agencies it supports, but final responsibility rests with the key officials in the program and staff agencies. Our Office provides the administrative or housekeeping support which is essential to the operation of these agencies. In doing this job, it is our responsibility to see that actions taken and records maintained in this management area are in compliance with appropriation acts, other statutes, and regulations issued by central executive and legislative agencies.

The agencies which we serve include a variety of departmental program activity and professional skills. Organizational patterns are varied, with programs being carried out in about 170 separate locations within the 50 States and Puerto Rico. This diversity presents a continuing challenge in rendering effective and efficient management support.

#### ECONOMIES IN SUPPORT OPERATIONS

It is significant, Mr. Chairman, that while the type of services provided are quite varied, economies in support operations have been effected since the establishment of this Office. This can be attributed to the use of proven tools of effective management, improved utilization of manpower and management techniques, increased specialization of professional skills and more extensive use of timesaving equipment. Since our Office was organized there has been an increase of approximately 650 man-years, or 17 percent, in our client agencies for programs under appropriated funds. There have been no increases authorized for OMS.

## MEANS OF DETERMINING RESOURCE REQUIREMENTS

We have studied various means of associating and translating our workload into dollar values for budgetary and management purposes. A detail system has been installed to accumulate workload volume and to determine staff requirements. This system includes every employee and activity in this Office. It enables us to identify the manpower and financial requirements needed to meet the changing programs of our client agencies.

From the work measurement system, we have determined the number of man-days required to serve an agency program man-year. The current rate is 9.3 man-days which is an improvement over a year ago, when we required 9.5 man-days.

Our budget request, Mr. Chairman, finances the work required to serve our client agencies. For the fiscal year 1967, the agencies served by the Office of Management Services are proposing a total increase of 424 man-years. Through the work measurement system, we have determined that 18 man-years are needed to carry out the increase in workload resulting from the increased program work in the agencies. However, we are projecting a savings of 4 man-years for increased productivity. Therefore, we are requesting an increase of 14 man-years to perform the additional work in 1967. To finance this additional workload, we are requesting an additional appropriation of \$125,000.

## PLANS TO INCREASE EFFICIENCY

In my view, Mr. Chairman, the Office of Management Services is accomplishing the purpose for which it was organized. We still have unsolved problems. We are exploring ways to economize in accomplishing repetitive clerical functions. We are endeavoring to increase our efficiency and to provide better and quicker service to our client agencies. We have received good cooperation and continue to look forward to the challenge.

This completes my statement, Mr. Chairman. I will be glad to answer any questions you may have.

Thank you.

## AGENCIES SERVED BY OFFICE OF MANAGEMENT SERVICES

Mr. WHITTEN. Mr. Cooper, this committee went along with the creation of this Office, as I recall it not too long ago. At that time it was my understanding that you were bringing together the administrative work for a number of smaller agencies.

We had no office performing this overall staff function in the Department and we realized that some of the agencies were comparatively small. As a result, they needed the service which you give on a centralized basis.

What are the 17 agencies which you serve?

## AGENCIES SERVED BY OMS

Mr. COOPER. The 17 agencies that we serve are: The Office of the Secretary; Office of Budget and Finance; Office of Hearing Examiners; Judicial Officer; Office of Information; Office of Management Appraisal and Systems Development; Office of Personnel; Office of Plant and Operations; Office of the General Counsel; Office of the Inspector General; Commodity Exchange Authority; Cooperative State Research Service; Rural Community Development Service; Economic Research Service; Farmer Cooperative Service; National Agricultural Library; Statistical Reporting Service, and our own Office of Management Services.

Mr. WHITTEN. The original basis for setting this up was to deal with the smaller agencies, rather than handling larger agencies like the Soil Conservation Service.

Mr. ROBERTSON. The thought there was that the Soil Conservation—

Mr. WHITTEN. I use that only by way of illustration.

## SOIL CONSERVATION SERVICE

Mr. ROBERTSON. It is an agency with about 15,000 to 16,000 employees. These larger agencies have their own personnel officers, budget; their own supply officer. The largest one of these agencies served by the OMS runs about 1,000 or 1,200, the Economic Research Service and the Statistical Reporting Service.

The thought was, sir, that if these were consolidated in one place, not to do the job but to the paperwork, that such an organization would be able to do it more economically than they were doing it in each one of these small units, having its own administrative organization.

Mr. WHITTEN. How did it prove out from a cost standpoint?

## EVALUATION OF SERVICES

Mr. ROBERTSON. The costs, Mr. Chairman, you have been on this committee a long time, are hard to come to. I think the record indicates that this has been successful from that standpoint.

Mr. Cooper has been in the Department of Agriculture for some time. He was honored by the Federal Government Accountants Association 5 or 6 years ago. I think he is a good accountant. The record indicates that it has been successful from that standpoint. Would you undertake to document that for the chairman?

Mr. COOPER. Yes. We have a statement we would be glad to insert in the file. It is my opinion it has saved or reduced costs by approximately \$400,000.

(The statement follows:)

*Estimated savings and absorptions—Fiscal years 1964-67*

Savings in appropriations:	
Establishment of OMS-----	\$106,200
For pay cost, 1965-----	70,000
GSA rental, 1965-----	19,000
Subtotal-----	195,200
Savings to agencies (reduced reimbursements), establishment of OMS-----	25,800
Total savings-----	221,000
Space made available to other agencies-----	16,000
Avoided costs, new programs, fiscal year 1965-----	<sup>1</sup> 104,000
Avoided costs, 1966-----	<sup>2</sup> 83,000
Budgeted reduction, 1967-----	<sup>3</sup> 35,000
Total absorbed costs-----	238,000
Total savings and avoided costs-----	459,000

<sup>1</sup> Additional agency programs served by OMS with existing staff.

<sup>2</sup> Agency program increases totaling 373 man-years served by OMS during 1966 without additional resources.

<sup>3</sup> Projected goal for increased efficiency estimated at 4 man-years during 1967.

## ORGANIZATION OF OFFICE

Mr. WHITTEN. I think you are entitled to put that in the record. I note, on page 79 of your justification, that you are organized in four divisions; including the Divisions of Administrative Services, Budget and Finance, Information, and Personnel. How does your service differ from those that have somewhat the same designation in other areas of the Department: for instance, Mr. Grant's Office is Budget and Finance; the Office of Information is headed by Mr. Lewis; and various others.

Is this just a similarity of description or are you doing for your 17 agencies what they do for others?

Mr. COOPER. Mr. Chairman, the work that we do and services for example, tying it down to our division of Budget and Finance, are the clerical routine and day-to-day job of processing vouchers, keeping the books and records and maintaining and complying with the numerous statutes having to do with day-to-day operations.

The Office of Budget and Finance, and I am sure Mr. Grant can speak to this, is a departmentwide staff office of which I was a member for some 12 to 15 years. Their work is on a departmentwide coordinating level rather than a very detailed type of work which we perform in our operations. There is absolutely no duplication of any kind and the work, for example, that we do for the Office of Budget and Finance, is the maintenance of the day-to-day accounting records, the day-to-day processing of different types of travel vouchers, day-to-day procurement documents, the payment of bills, the recording of salary payments, and items of that nature.

Mr. ROBERTSON. Mr. Chairman, could I comment on that please?

Mr. WHITTEN. Yes, sir.

Mr. ROBERTSON. To go back to your analogy of the Soil Conservation Service. Mr. Cooper's office, with 4 divisions, does exactly the same thing for these 17 agencies that this staff does in the Soil Conservation Service, or a similar staff does in the Agriculture Stabilization and Conservation Service.

#### OTHER SERVICES

Mr. WHITTEN. I note on page 79, you propose transfers totaling \$452,000, involving 53 man-years from other USDA appropriations in 1967.

What is the nature of these transfers, and why do you not include them in your own appropriation requests?

Mr. COOPER. The nature of these transfers, Mr. Chairman, is that the work is performed upon request, and continuing difficulty would be involved in trying to estimate and to satisfactorily present justification for estimates of anticipated work of which we have no knowledge which these agencies are going to do. This work falls into about two or three categories, one involving the working capital funds of the Department where there are specific authorizations in law for certain services to be carried out under the working capital fund.

They vary by agency demand. They vary from year to year, and it would be almost a physical impossibility to estimate these particular items with any degree of certainty as we can the other operations.

Now, the work that the Economic Research Service does, for example, for another agency in the Department, falls into this first category. In other words, the conduct of various types of economic studies, and we do not know in advance what requests will be made for these types of studies.

The second type, of course, is the request for services from outside agencies which the Department of Agriculture performs.

Mr. WHITTEN. In other words, this is work that is necessary. But it is outside of your ability, to foresee how many people you would have to have involved in it on a permanent basis?

Mr. COOPER. That is correct.

Mr. WHITTEN. You find it more satisfactory to charge them for actual time?

Mr. COOPER. Yes, sir.

Mr. WHITTEN. Thank you, Mr. Cooper. You have made a fine presentation.

MONDAY, MARCH 7, 1966.

## GENERAL ADMINISTRATION

## WITNESSES

JOSEPH M. ROBERTSON, ASSISTANT SECRETARY FOR ADMINISTRATION

CHARLES L. GRANT, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

JOSEPH HASPRAY, DIRECTOR, OFFICE OF PLANT AND OPERATIONS

CHARLES F. KIEFER, DIRECTOR, OFFICE OF MANAGEMENT APPRAISAL AND SYSTEMS DEVELOPMENT

CARL B. BARNES, DIRECTOR, OFFICE OF PERSONNEL

WILL ROGERS, HEARING EXAMINER, OFFICE OF HEARING EXAMINERS

## SALARIES AND EXPENSES

*Object classification*

[In thousands of dollars]

	1965 actual	1966 estimate	1967 estimate
GENERAL ADMINISTRATION			
Personnel compensation:			
11.1 Permanent positions.....	2,993	3,345	3,426
11.3 Positions other than permanent.....	18	10	10
11.5 Other personnel compensation.....	17	18	18
Total personnel compensation.....	3,028	3,373	3,454
12.0 Personnel benefits.....	217	253	259
21.0 Travel and transportation of persons.....	139	172	191
22.0 Transportation of things.....	4	7	7
23.0 Rent, communications, and utilities.....	77	83	83
24.0 Printing and reproduction.....	94	103	103
25.1 Other services.....	41	29	36
25.2 Services of other agencies.....	45	58	58
26.0 Supplies and materials.....	33	40	41
31.0 Equipment.....	30	26	26
Total obligations, general administration.....	3,708	4,144	4,258
ALLOTMENT TO OFFICE OF THE INSPECTOR GENERAL			
11.1 Personnel compensation: Permanent positions.....		41	
12.0 Personnel benefits.....		3	
21.0 Travel and transportation of persons.....		14	
25.1 Other services.....		2	
Total obligations, Office of the Inspector General.....		60	
99.0 Total obligations.....	3,708	4,204	4,258

*Personnel summary*

	1965 actual	1966 estimate	1967 estimate
GENERAL ADMINISTRATION			
Total number of permanent positions.....	297	313	320
Full-time equivalent of other positions.....	2	1	1
Average number of all employees.....	276	305	308
Average GS grade.....	7.4	7.5	7.5
Average GS salary.....	\$8,154	\$8,658	\$8,708
Average salary of ungraded positions.....	\$5,908	\$5,768	\$5,773
ALLOTMENT TO OFFICE OF THE INSPECTOR GENERAL			
Total number of permanent positions.....		7	
Average number of all employees.....		5	
Average GS grade.....		10.1	
Average GS salary.....		\$9,972	

Mr. WHITTEN. Gentlemen, now the committee has before it the Office of the Secretary, together with the general administration of the Department. This is headed by Mr. Joseph M. Robertson, Assistant Secretary for Administration.

#### JUSTIFICATION MATERIAL

At this point in the record we would be glad to have pages 85 through 118 of the justification inserted.

(The justification material follows:)

#### PURPOSE STATEMENT

The Secretary of Agriculture, assisted by the Under Secretary, the Assistant Secretaries, and members of their immediate staff, directs and coordinates the work of the Department; formulates and develops policy; maintains relationships with agricultural organizations and others in the development of farm programs; and maintains liaison with the Executive Office of the President and with Members of Congress on all matters pertaining to legislation and policy to insure effective performance of the agricultural program.

The following activities are also included under General Administration:

*Budgetary and financial administration* is carried on by the Office of the Budget and Finance, the staff agency with responsibility for functions relating to overall administration of the budgetary, fiscal, and related affairs of the Department. It provides leadership and coordination of these activities throughout the Department, including the acquisition and distribution of funds, accounting, budgetary and financial reporting, organization and management phases of budget and fiscal activities, and related matters.

*General operations* are carried on by the Office of Plant and Operations, a staff agency exercising general staff management direction of (1) the housing of the Department's activities, including technical services on design and approval of related construction projects; telecommunications; the leasing of commercial space and matters concerned with the management of real property, (2) procurement of supplies, services, and construction, the awarding of contracts in amounts and for items not delegated to agencies; including assistance to Department agencies in administering set-asides for small business firms and for firms in labor surplus areas, (3) the equal employment opportunity under Government contracts program, (4) supply and property activities, including storage, transportation, utilization, distribution, and accountability of personal property, (5) the Department motor vehicle fleet management program, and (6) records, directives, reports, and attendant paperwork activities.

*Management appraisal and systems development* functions are carried out by the Office of Management Appraisal and Systems Development. The Office is responsible for the general direction, leadership, and coordination in the Department of management appraisals, systems design, automatic data processing, operations research, and related management techniques. The Office also operates the Department's Management Data Service Center in New Orleans, La.

*Personnel administration* is carried on by the Office of Personnel, the staff agency with responsibility for the personnel management program of the Department. Departmentwide leadership, supervision, and coordination are provided in organization, classification and standards; salary and wage administration, Board of Examiners program and employment activities; personnel and records security; standards of employee conduct, discipline, and employee relations; employee appeals; employee development; health, safety and welfare; incentive awards; employee-management relations; personnel legislation; personnel research; employee fringe benefits; inter-group programs; and other personnel activities. The operational phases of this activity have been substantially delegated to the agencies. The Office coordinates a review program to evaluate the effectiveness of agency personnel programs and to advise and counsel these officials in the exercise of their authorities within prescribed policies, rules and regulations of the Department and the Federal Government.

*Regulatory hearings and decisions* include the work of the Office of Hearing Examiners and of the Judicial Officer. The hearing examiners carry out the provisions of the Administrative Procedure Act relating to the holding of hearings (5 U.S.C. 1006, 1010). Hearings are held in connection with prescribing of new

regulations and orders, and on disciplinary complaints filed by the Department, or on petitions filed by private parties asking relief from some action of the Department.

The Judicial Officer renders final administrative decisions in regulatory proceedings, and is responsible for preparing Agriculture Decisions, a monthly publication containing decisions in connection with all quasi-judicial functions and administrative hearings of the Department.

The Hearing Clerk Unit, which operates under the Judicial Officer, is responsible for receiving, filing, and acknowledging the receipt of complaints, petitions, answers, briefs, arguments, and other documents filed with the Department of Agriculture in connection with quasi-judicial and administrative proceedings under various regulatory laws administered by the Department.

*Available funds and man-years 1965 and estimated, 1966 and 1967*

Item	Actual, 1965		Estimated available, 1966		Budget estimate, 1967	
	Amount	Man-years	Amount	Man-years	Amount	Man-years
General administration:						
Salaries and expenses.....	\$3,553,000	266	\$3,928,000	296	\$3,959,000	294
Deduct allotment to Office of the Inspector General.....			-60,210	5		
Net.....	3,553,000	266	3,867,790	291	3,959,000	294
Obligations under other USDA appropriations:						
Agricultural Research Service for coordination of pesticide activities.....	212,918	1	211,900	4	211,900	4
For travel and other expenses of hearing examiners in conducting regulatory hearings.....	18,800		25,000		25,000	
For miscellaneous reimbursable services.....	23,016	1	28,500	1	28,500	1
Health and other miscellaneous services for agencies of the Department.....	12,408	1	38,200	3	38,200	3
Working capital fund:						
Centralized supply and duplicating services.....	2,180,077	138	2,190,000	153	2,190,000	153
Centralized personnel and payroll operations under MODE.....	3,719,749	258	3,659,300	268	3,661,300	268
Employee training programs.....	30,996	2	46,000	3	46,000	3
Total, working capital fund.....	5,930,822	398	5,895,300	424	5,897,300	424
Total, other USDA appropriations.....	6,197,964	401	6,198,900	432	6,200,900	432
Total, agricultural appropriation bill.....	9,750,964	667	10,066,690	723	10,159,900	726
Other funds:						
Economic Development Administration, Department of Commerce.....	4,540		2,284			
Reimbursable details of personnel.....	18,895	1				
Office of Emergency Planning:						
Program coordination and direction.....	52,929	4	71,600	4	77,000	4
Field defense coordination.....	179,052	6	204,000	10	221,500	10
Total, Office of Emergency Planning.....	231,981	10	275,600	14	298,500	14
Department of Defense for travel under the rural civil defense program.....	13,750		50,000			
International Agricultural Development Service for security evaluations of employees going abroad under the AID program.....	6,800		6,800		6,800	
Forest Service, investigations of personnel under the Job Corps program.....			10,000		10,000	
Health and other miscellaneous services.....	12,710		8,900		8,900	
Total, other funds.....	288,676	11	353,584	14	324,200	14
Total, general administration.....	10,039,640	678	10,420,274	737	10,484,100	740

*Salaries and expenses*

Appropriation act, 1966-----	\$3, 848, 000
Proposed supplemental, 1966, for increased pay costs-----	80, 000
Base for 1967-----	3, 928, 000
Budget estimate, 1967-----	3, 959, 000
Increase (to provide for full-year cost of pay increases pursuant to Public Law 89-301)-----	+31, 000

*Project statement*

Project	1965	1966 estimate	Increases		1967 estimate
			Increased pay costs (Public Law 89-301)	Other	
1. Program and policy direction and coordination:					
(a) Office of the Secretary and Under Secretary-----	\$495, 251	\$812, 220	+\$4, 110	-----	\$816, 330
(b) Assistant Secretaries-----	337, 783	346, 145	+1, 190	-----	347, 335
2. Budgetary and financial administration-----	750, 755	829, 460	+7, 390	-----	836, 850
3. General operations-----	745, 273	1 773, 960	+6, 910	-----	1 780, 870
4. Management appraisal and systems development-----	139, 120	150, 420	+1, 285	-----	151, 705
5. Personnel administration-----	759, 767	779, 510	+7, 280	-----	786, 790
6. Regulatory hearings and decisions-----	225, 628	236, 285	+2, 835	-----	239, 120
7. National Agricultural Advisory Commission-----	22, 126	-----	-----	-----	-----
Unobligated balance-----	77, 297	-----	-----	-----	-----
Total increased pay costs (Public Law 89-301)-----	-----	(80, 000)	1(+31, 000)	-----	(111, 000)
Total available or estimate-----	3, 553, 000	3, 928, 000	+31, 000	-----	3, 959, 000

<sup>1</sup> Excludes \$48,110 in 1966 and \$67,750 in 1967 allocated from funds shown in project 1(a) above for contract compliance activities.

(1) *An increase of \$31,000 to provide for the full-year costs in fiscal year 1967 of the pay increase pursuant to Public Law 89-301.*—(An overall explanation of increases for pay act costs is included in the preface to these explanatory notes in vol. 1.)

The appropriation for this item in 1965 included \$27,000 for expenses of the National Agricultural Advisory Commission. This Commission has now been abolished. In 1966 and 1967 this amount has been shifted to the item "Budgetary and financial administration" to strengthen this work at the departmental level. However, in the fiscal year 1966 these funds have been used, for the most part, for costs of the National Advisory Commission on Food and Fiber established by Executive Order 11256, dated November 4, 1965.

## STATUS OF PROGRAM

*1. Program and policy direction*

The formulation and direction of policy and programs is carried out by the Secretary of Agriculture, the Under Secretary, the Assistant Secretaries, and Directors, staff advisers, and related supporting staff. Under the direction of the Secretary, the Immediate Office of the Secretary exercises broad executive responsibility for the development of national agricultural policies and the general management of the Department of Agriculture, within the framework of laws enacted by the Congress and regulations promulgated by the President. It coordinates the activities of the Department's constituent agencies into a unified agricultural program, designed to achieve, efficiently, effectively, and economically, the goals for American agriculture established by the Congress and the President. The Department's programs, in turn, are coordinated with the activities of other Government departments and agencies both in domestic and foreign affairs, to insure consistency in policies and methods in governmental administration.

In fulfilling these responsibilities and obligations, the Immediate Office of the Secretary provides general leadership and direction to the Department's constituent agencies. Agricultural policies and plans are formulated and adapted to the complex changing conditions in the Nation's economy. The progress of agricultural programs is continuously evaluated to insure that accomplishments are consistent with the Department's prescribed objectives and with established standards of sound management. Program and management problems with special significance and broad implications are given careful attention to assure their constructive resolution in a manner consistent with overall policy.

## 2. *Budgetary and financial administration*

The Office of Budget and Finance provides general direction, leadership and coordination of the budgetary and financial aspects of U.S. Department of Agriculture programs and activities. Major functional areas include the acquisition, distribution and control of funds; accounting policies and systems; budgetary, financial, and legislative reporting; and staff services related to financial administration throughout the Department. Examples follow of specific actions taken by this Office in its major functional areas during the fiscal year 1965.

(a) *Budgeting administration.*—This function involves the annual review and determination of fund requirements for the Department's programs. It is an integral part of the planning process essential to attain objectives meeting public needs. After the enactment of appropriations by Congress, continuing attention is directed to the apportionment and allotment of funds, special financing arrangements for cooperative undertakings and financial reports of program status. Developments which have involved new or modified procedures include the following:

*Administrative control under apportionments:* In Budget and Finance Memorandum No. 593, of April 20, 1965, agencies of the Department were called upon to review their systems of obligation control, established in accordance with the Antideficiency Act. Methods proposed for such administrative control under apportionments, and revision of the system adopted, are subject to review and approval by the Director of Finance.

*International transactions affecting balance of payments:* The Department's administrative regulations were amended (6-AR-237) to provide policy guidance on payments and receipts in international transactions and require periodic agency reports. This action followed instructions from the Bureau of the Budget designed to reduce payments and increase receipts so that net flow of dollars abroad would be curtailed to the extent feasible.

*Manpower controls:* Limitations on employment, average salaries, and the number of positions in grades GS-14 and above, have been administered in the Department for the purpose of achieving more effective utilization of personnel. The Office developed procedures for administering such limitations by Department agencies, consistent with program needs, and at the same time, provide for necessary controls.

*Departmental computer center in Washington:* Representatives of the Office of Budget and Finance, the Office of Management Appraisal and Systems Development, and the Statistical Reporting Service conducted a joint cost-effectiveness study of alternative methods for meeting needs for Department activities located in the Washington area. The decision was made to purchase a large-scale computer for centralized use and to decentralize to user-agencies responsibility for systems analysis and programing functions.

(b) *Accounting systems improvement.*—Consultation on accounting matters is a continuous staff service rendered to Department agencies. This involves also liaison with the General Accounting Office, the Bureau of the Budget, and the Treasury Department to advance financial management objectives throughout the Government. Technical evaluations are made of Department of Agriculture accounting and fiscal practices to promote improved services and effect operating economies. Projects are undertaken to resolve problems encountered in financial administration, including modifications or adaptations occasioned by automatic data processing applications.

The following activities were undertaken:

*Financial management review:* Agencies of the Department were requested to review and report on their accounting systems. The objective of such review was to identify (a) accounting practices not in compliance with instructions of the General Accounting Office, (b) uses made of accrued expenditure and cost data, and (c) prospective changes and scheduled revisions in agency accounting

systems. Agencies of the Department are making substantial changes in their accounting systems to conform to General Accounting Office principles and standards.

**Letter of credit procedures:** Arrangements were made with the Treasury Department for approval of a proposal by the Consumer and Marketing Service whereby "letters of credit" may be used by State agencies in the school lunch and special milk programs. The new method, in lieu of advance payments, defers withdrawals from the Treasury until funds are needed. This new procedure also helps to decrease Treasury borrowings and reduces interest costs.

**Amended regulations:** There were 24 additions to and revisions of the Department's administrative regulations on matters of fiscal policy and procedure in the fiscal year 1965. Major amendments included the following:

Provisions for (a) maintenance of accounts currently on an accrual basis or conversion to such basis monthly and (b) development of accounting systems which will produce cost data on the Department's programs.

Delegation of authority to agency heads to approve determinations of fiscal liability against employees resulting from improper acts or fiscal irregularities.

Strengthening procedural controls over foreign travel by employees, including consultants and non-Government persons.

Delegation to the Office of Management Appraisal and Systems Development of liaison responsibilities with (a) the Civil Service Commission on retirement and insurance matters and (b) the Department of Labor on unemployment compensation, incident to the centralized payroll services provided by that Office.

(c) *Budgetary and financial reporting.*—Financial data on Department operations are compiled for administrative use and serve also to provide information requested from numerous sources. Reports are made in response to requests from the Congress, farm organizations and trade associations, representatives of the press and other communications media, State officials, and the general public.

In addition to recurring reports submitted to the Budget Bureau, the Treasury Department, and other Federal agencies, special types of service in the past fiscal year included:

**Grant and payment program data:** Compilation of statements showing expenditures under Department programs for grants-in-aid and other payments to States, payments to individuals, and including descriptive material on program operations.

**Cost of agricultural programs:** Statement providing data over a period of years on the realized cost of Department programs by categories such as those relating to farm income stabilization, foreign assistance, conservation of resources, credit, research, education, marketing, etc.

**Descriptive program material:** Compilation for publication of material describing program operations of Department agencies and including expenditure and employment data.

**Geographic data on expenditures:** Statements providing detailed information on funds used for Department activities at State, congressional district, and county levels, and involving, in some instances, a complete county distribution for funds used within a State.

(d) *Legislative reporting.*—The Department submits reports on proposed legislation, as requested, containing recommendations for consideration by the Congress. Similar reports are made on enrolled bills providing recommendations for the President. Staff assistance in developing Department policy and coordinating such reports involved annual work volume as shown below:

Fiscal year:	<i>Number of legislative reports</i>
1963.....	681
1964.....	409
1965.....	639

(e) *Committee management.*—Through its administrative regulations the Department prescribes policies and procedures, administered through the Office of Budget and Finance, for control of committee activities. At the end of fiscal year 1965 public advisory committees numbered 223, of which 49 were national committees and 174 were local or regional groups associated with field activities.

Interagency committees are groups on which two or more departments or independent agencies have representatives. Chairmanship responsibility for 34 such committees is exercised by USDA officials, with membership participation in 233 others. To assure that USDA representation on these interagency groups was warranted, the Office spearheaded a Department-wide review to evaluate current needs for participation on these committees.

### 3. General operations

The Office of Plant and Operations is responsible for the general direction, coordination, and guidance of all phases of Department-wide programs in the fields of working space, real estate, supply and property management, records management, and departmental service operations in the District of Columbia. The following represents some of the more significant developments and accomplishments of the Office:

(a) *New construction.*—The Office of Plant and Operations provides services in securing architect-engineers, negotiating design contracts, review of plans, inspection during and after completion, estimating and site acquisition. Most design contracts are let through the General Services Administration with assistance from this Office. Agencies of the Department also negotiate such contracts.

Major projects which are now being designed, have a total value of \$49 million, \$4 million is now under construction and \$2 million worth of construction was completed in the past fiscal year.

In addition there are a large number of small construction projects valued at some \$9 million for the Forest Service and approximately \$5 million for Agricultural Research Service.

(b) *Disposition of property.*—Disposition of facilities either outmoded or in later stages of usefulness was continued. Removal of this property from inventory results in substantial savings in protection and maintenance costs. Under delegated authority, the Department disposed of \$689,711 worth of property. At the same time \$678,961 worth of surplus property was developed. The yearend inventory of surplus property not yet disposed of was \$315,873. In addition the Department declared three parcels of property excess to the General Services Administration. This property comprised 168.9 acres and 10 buildings which cost \$40,986.

(c) *Acquisition of the property.*—Acquisition was completed on 1,150 acres at Byron, Ga., and 10,236 acres at Clay Center, Nebr. During the year, eight other parcels of real property totaling 837.6 acres were acquired. Most of these properties were acquired without cost to the Department. The appraised value of the properties so acquired was \$2,796,576. The Department reimbursed other Government agencies a total of \$24,888. Thus, there was cost avoidance of a total net of \$2,771,688. Still pending at the end of the year was the request for acquisition of approximately 25,000 additional acres at Clay Center, Nebr.

(d) *Consolidated housing.*—Steady progress was continued in accomplishing both State and county consolidations. Under this program offices serving each locality are brought together in order that there may be one focal point for farmers and ranchers. Much of this progress is being made as a result of the local initiative of the people at the county level. The latest survey reveals that there are now 1,387 counties in which offices are consolidated. There are now 29 State offices consolidated.

(e) *District of Columbia activities.*—District of Columbia space problems continue to occupy a large part of the Office of Plant and Operations time. Reorganizations involving the Agricultural Research Service, the Agricultural Stabilization and Conservation Service, and the Consumer and Marketing Service, resulted in the need for space readjustments in the buildings occupied by the Department. Additional space was not made available to meet expanded personnel. Therefore, it was necessary that these personnel be accommodated in space already assigned to the Department by the General Services Administration. This has resulted in some overcrowding. Completion of the computer center in the subbasement of the south building, which is scheduled for mid-fiscal-year 1966, will provide some relief.

The Food and Drug Administration is moving a portion of its activities from the south building to its new building. While this will release space, most of such space has been used for laboratories and will have to be completely renovated before it is usable for Department offices. Thus, this space will not be available for use until fiscal year 1967.

(f) *Real property reports.*—Based upon recurring reports of real property, the following real property statistics are of interest:

The Department has custody of 186,800,431 acres of land of which 160,491,040 acres are public domain. The acquired lands cost \$199,203,000; the cost valuation of improvements on all lands totaled \$1,525,237,000, consisting of 21,905 buildings, (containing 23,889,684 square feet of space) and roads, trails, bridges, land improvements, etc. The Department had under its control at the end of the fiscal year 8,394 leases which covered 3,069,673 square feet of space and 33,900 acres of land. The total rental for all leases was \$4,486,337. The House Committee on Government Operations has announced that it will not require an estimated current fair market value of public domain land this year. The estimated value at the end of fiscal year 1964 was \$6,565,083,000.

(g) *Procurement, contracting, supply and personal property management.*—Continuing attention was given to improvement of supply and personal property support activities. Areas were identified where management emphasis would contribute most to economy and efficiency, and better use of available manpower. The following are illustrative of management improvement efforts:

**Servicing of office machines:** Studies were completed to determine comparative costs for servicing of office machines under Federal Supply Service contracts versus service on a call basis. These studies show that by having all work done on a call basis, estimated annual savings of \$250,000 would result. A Department directive was issued requiring that all service agreements be canceled, and that future service be obtained on a call basis.

**Procurement of office machines:** Federal supply schedule contracts for typewriters, adding machines, and printing calculators, provide for substantial discounts on quantity purchases. Due to decentralized purchasing in some agencies, as well as limited requirements for machines in those agencies where purchasing is centralized, maximum discounts have not been realized. Arrangements were concluded with certain office machine contractors under which they will accept blanket orders or consolidated orders, on a Departmentwide basis, allowing for maximum discounts during fiscal year 1966. It is expected that these arrangements will result in savings of about \$100,000.

**Centralized field duplicating service:** The Office of Plant and Operations coordinated agency participation in 13 studies made by the General Services Administration to establish centralized duplicating service at field locations where there is a concentration of Government activities, primarily in new Federal buildings. It is expected that participation in these centralized facilities will result in some reduction in overhead costs, as well as better use of equipment and office space.

**Utilization of excess property:** The Department's excess property pool and the area operations committees achieved utilization by the various agencies of personal property with an acquisition value of about \$776,499 that was declared excess by other Department agencies. The Office also coordinated the Department-wide program of utilizing available excess personal property of other Federal agencies. Property thus obtained during fiscal year 1965 amounted to about \$33.3 million at original acquisition cost. Of this amount, about \$13.3 million was acquired by State forestry agencies cooperating with the Forest Service under the Clark-McNary Act.

**Supply distribution:** The Office of Plant and Operations coordinated agency activities in converting supply requisitioning procedures to General Service Administration's automated Federal standard requisitioning and issue procedure. This procedural change affects about 5,000 Department offices that order supplies directly from General Services Administration stores depots. It is expected that this change will be beneficial in terms of less paperwork and administrative costs, as well as an improvement in supply distribution generally.

**Motor vehicle management:** Department agencies operate over 29,000 Government-owned vehicles, exclusive of interagency motor pool vehicles and commercial rentals. Agency use and cost reports were reviewed as to (a) reasonableness of operating costs, (b) compliance with use standards meeting organizational and program requirements, and (c) fleet upgrading within established age/mileage standards. Deviations from average use and cost patterns were reviewed with the agencies so as to improve efficiency and economy of operations wherever possible.

Department motor vehicles standards and specification requirements were coordinated with the General Services Administration, to assure the obtaining of motor vehicles, cost considered, best suited for use of authorizing programs. A total of about 4,700 vehicles were purchased during the year.

Seventeen interagency motor pool studies and determinations, involving 724 Department vehicles were coordinated with the General Services Administration.

Use of employee-owned versus Government-owned vehicles: Studies of the cost of employee-owned motor vehicles for official transportation, as compared to the cost of operating Government-owned vehicles, indicate that substantial savings are possible by use of Government-owned vehicles wherever feasible. Criteria were developed for agency use in determining whether (a) to require the use of available Government-owned vehicles, or (b) to authorize the use of employee-owned vehicles at a rate equivalent to the cost of Government-owned vehicles. As soon as required Government-owned vehicles can be made available, it is expected that annual savings will approximate \$1,500,000.

(h) *Contract equal employment opportunity.*—The conduct of the equal employment opportunity program under Government contracts was centralized in a new division having the responsibility for (a) conducting onsite reviews of contractor establishments, and (b) investigating and resolving complaint cases for referral to the newly created Office of Federal Contract Compliance, U.S. Department of Labor.

Compliance reviews were conducted of 65 contractor facilities and affirmative action programs developed therefrom. In addition, 13 complaint cases involving 33 individual complaints have been processed, including one in which 26 facilities of the respondent-contractor were visited to determine minority group utilization patterns and to assist the contractor in developing an effective affirmative action program.

(i) *Procurement and contract activities.*—Five cases of alleged labor standards violations were investigated and formally reported to the Secretary of Labor.

Nine appeals from decisions by contracting officers under contracts awarded and administered in accordance with the Department administrative regulations were received and acted upon. This involved arranging for boards of contract appeals, scheduling board meetings, and coordinating the conduct of the appeals process.

Assistance was provided to the Foreign Agricultural Service in the negotiation of design and construction contracts for departmental participation in international trade fairs held at London and Manchester, England; Luxembourg City, Luxembourg; Cologne, Germany; Milan and Verona, Italy; and Madrid, Spain.

(j) *Reports management.*—The Office of Plant and Operations has continued its efforts to improve reporting programs throughout the Department. A departmental reports review, conducted during the fall of 1964 produced the following significant facts:

	Number	Value
Total number of reports prepared in the Department.....	2,483	\$14,145,306
Number of agency reports improved during the review.....	149	200,551
Number of agency reports eliminated during the review.....	126	258,834
Savings resulting from the review.....		459,385

As a result of the review, most staff offices and agencies have taken steps to achieve a positive reports management program, including development of procedures to insure effective control over reports.

As a second phase of this review, agencies of the Department are now conducting a review of all reports originated by their field activities. This action will be completed by March 1, 1966. It is expected to produce additional savings and improve the reporting programs and procedures of Department activities below national level.

As a byproduct of the review, this Office has initiated a semiannual inventory of reports. Two have been issued thus far. The current inventory lists 138 reports required by departmental staff offices and other Federal agencies, and 59 reports produced by the Management Data Service Center for Department agencies.

Source of data automation: As a part of the cost reduction program, this Office is promoting wider use of source data automation and other timesaving uses for mechanized office equipment. The objective is to simplify office procedure and to reduce the number of man-hours involved in program administration, through increased machine utilization.

As preliminary steps in the program several demonstrations of source data automation and other mechanized items have been held and two handbooks covering source data automation have been distributed.

Other programs involve:

A survey of current source data automation applications in the Department.

An analysis of areas in which the use of source data automation will be beneficial.

The training of operating personnel in the benefits to be realized from source data automation.

**Forms management:** This Office has launched a departmentwide survey of agency forms. The survey will produce information on the size and effectiveness of the Department's forms management program. It will provide information on the number of forms in use and the costs of our forms programs. Agencies have been asked to use this survey as an opportunity to update forms needing revision, and to eliminate any forms that are obsolete.

**Other forms management activities:** Twenty-six new Department forms were issued and 31 Department forms were revised. Twenty-six Department forms were dropped as obsolete. Two hundred ninety-one Department forms were in use at the end of the calendar year 1965.

The Office of Plant and Operations served as a central reference point for Department and standard forms and helped staff offices to draft or revise Department forms when help was needed. All new Department forms were reviewed before they were issued.

**Records Management:** Reviews were made of 20 records disposal schedules, composed of 596 series of agency records. Six records disposal lists, covering 61 series of records, were reviewed. Six offers of records were made to the National Archives and Records Service for 125 cubic feet of records.

Agencies were directed to remove records from the north half of the sixth wing records depository in order to provide space for a distribution center for publications. About 2,900 square feet of floor space were involved.

A plant and operations memorandum was issued to encourage agencies to reduce typing effort by using window envelopes.

The Office of Plant and Operations issued procedures to govern the purchase of filing cabinets under the filing cabinet moratorium announced by the General Services Administration. In addition, standards were issued to control purchases of all specialized filing equipment.

The Office gave advice on the uses of microfilm and microfilming equipment approving three agency proposals for microfilming projects.

**Improved communication and service to the public:** A survey is underway to determine the kinds of actions being taken or planned by USDA agencies to—

Make Department programs more helpful and meaningful to the public;

Improve Department facilities so that they will provide easier access and better service to the public; and

Improve Department communications with the public.

The results of this survey will provide a blueprint for actions needed to meet the President's objectives to write more simply, clearly, and responsively to the public and to deal with the public courteously, hopefully, and considerately at all times.

**Writing improvement:** Paperwork Management Staff conducted four writing improvement workshops attended by 64 agency writers. A long-range program was launched to publicize the writing improvement effort and, particularly, use of the Fog Index to appraise readability. Posters containing a supply of Fog Index forms were placed at the entrances to the five largest Department cafeterias. During the period, approximately 1,300 agency letters and directives were analyzed for readability, and the results posted periodically in a "box score" section of the posters. The box scores were also published in four editions of the USDA Employee News Bulletin. Three newspapers took note, during the year of the Department's efforts to improve writing through use of Fog Index readability analysis.

**Mail and messenger operations:** As a result of a Department task force study of mail and messenger operations, a reorganization of the functions has been effected. Procedural changes recommended are also being placed into effect, on a phased basis so as not to cause an adverse effect upon personnel involved. The target date for full implementation of the recommended actions is January 1, 1967. Full implementation will result in net savings, and more efficient departmentwide mail and messenger service.

Post office ZIP code program: Directives were issued—and other steps taken—to assure agency adoption of initial ZIP code procedures. As a result ZIP codes, when known, are being placed on nearly all outgoing mail. Most departmental and agency forms have been revised to show or obtain required ZIP codes. Several mailing lists are completely ZIP coded; the remainder are in process.

Employee suggestions: Paperwork Management Division received and evaluated 33 employee suggestions on various aspects of paperwork management. Nine suggestions were adopted. Twenty were rejected. Decisions on four are pending action by other Federal agencies to which they were referred.

#### 4. Management appraisal and systems development

The Office of Management Appraisal and Systems Development provides general direction, leadership, and coordination in the Department for management appraisals, systems design, automatic data processing, operations research, and related management techniques. The Office initiates appraisals of operating procedures, directs task force studies of systems having departmentwide implications and provides technical guidance and assistance to agency officials in planning and developing management policies, programs, and systems to achieve maximum effectiveness and economies. The Office also operates the Department's Management Data Service Center at New Orleans, which is responsible for the centralized payroll and related personnel and fiscal operations in the Department. The nature of the work of the Office is such that accomplishments and benefits for the most part occur in the agencies where the work is actually performed and not internally in the Office. Following are some of the accomplishments resulting in whole or part from Office efforts in the past year.

(a) *Installation of the departmental MODE program.*—Installation of the Department's automated system of payrolling and related activities, known as the MODE System was completed during the past year. This system provides centralized payroll, personnel recordkeeping and related financial reporting services to all agencies of the Department. Payroll operations have been eliminated in 87 offices. The records of all employees of the Department are now included in the system.

(b) *Management improvement project system.*—For 3 years the Office of Management Appraisal and Systems Development has assisted in operating the departmentwide cost reduction program.

(c) *Utilization of ADP in the Department.*—Last year, the Office provided staff assistance in five surveys of data processing needs within the Department. The surveys have been completed and resulted in three new automatic data processing installations and updating of equipment at five installations.

#### (d) *Automation of National Agricultural Library.*—

(1) Task Force—Agricultural Biological Literature Exploitation: The survey on developing an automated system for the Library has been completed. The report of the Task Force has been published. There was such a demand for the report that a rerun was required. Based on recommendations of the Task Force, general systems design work on automation of the "Hierarchical Subject Index" to the "Bibliography of Agriculture" has been completed. The programing and testing is now in process, the automation of this index will make research information available on a timely basis.

(2) Pesticides Information: The Office of Management Appraisal and Systems Development participated with the National Agricultural Library in outlining a central pesticides information system. Through this system urgently needed information will be available to researchers in this field. A contract for development of the system has been awarded.

(e) *Mailing lists.*—A system for automating the mailing lists in the Department has been designed by the Office of Management Appraisal and Systems Development. The new system which is in partial operation uses a computer to maintain mailing list records and to produce mailing labels.

(f) *Assistance in data processing.*—For the fourth consecutive year, the Office of Management Appraisal and Systems Development accomplished the automatic data processing work required for this project. This year the effect was sponsored by the Senate Subcommittee on Administrative Practices and Procedures.

(g) *Interdepartmental automatic data processing effort.*—The Office of Management Appraisal and Systems Development coordinated automatic dating processing efforts of USDA with their other departments. During the past year, this included the use of a substantial number of computers operated by the other departments, the exchange of records on magnetic tape, the establishment of com-

patibility of computer data, and the exchange of the results of improvements in automatic data processing systems and experimental automatic data processing applications.

##### 5. Personnel administration

The Office of Personnel provides general liaison, direction, leadership, and coordination of the personnel management program of the Department. This program includes organization, classification and standards, salary and wage administration, board of examiners and employment, personnel and records security, standard of employee conduct, discipline and employee relations, appeals, employee development, health, safety and welfare, incentive awards, employee-management relations, legislation, personnel research, employee fringe benefits, intergroup programs, and other personnel activities. The Office promulgates departmental policies and procedures relating to these functions. The operational phases of this program have been substantially delegated to the agencies. A systematic review is conducted to coordinate this and to measure its effectiveness in serving the agencies' personnel management requirements. Among the significant developments are:

*USDA's "War on Waste."*—The initial attack in the Department's "War on Waste" began in July–August 1964. Changes were made in the management improvement reporting system to capture and identify the dollar value of each improvement effort.

During fiscal year 1964, the Department reported savings of \$95 million as a result of efforts to reduce costs and improve productivity. In fiscal year 1965, new savings of \$137.5 million were realized. This is an increase of \$42.5 million, or 44.7 percent in the 1-year period. Most of the 1965 savings will continue into 1966.

In April 1965 Vice President Humphrey presented special Presidential awards to 19 outstanding cost-cutting individuals and teams of the Department. The savings from these 19 achievements amounted to over \$5 million.

*Implementation of review team recommendations.*—A joint Bureau of the Budget-Civil Service Commission Department of Agriculture manpower and management review team completed a broad-gaged study of three Department agencies just prior to the beginning of fiscal year 1965.

Recommendations covered major program and administrative areas in the Agricultural Research Service, Consumer and Marketing Service, and the Farmers Home Administration. A departmental task force completed a comprehensive review of administrative support activities in the four Agricultural Research Service Field Administrative Divisions, the Washington management division, and major program headquarters in the field. A similar review of Consumer and Marketing Service activities is planned for early fiscal 1966.

As of the end of June 1965, action was underway or completed on implementation of 18 of the 42 review team recommendations. Additional detailed studies were underway on 19 others, and action had been deferred on the remaining 5.

*Work and productivity measurement.*—The objective of this program is to develop meaningful and useful measures, not only of the effort expended by individual employees and groups of employees, but also of the efficiency with which USDA organizations convert their resources into service to the public.

To this end, productivity-measurement studies have been started, covering (a) the meat-grading activity in the Consumer and Marketing Service, (b) the major Forest Service land management functions, and (c) the Soil Conservation Service. In 1966, all agencies will be developing productivity-measurement systems.

A series of "work measurement seminars" and "productivity measurement seminars" was started to bring information on work and productivity-measurement techniques and applications to all Department agencies. Special staff assistance to individual agencies was made available on a limited basis.

*Equal employment opportunity.*—Executive Order No. 10925 issued by President Kennedy established Government-wide policy on equal employment and established the present equal employment opportunity program.

This program was revised and strengthened by President Johnson's Executive Order No. 11246 issued September 24, 1965.

The Department of Agriculture has worked to implement this Presidential program directed toward achieving equal opportunity in recruitment, promotion, training, and assignment.

*Employment management cooperation.*—Since the issuance of Executive Order No. 10988, almost one-third of the full-time employees of the Department, in-

cluding Agricultural Stabilization and Conservation Service (ASCS) county employees, are in units recognized under this program.

As of June 30, 1965, the Department has extended 19 exclusive, 27 formal, and 9 informal recognitions. Approximately 22,000 employees of the Department are under the exclusive recognitions which entitle them to negotiate agreements. Nine basic agreements and 35 supplemental agreements have been negotiated with these exclusively recognized organizations. These agreements cover approximately 19,000 employees.

A systematic program established for obtaining the views of employees organizations on personnel provides that: All matters affecting employee organizations are cleared with the responsible employee-management official of the Department; changes in policies and regulations affecting working conditions are routed to employee organizations for their views before issuance, and on request, meetings are held to hear their views; special problems or suggestions are referred to the appropriate subject matter specialist or other Department official and followed up to insure adequate consideration.

*Safety.*—A full-time safety officer was appointed in the Office of Personnel in December 1961.

The Department's accomplishments since have proven the worth of this action. During fiscal years 1964-65, the record has been especially noteworthy.

The Civil Service Commission's inspections consistently reported the safety program to be well supported and seriously administered at almost all the field offices of the six major agencies inspected.

Other evidences of progress were:

Cost reduction: The records of the Bureau of Employees' Compensation show the following injury cost reduction values during calendar years 1962 and 1963, based on costs recorded for 1961:

Direct medical and compensation-----	\$1, 179, 706
Injury severity (days chargeable)-----	4, 052, 631
Total cost reduction value-----	5, 232, 337

President's Safety Award for 1964: The Department received the President's Safety Award for 1964. The judges' decision was based on a 3-year average of improved injury record and on exhibit presentation of six elements of program effectiveness.

*Results from MODE.*—The Office of Personnel has been very successful in the analysis and practical use of data supplied from MODE, the Department's automated system of payrolling and related activities, and other sources. During 1965 the Office worked steadily with agencies in reconciling manual and MODE statistics.

Approval was obtained from the Civil Service Commission and the Joint Committee on the Reduction of Nonessential Federal Expenditures to use the tabulation runs from Management Data Service Center (New Orleans) as the SF-113 report. This eliminated the time and effort to transcribe the data to the report form.

Two studies were developed resulting from special reports prepared under the MODE system. One was a study of leave use and accumulation as of the end of leave year 1964. The second was a manpower outlook study based primarily on data on the age and length of service of our employees broken down by occupations and grades.

A new personnel action form AD-350 was redesigned so as to expedite and simplify the entry of personnel data. The revised form will replace five other forms now in use. Entries will be reduced by about one-half and a reduction in errors will also occur.

The skills inventory questionnaire to be used for the management of human resources (MOHR) program was drafted. Input data include education, work history, training, special skills, awards, foreign language and residence, job preference and availability, and other related information. Initial coverage is 45,000 administrative, technical, and professional employees GS-5 and above. Remaining segments of the permanent employees population will be added as practical.

The review of Office of Personnel, Civil Service Commission, and other outside agency personnel report requirements has resulted in savings of approximately \$24,000. Primary source of savings is the elimination of the annual training plan reports by agencies of the Department. Recommendations have been

submitted for changes or elimination of an additional six reports. These recommendations are pending with agencies, outside USDA, that initiated the reports. Plans for 1966 include:

- (a) Complete the conversion of skills inventory data under the MODE system by the end of fiscal year 1966.
- (b) Convert accident reporting information to a system compatible without other personnel data for analyses purposes and program development.
- (c) Develop items, forms, procedures, and program for annual medical information on incumbents in selected occupations and grades.

*Inspections and reviews.*—The Office of Personnel assumes the responsibility for coordinating personnel reviews and inspections within the Department. It also works out with the agency head cooperative arrangements for making sure that the information secured through the inspection, reviews, audits, etc., are fully utilized in determining the needs of the agency. It has been found that the combination of discussion of long-range plans with the present status of personnel management has been profitable to the Office in assuming this responsibility.

*Employee appeals.*—During the fiscal year, 32 appeals were received in the Office of Personnel: 19 adverse action, 6 grievance, and 7 discrimination. Eight cases were carried over from fiscal year 1964. Of the total of 40 cases processed, 26 were decided, 8 were closed without a decision by the Director of Personnel (some corrective action was taken on 4 of these by the agencies concerned at the suggestion of this Office), and 6 cases remained outstanding as of June 30, 1965.

*Government Employees Training Act (Public Law 85-504).*—About 98 percent of all approvals for outside training have been delegated to the agencies. In addition, procedure has been set up permitting agencies to make direct contact for inservice training offered by other agencies.

The Office of Personnel now has direct responsibility for approving only that training that exceeds 1 calendar year, or involves foreign or free training, awards, scholarships or other special waivers. One hundred and fifty such special requests were acted on by the Office during 1965.

An example of the use being made by the Department of this training authority is: Between July 1963 and July 1965, 9 agencies sent 143 employees to 45 different universities and 8 other educational centers for 1 academic semester or more.

*Exchange legislation (Public Law 918).*—The use of this legislation has been limited primarily because of the lack of authority on the part of the States to cooperate with the Department. Four States have passed enabling legislation and others are in the process. Exchanges to date are:

	October		
	1962	1963	1964
Actions taken.....	20	27	41
Exchanges coming to USDA.....	8	10	16
Exchanges going out of USDA.....	12	17	25
USDA agencies using authority.....	6	7	8
State agencies using authority.....	14	19	22

In view of the interest in the Joint Committee on Education for Government Service and the need for special scientific knowledge and skills in the States as well as the Department, it is expected that this authority will be of real benefit to the States and to this Department.

*Orientation and special sessions for foreign students and officials.*—The Office of Personnel has the responsibility for giving direction to those foreign students and officials who are referred to it for a study of personnel administration.

*Incentive awards.*—The Office gives central direction to and administers the effective use of the Federal incentive awards program in the Department. Nine reports were prepared for the Secretary's office and the Civil Service Commission on the awards program.

In the administration of the Secretary's honor awards program, the Office of Personnel developed instructions and criteria for submitting nominations; recommended and arranged for the appointment of members of distinguished and superior service committees; reviewed 181 agency nominations, of which 84 were

awarded superior service and 9 distinguished service awards by the Secretary; and made all arrangements for the honor awards ceremony conducted on May 19.

In addition to furnishing the agencies advice and counsel on the handling of awards for suggestions, performance, special acts, etc., 101 employee suggestions and 34 cash awards were processed by the Office of Personnel.

Agencies submitted 53 nominations to the Office for Presidential Citation Awards for Economy Achievement. Thirteen procedures were issued for non-USDA awards; thirty-seven nominations were processed.

*Health.*—The Office of Personnel directs the employee health program for the Department. Four units are maintained in the Washington metropolitan area. One in Washington, D.C., and two in Beltsville, Md., have been in operation since the program was first established in the Department in 1948. In 1963, a fourth unit was added at the newly constructed Federal Center Building in Hyattsville, Md. The Department agencies housed in this building reimburse the Office of Personnel for health services rendered. Provision of adequate medical attention to all four of these locations has severely taxed the present medical staff and the Office of Personnel is employing an additional medical officer and nurse in 1966. Their salaries will be paid by the agencies serviced, under a reimbursable arrangement between the Office of Personnel and these agencies.

The Department is currently in the process of reevaluating its overall employee health program in connection with Budget Bureau Circular No. A-72, issued June 18, 1965. This circular establishes a new policy for Federal employee health programs and encourages all executive agencies to meet the new criteria. While this health program reevaluation is continuing, and throughout fiscal year 1967, the Office of Personnel will continue to finance its additional medical officer through the reimbursable arrangement with agencies serviced.

During 1965 the following service was provided:

(a) Employee visits to the Department's health units exceeded 37,000. These included on-the-job illnesses and accidents, medications, treatments and rest periods as prescribed by the employees' doctors, but not the immunization or screening programs.

(b) Approximately 6,000 immunizations were administered. These included the influenza shot program plus other shots given for overseas travelers and high hazard employees.

(c) Screening examinations for glaucoma, tuberculosis, diabetes, and hearing loss were performed on about 12,000 persons. Those with abnormal findings (less than 1 percent, were sent to their personal doctors for further tests).

(d) Educational films with commentary and question answering were shown to about 5,000 employees.

Examinations: About 400 complete individual examinations for disability retirement, overseas travelers, fitness for duty, and individual employees were performed by the Medical Officer.

Twelve blood donor programs yielded 2,300 pints of blood. Agriculture compared very favorable with other agencies and each employee was assured protection for his immediate family.

Consultations were given to field health units located across the country. Liaison with U.S. Public Health units were continued, including efforts to get new units established in four metropolitan areas.

Over 3,000 personnel, supervisor, and individual consultations were held with the Medical Officer, in and out of Washington on job-related and personal problems.

Monitoring examinations—Hazardous duty: Several hundred blood and urine tests were performed both on Washington and field employees to safeguard employees working with pesticides and other chemicals.

*Civil service examination.*—The Department's Board of Examiners system was reorganized in 1964, to provide an examination program to meet the needs of the agencies. It is now fully operational.

The Central Board of U.S. Civil Service Examiners for the Department of Agriculture processed 5,130 applications under open examinations covering 200 types of positions and grade levels, under 11 examination announcements. There were 771 employments made from the registers and 71 authorizations were issued to permit temporary appointments pending the establishment of registers.

Office of Personnel officials participated in interagency conferences to develop examining approaches for positions common to a number of departments and agencies

*College recruitment.*—Recruitment materials distributed included 1,200 copies of the all-agency employment brochure, "Profiles," and 350 copies of the Department's 1965 honor awards ceremony program sent to deans, presidents, and placement directors of land grant and other universities.

The Department participated in Inter-Departmental Planning Committee conferences to improve the overall image of the Federal service at educational institutions.

Continued efforts will be made during 1966 to anticipate the staffing needs of the Department and to attract, through publications and other means, the best qualified undergraduate and postgraduate level college students.

*Recruitment—Summer student employment.*—The Department's objective of maximum use of summer student employment for developing interest in Department careers was met by the employment of 9,166 college and high school students during the summer of 1964. Of this number 324 from 34 States worked in the Washington, D.C., metropolitan area. In the Washington Action for Youth program, there were 80 high school students given summer jobs.

Overall job needs were developed for the summer of 1965. Applicants were screened and referred as appropriate for employment consideration.

*Central interview and referral.*—By using current information on agency needs, 878 qualified candidates out of 3,075 walk-ins were referred to agency personnel offices for employment. Approximately 12,000 telephone inquiries were received on employment opportunities in the Department. Over 1,700 mailings containing printed recruitment material were sent to placement counselors and the general public in response to requests.

An average of 15 contacts per day were made with agency employment officers on their current employment needs. Also, information on recruitment and placement needs was exchanged at the Interdepartmental Placement Committee, with the Civil Service Commission, and the U.S. Employment Service.

*Placement.*—The Office explored opportunities and made appropriate referrals of mentally retarded candidates. Twelve were employed during the fiscal year. Currently, 23 are on agency rolls under this program. It is planned that during 1966, increased efforts will be made to increase the opportunities for the employment of the mentally retarded.

The long-established program of placing physically handicapped people continues to grow in the Department. During calendar year 1964, approximately 200 handicapped individuals were placed.

Received, reviewed, and distributed to agencies information concerning returning Peace Corps men. This resulted in 44 placements.

*Regulations and policies.*—During 1965, 230 personnel letters and bulletins and amendments to the regulations were issued. By way of comparison with the system prior to the introduction of slipsheeting, in 1963, 330 such issuances were handled. Slipsheeting has had a beneficial effect in reducing the number of issuances necessary to implement Civil Service Commission regulations.

*Security and employee conduct.*—The Office of Personnel administers the departmental program which insure:

- (a) That the employment of persons who are loyal to the United States, and whose employment is consistent with the interests of national security;
- (b) That the persons employed meet the prescribed standards of suitability and conduct themselves in a manner which reflects to the credit of the Federal service;
- (c) That the activities of employees do not constitute a conflict of interest with their official duties; and
- (d) That classified defense information is afforded the protection required by Executive Order 10501.

During 1965 the level of activity within the Office of Personnel remained relatively constant, but there were shifts in specific work areas. For example, the total number of employees holding security clearances increased by 305 during the past year. The number of investigative reports received for evaluations also increased. This is due primarily to increasing Department participation in Agency for International Development and Job Corps programs.

The further delegation to agency employment officers of authority to take disciplinary action has reduced the number of cases handled by this Office. Those handled were of unusually complex nature. Owing to higher standards

of performance by the agencies, the post audit of disciplinary actions was reduced to those where a penalty in excess of 30 days suspension is contemplated. Improved compliance was found to exist and this was borne out by the statistical data compiled by the Civil Service Commission which showed the Department record to be better than the Government-wide average. The agencies continue to consult with the Office of Personnel on unusual and complex cases.

*Summary of workload*

<i>Item</i>	<i>Fiscal year 1965</i>
Total security clearances issued.....	845
Clearance certifications to other agencies.....	1,540
Foreign travel and international conferences.....	360
Prior approvals.....	728
Security considerations—FBI.....	185
FBI name checks.....	861
Advisory committee name checks.....	840
Office of the Inspector General reports evaluated.....	200

*Position management.*—Instructions from the Bureau of the Budget and the Civil Service Commission, including recommendations contained in Commission inspection reports, have emphasized the need for effective position controls and for tight management of individual work assignments and positions structures throughout the Government. The Budget Bureau's instructions called for the establishment in each agency of a position management system. The broad objective of position management is to coordinate organization analysis, classification, and pay administration work so as to serve the efficient ends of an organization, consistent with its management goals. Department regulations requiring each agency to establish a position management system and to issue written procedures governing operation of the system were issued by the Office of Personnel in October 1964.

By the end of 1965, all agencies had developed at least tentative plans for installing and operating their own position management programs. This Office will review the progress that agencies make in installing these programs throughout 1966. The Office of Personnel plans to evaluate position management action by conducting on-site audits of the work planning and classification activities at selected locations.

Some of the control aspects of position management were in use by the end of 1965, including a quarterly trend report on average grades—the Department's so-called average grade index—which shows deviations from the normal grade pattern resulting from employment and position changes in each agency. Refinements in this index will help identify organizational levels where significant deviation from established grade patterns occur. Agencies are required to justify any significant deviation. The Office compiles monthly reports on positions in grades GS-14 and above, or their equivalent.

*Occupational standards.*—Coordination of occupational standards work involved the Office of Personnel in review and developments of so-called single agency standards for positions in the forestry series, Federal crop insurance series, farm management loan series, agricultural program specialist series, and agricultural engineering series during the fiscal year. The Office received 24 standards drafts for review and comment from the Civil Service Commission during the same period. These projects affected some 18,000 employees in both classification act and wage board positions throughout the country.

#### *6. Regulatory Hearings and Decisions*

This activity includes the work of the Office of Hearing Examiners and the function of the Judicial Officer and his staff.

(a) The Office of Hearing Examiners holds hearings, makes reports, recommends decisions and performs such related duties as may be required by the Administrative Procedures Act and the statutory provisions, regulations, and rules of practice applicable to matters under their jurisdiction. A comparison

of the number of hearings held by the Hearing Examiners under the various acts is shown in the following table:

	Fiscal years					
	1960	1961	1962	1963	1964	1965
Agricultural Marketing Agreement Act, 1937.....	74	65	82	65	40	74
Commodity Exchange Act.....	2	3	1	3	5	5
Packers and Stockyard Act.....	14	6	14	9	20	12
Perishable Agricultural Commodities Act.....	2	1	3	8	5	3
Sugar Act.....	2	1	2	2	1	6
Anti-Hog Cholera Act.....	1	1	2	5	1	1
Agricultural Marketing Act, 1964.....	5	4	1	4	2	2
Forest Service appeals.....						2
Forest Management Act.....						2
United States Grain Standards Act.....						1
Poultry Products Inspection Act.....						1
Federal Insecticide, Fungicide and Rodenticide Act.....						3
Commodity Credit Charter Act.....						3
Total.....	98	80	107	89	87	106

*Agricultural Marketing Agreement Act of 1937.*—There were almost twice as many hearings under this act as were held in the preceding fiscal year. Most of these were rulemaking proceedings conducted in various parts of the United States, relating to proposed amendment to existing marketing orders regulating the handling of milk in various marketing areas. A substantial number of these were joint hearings involving problems affecting two or more marketing areas, and these hearings were held at a point or points convenient to the producers and handlers in the different areas. There were also a number of hearings under this act relating to amendments of existing marketing agreements and orders or to the issuance of new marketing agreements and orders for commodities other than milk. One series of such hearings related to a proposed new marketing agreement and order for cherries grown in eight Eastern and Midwestern States, and sessions of this hearing were held in four cities within these areas. Other such hearings involved proposed new marketing agreements and orders covering peanuts, hops, pears, and olives.

A number of hearings were also held in proceedings under section 8c(15) (A) of the Agricultural Marketing Agreement Act, on petitions filed by handlers seeking exemption or relief from obligations alleged by such handlers to have been improperly imposed upon them by marketing orders issued under the act. Such claims seek refunds or credits of substantial sums of money and customarily present unusual legal problems concerning the interpretation of order provision and their application in particular situations.

*Commodity Exchange Act.*—Proceedings instituted under the Commodity Exchange Act continue to present difficult legal problems in the field of futures trading. In an important hearing under this act, the Government concluded its evidence against one of the world's largest grain merchandising firms on charges of price manipulation in wheat transactions involving several million dollars. Additional sessions of this hearing may be held. A proceeding under this act on charges of excessive speculation against one of the Nation's largest cotton traders was resolved by a consent order after a prehearing conference in which the parties were required to state their positions and contentions on the issues and to describe the evidence which they intended to submit. Such settlement avoided the time and expense of what would otherwise have been a long hearing.

*Packers and Stockyards Act.*—Several hearings on charges of alleged violations of this act were held during the year. Two of these present substantial issues the determination of which will be of primary importance to the packing and poultry industries. One such proceeding concerns charges of an unfair practice under the act by one of the Nation's largest packers, based upon coupon refunds to customers which are alleged to have reduced prices below the cost of production. In view of the widespread use of this practice in retail merchandising, the decision in this proceeding will probably be of national interest.

The other important proceeding under this act concerns boycotting charges against several large poultry dealers and handlers. It is expected that the outcome of this proceeding will eventually determine the extent of the Secretary's jurisdiction over live poultry dealers and handlers under amendments to the act.

Other important oral hearings held during this fiscal year involved (a) a proposal that the Secretary establish a Sustained Yield Unit in the Pacific Northwest under the Sustained Yield Forest Management Act in order to stabilize the local economies of certain communities in the Pacific Northwest by requiring that timber harvested in 13 national forests in this area be subject to local manufacture and not available for export; (b) requests for the extension of inspection and price support services to additional tobacco markets; (c) allotment of sugar quotas under the Sugar Act; and (d) the proposed denial of Federal meat grading services for violation of the Agricultural Marketing Act of 1946.

(b) The Judicial Officer serves as final deciding officer, in place of the Secretary, in regulatory proceedings of a quasi-judicial nature where the applicable statute requires a hearing. These include cases in which a hearing examiner files a recommended decision and also reparation proceedings under the Perishable Agricultural Commodities Act and the Packers and Stockyards Act which are not subject to the hearing examiner provisions of the Administrative Procedures Act. Exceptions to a hearing examiner's recommendations may be filed by any party to the proceeding and oral argument is available before the Judicial Officer before the preparation and issuance of the final decision and order.

The Judicial Officer acts directly without reference to a hearing examiner upon applications to dismiss petitions, applications for interim relief by petitioning handlers (sec. 8c(15)(A) of the Agricultural Marketing Agreement Act), and upon stipulations for consent orders (Packers and Stockyards Act, the Commodity Exchange Act and the Perishable Agricultural Commodities Act). The Judicial Officer also rules directly upon matters arising in proceedings such as motions to dismiss. They are certified by the hearing examiners without recommendation.

A comparison of the number of decisions and orders issued under the various acts is as follows:

Laws involved	Fiscal years				
	1961	1962	1963	1964	1965
Agricultural Marketing Agreement Act, 1937.....	28	18	25	40	30
Commodity Exchange Act.....	10	5	12	11	16
Grain Standards Act.....					1
Packers and Stockyards Act.....	135	190	241	244	320
Perishable Agricultural Commodities Act.....	483	404	378	399	406
Total.....	656	617	656	694	773

*Agricultural Marketing Agreement Act.*—Decisions issued under the Agricultural Marketing Agreement Act of 1937, as amended, involved highly technical and intricate questions of the construction, interpretation, and validity of orders regulating the handling of milk, such as *In re Bay State Ice Cream Company*, *In re Glen & Mohawk Milk Association, Inc.*, *In re Lyles Dairy Products* and *In re Adamson Dairy, Inc.* Some of the issues involved in these proceedings were the validity of a handler's deductions from payments to producers of the minimum prices established under an order of voluntary "contributions" from such producers; consequences flowing from the return of packaged fluid milk, cream and other dairy products to a regulated pool plant; the validity of compensatory payments assessed on skim milk powder utilized in fluid milk products; handler status under an order; the application of a "statute of limitations" to obligations imposed under milk orders; and the effect of *Lehigh Valley Cooperative Farmers, Inc. v. United States*, 370 U.S. 76 (1962) on certain obligations imposed upon handlers under orders issued pursuant to the act. In this field year, for the first time in some years, fruit and vegetable orders issued under the act were contested. The validity of and authority for size regulations limiting the handling of carrots grown in certain designated counties of south Texas and of peaches grown in the State of Georgia were challenged in *In re Griffin & Brand of McAllen, Inc.*, and *In re J. W. Joyce et al.*, respectively.

*Packers and Stockyards Act.*—There were several cases of unusual interest and importance decided under the Packers and Stockyards Act. *In re W. I. Bowman, d/b/a Capital Stock Yards, Camden Stock Yards, and Tri-County Stock Yards* involved important issues in the administration of the act including the financial requirements thereof, the misuse of shippers' proceeds by a market

agency, failure to make a full disclosure of facts by a market agency to its principals and failure to charge scheduled fees or commissions. Another proceeding under the act, *In re First National Stores, Inc.*, involved the rejection by the operator of a chain of retail food stores of four lots of frozen turkeys. It was found that the activities of the chainstore operator made it a packer subject to the act, but that where the packer had a sincere, if perhaps mistaken, belief that the contract of sale did not require acceptance of the turkeys, the rejection thereof is not violative of the act. In addition, a consent cease-and-desist order was issued in *In re Armour and Company* and *In re John Morrell & Co.* in connection with sales promotion programs in which gifts are given by a packer to retail food store customers or their employees for personal use based upon the volume of processed meat products purchased from the packer. The issuance of orders under the act against the officers and employees of packers personally was considered in *In re R. J. & C. W. Fletcher, Inc. d/b/a Fletcher Bros. Packing Co.*, and *R. J. Fletcher and C. W. Fletcher* and *In re Detrich Meat Packers, Inc.*, and *Delbert Nejmanowski* and the more usual types of violations of the act, such as false weighing of livestock, were dealt with in cases such as *In re Empire Livestock Marketing Cooperative, Inc.*

**Commodity Exchange Act.**—Under the Commodity Exchange Act, technical questions of great importance such as noncompetitive trades and the under segregation and commingling of customers' funds were dealt with in *In re David Laiken* and *In re Harry Kay (also known as Aaron D. Schlecter)*, and *Harry Kay & Associates, Inc.* The disqualification of a referee was raised in *In re Cargill, Incorporated*, *Erwin E. Kelm*, *H. Robert Diercks*, *Walter B. Saunders*, and *Benjamin S. Jaffray*.

**Perishable Agricultural Commodities Act.**—Under the Perishable Agricultural Commodities Act, 1930, as amended, license suspension and the denial of a license for a specified period were ordered in companion cases involving serious violations of the act and breaches of fiduciary duty by a commission merchant to its shippers or consignees and joint account partners by many failures to account properly and to pay the entire proceeds received on a sale of the consignees' produce in *In re Mandell, Spector, Rudolph Co.* and *In re William B. Mandell Company*.

#### WORKING CAPITAL FUND, DEPARTMENT OF AGRICULTURE

The working capital fund is an operating fund without fiscal year limitation established by an appropriation of \$400,000 in the 1944 Agricultural Appropriation Act (Public Law 78-129). This fund finances by advances or reimbursements the costs of certain centralized service operations in the Department of Agriculture. In accordance with the statute, activities are financed under the fund only when approved by the Bureau of the Budget.

Financial status of the working capital fund is as follows:

	June 30, 1965, actual	June 30, 1966, estimate	June 30, 1967, estimate
<b>Assets:</b>			
Cash.....	\$520,223	\$423,304	\$369,304
Accounts receivable.....	1,006,971	1,074,946	1,142,946
Office and printing supplies, and photocopy materials on hand.....	287,044	290,905	290,905
Reproduction and other equipment (net after depreciation).....	469,284	499,413	485,413
Other assets.....	65,850	61,989	61,989
Total assets.....	2,349,372	2,350,557	2,350,557
<b>Liabilities:</b>			
.....	954,440	954,425	954,425
<b>Government equity:</b>			
Initial appropriation (1944 Agricultural Appropriation Act).....	400,000	400,000	400,000
Supplies and equipment transferred by USDA agencies.....	559,501	559,501	559,501
Retained earnings.....	435,431	436,631	436,631
Total Government equity.....	1,394,932	1,396,132	1,396,132

Obligations by activities for the central services financed through the working capital fund are as follows:

	1965 actual	1966 estimate	1967 estimate
1. Supply and other central service programs:			
Central supply, reproduction and miscellaneous services .....	\$2,166,376	\$2,172,000	\$2,172,000
Civil defense and defense mobilization programs .....	13,701	18,000	18,000
Interagency management development programs .....	30,996	46,000	46,000
Subtotal.....	2,211,073	2,236,000	2,236,000
2. Photocopy and microfilming services.....	41,492	45,929	44,000
3. Motion picture, photographic and other visual information services program:			
Motion picture, photographic arts and graphics, and exhibits services.....	1,716,039	1,720,000	1,720,000
Publication of Department periodical "USDA".....	27,103	30,000	30,000
Subtotal.....	1,743,142	1,750,000	1,750,000
4. Automatic data processing services program: Centralized automatic data processing system for payroll, personnel, financing, and other services.....	3,719,749	3,659,300	3,661,300
Total obligations.....	7,715,456	7,691,229	7,691,300

Responsibility for providing the central services financed through the fund has been assigned as follows:

*Office of Plant and Operations.*—

Central supply services, including stationery, supplies, equipment, forms, and local laundry service.

Duplicating services, including printing and reproduction, binding, addressing and mailing, and related services.

Communications services, including local telephone and switchboard service, leased wire service, interdepartmental dial system service, and telegraphic and teletype services.

*Assistant to the Secretary for Defense Mobilization Planning.*—Provides administrative services and communication facilities for the Department's relocation headquarters, periodic civil defense exercises, and conduct of survival training courses.

*Office of Personnel.*—Conduct of interagency management development programs, including the seminars in middle management and seminars in executive development programs.

*National Agricultural Library.*—Supplying photocopy and microfilm reproductions of library materials.

*Office of Information.*—

Motion and sound picture services.

Still photography services.

Arts and graphics.

Exhibits.

Publication of departmental employee periodical "USDA."

*Office of Management Appraisal and Systems Development.*—Development and operation of Department-wide automatic data processing services for payroll, personnel reporting, and related financial accounting and reporting operations (MODE).

Mr. WHITTEN. Mr. Robertson, we would be glad to have your general statement.

#### GENERAL STATEMENT

Mr. ROBERTSON. Mr. Chairman, I have a three-page statement, sir.

I appreciate this opportunity to meet with you to discuss the 1967 budget requests for the Secretary's Office and the staff offices of the Secretary in the Department of Agriculture.

As you know, these requests are carried under the heading of "General administration."

The 1967 budget estimate for these offices is \$3,959,000—the same amount as appropriated by Congress last year, except for an increase of \$31,000 to place the 1965 pay act costs on a full year's basis.

Specifically, this appropriation covers activities in the immediate offices of the Secretary, the Under Secretary, the assistant secretaries, and includes funds for the operation of the Secretary's staff offices.

These staff offices are the Office of Budget and Finance, Office of Plant and Operations, Office of Management Appraisal and Systems Development, Office of Personnel, and Office of Hearing Examiners, and the judicial officer.

#### INTRODUCTION OF WITNESSES

If I might digress, I apologize for not identifying the men at the table.

On my left is Mr. Charles Grant and on Mr. Grant's left is Mr. Joseph Haspray, who is the Director of the Office of Plant and Operations in the Department. You may remember that Mr. Francis Mangham used to head this operation. Mr. Mangham has moved over to the Agricultural Research Service, and Mr. Haspray has come to Washington in—

#### BIOGRAPHY

Mr. WHITTEN. It is my oversight not to ask you to introduce new members. We are indeed glad to have Mr. Haspray and we would be glad to have the record carry a résumé of his background and experience.

Mr. ROBERTSON. I would be delighted to put in a résumé for him, sir.

#### JOSEPH HASPRAY

Joseph Haspray is a career civil servant who entered Government in 1935 as a messenger and worked his way up through the ranks with varied experience in all phases of the administrative job—personnel, budgets, management analysis, administrative services, and general business administration. In 1950 he transferred to the field and into line program work; and, as Director of the Chicago Office of CCC, he was cited for his program accomplishments, especially for his marketing skill in liquidating burdensome surplus of Government grain.

He has a BCS from Benjamin Franklin University and completed a 3-year executive development course given by the University of Chicago for agency heads. In 1965 he was elected chairman, Chicago Federal Executive Board.

He is presently Director of the Office of Plant and Operations, USDA, responsible for the physical plant and facilities of the Department and for related service and support functions.

Mr. ROBERTSON. Back here is Mr. Charles Kiefer who is head of the systems development. Mr. Kiefer has been before this committee before. When he was here before, he was sitting in the chair that Mr. Cooper sat in just a moment ago.

On Mr. Kiefer's right is Mr. Will Rogers, who is one of the hearing examiners. Mr. Hyde, the chief examiner, is out holding hearings and is very ably represented by Mr. Rogers.

On my right over here is Mr. Carl Barnes, the Director of the Office of Personnel in the Department.

The job of these offices is to help the Secretary of Agriculture in the overall management of the Department.

The administrators of the program agencies of the Department such as ASCS, ARS, SCS, and their associates each have their own staffs to handle the operating administrative details in connection with budgeting, personnel, procurement, and related administrative and program support activities.

## ROLE OF STAFF OFFICES IN MANAGEMENT OF DEPARTMENT

Let me talk now about why the Secretary needs staff people at the departmental level when each of the program agencies provides the detailed essential administrative services for itself.

The need for a central staff grows out of the fact that only one person is charged with full legal responsibility for running this large, vitally important, complex department of the National Government.

The Secretary of Agriculture is the person the general public, this committee, the Congress, and the President, look to when an accounting is required for what does or doesn't happen in the U.S. Department of Agriculture.

This committee is well aware that the Department operates through a farflung network of field offices located in about 16,000 different places in this country and that the Department administers programs of great diversity and complexity. These programs run the gamut, for example, from acreage allotments and commodity programs to screw-worm eradication to crop estimates to educational programs.

It is obviously not possible for a single person or a single agency to do this job alone. In running the Department, the Secretary relies upon persons in these staff offices to provide him the technical know-how to handle the administrative matters cutting across agency lines.

These offices serve the Secretary of Agriculture as his department-wide representatives. They see that the things that cut across agency lines get done and in a uniform, proper, and timely manner.

The Office of Budget and Finance, for example, is the Secretary's designated channel of communications on technical budget matters between the Appropriations Committees, the Bureau of the Budget, and the Department agencies. This is also true with regard to accounting work and other fiscal matters between the General Accounting Office, Treasury Department, and the operating agencies of the Department.

The Secretary must provide space and working equipment for Department employees. Some of this his staff is required to provide directly and some of it is provided through arrangements with the General Services Administration.

The Secretary must have a Department-wide personnel staff to work with the agency personnel offices and the Civil Service Commission to carry out all the legal requirements connected with the Federal personnel system.

The Secretary has to have a staff of professionally trained hearing examiners to hold hearings that are required by law.

And finally, he must be alert at all times for improved ways to do the job—ways that will save money and turn out a better product. He expects all of the offices to help him in this area, but looks particularly to the Office of Management Appraisal and Systems Development as the main ball carrier.

I have some attachments which summarize rather briefly, some of the specific duties that these staff offices perform.

These statements exclude the centralized service activities carried out by some of these offices for the operating agencies under the working capital fund.

These services include preparing the payrolls, distributing the mail, operating a single centralized duplicating shop, and procuring and managing certain supplies.

Mr. Chairman, this concludes my statement. Again I want to express my appreciation for the opportunity to appear before you.

I'd be happy to answer any questions that you may have, sir.

Mr. WHITEN. We appreciate your statement and the attachments, of course, will appear in the record.

(The attachments referred to follow:)

#### OFFICE OF BUDGET AND FINANCE

The Office of Budget and Finance manages the overall budgetary and financial activities of the Department of Agriculture. There are 67 man-years and \$836,850 involved in this work.

##### MAJOR ITEMS OF WORK

#### *Budgetary administration*

1. Reviews and provides staff assistance relating to budget estimates for 173 different appropriations and accounts.
2. Develops and prescribes budgetary procedures and instructions to operating agencies.
3. Arranges for hearings and discussions leading to determination of budget estimates.
4. Provides liaison with Appropriations Committees and arranges for witnesses at hearings, reviews transcript of hearings, and prepares departmental summaries of budget estimates.
5. Reviews and approves annually over 1,000 allotment, apportionment, transfer, and financial actions.

#### *Budgetary and financial reporting*

1. Prepares 200 reports annually on appropriations, expenditures, employment, research, grants-in-aid, foreign currency transactions, receipts, and other aspects of the Department's overall financial operations.
2. Reviews annually over 3,000 periodic reports from agencies on financial transactions.
3. Reviews or prepares about 1,000 replies annually to requests for financial information from Members of Congress, congressional committee staffs, the press and the public, including 180 reports on Department operations in various States, counties, and congressional districts.

#### *Accounting procedures and systems*

1. Develops and issues regulations and procedures for accounting and fiscal operations, involving last year over 50 separate items.
2. Furnishes technical assistance to operating agencies in improvement of accounting systems, use of statistical sampling procedures, and use of letters of credit.
3. Provides liaison with the Treasury Department, the General Accounting Office, and other central agencies on fiscal matters such as disbursing activities, accounting controls, pay of employees, travel, penalty mail, communications, transportation of household goods, deposit of collections, and leave.

#### *Legislative reporting*

1. Arranges for the preparation, clearance, and submission of about 600 reports annually on proposed legislation affecting agriculture.
2. Prepares daily and annual digests of legislative actions on bills affecting agriculture.
3. Distributes bills, hearings, and legislative reports relating to about 3,000 items each year.
4. Handles about 30,000 calls annually for information pertaining to legislation affecting agriculture.

#### *Committee management*

1. Develops policies and procedures on control of committee activities.
2. Maintains records and furnishes information on 223 public advisory committees and 34 interdepartmental committees chaired by USDA.

#### OFFICE OF PLANT AND OPERATIONS

The Office of Plant and Operations provides policy guidance through regulations, performs liaison with other Federal agencies, and manages the general

operations of the Department including property, paperwork, motor vehicles, contracting, and supply functions. There are 70 man-years and 780,870 involved in this work.

#### MAJOR CATEGORIES OF WORK

##### *Real Estate Management Division*

1. Provides engineering staff assistance for design of buildings—\$53 million currently under design and construction.
2. Manages real property acquisition—8,394 leases as well as transfer and purchase of land, and disposals—\$730,000 in fiscal year 1965.
3. Assigns and manages 1.8 million square feet of space in Washington, D.C.
4. Reviews agency actions and provides staff assistance in obtaining and managing 37,689,684 square feet of space for over 16,000 field offices of the Department.
5. Manages program for consolidation of field offices and installation of joint common services—currently 29 of 51 State offices and 1,432 of 3,091 county offices are consolidated.

##### *Paperwork Management Division*

1. Gives staff direction to agency maintenance, use and disposal of 1 million cubic feet of current records, occupying 155,000 filing cabinets, and policy guidance in microfilming operations.
2. Provides guidance to agencies on creation and use of 57,000 current agency forms.
3. Directs the management and periodic review of 2,560 reports prepared and required by Department agencies; also, use of source data automation.
4. Conducts or assists in workshops to improve writing of letters, reports, and directives.

##### *Supply and Property Management Division*

1. Establishes systems for operating agencies to assure adequate accountability and control of property, and central agency warehousing and distribution facilities for forms and supplies.
2. Provides general management over motor vehicle transportation requirements of the Department, including review of agency utilization of some 29,000 Department-owned vehicles, coordinating use of GSA motor pool vehicles and employee-owned vehicles, participating in development of Government motor vehicle specifications and standards, and preparing and analyzing reports of motor vehicle use and costs.
3. Reviews annually over 600 proposed Federal specifications and standards and coordinates agency work on those assigned to this Department for development.
4. Operates Department excess property pool for agencies in Washington, D.C., handling property valued at \$2.9 million last year, of which about one-third was transferred within the Department.
5. Coordinates duplicating facilities involving, last year, studies of 13 duplicating plants.
6. Makes supply system analyses to develop improved use of supply sources involving last year the establishing of 20 blanket orders with Federal Supply Schedule contractors expected to yield a saving of over \$75,000 annually, the dropping of the use of annual service contracts in favor of paying for repairs as ordered, now yielding savings of over \$250,000 annually.

##### *Contract and Procurement Management Division*

1. Provides regulatory and administrative issuances for guidance of some 500 contracting officers in the field.
2. Takes appropriate administrative debarment actions involving prospective bidders—some 12 cases last year. Compiles and issues periodic listings of all legal and administrative debarments of all Government agencies.
3. Performs contracting services of a complex type beyond capability of agencies to handle or of a Department-wide use; also provides backup service as needed, particularly in foreign contracting. Some 10 contracts are awarded annually.
4. Handles contract appeals cases; this involved nine cases last year on which the Office arranged for hearing of the appeal and served on the board of appeals.
5. Carried out a program of assistance to small business in connection with Government procurement, including establishing of set-aside procedures and participation in meetings with businessmen.

6. Acts as liaison with GSA, SBA, Labor Department, and others on all matters affecting contracting, including contract forms, labor standards, contract provisions, Buy American policies, and the like.

*Telephone and telegraph*

1. Provides central telephone and telegraph services to agency operations in Washington, D.C., and guidance on telecommunication matters.

*Secretary's Records and Communications Division*

1. Provides central file, mail, records, and communications services to the Office of the Secretary.

OFFICE OF MANAGEMENT APPRAISAL AND SYSTEMS DEVELOPMENT

The Office of Management Appraisal and Systems Development conducts studies and performs services as described below. There are 8 man-years and \$151,705 involved in this work.

MANAGEMENT APPRAISAL

1. Through task force studies, usually in cooperation with other Department agencies, efforts are made to improve operations and reduce costs, such as:

(a) Revised system for mail and messenger services in Washington offices, estimated to save \$100,000 annually.

(b) Conversion of mailing lists (460,000 names on 1,763 lists) to ADP system avoids duplications previously encountered, expedites addressing, and simplifies annual circularization to keep the lists current.

COST REDUCTION

1. Administers system for documentation of agency accomplishments, which are then reported to the Secretary and the Bureau of the Budget.

The program is effectively cultivating "cost consciousness" in the Department aimed to conserve resources, to avoid preventable expense, and to focus effort on work of highest priority.

AUTOMATIC DATA PROCESSING

2. Advises on technical aspects of ADP operations at 7 major installations and 14 smaller units within the Department involving annual costs of more than \$14 million. Assists agencies in determining feasibility of new applications.

There is involved also liaison with manufacturers and other Government agencies to keep abreast of developments in technology in this field.

WORK MEASUREMENT AND PRODUCTIVITY

3. Assists agencies set up work measurements systems for better management control and direction of operations. For example:

(a) Four "how to do it" seminars for agency representatives were held last year.

(b) Two case-study seminars have been held to illustrate practical problems and applications.

4. Projects are initiated to devise productivity indexes for the activities of USDA agencies. This entails identifying trends in organizational efficiency and determining unit costs. Such work has involved programs of the Soil Conservation Service, meat-grading activities in the Consumer and Marketing Service, and several programs of the Forest Service.

OFFICE OF PERSONNEL

The Office of Personnel is responsible for the Department's employment policies and procedures. There are 70 man-years and \$768,790 involved in this work.

MAJOR ITEMS OF WORK

*Personnel administration*

1. Prepares and issues personnel policy and procedural instructions for the guidance of Department agencies. Provides interpretation and application of laws, regulations, decisions, and precedents in order to assure uniform practice.

2. Prepares and analyzes annually about 100 employment and other statistical reports required by the Civil Service Commission, the Congress, or other sources.

3. Under Executive Order No. 10988, maintains employee-management relationships with 80 organized groups of employees. This involves negotiating with 16 such groups having a membership of about 25,000 employees.

*Employee health program*

1. This program provides information, training, and consultation on health matters involving—

(a) Operation of four health units for employees in the Washington area, one located in Washington, one in the Federal Center Building at Hyattsville, Md., two at the Agricultural Research Center, Beltsville, Md. (one in the Plant Industry Station and the other in the ARC Center Laboratory);

(b) Emergency medical care for on-the-job illnesses and injuries that approximate 37,000 yearly;

(c) More than 12,000 disability and other physical examinations;

(d) About 6,000 immunization services for overseas travelers and high hazard employees and others; and

(e) Consultation on job-related health problems numbering about 3,000.

*Classification, organization and standards*

1. Examines and approves proposed changes in the organizational structure of the Department, averaging about 40 each year.

2. Reviews personnel actions for higher grade positions (GS-14 and above) to determine that appropriate standards are met before approval of about 950 annually.

3. Enforces standards to assure an effective and uniform classification, compensation, and staffing control operation.

*Examination and employment*

1. Conducts annually 4,000 interviews and makes 900 job referrals to assist the public and USDA agencies on recruitment matters. Inquiries by letter and telephone approximate 15,000 per year.

2. Projects future staffing needs for professional, technical, and administrative positions. Keeps colleges and universities informed of major current and projected USDA recruitment plans.

*Security, employee conduct, and appeals*

1. Administers the Department's loyalty-security, employee conduct, prohibited political activity, and conflict of interest programs, involving as many as 2,000 security clearance cases and 2,500 adverse action cases.

2. Administers an appeals program providing an avenue of redress to the department level, Civil Service Commission, or other outside authority. Hearings and adjudicated appeals number about 50 per year.

*Employee development, safety, and welfare*

1. Develops systematic approach for training and development of employees. 2. Provides or arranges training for about 900 employees annually at the management level and directs the use of the USDA Training Center. The center provides about 6,500 man-days of training per year.

3. Conducts a safety program to reduce accident rates and liability for injuries and deaths. Last year the Department received the President's Safety Award.

4. Promotes the incentive and honor awards program of the Department to stimulate employee morale and give recognition to outstanding performance. Distinguished and superior service awards number about 100 each year, after review and evaluation of several hundred nominations.

OFFICE OF HEARING EXAMINERS

The Office of Hearing Examiners performs independent functions related to the Department's regulatory programs. There are 7 man-years and \$135,880 involved in this work.

1. Conducts hearings to conform with requirements of the Administrative Procedures Act and other statutes. About 95 hearings annually involve rule-making procedures, petitions for relief from administrative actions, disciplinary proceedings for alleged violations of laws of regulations, ratemaking proceedings to determine applicable charges, and instances of alleged discrimination under title VI of the Civil Rights Act.

(a) Rulemaking cases, in which a certified record is prepared for consideration in the Department.

(b) Adversary cases (quasi-judicial), in which a recommended decision is formulated.

2. Conducts hearings also under USDA regulations, as a service to program agencies.

3. Recommends decisions on 50 to 75 cases annually in which the person charged fails to respond to the complaint filed and duly received.

#### JUDICIAL OFFICER

The judicial officer acts as the final deciding officer, in place of the Secretary (5 U.S.C. 516) in quasi-judicial proceedings under regulatory statutes administered by the Department. There are 9 man-years and \$103,240 involved in this work.

#### ACTIONS IN PROCEEDINGS

##### *Judicial officer*

1. About 400 decisions are made annually in reparation proceedings under the Perishable Agricultural Commodities Act and 100 under the Packers and Stockyards Act. In these cases a private party seeks an award of money damages against another private party for alleged violation of the statute.

2. About 150 decisions are made in disciplinary proceedings under the Perishable Agricultural Commodities Act, the Packers and Stockyards Act, the Commodity Exchange Act, and the Grain Standards Act. In these cases the Department is the complainant against a registrant or licensee under the statute and the sanctions available are cease-and-desist orders and the suspension or revocation of a license or registration.

3. About 30 rulings are issued in proceedings under section 8c (15) (A) of the Agricultural Marketing Agreement Act. Handlers subject to marketing orders who are aggrieved by an order or its administration must file a complaint, proceed to a hearing and obtain a ruling on their grievances.

#### PUBLICATION OF AGRICULTURE DECISIONS

4. "Agriculture Decisions" is edited monthly (about 1,600 pages annually) making available to the public the decisions described above.

#### HEARING CLERK

5. Notices of hearing, pleadings, briefs, orders are processed for the proceedings enumerated above.

6. Similar services are rendered in more than 50 rulemaking proceedings under the Agricultural Marketing Agreement Act and cases involving Forest Service lands.

7. After the publication in the Federal Register of proposed rulemaking, responses received are filed for review of administrative officials and the public.

#### TASK OF RUNNING AGRICULTURE DEPARTMENT

Mr. WHITTEN. I don't think that there is any question that, with the tremendous number of people who have important jobs to do in the Department of Agriculture, a really good job must be done at the operating head of it. It is a real job.

This committee can appreciate, perhaps more than many others, the volume of work entailed in such activities as soil conservation or forestry work, which does not come before this particular committee. We can understand the size of the job trying to keep out insects and diseases, considering the many incoming planes, ships, and other means of transportation.

We comprehend more than most the terrific job involved in meat inspection and the many things that our people take for granted.

We note that the total amount of money for the Department of Agriculture's regular operations is less than we spend on trying to get a man to the moon and actually is much less than we are spending in various types of aid abroad.

Nevertheless, there is the other side of the coin. If you recall 2 or 3 years ago, somebody offered an amendment on the floor of the House to provide that there be no more employees of the Department than there are farmers. It was adopted. It took a record vote to get the amendment out.

TRANSFERS OF FUNDS TO NEW FUNCTIONS WITHOUT NOTIFYING CONGRESS

We have run into something this year which I find very disturbing. At the Secretary's level, funds have been taken away from Agricultural Stabilization and Conservation Service, Foreign Agricultural Service, Consumer and Marketing Service, Soil Conservation Service, Agricultural Research Service, Forest Service, Farmers Home Administration, General Administration, and turned over to the National Advisory Commission on Food and Fiber for its operations.

This was done without any notice to the committee or any notice to the Congress.

In addition to that, in the rural development program, additional amounts have been transferred. I would like for that figure to be put here in the record.

(The information requested follows:)

RURAL COMMUNITY DEVELOPMENT SERVICE

*Expense of personnel charged against other agencies, fiscal year 1966*

Agricultural Research Service.....	\$34, 234
Agricultural Stabilization and Conservation Service.....	55, 917
Consumer and Marketing Service.....	25, 752
Farmers Home Administration.....	24, 071
Forest Service.....	39, 703
Soil Conservation Service.....	40, 323
Total.....	220, 000

Mr. WHITTEN. The record shows that at this time 36 names were given to the various agencies. They were told to employ these people, to pay them, and to assign them back to the rural development group. This was without any knowledge on the part of the committee or of the Congress.

This was doubtless done at the Secretary's level. It has been stated that there is an opinion dating back to 1945, if I understood it correctly, which might justify this action.

I do want to say for the record that it is in violation of the understanding that this committee has had with the Department for quite a number of years. In fact, to my knowledge these are the only two instances in which the Department has not kept faith with the Congress or with this committee as agents of the Congress.

Now this leads to two thoughts.

When I first came on this subcommittee, as I recall it, the committee appropriated funds each year for the operation of the agencies outside Washington and funds for operations inside Washington. In other words, they limited the top level personnel.

When I became chairman of this subcommittee I thought that, with the tremendous workload the Department has and with its great number of agencies and activities, good management at the top would be a good sound investment. For the first time we stopped trying to

put a limit on travel. We quit putting a limit on the numbers of personnel in Washington. We have never put provisions in the act which say that no part of these funds shall be used for additional personnel.

But these two incidents cause me to think that this subcommittee may have to take a new look at this.

Are you familiar with the directive to hire particular people and to transfer funds for these activities without advising the Congress in the least?

Mr. ROBERTSON. Mr. Chairman, I am aware of this, sir. With regard to RCDS, this grew out of a statement in the President's farm message a year ago where he directed the Secretary of Agriculture to do certain things. The Secretary felt that he needed this additional staff to do that job.

In the case of the National Advisory Commission on Food and Fiber, Mr. Chairman, I must say to you in all candor that that was a complete oversight on my part, sir. This committee was not notified, sir, and I apologize to you—

Mr. WHITTEN. After all, I'm just an agent of the committee. I happen to preside. But we're just an agency of the committee as the committee is of the whole Congress. It is not a personal matter on my part.

Mr. ROBERTSON. I recognize that, sir. We got a letter from the Director of the Bureau of the Budget requesting that this be done. This can be supplied from the record, to the extent of \$200,000.

(The letter appears on p. 202.)

Mr. ROBERTSON. The decision was made to do this, and it was just my fault, sir, that this committee was not notified. And I assure you that in a case of this sort it shall not happen again.

#### REDUCTION IN PROGRAMS BUT INCREASE IN ADMINISTRATIVE COSTS

Mr. WHITTEN. Well, now, why do you need so many people in the Washington office. The amount of money keeps going up and up. The present farm program, if I understand it, is paying people to cut down production. The overall amount of farm production is going down.

Why is it that we can't make a drastic reduction in the Department's overall appropriation this year?

Mr. ROBERTSON. Overall appropriation or just in Washington, sir?

Mr. WHITTEN. Well, both.

Mr. ROBERTSON. Well, in the Washington area, Mr. Chairman—

Mr. WHITTEN. I'm not trying to fire anyone. You know that heretofore for any cuts recommended by this committee we have asked that they be made by not filling vacancies; in other words, as vacancies occur, just absorb them by not hiring somebody else. That is all I have reference to.

Mr. ROBERTSON. The national headquarters of every agency in the Department of Agriculture is located in the city of Washington. The Agricultural Research Service, the Agricultural Stabilization and Conservation Service—every one of them—the national headquarters is located here.

There is a feeling that the headquarters need to be here—close to the Congress, close to the executive offices and the Secretary himself.

In Beltsville there has been some growth in the research activities. We do have a breakdown. I believe it has been supplied for the record. If it has not we will be glad to put it in, indicating what has happened to personnel in the Washington area during the past 5 years.

Now if you ask me why it is not possible for the—

Mr. WHITTEN. I'm asking you so you can tell your side.

Mr. ROBERTSON. As to why the total budget for the Department cannot be reduced, this has been discussed with the committee by the various agency heads who have been here—

Mr. WHITTEN. They justified funds last year and we find out they got along handsomely without this money that was transferred and taken away from them. So if they can get along handsomely without it one year, it strikes me that maybe they can do it for two.

Mr. ROBERTSON. Mr. Chairman, I won't say that they got along handsomely. We had a letter from the Bureau of the Budget asking the Department to try to do it, and the decision was made to try and do it. I slipped up in failing to notify this committee.

I think that the record indicates in the personnel figures we have supplied, that the bulk of this growth has been in the program agencies, where there has been growth in programs over the past 5 years, sir. There has been some growth in the Secretary's office, but the bulk of it has been in the program agencies.

Mr. WHITTEN. The reason I say that, this National Advisory Commission on Food and Fiber plans to have 10 meetings. They are going to pay the members of the Commission \$100 a day and expenses. From looking at the list of names I doubt that any of them will be taking leave from their present jobs or will lose a dollar's pay. But they plan to pay them \$100 a day and expenses.

#### 1966 FUNDING OF NATIONAL ADVISORY COMMISSION ON FOOD AND FIBER

Dr. Berg says he is going to have 10 hearings at which some producers, some sellers, some buyers, and every organization that wants to be heard will have a chance to be heard. They realize they can't get them all.

After they get through, they will make some recommendations to a committee which is composed of the Secretary of Agriculture as the chairman, and the Secretaries of State, Labor, and Commerce.

Now, according to your judgment, that activity is more important than \$75,000 of what we appropriated the ASCS last year. That activity is more important than \$30,000 that this committee and the Congress appropriated for the Foreign Agricultural Service. It is worth \$22,000 more than Consumer Marketing Service, \$12,000 more than the Soil Conservation Service, \$12,000 more than the Agricultural Research Service, \$12,000 more than the Forest Service, \$12,000 more than the Farmers Home Administration.

And this is the most interesting part. You consider that Commission more important than \$25,000 of your own appropriation.

Now, with you exercising that judgment on these agencies, it looks to me like you made a might good case for us to cut them.

Mr. ROBERTSON. Mr. Chairman, as I indicated earlier, the Secretary received a letter, signed personally by the Director of the Bureau of

the Budget, asking the Department of Agriculture to provide \$200,000 for this. This matter was discussed in the Secretary's office—

Mr. WHITTEN. I know the Budget Bureau. I have learned that it is mighty potent in the years that I have been here. My relations with the people down there that I have known have been cordial.

We on this committee repeatedly have shown more confidence in the Bureau of the Budget than most, because this is the only committee with which I am familiar that has provided for contingency reserves. We, in our efforts to hold down, have trusted them to deal with the upcoming problems and made some of the money that we have appropriated available to them. But now the way for the Bureau of the Budget to ask for money I thought was to send it to the Congress for its consideration in the normal way of things.

Now this is a case of acting after Congress had its hearings, which were based on justifications and statements from witnesses. It is true we don't put you under oath, but we take your word, then we act on it, we rely on it. And now the agency that is undermining it is the very Bureau of the Budget which we have looked to as the best guide rule for us to go by.

We haven't always in the Congress felt bound by the recommendations of the Bureau of the Budget. But it is a serious matter when Congress approves an appropriation for a specific purpose.

But now to learn that they are subverting the action of the Congress with your help, may I say, and approval, is most disturbing to me. But as I say, when you came to deciding which work was less important than this, I know you really cut your own funds.

In some ways that is admirable but in some ways it might show that you had more information about it.

Mr. ROBERTSON. Mr. Chairman, this was a Presidential Commission set up by Executive order. It was in the discussion stage for some time and, as I recall, in the press, that it was being established.

I was not privy to the discussions that went on at the Budget Bureau concerning how it was going to be financed. I know that Mr. Grant and I talked about it from time to time—how it would be financed.

We received a request in the Department of Agriculture from the Director of the Bureau of the Budget to provide \$200,000 for the expenses of the Commission this year. We made the allocations, after discussing it with the Secretary's office, as equitably as we could. This was not to say that this work was not important. This was to say that we had a Presidential commission. We had been requested by the Director of the Bureau of the Budget to provide \$200,000 for it. That \$200,000 was provided—\$25,000 came out of general administration.

I am the individual who certainly slipped up in not notifying this committee and the Congress that we were financing it this way, sir.

Mr. WHITTEN. Well, the end result was you did all right without the money.

Mr. ROBERTSON. We would get along better with it, Mr. Chairman, but we had to make some decisions when we got the request, sir.

Mr. WHITTEN. Did you have to let anybody go or did you absorb this by not hiring?

Mr. ROBERTSON. No, sir, we are absorbing this by not hiring. There has been no reduction in force. Now to my knowledge there has not

been one. This has been absorbed. There are vacancies that have not been filled, sir.

Mr. WHITTEN. Thank you, Mr. Robertson.

Mr. WHITTEN. Mr. Morris?

Mr. MORRIS. Mr. Robertson, can you tell me whether the \$50 million contingent fund for the Farmers Home Administration has been released as yet for operating loans?

Mr. ROBERTSON. Mr. Morris, to my knowledge it has not.

Do you have any later knowledge than that, Mr. Grant?

Mr. GRANT. No.

Mr. MORRIS. You are looking into that as the committee requested?

Mr. ROBERTSON. Yes, sir.

Mr. MORRIS. You haven't forgotten it?

Mr. ROBERTSON. No, sir.

Mr. MORRIS. You are not waiting and not saying anything about it so maybe everybody will forget about it?

Mr. ROBERTSON. No, sir.

Mr. MORRIS. Would it be correct on this \$200,000 for this to be made a part of the record? Would there be any objection?

Mr. ROBERTSON. No, sir.

Mr. GRANT. It was made a part of the record of the hearing on the Commission, but it can be included here also—

Mr. MORRIS. Well, it isn't necessary. I didn't understand the chairman on that.

Mr. Chairman, that is all I have.

Mr. WHITTEN. Thank you, Mr. Morris.

Mr. Michel?

#### SERVICES OF RICHARD CARSON

Mr. MICHEL. The matter I want to bring up would have been more appropriately brought up at the time ASCS folks were up before us. But the matter was not brought to my attention at that time, so I will relate the case here at this point and since you have responsibility for administration could you see that it gets funneled down to the proper people for possibly some reply to a question or two.

A Mr. Richard Carson of Boonsboro, Md., has worked or did work for the Maryland Agricultural Department and the ASCS program for more than 29 years. He worked in the county office of Washington County, Md., for the first 7 years of his career and after that for 23 years as a farmer fieldman for the State ASC committee.

Mr. Carson was relieved from his responsibilities as a State farmer fieldman on the afternoon of November 10, 1965. A large number of farmers, members of county ASCS committees, and county ASC offices from the whole State of Maryland contacted our good friend Congressman Mac Mathias of Maryland, prior to and after his dismissal relative to what they considered to be the injustice in the situation.

Not having had the full background in the matter at that time but knowing that farmer fieldman Carson was about to be dismissed, Congressman Mathias contacted the Office of the Secretary of Agriculture to ask that a stay be granted in his dismissal to allow him the opportunity as Mr. Carson's Congressman to talk to people and to learn more about the situation.

I would be frank to admit this is usually a courtesy, a customary courtesy and practice that Members of Congress should be afforded.

Congressman Mathias was assured at 10 minutes to 5 on the afternoon of November 10, by Mr. Tom Hughes, administrative assistant to the Secretary of Agriculture, that Mr. Carson would not be relieved without prior notification being given to the Congressman and that he would not be relieved until an effort was made to get him an alternative job.

Within an hour of the telephone conversation with Mr. Hughes, Mr. Carson was told that his services were no longer required.

We subsequently had the opportunity to find out a great deal more about this case through conversations with a number of people. I might add that there are all kinds of recommendations for Mr. Carson's service in the Department over a long number of years—as I indicated, nearly 30 years.

Mr. Carson had never been given any reason for being relieved from his responsibilities. But it is my understanding that the official reason given or to be given if one had to be given was that his audit reports were not "the best."

I understand that this is a general way to move someone out of a position of responsibility in the ASCS program when there is not any other real basis on which to do it, and that Mr. Carson's audit reports were generally better than the average.

(Discussion off the record.)

Mr. MICHEL. Well, in view of the fact that several of you folks here this afternoon are concerned with administrative and auditing procedures, et cetera, and since the excuse given in this case is that this Mr. Carson's audit reports were not—again I quote—"of the best," I would like to have a response here in the record as to just how bad that audit report might have been to disqualify him for further service. If this was not a decision made at the Department level, but left up to the State level, well, then, the record should show that.

I just want to make sure that a Member of Congress who may not serve on this committee but who certainly is entitled to the courtesy of being told specifically why a particular individual was relieved of his duties is extended. That information ought to be communicated to any Member of Congress.

We will let the record stand at that.

Mr. ROBERTSON. As President Roosevelt used to say, "It shall be done," sir.

(The information requested follows:)

**RICHARD CARSON, FORMER FARMER FIELDMAN, GS-11, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE, MARYLAND**

Mr. Carson had about 29 years service in administering farm programs prior to his separation on November 10, 1965, by the Maryland ASC State committee. He did not have any substantive appeal rights as he was not a veteran and served in a position excepted from civil service.

Mr. Carson served 12 counties as farmer fieldman and was expected to exercise supervision and guidance over the overall operations of the county offices.

In 1964, audits disclosed that a number of the county offices under Mr. Carson's jurisdiction had serious program and/or office management problems. The audit of Montgomery County office resulted in 49 recommendations. The audit of Howard County resulted in 24 recommendations. Fifteen recommendations were made regarding Allegany County. It was also indicated that Mr. Carson had not followed up on all prior recommendations. An average of 16.6 audit excep-

tions per county were made during the 1964 audits of the area served by Mr. Carson.

During 1965, the area served by Mr. Carson showed some improvement. However, Department officials responsible for supervision of these ASC programs were of the opinion that Mr. Carson should be replaced by a better qualified individual. They made such a recommendation to the Maryland ASC State committee in August 1965. At that time it was tentatively agreed to place Mr. Carson in the county office manager job in Anne Arundel County.

On November 3, 1965, Mr. Carson was told he should apply for the position in Anne Arundel County. He did not do so, stating that he was not interested in a position in eastern Maryland. He indicated an interest in two counties in western Maryland but no vacancies existed in these counties.

Mr. MICHEL. Thank you.

#### WORKING CAPITAL FUND

Mr. WHITTEN. I know that you do have your working capital fund. It's gotten up to the point where you're dealing with some \$7,691,000 per year. This means you are handling probably twice the amount of money you receive in direct appropriations. I realize that this is work that you do for others and you bill the cost back to them.

Mr. ROBERTSON. Yes, sir.

Mr. WHITTEN. What are the services that you perform?

Mr. ROBERTSON. Central supply, reproduction, and miscellaneous services, sir, totals \$2,172,000. Civil defense and defense mobilization programs, \$18,000. Interagency management development programs, training programs, \$46,000 for a total of \$2,236,000 under the heading of "Supply and other central service programs," sir.

Photocopy and microfilming services, \$44,000.

Motion picture, photographic, and other visual information service programs—this includes motion pictures, photographic arts, and graphics, \$1,720,000. And publication of the Department's house organ, USDA, \$30,000, for a total under that heading of \$1,750,000.

And the centralized automatic data processing system for payroll, personnel data and other services, \$3,661,300, sir, making a total of \$7,691,300. In addition, Mr. Chairman, it was recently decided to finance through the working capital fund the two new activities of which I advised you in my letter of last January 14.

One of these is the central planning evaluation and programing staff. This was established as a part of Government-wide effort to improve the program evaluation and planning functions. It is estimated that this staff will cost about \$445,000 on an annual basis.

The other item is the recently established centralized mail distribution service. This was set up because our survey showed that over \$100,000 a year could be saved by handling the mail on a central basis rather than through separate individual agency mailrooms. The estimated cost of the central service is \$214,000 a year.

These two activities are not included in the printed budget or our justifications because the decision to finance them through the working capital fund was not approved until after the budget was prepared.

Mr. WHITTEN. I note you finance over 400 people through these means. Could you give us a breakdown of the 400 people, what agency or what departments they are in? What is their average grade and salary?

Mr. ROBERTSON. Could we supply that for the record, Mr. Chairman?

Mr. WHITTEN. Yes, sir; you may.

Could you briefly mention to us, now, what a major part of this activity would be?

Mr. GRANT. The major portion of it, Mr. Chairman, is in the central supply and duplicating services, for which the estimate is 153 man-years.

Mr. WHITTEN. What is the difference between that and the information function. Why shouldn't that be in the Office of Information?

Mr. ROBERTSON. This is an operating service, Mr. Chairman, where we reproduce items, forms, publications, and the like, for the agencies.

Mr. WHITTEN. You might provide a list of employees for the record and indicate their function and where located and average grade and salary for the last 4 or 5 years.

Mr. ROBERTSON. Under the working capital fund, sir?

Mr. WHITTEN. Yes.

(The information requested on employment under the working capital fund follows:)

*Working capital fund, fiscal years 1963-67*

	Actual, 1963	Actual, 1964	Actual, 1965	Esti- mated, 1966	Esti- mated, 1967
<b>Office of Personnel (Washington, D.C.):</b>					
Man-years.....	8	7	6	5	5
Average grade.....	9.8	9.3	10.0	7.6	7.6
Average salary.....	\$8,692	\$8,962	\$10,324	\$8,429	\$8,666
This office plans, coordinates, and conducts at regular intervals 5-day seminars in executive development (SED) and in middle management (SIMM). These programs are part of the departmentwide interagency management training program and are designed to broaden understanding of the scope of the Department's duties and responsibilities and to provide impetus for further study and self-development on the part of career employees with supervisory and management responsibilities. The office also provides staff assistance related to the automation of personnel data through the MODE system.					
<b>Office of Plant and Operations (Washington, D.C.):</b>					
Man-years.....	143	143	138	1157	1188
Average grade.....	4.3	4.6	4.5	3.9	3.9
Average salary (GS positions).....	\$5,185	\$5,532	\$5,741	\$5,499	\$5,530
Average salary of ungraded positions.....	\$5,391	\$5,597	\$5,946	\$5,764	\$5,768
This office provides central supply services, including stationery, supplies, equipment, forms and local laundry service; duplicating services, including printing and reproduction, binding, addressing and mailing, and related services; and communications services, including local telephone and switchboard service, leased wire service, interdepartmental dial system service, and telegraphic and teletype services. It also operates the recently established centralized mail distribution system.					
<b>Office of Management Appraisal and Systems Development (Washington, D.C., and New Orleans, La.):</b>					
<b>Man-years:</b>					
Washington, D.C.....	6	11	10	12	12
New Orleans, La.....	83	169	244	254	254
Total, man-years.....	89	180	254	266	266
Average grade.....	6.4	6.1	5.7	5.8	5.8
Average salary.....	\$5,555	\$6,274	\$6,230	\$6,675	\$6,743
This office furnishes departmentwide automatic data processing services for payroll, personnel recordkeeping, and related financial accounting and reporting operations.					

See footnotes at end of table, p. 259.

## Working capital fund, fiscal years 1963-67—Continued

	Actual, 1963	Actual, 1964	Actual, 1965	Esti- mated, 1966	Esti- mated, 1967
Planning, evaluation, and programing staff (Washington, D.C.):					
Man-years .....				14.0	30
Average grade .....				10.5	11.1
Average salary .....				\$11,730	\$11,840
The library, through its photocopying service develops and maintains departmentwide integrated program planning, evaluation and programing system for planning of Department programs and objectives, and makes analyses and evaluations of program effectiveness and accomplishments.					
National Agricultural Library (Washington, D.C.):					
Man-years .....	6	5	4	4	4
Average grade .....	5.2	5.5	6.3	6.3	6.3
Average salary .....	\$5,242	\$5,668	\$6,634	\$7,048	\$7,179
The library, through its photocopying service sells photoprint and microfilm copies of material in its collections to institutions and individuals throughout the world.					
Office of Information (Washington, D.C.):					
Man-years .....	113	115	114	114	114
Average grade .....	8.2	8.4	8.4	8.3	8.3
Average salary (GS positions) .....	\$7,336	\$7,845	\$8,099	\$8,401	\$8,487
Average salary of ungraded positions .....	\$5,627	\$5,689	\$5,949	\$5,949	\$5,949
The office procedures visual information materials, such as motion pictures, exhibits, art and graphics materials, and still photographic work for the Department of Agriculture and other Government agencies.					
Total, working capital fund:					
Man-years .....	359	450	516	560	607
Average grade .....	7.6	6.7	6.3	6.4	6.4
Average salary (GS positions) .....	\$6,228	\$6,750	\$6,729	\$7,203	\$7,266
Average salary of ungraded positions .....	\$5,396	\$5,601	\$5,946	\$5,791	\$5,796

<sup>1</sup> Includes 4 man-years in 1966 and 35 man years in 1967 for the recently established centralized mail distribution system. The reductions in the operating agencies will exceed the increases shown for the centralized mail service. It is estimated that this central service will save about \$100,000 a year.

Mr. WHITTEN. We see our former colleague, Will Rogers. I see he has learned that if he doesn't say anything, he doesn't get in trouble.

Mr. ROGERS. Glad to be here.

Mr. ROBERTSON. We find him to be a very able counsel.

Mr. WHITTEN. He has many friends on the Hill, I might say.

Mr. ROGERS. Thank you, Mr. Chairman.

Mr. WHITTEN. Unless there are further questions, that will be all.

Mr. ROBERTSON. Thank you very much for letting us come here.

Mr. WHITTEN. Glad to have you.

## LANGUAGE CHANGES

## WITNESS

CHARLES L. GRANT, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

Mr. WHITTEN. We turn now to language changes. We have finally reached the point where Mr. Grant can tell his side of it on the proposed appropriation language.

## EXPLANATORY MATERIAL

Mr. Grant, we shall be glad to receive your statement. We might put pages 312 through 335 of the justification in the record, volume 3. (The material referred to follows:)

## LANGUAGE CHANGES

## AGRICULTURAL RESEARCH SERVICE

The 1967 Budget estimates include the proposed changes in appropriation language listed and explained below. New language is underscored and deleted matter is enclosed in brackets.

*Salaries and Expenses*

*Research.*—For research and demonstrations \* \* \* ; and for acquisition of land by donation, exchange, or purchase at a nominal cost not to exceed 1 \$100; [~~\$123,622,500~~] \$107,980,000, of which not to exceed [~~\$11,418,000~~] 2, 3 \$1,637,000 shall remain available until expended for [plans,] construction [ alteration, and improvement] of facilities, without regard to limitations contained herein, and in addition not to exceed [~~\$18,100,000~~] \$25,000,000 from funds available under section 32 of the Act of August 24, 1935, pursuant to Public Law 88-250 to be transferred to and merged with this appropriation: \* \* \*

*Plant and animal disease and pest control.*—For operations and measures, not otherwise provided for, to control and eradicate \* \* \*, including expenses pursuant to the Act of February 28, 1947, as amended (21 U.S.C. 114 b—c), [~~\$74,299,500~~] \$69,748,000, \* \* \* necessary to meet emergency conditions: Provided, That no funds shall be used to formulate or administer a brucellosis eradication program for the current fiscal year that does 4 not require minimum matching by any State of at least 40 per centum: Provided further, That \$100,000 of the amount appropriated by this paragraph shall remain available until expended for the planning of facilities, without regard to limitations contained herein: Provided further, That \* \* \*

The first change authorizes construction of certain facilities, without regard to related limitations in the preamble, and makes the funds available until expended in the event it should be necessary to readvertise for bids or make other changes which would cause a delay in awarding a contract. These items for which planning funds were provided in the 1966 Appropriation Act are as follows:

1. Construction of initial facilities at U.S. Meat Animal Research Center, Nebraska.....	\$1,370,000
2. Construction of facilities for range beef cattle research at the U.S. Range Livestock Station, Miles City, Mont.....	267,000
Total, special limitation.....	1,637,000

The second change deleted the word "plans" which is not necessary in 1967. The estimates do not include any funds for planning any major research facilities.

The third change deletes the words "alteration and improvement" in connection with research facilities. These words are unnecessary because the 1967 estimates propose only construction of research facilities at Clay Center, Nebr., and Miles City, Mont.

The fourth change would authorize the use of \$100,000 under "Plant and animal disease and pest control" to be used for plans for relocation of the present animal quarantine station at Clifton, N.J. (Public Law 88-592 (78 Stat. 939)), approved September 12, 1964, authorizes the sale of the present federally owned quarantine station to the city of Clifton for public purposes. The act provides that proceeds from the sale shall be available until expended for establishment of a new quarantine station.

The language change proposed would provide for the additional funds needed for preparation of final architect drawings for construction of the new station, and make them available for use until expended in case they cannot be completed prior to June 30, 1967. This would insure orderly progress in relocation

of the present Clifton station when actual site selection and sale of the present property are completed.

Final consummation of the sale transaction and receipt of the proceeds are expected to require considerable time for completion. Also, the act requires that the Congress must be notified in writing of the facts about a proposed relocation site at least 60 days before a commitment for a new site is made.

*Foreign currency authorization program*

**“[Salaries and expenses (Special Foreign Currency Program)]**

“For payments, in foreign currencies owed to or owned by the United States for market development research authorized by section 104(a) and for agricultural and forestry research and other functions related thereto authorized by section 104(k) of the Agricultural Trade Development and Assistance Act of 1954 as amended (7 U.S.C. 1704(a)(k)), to remain available until expended, \$3,000,000: *Provided*, That this appropriation shall be available in addition to other appropriations for these purposes, for payments in the foregoing currencies: *Provided further*, That funds appropriated herein shall be used for payments in such foreign currencies as the Department determines are needed and can be used most effectively to carry out the purposes of this paragraph: *Provided further*, That not to exceed \$25,000 of this appropriation shall be available for payments in foreign currencies for expenses of employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (5 U.S.C. 574), as amended by section 15 of the Act of August 2, 1946 (5 U.S.C. 55a).”

“For expenses of carrying out programs of the Agricultural Research Service, as authorized by law, foreign currencies owned by the United States are authorized to be used, pursuant to section 1415 of the Act of July 15, 1952 (31 U.S.C. 724), without fiscal year limitation, in the following amounts: 49,300,000 Guinean francs; 38,970,120 Indian rupees; 17,775,000 Israel pounds; 7,218,000 Pakistan rupees; 97,824,000 Polish zlotys; 86,600 Egyptian pounds; 104,200 Tunisian dinars; and 4,375,000,000 Yugoslav dinars: *Provided*, That such currencies shall be in addition to funds otherwise available for such programs: *Provided further*, That any of the above amounts may be increased by not more than 15 percent by transfer of the equivalent value from the amounts specified for any other currency or currencies, but the amount for any currency may not be decreased by more than 15 percent: *Provided further*, That such currencies may be used for contracts and grants for laboratories and facilities for conducting research relating to agriculture and forestry under such terms and conditions as the Secretary of Agriculture may prescribe, for transfer to the Department of State for use pursuant to 7 U.S.C. 1704(1), and for expenses of employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (5 U.S.C. 574), as amended by section 15 of the Act of August 2, 1946 (5 U.S.C. 55a).”

The proposed changes would delete existing language providing funds for purchase of excess currencies to finance the foreign agricultural research program; and would substitute new language to establish a new authorization procedure for the use of foreign currencies, primarily those generated under title I of Public Law 480 for agricultural research.

For several years foreign currencies for this work have been purchased with dollars appropriated under the former appropriation item “Salaries and expenses” (special foreign currency program). The new procedure eliminates the requirement for a dollar appropriation to purchase these currencies. Beginning in 1967, expenditures would be made directly from currencies held by the Treasury in accordance with the authorization in the annual appropriation act. The dollar equivalent of these currencies, based upon exchange rates in effect as of September 30, 1965, is \$23,788,000.

An explanation of the use of these funds begins on page 145 of volume 1 of these justifications.

COOPERATIVE STATE RESEARCH SERVICE

The 1967 budget estimates include proposed changes in appropriation language as explained below. New language is italicized and deleted matter is enclosed in brackets.

*Payments and expenses*

“For payments to agricultural experiment stations, for grants for cooperative forestry and other research, [for basic scientific research, and for facilities,] and for other expenses, including \* \* \* for grants for cooperative forestry research under the Act approved October 10, 1962 (16 U.S.C. 582a-

- 3 582-7) ; [and not to exceed \$400,000 from funds available under section 32 of the Act of August 24, 1935, pursuant to Public Law 88-250 to be transferred and merged with this appropriation ;] [ \$1,600,000 ] \$4,910,000 in addition
- 4 to funds otherwise available for *contracts and for grants* for [support of basic] scientific research [under the Act approved September 6, 1958 (42 U.S.C. 1891-1893) ; \$2,000,000 for grants for facilities under the Act approved July 22, 1963 (77 Stat. 90) ] *under the Act of August 4, 1965 (79 Stat. 431) ;*  
\* \* \*

Section 2 of the act to facilitate the work of the Department of Agriculture (Public Law 89-106, 79 Stat. 431) provides broad authority for the Secretary of Agriculture to make grants for research. The Congress in passing this act specifically stated that grants for applied research were authorized under the act. The 1967 estimates propose the appropriation of \$4,910,000 for these grants, including \$970,000 for grants for land-grant colleges and universities not receiving Hatch Act funds presently.

The first change in language proposes insertion of the words "and other" to cover both applied and basic scientific research.

The second change deletes the specific reference to basic scientific research along with the appropriation for grants for facilities. Funds are being requested for both basic and applied research as explained above. No funds are being requested for facilities in 1967.

The third change proposes deletion of the language providing for transfer of funds appropriated by section 32 of the act of August 24, 1935, since no transfer is requested in 1967.

The fourth change broadens the language to include applied research, through reference to the enabling act mentioned above. The word "contracts" has been added under the authorization provided in the Research and Marketing Act of 1946 to enable the Cooperative State Research Service to make such contracts in support of scientific research.

#### SOIL CONSERVATION SERVICE

The 1967 budget estimates include the proposed changes in appropriation language listed and explained below. New language is italicized and deleted matter is enclosed in brackets.

##### *Watershed protection*

"\* \* \* *Provided further*, That not to exceed [ \$5,500,000 ] \$5,000,000, together with the unobligated balance of funds previously appropriated for loans and related expense, shall be available for such purposes.

"[For an additional amount for "Watershed protection", \$140,000, to remain available until expended.]"

The first change would decrease the limitations for loans and related expense from \$5,500,000 to \$5,000,000. This decrease is discussed in the explanation of the estimate for "Watershed protection" (p. 272 of vol. I of these explanatory notes).

The second change deletes language included in the Supplemental Appropriation Act, 1966, which provided funds for the initiation of a comprehensive framework study of the water and related land resources of the North Atlantic region. Funds for continuing this study are included in the budget request for 1967.

##### *Resource conservation and development*

"\* \* \* *Provided*, That not to exceed [ \$1,500,000 ] \$500,000 of such amount shall be available for loans and related expenses under subtitle A of the Consolidated Farmers Home Administration Act of 1961, as amended \* \* \*."

This change proposes a decrease in the amount for loans and related expense from \$1,500,000 to \$500,000. This decrease is discussed in the explanation of the estimate for "Resource conservation and development" (p. 349 of vol. I of these explanatory notes).

## CONSUMER AND MARKETING SERVICE

The 1966 budget estimates include the proposed changes in appropriation language listed and explained below. New language is italicized and deleted matter is enclosed in brackets.

*Consumer protective, marketing, and regulatory programs*

- "For expenses necessary to carry on services related to consumer protection, agricultural marketing and distribution, and regulatory programs, as authorized by law, and for administration and coordination of payments
- 1 to States; [and this appropriation shall be available for] *including* field employment pursuant to section 706(a) of the Organic Act of 1944 (5 U.S.C.
  - 2 574), and not to exceed \$25,000 [shall be available] for employment [at
  - 3 rates not to exceed \$75 per diem] under section 15 of the Act of August 2,
  - 4 1946 (5 U.S.C. 55a), [in carrying out section 201(a) to 201(d), inclusive, of title II of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1291) and section 203(j) of the Agricultural Marketing Act of 1946; \$76,192,000]
  - 5 \$86,265,000.
- 5 "[For an additional amount for 'Consumer protective, marketing, and regulatory programs', \$2,000,000.]"

The first and second changes are to simplify the appropriation language authorizing employment of consultants and other temporary personnel.

The third change is to delete the dollar limitation on per diem for employment of experts.

This limitation is no longer required since pay scales for consultants and experts are specified in the Government Employees Salary Act of 1964. The present maximum under this act is \$83.04 per diem.

The fourth change is to delete the reference to title II of the Agricultural Adjustment Act of 1938. This deletion would allow employment of experts in other consumer protective, marketing, and regulatory programs such as under the Packers and Stockyards Act and make the Consumer and Marketing Service authorization in this respect consistent with that of other agencies in the Department.

The fifth change is to delete the language provided in the supplemental appropriation act, 1966.

*School lunch program*

"For necessary expenses to carry out the provisions of the National School Lunch Act, as amended (42 U.S.C. 1751-1760), [\$157,000,000], \$138,000,000, including [\$2,000,000] \$6,500,000 for special assistance to needy schools, as authorized by law : \* \* \*"

The proposed change would provide an increase in the limitation for special assistance to needy schools pursuant to 42 U.S.C. 1751-1760. This change is discussed under the justification for the school lunch program (page 137 of Vol. 2 of these explanatory notes).

*Food stamp program*

- "For necessary expenses of the food stamp program pursuant to the
- 1 Food Stamp Act of 1964, [\$100,000,000, of which \$20,000,000 shall be derived from amounts appropriated under this head for the previous fiscal year, which amount shall be transferred to and merged with this appropriation]
  - 2 150,000,000 to be provided from funds available under section 32 of the Act of August 24, 1935 (7 U.S.C. 612c)."

The first change deletes the reappropriation authority which provided for the use of unobligated fiscal year 1965 funds. It is not anticipated that this authority will be required in 1967.

The second change authorizes the transfer of section 32 funds to this account in an amount not to exceed \$150 million. As the food stamp program expands into areas having a direct distribution program or contemplating such a program, the use of section 32 funds for direct distribution in those areas is not necessary.

## FOREIGN AGRICULTURAL SERVICE

The 1967 budget estimate proposes deletion of the following language:

*Salaries and expenses (special foreign currency programs)*

"[Amounts heretofore appropriated under this head shall be available for payment in any foreign currencies owed to or owned by the United States.]"

The deletion is proposed since the 1966 language applies to all prior appropriations under this head, and no new appropriation is requested for fiscal year 1967. Thus, continuation of the language is unnecessary.

#### AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The 1966 budget estimates include proposed changes in appropriation language as follows: New language is *italicized* and deleted matter is enclosed in brackets.

##### *Expenses, Agricultural Stabilization and Conservation Service*

"For necessary administrative expenses of the Agricultural Stabilization and Conservation Service, including expenses to formulate and carry out programs authorized by title III of the Agricultural Adjustment Act of 1938, as amended (7 U.S.C. 1301-1393); Sugar Act of 1948, as amended (7 U.S.C. 1101-1161); sections 7 to 15, 16(a), 16(d), 16(e), 16(f), **[16(h).]** and 17 of the Soil Conservation and Domestic Allotment Act, \* \* \*"

This change deletes the reference to section 16(h) of the Soil Conservation and Domestic Allotment Act, as amended, which authorized the 1964-65 feed grains program. This reference is no longer needed since this program has been completed.

##### *Agricultural conservation program*

"For necessary expenses to carry into effect the program authorized in sections 7 to 5, 16(a), and 17 of the Soil Conservation and Domestic Allotment Act, approved February 29, 1936, as amended (16 U.S.C. 590g-590(o), 590p(a), 590q), including not to exceed \$6,000 for the preparation and display of exhibits, including such displays at State, interstate, and international fairs within the United States, \$220,000,000, to remain available until December 31 of the next succeeding fiscal year for compliance with the programs of soil-building and soil- and water-conserving practices authorized under this head in the Department of Agriculture and Related Agencies Appropriation Acts, **[1964] 1965** and **[1965] 1966**, carried out **3-4** during the period July 1, **[1963] 1964**, to December 31, **[1965] 1966**, inclusive: *Provided*, That none of the funds herein appropriated shall be used to pay the salaries or expenses of any regional information employees or any State information employees, but this shall not preclude the answering of inquiries or supplying of information at the county level to individual farmers: *Provided* further, That no portion of the funds for the current year's program may be utilized to provide financial or technical assistance for drainage on wetlands now designated as Wetland Types 3 (III), 4 (IV), and 5 (V) in United States Department of the Interior, Fish and Wildlife Service Circular 39, Wetlands of the United States, 1956: *Provided* further, That necessary amounts shall be available for administrative expenses in **5** connection with the formulation and administration of the **[1966] 1967** program of soil-building and soil- and water-conserving practices, including related wildlife conserving practices, under the Act of February 29, 1936, as **6** amended (amounting to **[\$220,000,000] \$100,000,000**, excluding administration, \* \* \*"

The first five changes update references to the years involved.

The sixth change would reduce the advance authorization for the 1967 program to \$100 million. This amount will be adequate to permit the Government to share with farmers the cost of a substantial number of needed conservation practices that will have minimal stimulating effect on the output of farm commodities. The proposed reduction does not affect the amount of funds required to be appropriated for the fiscal year 1967, since the appropriation for the 1967 program will be requested in the fiscal year 1968.

##### *Appalachian region conservation program*

"For necessary expenses, not otherwise provided for, to carry into effect section 203 of the Appalachian Regional Development Act of 1965, \$4,375,000, to remain available until expended."

This change is necessary to make provision for financing a cost-sharing assistance program for land stabilization, conservation, and erosion control in the Appalachian region. Funds for financing this program in fiscal years 1965 and 1966 were provided in the Second Supplemental Appropriation Act, 1965, Public Law 89-16.

This is a cooperative program and the timing of financial requirements is dependent upon the development of plans by States and their approval by the

Appalachian Regional Commission. For this reason, it is essential that funds remain available without fiscal year limitation so that the program can proceed in an orderly manner in the event any planned segment is not completed by the end of the year.

The justification of the Appalachian region conservation program will be found in volume 2 of these explanatory notes.

*Cropland adjustment program*

*"For necessary expenses to carry into effect a Cropland Adjustment Program as authorized by the Food and Agriculture Act of 1965, including reimbursement to Commodity Credit Corporation, \$200,000,000: Provided, That agreements entered into during the fiscal year 1967 shall not require payments during the calendar year 1967 exceeding \$215,000,000, plus any amount by which agreements entered into in prior fiscal years require payments in amounts less than authorized for such prior fiscal years."*

This change is necessary to provide funds for the cropland adjustment program authorized in the Food and Agriculture Act of 1965. In fiscal year 1966 this program was financed by an advance from the Commodity Credit Corporation.

A proviso limiting additional agreements under the 1967 program is included in the language. The limitation has been proposed at \$10 million below the annual level authorized in the Food and Agriculture Act of 1965. The proviso is included so that after the first year (1966) the Congress will have an opportunity, through the Appropriations Committees, to review and establish the maximum level of the program for the succeeding year before additional agreements are entered into by the Secretary.

RURAL COMMUNITY DEVELOPMENT SERVICE

The 1967 budget estimates include the proposed change in appropriation language explained below. New language is italicized and deleted matter is enclosed in brackets.

*Salaries and expenses*

*"For necessary expenses, not otherwise provided for, of the Rural Community Development Service \* \* \* Provided, That this appropriation shall be available for field employment pursuant to the second sentence of Section 706(a) of the Organic Act of 1944 (5 U.S.C. 574), and not to exceed ~~[\$3,000]~~ \$15,000 shall be available for employment under section 15 of the Act of August 2, 1946 (5 U.S.C. 55a)."*

The proposed change would increase the limitation on funds available for the hiring of experts and consultants from \$3,000 to \$15,000. With the increasing need for emphasis on the strengthening of community leadership in effecting economic development of the rural areas of the Nation, the need for consultant services for reviews and other purposes increases. The expanded program of the Rural Community Development Service in providing "outreach" services needed to assure rural citizens of a fully equal opportunity to participate in all services and benefits of the Federal Government for which they are eligible; makes the need for increase necessary. The use of consultants would partially offset the need for hiring additional permanent technical staff in these areas.

OFFICE OF INFORMATION

The 1967 budget estimates include the proposed change in transportation language explained below. Deleted matter is enclosed in brackets.

*Salaries and expenses*

*"~~[~~For an additional amount for "Salaries and expenses", \$200,000 for part 2 of the Annual Report of the Secretary for 1965 (known as the Yearbook of Agriculture) as authorized by section 73 of the Act of January 12, 1895 (44 U.S.C. 241) including not less than 232,250 copies for the use of the Senate and House of Representatives.] \* \* \*"*

This change would eliminate the nonrecurring language added in the 1966 Supplemental Appropriation Act which provided funds for reprints of the 1965 Yearbook of Agriculture. These reprints have been ordered and received and this language is not needed in 1967.

## NATIONAL AGRICULTURAL LIBRARY

The 1967 budget estimates propose deletion of appropriation language as explained below. Deleted matter is enclosed in brackets.

## "LIBRARY FACILITIES]"

"[For construction and furnishing of facilities for the National Agricultural Library, to remain available until expended, \$7,000,000 with which shall be merged the unexpended balance of funds heretofore appropriated under this head.]"

This change deletes the language included in the 1966 Appropriation Act which provided \$7 million for constructing and partially furnishing a new library facility. It is expected that the contract for this construction will be awarded about April 1966.

## GENERAL ADMINISTRATION

The 1967 budget estimates include the proposed change in appropriation language explained below. Deleted matter is enclosed in brackets.

*Salaries and expenses*

"For necessary expenses of the Office of the Secretary of Agriculture and for general administration of the Department of Agriculture, [including expenses of the National Agricultural Advisory Commission;] repairs and alterations[;], and other miscellaneous supplies \* \* \*."

This change would eliminate the language relating to the expenses of the National Agricultural Advisory Commission since that Commission has been abolished. Therefore, the language is no longer needed.

## RURAL ELECTRIFICATION ADMINISTRATION

The 1967 budget estimates include the proposed change in appropriation language explained below. New language is italicized and deleted matter is enclosed in brackets.

*Loan authorizations*

- 1 "For loans \* \* \* section 3(a) of said Act, *and to remain available without fiscal year limitation in accordance with section 3(e) of said Act*, as follows:
- 2 Rural electrification program, [ \$365,000,000 of which \$60,000,000 shall be placed in reserve to be borrowed under the same terms and conditions to the extent that such amount is required during the current fiscal year under the then existing conditions for the expeditious and orderly development of the rural electrification program ] \$220,000,000; and rural telephone program,
- 3 [ \$97,000,000, of which \$15,000,000 shall be placed in reserve to be borrowed under the same terms and conditions to the extent that such amount is required during the current fiscal year under the then existing conditions for the expeditious and orderly development of the rural telephone program ] \$85,000,000."

The first change proposes that unobligated balances of the loan authorizations shall remain available beyond the current fiscal year as authorized by section 3(e) of the Rural Electrification Act of 1936, as amended.

The Supplemental Appropriation Act, 1966, includes the following language:

"No part of any appropriation contained in this Act shall remain available for obligation beyond the current fiscal year unless expressly so provided herein."

The House report on the bill (H. Rept. No. 1162, p. 54) states that a similar provision will be carried in future appropriation bills. Since this would limit funds to 1 year even though basic legislation allows funds to be carried forward, the new language is necessary to insure that the authorization remains available as provided in the basic law.

The second and third proposed changes would eliminate the contingency reserve for both the electric and telephone programs from the 1967 appropriation act. A contingency reserve is not needed in that the estimates include the total amounts estimated to be required during 1967.

## FARMERS HOME ADMINISTRATION

The 1967 budget estimates include the proposed changes in appropriation language listed and explained below. New language is italicized and deleted matter is enclosed in brackets.

*Rural Housing Direct Loan Account*

*"For direct loans and related advances pursuant to section 518(d) of the Housing Act of 1949, (79 Stat. 500), \$15,000,000 shall be available from funds in the rural housing direct loan account."*

The proposed language provides for an authorization for making direct loans from the rural housing direct loan account as established by section 1003(a) of the Housing and Urban Development Act of 1965, Public Law 89-117.

*Rural housing for the elderly revolving fund*

## "RURAL HOUSING FOR THE ELDERLY REVOLVING FUND"

"For loans pursuant to section 515(a) of the Housing Act of 1949, as amended (42 U.S.C. 1485), including advances pursuant to section 335(a) of the Consolidated Farmers Home Administration Act of 1961 (7 U.S.C. 1985) in connection with security for such loans, \$2,500,000."

This change will delete the language and amount contained in the Department of Agriculture and Related Agencies Appropriation Act, 1966. The rural housing for the elderly revolving fund activity has been transferred to the rural housing direct loan account established under Public Law 89-117.

*Rural housing insurance fund*

## "RURAL HOUSING INSURANCE FUND"

"For the Rural Housing Insurance Fund, created by section 517(e) of the Housing Act of 1949, as amended, \$100,000,000, to remain available until expended."

This change will delete the language and nonrecurring amount contained in the Supplemental Appropriation Act, 1966, for the establishment of the rural housing insurance fund under Public Law 89-117.

*Rural housing grants*

*"For grants pursuant to section 504(a) of the Housing Act of 1949, as amended (42 U.S.C. 1474), \$4,000,000, to remain available until expended."*

The proposed language provides for the appropriation of \$4 million of the funds authorized by section 513(b) of title V of the Housing Act of 1949, as amended, for grants to individuals for repairing and improving farm and other rural dwellings and farm service buildings. The appropriation is a part of the authorized ceiling of \$50 million which recognizes that a program of this kind moves slowly and gathers momentum in carrying forward the necessary and helpful work intended. Therefore, it is necessary that funds carry forward. This would permit the planned program to proceed in the event it may not be completed by the end of the year.

*Rural housing for domestic farm labor*

1 "For financial assistance [to public nonprofit organizations] for housing for domestic farm labor, pursuant to section 516 of the Housing Act of 2 1949, as amended ([78 Stat. 796-798] 42 U.S.C. 1486), \$3,000,000, to remain available until expended.

The first change will delete the reference to "Public nonprofit organizations." Financial assistance to provide low-rent housing for domestic farm labor is authorized by section 516 (42 U.S.C. 1486) of title V, Housing Act of 1949, as amended. Subsection (a) provides "Upon the application of any State or political subdivision thereof, or any public or private nonprofit organization, the Secretary is authorized to provide financial assistance for the provision of low-rent housing and related facilities for domestic farm labor, \* \* \*."

In order to clarify the question of eligibility and make the appropriation language comparable with the law the words "to public nonprofit organizations" appearing in the 1966 appropriation language have been deleted.

The second change will substitute the United States Code citation for the statutes reference.

*Salaries and expenses*

- "For necessary expenses of the Farmers Home Administration, \* \* \* 1 (7 U.S.C. 1921-1990), as amended, title V of the Housing Act of 1949, as 2 amended (42 U.S.C. 1471-[1484] 1490), and the Rural Rehabilitation Corporation Trust Liquidation Act, approved May 3, 1950 (40 U.S.C. 440-444); 3 charges collected \* \* \* [; Provided, That in addition, not to exceed \$500,000 of the funds available, for the various programs administered by this Agency may be transferred to this appropriation for temporary field employment pursuant to the second sentence of section 706 (a) of the Organic Act 4 of 1944 (5 U.S.C. 574) to meet unusual or heavy work-load increases: Provided further, That no part of any funds in this paragraph may be used to administer a program which makes rural housing grants pursuant to section 504 of the Housing Act of 1949, as amended].
- 5 "[For an additional amount for 'Salaries and expenses', \$4,500,000.]

The first and second changes will bring up to date the United States Code citations.

The third change would eliminate the provision for transfer of program funds to this appropriation for temporary field employment. Amounts required for temporary field employment in fiscal year 1967 are included in the estimates for regular "Salaries and expense" appropriation. Therefore, this proviso will not be needed in 1967.

The fourth change would delete the proviso, which was added to the 1966 appropriation act, prohibiting use of these funds for administering grants under section 504 of title V of the Housing Act of 1949, as amended. There are hundreds of thousands of families throughout rural America who have no debt-paying ability and live in homes that are pitifully squalid. Rural housing grants have proved to be an effective way of helping these extremely low-income families—largely the elderly and physically handicapped—make minor improvements to their homes to remove hazards to the health and safety of the families and the communities in which they live. Unless the grant program is extended, these families will have no hope of improving their housing. The need for funds for this purpose is discussed in more detail in the justification for the item "Rural housing grants" under the Farmers Home Administration.

The fifth change deletes language included in the Supplemental Appropriation Act, 1966, which provided a supplemental appropriation of \$4.5 million for administrative expenses relating to loans and grants for water and sewage systems and the expanded rural housing program.

## FEDERAL CROP INSURANCE CORPORATION

The 1967 budget includes the proposed changes in appropriation language as explained below. New language is italicized and deleted matter is enclosed in brackets.

*Federal Crop Insurance Corporation Fund*

"Not to exceed \$4,000,000 of administrative and operating expenses may be paid from premium income: *Provided*, That in the event the Federal Crop Insurance Corporation Fund is insufficient to meet indemnity payments and other charges against such Fund, not to exceed [;\$250,000] \$10,000,000 may be borrowed from the Commodity Credit Corporation under such terms and conditions as the Secretary may prescribe, but repayment of such amount shall include interest at a rate not less than the cost of money to the Commodity Credit Corporation for a comparable period."

The above change in language is requested to increase from \$250,000 to \$10 million the contingency authorization to borrow funds from the Commodity Credit Corporation to meet immediate needs in the event of unforeseen heavy losses. The \$250,000 authorization would not be sufficient to provide the Corporation with the necessary authority in case heavy losses were incurred early in the fiscal year prior to the time premiums were collected.

Based on past experience the Corporation has paid indemnities amounting to approximately 9.4 percent of the insured liability on two different occasions since 1948. If the Corporation was required to pay 9.4 percent of the insured liability estimated for crop year 1966, during the months of July through October, past collection records indicate that sufficient premium collections would not be available until November to cover the indemnities. The \$10 million represents the average estimated requirements for the 4-month period to promptly make

payments prior to the collection of sufficient premiums and while Congress may not be in session.

The Commodity Credit Corporation would be repaid as soon as funds become available to the Federal Crop Insurance Corporation. This proposal is made merely for the purpose of assuring the availability of adequate funds to pay indemnities to producers whose crops are insured.

#### COMMODITY CREDIT CORPORATION

The 1967 budget estimates included the proposed change in appropriation language explained below. New language is italicized and deleted matter is enclosed in brackets.

##### *Reimbursement for net realized losses*

"To partially reimburse the Commodity Credit Corporation for net realized losses sustained but not previously reimbursed, pursuant to the Act of August 17, 1961 (15 U.S.C. 713a-11, 713a-12), [~~\$2,800,000,000~~ : *Provided*, That after June 30, 1964, the portion of borrowings from Treasury equal to the unreimbursed realized losses recorded on the books of the Corporation after June 30 of the fiscal year in which such losses are realized shall not bear interest and interest shall not be accrued or paid thereon] *\$3,555,855,000.*"

The change deletes language included in the 1966 appropriation act which provided that unreimbursed losses of the Corporation shall not bear interest after June 30 of the fiscal year in which such losses are realized. The proviso is permanent legislation and its retention in the annual appropriation act is not necessary.

#### FOREIGN ASSISTANCE PROGRAMS

The 1967 budget estimates include the proposed changes in appropriation language listed and explained below. New language is underscored and deleted matter is enclosed in brackets.

##### *Public Law 480*

"For expenses during fiscal year [~~1966~~] *1967 \* \* \**"

The change updates the reference to the year involved.

##### *International Wheat Agreement*

"For expenses during fiscal year [~~1966~~] *1967 \* \* \**"

The change updates the reference to the year involved.

##### *Bartered materials for supplemental stockpile*

"*For expenses during fiscal year 1967 and unrecovered prior years' costs related to strategic and other materials acquired as a result of barter or exchange of agricultural commodities or products and transferred to the supplemental stockpile pursuant to Public Law 540, Eighty-fourth Congress (7 U.S.C. 1856) \$13,000,000, to remain available until expended.*"

This change provides for the appropriation of \$13 million for the barter program. No appropriation was provided in 1966 since sufficient funds for the 1966 program were available from the 1965 appropriation. This language provides for additional funds, which together with unobligated balances will be available for the 1967 program.

#### GENERAL PROVISIONS

*Section 501.*—Provides authority for the purchase, replacement, and hire of passenger motor vehicles. The following changes are proposed in this section for 1967, new language is underscored and deleted matter is enclosed in brackets.

"Sec. 501. Within the unit limit of cost fixed by law, appropriations and authorizations made for the Department under this Act shall be available for the purchase, in addition to those specifically provided for, of not to exceed four hundred and [~~sixty-four (464)~~] *ninety-eight* passenger motor vehicles, of which four hundred and [~~forty-eight (448)~~] *twenty-one* shall be for replacement only, and for the hire of such vehicles."

The estimates propose the acquisition of 498 passenger motor vehicles from funds provided in the Department of Agriculture and Related Agencies Appropriations Act. This number is exclusive of 165 for the Forest Service. Of the 498 vehicles proposed for acquisition, 421 would be acquired to replace existing vehicles and 77 would be purchased without exchange of old vehicles.

Of the 77 vehicles to be acquired without exchange of old vehicles, 4 are for the Agricultural Research Service, and 73 for the Soil Conservation Service.

The four additional vehicles for the Agricultural Research Service would be used as follows: one station wagon is needed in connection with the research program at Morgantown, W. Va.; one station wagon is required for the proposed increase in staffing for the new Fruit and Vegetable Products Laboratory, in Weslaco, Tex., which is expected to be completed by September 1966; one station wagon will be required, at College Station, Tex., for the new Cotton Disease Laboratory; and one station wagon is needed, at Stoneville, Miss., due to an increase in the staff at this research station.

Sixty of the additional vehicles for the Soil Conservation Service are proposed for the replacement of a like number of sedan, delivery trucks. This substitution should result in a saving of about \$6,000 a year, since SCS operates sedans for about 1 cent a mile less than sedan delivery trucks. The allocation of these vehicles will be as follows: Conservation operations, 50 vehicles; watershed planning, 4 vehicles; watershed protection, 5 vehicles; flood prevention, 1 vehicle. Twelve additional vehicles are needed to provide transportation for river basin survey coordinators and survey staff members in four basins where type IV surveys are proposed for initiation in 1967, in three regions where type I comprehensive surveys are proposed for initiation in 1967, and in the study of the North Atlantic region, initiated in the fiscal year 1966. One additional vehicle will be needed to provide transportation for survey coordinators and survey staff members in the Appalachian water resources survey already in process. These vehicles are all under the appropriation "Watershed protection."

The vehicles proposed to be replaced will all be at least 6 years old or will have mileage in excess of 60,000 miles at time of disposal, with the exception of a limited number which may become damaged beyond economical repair by accidents or necessary operation under adverse conditions, including in some cases, over unimproved rural roads. More detailed justifications of the need for acquisition of the 498 motor vehicles appear in the justification for the applicable agencies.

*Section 502.*—Provides that provisions of law prohibiting or restricting the employment of aliens shall not apply to employment under the appropriation for the Foreign Agricultural Service.

*Section 503.*—Provides that funds available to the Department of Agriculture shall be available for uniforms or allowances therefor as authorized by the act of September 1, 1954, as amended (5 U.S.C. 2131).

*Section 504.*—Prohibits the Department from issuing any prediction or forecast with respect to future prices or price trends on cotton, except as to damage threatened or caused by insects or pests.

*Section 505.*—Prohibits the Department from purchasing twine manufactured from commodities or materials produced outside of the United States except to provide materials required in or incident to research or experimental work where no suitable domestic product is available.

*Section 506.*—Provides that no less than \$1,500,000 of the appropriation of the Department for research and service work authorized by the acts of August 14, 1946, July 28, 1954, and September 6, 1958 (7 U.S.C. 427, 1621-1629; 42 U.S.C. 1891-1894), shall be available for contracting in accordance with these acts.

Mr. GRANT. Thank you, Mr. Chairman.

Many of these language changes have already been discussed when the agencies were here, so I will mention only briefly those significant changes which have not already been discussed or which merely represent changes in amounts which have also been discussed.

Mr. WHITTEN. We would appreciate it.

#### AGRICULTURAL RESEARCH SERVICE

Mr. GRANT. The first one is on page 2 of the subcommittee print under the Agricultural Research Service. It is proposed to eliminate the word "plans" and the words "alteration and improvement."

These words are not necessary since the budget for 1967 provides only for the construction of two items, the laboratory at Clay Center, Nebr., and at Miles City, Mont.

## CLIFTON, N.J., ANIMAL QUARANTINE STATION

On page 3 there is a proviso to authorize the use of \$100,000 under the appropriation for plant and animal disease and pest control for the relocation of the animal quarantine station at Clifton, N.J.

This facility, as you know, is within the city. Public Law 88-592, passed in 1964, authorizes the Secretary to relocate this facility somewhere in the vicinity of New York City, and to provide that the proceeds from the sale of the land will be used for the establishment of the station. In order for us to proceed with the relocation of this we need these funds to provide for the planning.

Mr. WHITTEN. How are we going to come out in the overall?

Mr. GRANT. The estimated cost of the new station is about \$1,100,000. The appraisal made by GSA in July 1965, appraised the fair market value of this property at \$526,600.

Mr. WHITTEN. What do you think about a restriction here limiting the new station to the amount received for the land?

This is an old story. We have heard in years past that if properly handled the value of the present facility, due to the enlargement of the industrial area, could well bring enough money.

Mr. GRANT. I do not have personal information but the Agricultural Research Service advises me that they could not build an adequate station with the \$526,600.

Now this will depend to some extent on where they are able to relocate. If the costs should be \$1,100,000 it would require an appropriation at some later date of \$573,400. But if they are able to get land, or get a location where they might be able to cut this cost down some—

Mr. WHITTEN. Where is this now?

Mr. GRANT. Clifton, N.J. It is near the Hudson River.

The Public Law 88-592 requires that it be located in the vicinity of the New York-New Jersey port and airport area. There are some sites there which I understand are being considered.

Mr. WHITTEN. I recall that here were some arguments about where to locate it before. Some of the sites appeared to be just as good and much less expensive.

Mr. GRANT. Yes; there are some sites that are now owned by the military in the vicinity. There is one near the Kennedy Airport that might be available, but the final site has not yet been determined.

Mr. WHITTEN. We need not take up time now. I just want the record to show the full story on it.

(The information requested follows:)

## AGRICULTURAL RESEARCH SERVICE

RELOCATION OF U.S. ANIMAL QUARANTINE STATION, CLIFTON, N.J.

(Public Law 88-592, approved September 12, 1964)

*Authorization to sell the facility*

The act authorizes the Secretary of Agriculture to enter into an agreement with the city of Clifton, N.J., for the sale of the lands, building facilities and improvements of the U.S. Animal Quarantine Station to the city of Clifton. The agreement would require the city of Clifton to pay to the Secretary the value of the property as appraised by the Secretary, and to use the land for public purposes only. The present property is not to be vacated until a new site is

found and a new station is constructed and in operation, and the present quarantine functions removed thereto.

#### *Establishment of a new station*

Proceeds from the sale of the property are to remain available until expended for establishment of a new quarantine station in the New York-New Jersey port and airport area. There are also authorized to be appropriated such additional funds as may be necessary to establish the new station.

#### *Current status*

A commercial appraisal contracted by the GSA in July 1965 places the fair market value of the Clifton property at \$526,600 for 26.331 marketable acres. During the week of February 26, 1966, the city of Clifton submitted an application to the Administrator of the Agricultural Research Service requesting consideration of a deferred payment plan for purchase of the quarantine station at the appraised price of \$526,600. This request is now being reviewed by the General Counsel prior to being submitted to the Secretary.

#### *Notification to agriculture committees*

The act provides that the Secretary shall notify the chairman of the Committee on Agriculture of the House and the chairman of the Committee on Agriculture and Forestry of the Senate, in writing, of the facts concerning the proposed site of a new station at least 60 days before any commitment is made.

#### *Progress to date on selecting site*

Surveys are now underway to locate a new site. The act requires that it be in the New York-New Jersey port and airport area. Since about 85 percent of the animals and birds arrive by air, a site near or at the Kennedy International Airport is being sought. To date, nine locations have been visited. No evaluation of their suitability, however, has as yet been completed.

A description of the nine locations visited follows. They are identified by number for reference only. No attempt has been made to fully evaluate their suitability or preference priority.

1. *Caven Point, Jersey City, N.J.*—This site is primarily used by the Army as an ammunitions dump. The area surrounding is entirely commercial and industrial. It is frontage on the Hudson River along the Jersey shore. It is northwesterly of the Statue of Liberty. It is accessible from the New Jersey Turnpike exits 14b and 14a. This site is approximately 5 miles from the Brooklyn docks and 25 miles or more from Kennedy International Airport. There is no housing on this site.

2. *Miller Field, Staten Island, N.Y.*—This is an inactive Army airport under control of U.S. Army Continental Commander, Fort Monroe, Va. It is the old Vanderbilt estate presently being used for the housing of military personnel and use of small aircraft. It is about 3 to 4 miles south of Fort Wadsworth, which is located at the south end of the Verrazano Bridge, and which provides access to the Brooklyn docks and the Kennedy International Airport, the former being about 8 miles away and the latter 15 to 18 miles. It is understood that the New York Department of Recreation and Beaches, and the New York Highway Department are interested in the use of frontage areas of this facility. The former wishes to develop the ocean front as a beach and recreation area, and the latter has plans of a right-of-way for a dual highway to extend the existing road southerly along that ocean beach line of Staten Island. It is understood the land occasionally is subject to flooding from high tides.

3. *Fort Tilden, Far Rockaway, N.Y.*—This fort is located about 10 miles from Kennedy Airport on a spit of land at Far Rockaway, about 5 miles south of the belt parkway, which serves the Brooklyn docks (20 miles west) and Kennedy Airport (10 miles east). Its south line lies along the Atlantic Ocean. The Coast Guard engineers who have a facility at that location claim that the area has never been flooded. Depending upon the area to be considered for our use, there are some dwellings that might be included in our request for the use of our ARS personnel. It is understood that in this case also, the New York Department of Recreation and Beaches is interested in developing this project and extending the present Jacob Riis Ocean Beach Recreation Area, which lies to the east of the Fort Tilden east property line.

4. *Fort Totten, Willetts Point, Long Island.*—This site is on the north shore of the island about 10 miles, more or less, from Kennedy Airport and about 30 miles from the Brooklyn docks. The fort is primarily used for housing of Army personnel on duty in the island area.

5. *Fort Slocum, Davids Island.*—This site is located about 1 mile off shore east of New Rochelle. This site can be reached by the Army ferry service, operated at an annual cost of about \$150,000 or more per annum.

6. *Sands Point Naval Air Station, Port Washington on the north shore of Long Island.*—This facility consists of about 168 acres, built by Jay Gould and now identified as the Guggenheim estate. It contains several buildings, one of which is a very modernistic looking barn for livestock. It is understood that the Navy is phasing out this property as excess to its needs. It is some 30 miles from the Kennedy Airport and some 40 to 45 miles from the Brooklyn docks. It is also understood that two State college groups have declared their interest in the site and have advised GSA through HEW that they would be willing to bid on the property under the Surplus Property Act, provisions of the FP&AS Act of 1949, for educational purposes.

7. *Fort Wadsworth, Staten Island.*—This fort is an active Army post located at the south end of the Verrazano Bridge, about 3 miles north of the Miller Field (item 2 above). There is very little land available for other than its present use.

8. *Raritan Arsenal, Metuchen, N.J.*—This is an old Army arsenal, which appears to have been cut up with considerable portions thereof having been disposed of by GSA. It is about 50 miles to Kennedy and about 35 miles from the Brooklyn docks.

9. *Kennedy International Airport.*—In October 1964, a representative of the Port of New York Authority showed representatives of ARS a site in the north-east quarter of the airport near the cargo-handling area. Thereafter, the authority provided ARS with a résumé of its procedure for making land and facilities available for tenants. Subsequent to that submission, the authority advised that the cargo area site was not available and that it could make a site of equivalent acreage available for ARS use in the southwest quarter of the air port in the vicinity of and adjacent to the aviation fuel dumps.

Mr. WHITTEN. All right, proceed.

#### FOREIGN CURRENCIES

Mr. GRANT. On pages 9 and 10 of the committee print, for foreign currency research abroad, there is proposed new language which would provide for Congress to determine the amount of specified excess foreign currencies that may be used for research abroad.

Note on page 10 that the former appropriation is eliminated.

Because these excess currencies are piling up to a considerable extent and in order to remove them from the budget so that the dollar appropriations would not be in competition with the regular going programs, the 1967 budget has in a number of instances provided for the Congress to specify in the appropriation acts the currencies that might be used for worthwhile work abroad.

This was discussed during the hearings for the Agricultural Research Service.

#### COOPERATIVE STATE RESEARCH SERVICE

On page 15, there are several changes beginning in the second line, to provide that the funds may be used for both basic and applied research.

We now have authority to make grants for applied research and this would enable the Cooperative State Research Service to carry out its work more effectively and also permit the use of contracts in certain instances where this is more efficient.

It also eliminates the language which provided for grants for facilities since that item has been eliminated in the budget.

It also deletes the language providing for the transfer of section 32 funds, since the full amount authorized in the basic law is included under the item for the Agriculture Research Service.

#### CONSUMER AND MARKETING SERVICE

The next significant change is on page 54, under the Consumer and Marketing Service. These changes are to simplify the wording in the appropriation act, by taking out the words "and this appropriation shall be available for —", and substituting in lieu of it just the word "including". It is merely a matter of shortening it.

That also applies to the next bracketed phrase, "shall be available."

#### EMPLOYMENT AUTHORITY

The next one, eliminating the rates not to exceed \$75 per diem, relates to specific authority which has been carried in this bill for a number of years. Originally it was put in to enable us to hire experts and consultants primarily in connection with the freight rates work from time to time at a rate above the Classification Act.

However, the Classification Act now authorizes pay rates for consultants and experts at a maximum rate of \$83, and therefore it is proposed to eliminate—

Mr. WHITTEN. \$83 is the maximum now?

Mr. GRANT. Yes, sir; under the Classification Act.

Mr. WHITTEN. You were here when we heard the earlier statement by this Food and Fiber Commission, where they are paying these folks \$100 a day to listen to the complaints of farmers. Isn't that pretty indicative of the fact that listening to farmer's complaints is worth more than other research, and other types of technical work?

Mr. GRANT. Mr. Chairman, I'm not sure that I'm informed on the work of the Food and Fiber Commission, but the maximum rate under the Classification Act is now \$83 and—

Mr. WHITTEN. If that is the limit, how would it be possible for a Commission created by Executive order to have authority to pay a higher rate than the Classification Act permits?

Mr. GRANT. The members of the Commission are not subject to the Classification Act.

Mr. WHITTEN. What authority would it have? They have no authority to pay at all in the absence of legislation. I know you have language proposed.

Mr. GRANT. Yes; I'm sorry. You are correct. In order to pay above \$83 or the rate of the Classification Act, it does take specific language which is proposed in the item for the Food and Fiber Commission.

Mr. WHITTEN. That would be subject to a point of order, would it not?

Mr. GRANT. No. The Administrative Expense Act of 1946 authorizes higher rates when specifically provided in the Appropriation Act.

Mr. LANGEN. Mr. Chairman, before we leave this, to see whether I understand it, will not the language left read not to exceed \$25,000 for employment, under section 15 of the act of 1946? Does that act have the limitation?

Mr. GRANT. Yes, sir.

Mr. LANGEN. What is that limitation?

Mr. GRANT. That limitation would be the maximum rate under the Classification Act of \$83 a day. That would be the figure. This would make the language in this item consistent with other similar items in the Department.

BUDGET REQUEST FOR CONSUMER PROTECTION, MARKETING, AND REGULATORY PROGRAMS

Mr. MORRIS. For marketing, you are raising \$76 to \$86 million?

Mr. GRANT. Yes, sir.

Mr. MORRIS. That is a pretty good jump, isn't it?

Mr. GRANT. Well, that is the total of the increases proposed in the budget for meat and poultry inspection and other programs under the appropriation, "Consumer protection, marketing, and regulatory programs."

FOREIGN AGRICULTURAL SERVICE

The next change is on page 73 under the Foreign Agricultural Service. It is the item that was included in last year's appropriation act authorizing the use of this appropriation for market development under the Foreign Agriculture Service to purchase any foreign currencies available. This language is permanent in nature, referring to all funds heretofore appropriated under this heading, and therefore is no longer necessary in the 1967 appropriation.

RURAL COMMUNITY DEVELOPMENT SERVICE

The next change is on page 94, under the Rural Community Development Service.

Mr. MORRIS. Is that rural area development?

Mr. GRANT. Yes, sir. The proposal to increase the amount that can be used for employment of consultants and experts from \$3,000 to \$15,000. Under the expanded program of the rural community development service, there is an increased need for such services. The use of consultants is expected to partially offset the need for hiring additional permanent technical staff.

Mr. WHITTEN. This appropriation will be available for field employment, not to exceed \$15,000. What is the basis for that? This is independent of the language, the jump from 3 to 15.

Mr. GRANT. The agency anticipates that they would be needing two consultants to work part time to help develop, for the Secretary, recommendations on matters of reaching the underprivileged people in rural areas and on other special problems of that nature.

Mr. WHITTEN. All right, proceed.

GENERAL ADMINISTRATION

Mr. GRANT. The next change is under "General administration," on page 107.

For a number of years this appropriation has carried the words "including expenses of the National Agricultural Advisory Commission."

This Commission was abolished some months ago and we no longer need to use this appropriation to pay the expenses of the Commission and we propose to eliminate those words.

#### RURAL ELECTRIFICATION ADMINISTRATION

The next change is on page 111. We are recommending the insertion of the words, about a third of the way down the page, "and to remain available without fiscal year limitation in accordance with section 3(e) of said Act." The basic law authorizes the carry forward of unused funds from one year to the next. In the Supplemental Appropriation Act of 1966, however, language was included which stated that no appropriations would be remaining available until expended unless specifically provided in the appropriations act.

The report of the House Appropriations Committee said that this provision would be included in future appropriation bills. Therefore, the language has been proposed here in order to insure the availability of the unused balances in the same manner as they have been in the past and in accordance with the basic law.

It is also proposed to eliminate the two contingency reserves. One is 60 million and the other one at 15 million, because the 1967 budget estimates that all of the direct loan authorizations will be needed.

Mr. LANGEN. Before we leave this, I want to inquire whether I understand just what the insertion of this language would do. Does this mean that the loan funds appropriated, and not expended, will be carried over beyond the fiscal year limitation.

Mr. GRANT. Beyond the fiscal year all the unused borrowings has, in the past, been carried forward as authorized in the basic law. Now, under a new policy established by the House Appropriations Committee, it is expected that in order for funds to carry forward, it would be necessary that the appropriation language specifically so indicate even though it may be authorized in the basic law.

Mr. LANGEN. Suppose the Budget Bureau comes along and places a limit on the expenditure for any given year. Is the remainder left over, the amount the Budget Bureau didn't authorize expenditure of, carried over?

Mr. GRANT. Yes, sir. Any amount that is not used in any one year would be carried over.

Mr. LANGEN. So that over a period of years you could accumulate quite a volume of money.

Mr. WHITTEN. We will explore this some further. We do not appropriate money, because the REA can borrow directly from the Treasury. We place a ceiling on the total amount that they may lend in a given year. In any given year, if the funds within the ceiling are not used, they continue to be available but under a different formula.

Mr. GRANT. Yes.

Mr. WHITTEN. And for us to apply the committee policy here might be changing the basic REA Act, if I recall it correctly. So you had better check that. This doesn't fit the common pattern.

Mr. GRANT. Yes, there is a different formula for carryover funds as far as distribution among the various States are concerned.

Mr. WHITTEN. That is right, but if you don't watch out, you will repeal that without meaning to.

Mr. GRANT. We have looked into that and have been advised by our lawyers that this does nothing more than provide the same authority that is now in basic law.

Mr. WHITTEN. I am not trying to differ with your lawyers. I just say that there is enough of a question here that we should look at it. You could have language which would continue it under the same rules as applied the first 12 months, whereas in the second 12 months, it would come under a different formula. You perhaps may be right. I just raise the question.

Mr. GRANT. Well, we will look at it again, but it is the intent to do exactly the same thing.

Mr. WHITTEN. In other words, the distribution changes in accordance with existing law?

Mr. GRANT. That is right.

(The following information was supplied by the Department:)

PROVISIONS OF RURAL ELECTRIFICATION ACT RELATING TO STATE ALLOTMENT AND CARRYOVER OF LOAN FUNDS, WITH EXPLANATION OF THE CARRYOVER LANGUAGE CONTAINED IN THE LOAN AUTHORIZATION LANGUAGE FOR FISCAL YEAR 1967

Section 3(e) of the Rural Electrification Act provides that if any part of the annual sums made available for the purposes of the act are not loaned or obligated during the fiscal year for which they are made available, such unexpended or unobligated sums shall be available for loans by the Administrator in the following year or years.

Under sections 3 (c), (d), and (e) of the Rural Electrification Act limitations are placed upon the amount of electrification loan funds that may be used in each State, as follows:

(1) That during the first 6 months of each fiscal year 25 percent of the new loan authorization for the year must be apportioned and reserved for use in the various States on the basis of the percentage of total U.S. un-electrified farms in each of the States.

(2) That the remaining three-fourths of the new loan authorization, plus all unused funds carried over from the prior year under the provisions of section 3(e) of the act, may be loaned at the discretion of the Administrator, but not to exceed 25 percent of such funds may be loaned in any one State.

(3) That during the last 6 months of each fiscal year the Administrator may also loan at his discretion, but not to exceed 25 percent in any one State any unloaned balance of the 25 percent of new loan authorization reserved during the first 6 months under the unelectrified farm formula.

The State formula in the Rural Electrification Act does not apply to the telephone program.

The following additional wording was added to the loan authorization language in the fiscal year 1967 budget: "and to remain available without fiscal year limitation in accordance with section 3(e) of said act."

The addition to this language in no way extends, limits, or otherwise changes the provisions of section 3 (c), (d), and (e) of the Rural Electrification Act. The new language was added because of the possibility that language appearing in the Supplemental Appropriation Act for 1966 would be interpreted to supersede the authority contained in sections 3 (c), (d), and (e) of the Rural Electrification Act. The language contained in the Supplemental Appropriation Act for 1966 is as follows:

"No part of any appropriation contained in this act shall remain available for obligation beyond the current fiscal year unless expressly so provided herein."

The House report on the bill stated that a similar provision will be carried in future appropriation bills. Since this would limit funds to 1 year even though basic legislation allows funds to be carried forward, the new language included in the REA loan authorization is considered necessary to insure that the authorization remains available as provided in the basic law.

## FARMERS HOME ADMINISTRATION

Mr. GRANT. The next change is on page 126—the Farmers Home Administration, farm labor housing. This change proposes to delete the words “to public nonprofit organizations” in order to clarify the language on the use of these funds. This would make the appropriation language consistent with the authorizing legislation which is section 516(a) of the Housing Act of 1949.

Mr. MORRIS. Mr. Chairman, I don't think they have done anything with the \$3 million.

Mr. WHITTEN. This is what I want given us, the latest information on obligations.

(The information requested follows:)

## FARM LABOR HOUSING GRANTS

The Farmers Home Administration, under title V of the Housing Act of 1949, as amended, is authorized to make grants to pay part of the cost of providing decent, safe, and sanitary low-rent housing for domestic farmworkers. Funds for these grants were first provided in the Agricultural Appropriations Act of 1965.

These grants are available to a State or a political subdivision or a broadly based nonprofit organization which will provide the housing as a community service.

The types of housing may include single-family units, apartments, or dormitory-type units. Related facilities, such as community rooms, kitchens, dining halls, and child-care facilities also may be financed.

The applicant must furnish as much of the cash development cost as possible from its own resources or from any power it may have to levy taxes, assessments, or charges and from credit available from a private or Government source. The applicant may obtain a labor housing loan from the Farmers Home Administration for its share of the cost. The maximum grant is limited by law to not more than two-thirds of the cash cost of the project. For the fiscal year 1966, \$3 million has been made available for labor housing grants. Currently all requests are examined at the national office. FHA does not make allocations of these funds to the States. Upon approval of a request by the national office it is returned to the State office where the formal dockets are prepared and forwarded to the finance office. Obligations are recorded when the formal dockets reach the finance office.

As of February 28, 1966, no obligations have been recorded at the finance office; however, requests for grants totaling \$1,435,605 have been tentatively approved at the national office.

## RURAL HOUSING DIRECT LOAN ACCOUNT

Mr. GRANT. The next change is on page 127. This establishes a new item called the rural housing direct loan account. In the amendment to the Housing Act of last year, all the balances of loan authorizations approved prior to that time in the various housing acts were merged into a direct loan account. It provides that we can make loans out of this direct loan account each year to the extent that the Congress approves in the appropriation act. This \$15 million will provide for the direct loans for this coming year, \$10 million for building loans, and \$5 million for elderly rental housing loans. This makes it unnecessary to have specific appropriations for this purpose, as we have had in the past.

It is still necessary to get approval of the Congress each year, but it does enable us to credit back to the account the proceeds from these loans which can be used to the extent that the Congress approves. This operates in the same manner as the direct loan account for farm operating and real estate loans.

Mr. WHITTEN. Mr. Robertson recommended to the Secretary and the Secretary recommended this list of agencies from which this other money was taken. If we go along with the language, there would be no reason why they couldn't take money from ASC, or the Foreign Agricultural Services, just like they did for the National Advisory Commission on Food and Fiber, or Rural Area Development. There is nothing to keep them from taking money from either agency and putting it in this housing fund.

Mr. GRANT. Yes, sir; because we cannot change from loan money to salaries and expenses money. This is limited to loans. It can be used only for loans.

Mr. WHITTEN. What if that money were transferred over here for administrative purposes?

Mr. GRANT. If the \$15 million was authorized to be used for administrative expenses, yes; it could be done there.

Mr. WHITTEN. Well, I am talking about the reverse. I am talking about transferring from the old line programs to this one. I am just trying to point up what kind of a situation this committee is in if it doesn't do something to prevent this practice from happening in the future. You might look that up and advise the committee.

Mr. GRANT. All right, sir.

(The following information was supplied:)

RURAL HOUSING DIRECT LOAN ACCOUNT UNDER TITLE V OF THE HOUSING ACT OF 1949, AS AMENDED

Title X of Public Law 89-117 (Housing and Urban Development Act of 1965), approved August 10, 1965, amended title V of the Housing Act of 1949 to provide for the establishment of a rural housing direct loan account. This amendment also authorized the transfer to the rural housing direct loan account of (1) all funds, claims, notes, mortgages, contracts, and property, and all collections and proceeds therefrom under the direct loan provisions of title V of the Housing Act of 1949 and any unexpended balances of amounts borrowed from the Secretary of the Treasury under section 511 of the act, and (2) all unexpended balances of appropriations for direct loans under title V, including funds authorized for direct elderly rental housing loans by section 515(a) of the act.

This direct loan account is available for repayments to the Secretary of the Treasury, and for making loans and related advances in amounts previously authorized and in such further amounts as may be authorized in appropriation acts. Amounts so authorized are available until expended.

Funds of the rural housing direct loan account cannot be used for administrative expenses. Administration of this program is included in the appropriation "Salaries and expenses."

Included in this account are the following:

1. Rural housing building loans.
2. Elderly building loans.
3. Enlargement and development.
4. Elderly rental housing.

No other funds available to the Department may be transferred into this account under existing law.

FEDERAL CROP INSURANCE CORPORATION

Mr. GRANT. The next change is on page 142, under the Federal Crop Insurance Corporation. Last year the appropriation act included authority to borrow not to exceed \$250,000 from CCC to meet emergency needs of the Federal Crop Insurance Corporation in the

event of an unusually heavy loss early in the year prior to the time that premiums would normally be collected.

This proposal in 1967 is to increase that authorization to borrow from the Commodity Credit Corporation to \$10 million. It would cover the potential requirements during the 4-month period from July through October. As premiums are collected in late months of the fiscal year the funds would be repaid to the Commodity Credit Corporation. It is only an emergency type of authority to permit prompt payment of claims prior to the collection of the premiums while the Congress may not be in session. It would be used only to meet needs in the event of unforeseen heavy losses early in the fiscal year. If such losses did not materialize, the authority would not be used.

Mr. WHITTEN. Mr. Grant, that is quite a jump. After all, this is only 3 or 4 months. I know a man who suffered a loss who would like to get his money immediately. But it won't hurt him unnecessarily to have him wait longer. Aren't we inviting temptation to let such payments exceed premiums if we go into this too heavily?

Mr. GRANT. The corporation enters into agreements or contracts with farmers. If the losses materialize, the Government is committed to make the payments even though they may be above premium collections.

Mr. WHITTEN. But the Congress is going to try to see that those premiums are somewhat in line with the risk. This could lead to some trouble. How much of the \$250,000 was used this year?

Mr. GRANT. None. The need for this comes about because the volume of insurance that is being written is increasing each year. We would have the alternative here, in the event of a very heavy loss, which we certainly hope does not materialize, of having farmers wait until we can collect premiums or get an appropriation.

Another alternative would be to request an appropriation to provide funds to subscribe to additional capital stock, and we don't know that we have a real basis for doing that at this time.

Mr. WHITTEN. You may proceed.

Mr. LANGEN. Mr. Chairman, before we proceed, let the record show that Mr. Michel raised the question as to the feasibility and the need for these changes.

In addition to that, let me ask this one question. What is meant by the fund being insufficient to meet indemnity payments and other charges? What might the other charges be?

Mr. GRANT. The other charges include loss adjustment costs. There is a provision in the law which authorizes the corporation to pay the expenses of loss adjustors from the capital fund. That is the other cost involved.

Mr. LANGEN. So there could be salaries included?

Mr. GRANT. Yes; and travel.

Mr. LANGEN. And per diem?

Mr. GRANT. As the adjustors go out to the farm, where the loss occurred; yes, sir.

Mr. LANGEN. Okay.

## COMMODITY CREDIT CORPORATION

Mr. GRANT. The next change is on page 145 on the Commodity Credit Corporation, to delete the proviso included in the Appropriation Act last year providing that the Corporation would not have to pay interest on the unreimbursed losses of the Corporation. This proviso is in the nature of permanent legislation and its retention in the Appropriation Act is not necessary.

This saved the Corporation interest costs of about \$198 million last year.

## MOTOR VEHICLES

The next changes Mr. Chairman, are under the general provisions on page 166 and 167. These are the general provisions included in the appropriation bill.

The only change being proposed for next year is in the passenger carrying motor vehicle limitation. This is in section 501, general provisions. It is proposed to acquire 598 vehicles next year of which 421 would be replacements and 77 would be required without exchanging old vehicles.

Mr. WHITTEN. What is the need for more vehicles?

Mr. GRANT. Of the 77 additional vehicles, 4 are for the Agricultural Research Service in connection with the work at four of the new laboratories which recently have been approved. The remaining 73 are in the Soil Conservation Service. Of these, 60 are to replace sedan deliveries. This was discussed at some length when the Soil Conservation Service was before the committee. They now operate some sedan deliveries at a cost of about 1 cent a mile more than the cost to operate sedans. This would enable the service to effect savings of about \$6,000 a year.

Mr. WHITTEN. Have they quit carrying working tools?

Mr. GRANT. Not altogether, but in those cases where sedans are to replace the sedan deliveries, the tools and equipment they do carry can be carried in a sedan and this would enable them to save a considerable amount of money. These sedan deliveries are heavier and for that reason it costs about a cent a mile more.

The remaining 13 vehicles for the Soil Conservation Service are required in connection with the increased river basin surveys and in the watershed protection program. All of the vehicles to be replaced will meet the General Service Administration standards of 6 years of age or 60,000 miles, unless an occasional one has been damaged through an accident or something of that nature, and it is not economical to repair it.

This concludes my statement, Mr. Chairman.

Mr. WHITTEN. Are there any questions by the members of the committee? I want to say again that, while Mr. Grant has touched on those provisions that have not heretofore been discussed, the committee, in its markup, will discuss the implications or the effect of such language changes.

## FOREIGN CURRENCIES

Mr. LANGEN. Mr. Chairman, I would like to go back for just a moment. I think I missed something on page 9 relative to the foreign currency authorization program and that page of new language.

Mr. GRANT. Yes, sir.

Mr. LANGEN. I am not really sure that I understand just what we are doing there. We are authorizing expenditures of foreign currencies above the regularly appropriated use of foreign currencies; is that a correct statement?

Mr. GRANT. No, sir. In the case of the Agricultural Research Service, if you look on page 10, you will find that last year the appropriation act included an appropriation of \$3 million. The way the Agricultural Research Service operates at present is that when they make a disbursement abroad, the disbursing office takes those dollars and buys currencies already owned by the Treasury. Under the new proposal in the language on page 9, there will no longer be a dollar appropriation. The appropriation act would authorize us to use 49,300,000 Guinean francs, for instance. We would carry out a program there in francs and there would be no conversion of dollars to buy the currencies. The currencies are in excess to the normal needs and are building up in volume. This is an effort to find some effective use for these currencies rather than just letting them continue to pile up on the books of the Treasury. It is an authorization by Congress to use so many Guinean francs, so many Indian rupees, and so many Israel pounds, for instance, directly through the Treasury without going through the dollar appropriations.

Mr. LANGEN. It is a matter of authorizing the expenditure of these funds without actual dollar appropriation.

Mr. GRANT. Yes.

Mr. LANGEN. That is all.

## STATUS OF PLANNING FOR RESEARCH FACILITIES

Mr. WHITTEN. Last year the Congress provided planning funds for 10 facilities. I know that this year the funds requested for construction are limited to two, Montana and Nebraska.

What is the status of the plans for the other facilities? Have they been completed or will they be completed by the middle of the fiscal year?

Mr. GRANT. I would have to get you that information.

Mr. WHITTEN. Supply that to us.

Mr. GRANT. Some will be completed sometime during this next fiscal year, or during the latter part of the year.

Mr. WHITTEN. Will you supply detailed information on each of those to the committee?

Mr. GRANT. Yes, sir.

(The information requested follows:)

## AGRICULTURAL RESEARCH SERVICE

*Facilities for which planning funds only were provided in the Department's fiscal year 1966 appropriations*

<i>Facility</i>	<i>Status</i>
Grain marketing research lab, Manhattan, Kans. (\$225,000).	Design criteria sent to GSA for approval in December 1965. Revised criteria being prepared. Architect-engineer expected to complete design in spring of 1967.
Cereal rust lab, University of Minnesota (\$50,000).	Design criteria sent to GSA in December 1965 for approval. Architect-engineer expected to complete design in March 1967.
Sedimentation lab, Oxford, Miss. (\$100,000).	Design criteria sent to GSA for approval in December 1965. Architect-engineer expected to complete design in spring 1967.
Modernization of range livestock experiment station, Miles City, Mont. (\$40,000).	Design criteria sent to GSA for approval in December 1965. Architect-engineer contract expected to be awarded in March 1966. The 1967 budget estimates propose an increase of \$267,000 for a part of this project (laboratory-office building and replacement of one residence building which burned to the ground in November 1965). Architect-engineer expected to complete design in March 1967.
U.S. Meat Animal Research Center, Clay Center, Nebr. (\$300,000).	Design criteria sent to GSA in January 1966. Architect-engineer contract expected to be awarded in April 1966. The 1967 budget estimates propose an increase of \$1,370,000 for a part of the construction (laboratory-office building and utilities).
Nutrition lab, Grand Forks, N. Dak. (\$50,000).	Design criteria being prepared for GSA approval.
Soil and water research lab, Pendleton, Oreg. (\$45,000).	Design criteria sent to GSA for approval in December 1965. Architect-engineer expected to complete design in February of 1967.
Pasture research lab, University Park, Pa. (\$40,000).	Delay in preparing design criteria pending negotiation relative to possible purchase of present building by university and donation of new location. Architect-engineer expected to complete design March 1967.
Soil and water research lab, Bushland, Tex. (\$25,000).	Design criteria sent to GSA for approval in December 1965. Architect-engineer expected to complete design in March of 1967.
Poultry husbandry research, Glendale, Ariz. (\$50,000).	The Federal part of the Southwest poultry research facility will be closed down at the end of fiscal 1966. No planning funds will be expended.

Mr. WHITTEN. We thank you gentlemen for your appearances.

Mr. GRANT. We thank you for your consideration in the Department's budget. I and others will remain available. If you need us or additional information, please call on us.

Mr. WHITTEN. Mr. Grant, we wish to thank you for your cooperation. We realize that in much of this, we are dependent not only on your agency but on you personally. We appreciate the cooperation you have given us.

Mr. GRANT. Thank you very much, Mr. Chairman.

THURSDAY, MARCH 10, 1966.

## FARM CREDIT ADMINISTRATION

## WITNESSES

ROBERT B. TOOTELL, GOVERNOR  
 GLENN G. BROWNE, DIRECTOR, LAND BANK SERVICE  
 JAMES E. PITTS, JR., BUDGET OFFICER  
 FREDERICK W. HOWARD, ASSISTANT BUDGET OFFICER

REVOLVING FUND  
 LIMITATION ON ADMINISTRATION EXPENSES

## Object classification

[In thousands of dollars]

	1965 actual	1966 estimate	1967 estimate
Personnel compensation:			
11.1 Permanent positions.....	2,223	2,369	2,402
11.3 Positions other than permanent.....	40	45	45
11.5 Other personnel compensation.....	5		
Total personnel compensation.....	2,268	2,414	2,447
12.0 Personnel benefits.....	166	181	185
21.0 Travel and transportation of persons.....	279	296	291
22.0 Transportation of things.....	7	5	5
23.0 Rent, communications, and utilities.....	34	35	35
24.0 Printing and reproduction.....	22	25	25
25.1 Other services.....	10	8	8
25.2 Services of other agencies.....	11	21	8
26.0 Supplies and materials.....	20	18	20
31.0 Equipment.....	17	23	8
Total costs, funded.....	2,834	3,026	3,032
94.0 Change in selected resources.....	13	-8	
99.0 Total obligations.....	2,847	3,018	3,032

## Personnel summary

	1965 actual	1966 estimate	1967 estimate
Total number of permanent positions.....	220	224	223
Full-time equivalent of other positions.....	4	4	4
Average number of all employees.....	223	228	227
Average GS grade.....	9.5	9.6	9.7
Average GS salary.....	\$9,884	\$10,417	\$10,531
Average salary of ungraded positions.....	\$5,310	\$5,310	\$5,310

Mr. WHITTEN. Gentlemen, the committee will come to order.

We are glad to have with us Governor Tootell, and his associates from the Farm Credit Administration.

## JUSTIFICATION MATERIAL

Mr. Reporter will you include in the record, pages 1 through 21 of the justifications at this point.

(The justification material follows:)

## FARM CREDIT ADMINISTRATION

## PURPOSE STATEMENT

The Administration supervises, examines, and provides facilities and services to a coordinated system of farm credit banks and associations making loans to farmers and their cooperatives. A fundamental principle of supervision is the encouragement and development of agricultural cooperative agencies, rendering constructive credit service to farmers at minimum cost and with complete farmer ownership an ultimate objective of the agencies supervised. Services and facilities furnished by the Administration facilitate the operations of the banks and associations under its supervision and their progress toward farmer ownership. Typical services are: custody of collateral for bonds and debentures, assistance in financing and investments, credit analysis, development of land appraisal standards and policies, preparation of reports and budgets, and preparation and distribution of information on farm credit. All expenses of these activities are paid by assessments collected from the banks and associations of the farm credit system.

Since December 4, 1953, the Administration has been an independent agency under the direction of a Federal Farm Credit Board (12 U.S.C. 636b). The Administration, originally created by Executive Order No. 6084 on May 27, 1933, was transferred to the Department of Agriculture on July 1, 1939, by Reorganization Plan No. 1.

On December 31, 1965, the Administration had 211 full-time employees, approximately half of whom were located in the field. These field employees are farm loan registrars, reviewing appraisers, and farm credit examiners.

*Administrative expenses*

Limitation estimate, 1966-----	<sup>1</sup> \$3, 018, 000
Budget estimate, 1967-----	3, 032, 000

<sup>1</sup> Includes proposed supplemental limitation of \$28,000.

*Authorization for the obligation of assessments collected from Farm Credit Banks and Associations*

Limitation (revised), 1966, and base for 1967 <sup>1</sup> -----	\$3, 018, 000
Budget estimate, 1967-----	3, 032, 000

Change-----	+14, 000
-------------	----------

The increase of \$14,000 for 1967 over 1966 is necessary to cover the unabsorbed cost of pay increases (Public Law 89-301) effective for a full year in 1967 as compared to 9 months in 1966.

## PROGRAM

[In thousands]

Program	1965 actual	1966 revised estimate	1967 estimate	Change
Supervision and examination of farm credit banks and associations-----	\$2, 809	<sup>1</sup> \$3, 018	\$3, 032	+\$14
Unobligated balance-----	67			
Limitation or estimate-----	2, 931	3, 018	3, 032	+14
Not assessed-----	<sup>2</sup> -55			

<sup>1</sup> Includes proposed supplemental limitation of \$28,000.

<sup>2</sup> Supplemental limitation of \$55,000 was not assessed the banks in the farm credit system. Savings resulting primarily from vacancies were sufficient to cover the cost of pay increases (Public Law 88-426) for which the supplemental was requested.

## LANGUAGE

"Not to exceed **[\$2,990,000]** \$3,032,000 (from assessments collected from farm credit agencies) shall be obligated during the current fiscal year for administrative expenses."

## STATUS OF PROGRAM

## SUPERVISION AND EXAMINATION OF FARM CREDIT BANKS AND ASSOCIATIONS

The Farm Credit Administration is a supervisory agency established to provide the banks and associations of the farm credit system with centralized and coordinated supervision and examination, and to furnish facilities and services deemed essential to the operation of the system and its progress toward complete farmer ownership.

The Farm Credit Act of 1953 reestablished the Farm Credit Administration as an independent agency. It created a Federal Farm Credit Board responsible for the direction, supervision, and control of the Administration and its operations (12 U.S.C. 636b). The Board consists of 13 members. Twelve are appointed by the President with the advice and consent of the Senate. The 13th is designated by the Secretary of Agriculture. In making appointments to the Board, the President considers nominations made by Federal land bank associations, production credit associations, and borrowing farmer cooperatives in each of the 12 farm credit districts. The act reaffirmed the concept of progressively greater borrower participation in the management, control, and ultimate ownership of the credit agencies supervised by Farm Credit Administration. Progress toward this objective since December 4, 1953, the effective date of the act, and other developments are outlined in the section headed "The Farm Credit System."

*Significance of the program*

Effective Farm Credit Administration supervision and examination have contributed to the growth of the farm credit system. The system has developed sound administrative management and the facilities and services made available by the Administration have enabled it to serve farmers effectively. The steady increase in the number of farmers participating in cooperative credit indicates their confidence in the farm credit system, and demonstrates that with effective leadership such a credit system is desirable and feasible. Objectives of the farm credit system which can be attained best through coordinated effort are to: assure farmers a permanent source of credit by strengthening the farm credit banks and associations; assure dependable sources of loan funds, which are of first importance to any credit system, by maintaining the confidence of investors in farm credit bank securities through adherence to sound credit principles and maintenance of strong financial structures; and accomplish the retirement of Government capital without impairing the system's ability to provide for the sound credit needs of agriculture.

## DEVELOPMENTS IN AGRICULTURAL CREDIT

Amounts of credit used by farmers are continuing to follow the rising trend in evidence in recent years. Increases in the volume of credit used in agriculture are resulting primarily from greater commercialization and specialization in farming and from the more rapid rate at which changes are occurring in the farm economy. Cooperative organizations which serve farmers also are finding it necessary to use a greater volume of credit to finance improvement and expansion of their operations in a competitive economy. In serving the credit needs of farmers and their cooperatives, the farm credit banks and associations, therefore, find it necessary to extend larger amounts of credit in order to meet the capital needs of agriculture. While the volume of credit being used by farmers is at a record level, the general financial position of agriculture continues to be sound. Farmers' incomes have shown a significant increase during the past year and there continues to be an improvement in net worth position of farmers. Collections on farm loans are good, rates of delinquencies are low, and foreclosures are at a very low level.

*Farm commodity prices rise*

The average level of all commodity prices received by farmers increased by 5 percent in 1965. On a U.S. basis, the index (1910-14=100) of prices received

by farmers averaged 248 in 1965 as compared with 236 in 1964 and 238 in 1960. Higher prices of hogs, cattle, and lambs accounted for most of this rise in the average level of commodity prices received. Prices of poultry also were somewhat higher and moderate increases occurred in prices of soybeans and feed grains.

Costs paid by farmers have moved up to successively higher levels in each year during the past decade. In 1965 the average level of prices paid by farmers increased by about 3 percent to a new record high. The U.S. index (1910-14=100) of prices paid by farmers averaged 321 in 1965 as against 313 in 1964 and 300 in 1960. During the past year the largest increases in farmers' costs occurred in prices paid for machinery, feeder livestock, and seeds, and in wage rates paid for hired labor. Increases were smaller in prices paid for feeds, building materials, and fertilizers. As a result of these changes in levels of costs paid and in commodity prices received, the farm parity ratio equaled 77 in 1965 as compared with 76 in 1964 and 80 in 1960.

#### Farmers' income higher

A significant increase occurred during 1965 in amounts of income received by farmers. Total gross income from farming operations increased from \$42.2 billion in the calendar year 1964 to a new record of \$44.2 billion in 1965. Net farm income also increased, from \$12.9 billion in 1964 to \$14 billion in 1965. Net farm income in 1965 was the largest net received by farmers since 1952. Net income per farm averaged \$4,100 in 1965 as compared with \$3,727 in 1964 and \$2,956 in 1960.

#### Prices received and paid by farmers and farm income, United States

Calendar year	Indexes (1910-14=100)			Farm income (billions) <sup>1</sup>		
	Farm product prices received	Prices paid by farmers	Parity ratio	Gross income	Production expenses	Net income
1950.....	258	256	101	\$32.3	\$19.4	\$12.9
1955.....	232	276	84	33.1	21.9	11.2
1956.....	230	278	83	34.3	22.4	11.9
1957.....	235	287	82	34.0	23.3	10.7
1958.....	250	294	85	37.9	25.2	12.7
1959.....	240	298	81	37.5	26.1	11.4
1960.....	238	300	80	37.9	26.2	11.7
1961.....	240	302	79	39.6	27.0	12.6
1962.....	244	307	80	41.1	28.6	12.5
1963.....	242	312	78	42.1	29.6	12.5
1964.....	236	313	76	42.2	29.3	12.9
1965 <sup>2</sup> .....	248	321	77	44.2	30.2	14.0

<sup>1</sup> Includes Government payments. Excludes changes in farm inventories.

<sup>2</sup> Preliminary.

The increased incomes received by farmers in 1965 resulted mainly from two causes. One of these was the 5 percent rise in commodity prices received by farmers which contributed to an increase in the amount of income received from the sale of products. An increase also occurred in the amount of direct Government payments made to farmers. It is estimated that Government payments totaled \$2.4 billion in 1965, or materially higher than the \$2.2 billion in 1964 and the \$0.7 billion in 1960. The physical volume of crops and livestock products marketed by farmers in 1965 was the same as the quantity of products sold in 1964.

Total amounts of production expenses paid by farmers have been moving up to higher levels during the last decade. Production expenses increased from a total of \$26.2 billion in 1960 to \$29.3 billion in 1964 and to an estimated \$30.2 billion in 1965. These increases in production expenses have resulted in part from the steady rise in prices paid by farmers. Because the physical volume of farm production also has increased by 35 percent since 1950, it has been necessary for farmers to make increased outlays for most categories of expense in order to finance the greater volume of output.

*Financial position of farmers*

The financial position of farmers in the United States generally improved during 1965. This resulted in part from the rise in farmers' incomes, and from high yields brought about by the favorable growing conditions which existed in most parts of the country. The net worth position of farmers also improved primarily as a result of a rise in the value of farmers' assets. Exceptions to this general trend existed in some local areas where farmers suffered reverses from drought, storms, floods, and severe freezes.

Total assets held by farmers were estimated at \$253 billion as of January 1, 1966, as compared with \$237 billion a year earlier and \$203 billion in 1960. Most of this rise in farmers' assets resulted from higher prices of farm real estate. Smaller increases also occurred in the value of other assets held by farmers, such as machinery, livestock, and cash reserves. Total debts owed by farmers as of January 1, 1966, were estimated at \$39 billion as against \$36 billion a year earlier and \$23 billion in 1960. During recent years farm real estate mortgage debts have been increasing rapidly and now total \$21 billion as compared with \$19 billion a year ago. While short- and intermediate-term non-real-estate debts of farmers have been rising more slowly, these debts increased from \$17 billion at the beginning of 1965 to an estimated \$18 billion as of January 1, 1966.

*U.S. balance sheet of agriculture, as of Jan. 1*

[In billions of dollars]

Item	1955	1960	1964	1965	1966
<b>Assets:</b>					
Physical assets:					
Real estate.....	98.2	129.9	150.7	159.4	170.0
Nonreal estate.....	49.4	55.3	58.2	57.3	61.4
Financial assets.....	17.5	18.7	20.0	21.1	21.8
Total assets.....	165.1	203.9	228.9	237.8	253.2
<b>Debts:</b>					
Real estate debts.....	8.2	12.1	16.8	18.9	21.1
Non-real-estate debts.....	7.2	11.6	16.2	17.1	18.3
Total debts.....	15.4	23.7	33.0	36.0	39.4
Owed on CCC loans.....	2.2	1.2	1.9	1.5	1.7
Farmers' net worth.....	147.5	179.0	194.0	200.3	212.1

Source: U.S. Department of Agriculture.

Although farmers' debts have reached a new high, the financial position of most farmers continues to be good. Debts probably are excessive in only a small percentage of cases. The net worth position of farmers has improved steadily during the past decade and was estimated at \$212 billion as of January 1, 1966, as compared with \$200 billion a year earlier and \$179 billion in 1960. Collections on farm debts are good, and delinquencies and foreclosures are low.

The increases in farmers' debt are resulting in part from a continuing trend toward commercialization in agriculture which involves greater use of credit and purchased inputs. Farmers also are using more credit to enlarge under-sized units and to finance farm improvements and adjustments in operations.

*Loans made to agriculture by the Farm Credit banks and associations*

[In millions of dollars]

Lending banks and associations	Fiscal year ending June 30—				
	1950	1955	1960	1964	1965
Federal land banks.....	199	403	517	852	1,193
Production credit associations.....	968	1,328	2,568	3,671	3,850
Banks for cooperatives.....	373	500	672	1,061	1,277
Federal intermediate credit banks.....	1,520	1,920	3,304	4,715	4,919
Total loans.....	3,060	4,151	7,061	10,299	11,239
Deduct FICB credit to other farm credit banks and associations.....	1,351	1,748	3,072	4,432	4,642
Net total loans.....	1,709	2,403	3,989	5,867	6,597

*Loans of the Farm Credit banks*

Loans made by the Farm Credit banks and associations increased from a net total of \$5.9 billion of credit extended to farmers and their cooperatives during the year ended June 30, 1964, to a new high of \$6.6 billion in the fiscal year 1965. The 12 Federal land banks made \$1.2 billion of loans in the year ended June 30, 1965, as compared with \$852 million of loans made in the fiscal year 1964. Loans made by the production credit associations increased from \$3.7 billion in the fiscal year 1964 to \$3.8 billion during the year ended June 30, 1965. Loans made by the banks for cooperatives to farmers' marketing, purchasing, and service cooperatives moved up from \$1.1 billion in the year ended June 30, 1964, to \$1.3 billion in the fiscal year 1965.

The outstanding amount of loans held by all Farm Credit banks and associations increased to a net total of \$7.9 billion as of June 30, 1965, as compared with a net total of \$6.9 billion of loans held a year earlier. At the end of the fiscal year 1965 the Federal land banks held \$4.1 billion of farm mortgage real estate loans, while PCA's held \$2.7 billion of short- and intermediate-term loans extended to farmers, and the banks for cooperatives held \$931 million of loans that were being used by farmer cooperatives.

Approximately 17 percent of the total amount of credit used by individual farmers is furnished by the Farm Credit banks and associations. The Federal land banks account for 19.5 percent of the real estate mortgage credit used by farmers while the PCA's extend 13.3 percent of the short- and intermediate-term nonreal estate loans used in agriculture.

*Loans outstanding to agriculture held by the Farm Credit banks and associations*

[In millions of dollars]

Lending banks and associations	As of June 30—				
	1950	1955	1960	1964	1965
Federal land banks.....	931	1,408	2,487	3,516	4,058
Production credit associations.....	531	804	1,670	2,533	2,743
Banks for cooperatives.....	245	317	551	758	931
Federal intermediate credit banks.....	591	855	1,698	2,504	2,686
Total loans.....	2,298	3,384	6,406	9,311	10,418
Deduct FICB credit to other farm credit banks and associations.....	532	779	1,594	2,371	2,545
Net total loans.....	1,766	2,605	4,812	6,940	7,873

The increased amounts of credit being extended to farmers by the Federal land banks and production credit associations are resulting for the most part from higher farm costs and from a continued trend toward commercialization and specialization in farming. As mentioned above, prices paid by farmers and the quantity of purchased inputs used by farmers have been increasing over the years. As farms become more commercialized and specialized, they need to use larger amounts of credit for operating capital and to finance the purchase of

expensive machinery, supplies, and equipment. Many farmers are borrowing funds to enlarge undersized farm units. As farms become larger, greater amounts of credit are required to finance the purchase and improvement of farm properties. Increases in farmland prices also are making it necessary for young and beginning farmers to borrow larger amounts to get started in farming. Because rapid technological changes are occurring in agriculture, and with changes in the demand for farm products coming more frequently, it is necessary for individual farmers to make major shifts and adjustments in their operations more often than was necessary previously. Since these continuing adjustments in agriculture usually involve the purchase of expensive machinery and equipment, it is necessary for farmers to use greater amounts of credit if they are to keep abreast of developments and adjust to changing times.

Farmers' cooperative associations are finding it necessary to use increasing amounts of credit to finance the processing, marketing, and storage of agricultural products. Rapid improvements being made in the processing and merchandising of farm products are making it necessary for cooperatives to continually modernize and enlarge their facilities in a highly competitive economy. Needs for operating capital to carry on current business operations of cooperatives also are increasing. These trends are making it necessary for farmer cooperative associations to use larger amounts of both equity and borrowed capital.

*Amount of loans outstanding to farmers and percent of total held, by types of lenders, United States, Jan. 1, 1965 and 1964<sup>1</sup>*

Type of lender	Jan. 1, 1965		Jan. 1, 1964	
	Amount (millions)	Percent of total	Amount (millions)	Percent of total
<b>Real estate mortgage loans:</b>				
Federal land banks.....	\$3,686	19.5	\$3,281	19.5
Insurance companies.....	4,285	22.7	3,778	22.5
Commercial banks.....	2,662	14.1	2,356	14.0
Farmers Home Administration.....	615	3.3	601	3.6
Individuals and others.....	7,632	40.4	6,776	40.4
Total.....	18,880	100.0	16,792	100.0
<b>Non-real-estate loans:</b>				
Production credit associations.....	2,277	13.3	2,105	13.0
Federal intermediate credit banks <sup>2</sup> .....	125	.7	126	.8
Commercial banks <sup>3</sup> .....	6,975	40.7	6,642	41.0
Farmers Home Administration.....	642	3.8	592	3.7
Individuals and others.....	7,113	41.5	6,720	41.5
Total.....	17,132	100.0	16,185	100.0
<b>Total loans to farmers:</b>				
Held by farm credit banks.....	6,088	16.9	5,512	16.7
Held by other lenders.....	29,924	83.1	27,465	83.3
Total loans.....	36,012	100.0	32,977	100.0

<sup>1</sup> 48 States only.

<sup>2</sup> Includes only loans to and discounts for financing institutions other than PCA's.

<sup>3</sup> Excludes loans guaranteed by Commodity Credit Corporation.

Source: U.S. Department of Agriculture.

**Outlook:**

The outlook for 1966 is for farmers' gross and net incomes to show some further increase. Production expenses on farms probably also will rise as compared with 1965. As a result of the recent improvement in the income position of agriculture, farmers will be encouraged to go ahead with plans for making additional improvements and adjustments in their operations. This is expected to bring further increases in the amounts of credit used by individual farmers.

The total value of assets owned by farmers is expected to increase further in the period ahead. While most of this rise in the value of assets will result from higher prices of farm real estate, many farmers are increasing the productivity of their properties by using better operating practices, conserving soil resources, and using more efficient equipment. Although debts owed by farmers will increase, the rise in the value of farmers' assets is expected to exceed the increase

in debts. As a consequence, there should be a further improvement in the net worth position of farmers during the coming year.

#### LENDING FUNDS OF THE FARM CREDIT BANKS AND ASSOCIATIONS

The lending funds used by the farm credit system are obtained primarily from the sale in the investment market of bonds and debentures of the farm credit banks. In this way, the farm credit banks and associations provide an effective link between farmer-borrowers and the investing public. The farm credit securities—consolidated Federal farm loan bonds, consolidated Federal intermediate credit bank debentures, and consolidated debentures of the banks for cooperatives—are not guaranteed by the Government either as to principal or interest but are secured principally by notes and mortgages deposited as collateral with the Farm Credit Administration. These securities are considered by the market to be prime investments.

#### INTEREST RATES

*On borrowings.*—Short-term interest rates fluctuated within a narrow range during the first 8 months of 1965. Economic influences caused short-term rates to increase moderately during September, October, and November; they rose substantially in December following the increase in the Federal Reserve discount rate. Long-term rates followed the general trend of short-term rates except that they began their upward movement in July rather than September. The interest costs of new issues of securities by the farm credit banks during 1965 were affected by these conditions.

The cost (interest plus commission to dealers) of Federal intermediate credit bank 9-month debentures, which are sold monthly, rose from 4.30 percent in January to 4.70 percent for the December financing. However, an issue dated January 3, 1966, sold in December after the increase in the Federal Reserve discount rate, cost the banks 5 percent. The range for 1964 was from 4 to 4.23 percent. The average cost (including dealers' commissions) of credit bank debentures outstanding rose from 4.15 percent as of December 31, 1964, to 4.46 percent at the close of 1965.

The cost (interest plus commission to dealers) of the 6-month debentures of the banks for cooperatives, which are issued about eight times a year, increased during 1965 from 4.23 to 4.60 percent. The range for 1964 was from 4 to 4.10 percent. The average cost of debentures outstanding increased from 4.07 percent to 4.49 percent during 1965.

The Federal land banks in 1965 entered the market six times and sold seven bond issues ranging in term from 10 months to 10 years and in cost (reflecting interest, offering price, and commission) from 4.35 to 4.98 percent. The average cost of all bonds outstanding increased from 4.19 to 4.31 percent in 1965.

*On loans.*—As a result of the material increase in the cost of borrowed funds, all of the Federal intermediate credit banks and nearly all the banks for cooperatives found it necessary to raise their lending rates during 1965. Many of these changes occurred near the end of the year, to be effective in January or February 1966.

At the close of 1965 (and reflecting changes effective early in 1966) the rates of the credit banks on loans and discounts were 5 percent for two banks,  $5\frac{1}{4}$  percent for five banks, and  $5\frac{1}{2}$  percent for four banks. The remaining bank follows a procedure under which it charges interest on all loans and discounts outstanding each month at a rate calculated to cover its cost of borrowed money for that month plus a margin fixed from time to time by its board of directors, with the approval of the Farm Credit Administration.

The ranges of lending rates of the banks for cooperatives at the close of 1965 (including changes effective in January and February 1966) were  $4\frac{3}{4}$  to  $5\frac{1}{4}$  percent on commodity loans and  $4\frac{3}{4}$  to  $5\frac{3}{4}$  percent on operating capital loans and facility loans.

There was only one change in the rates charged on new loans by the Federal land banks in 1965, a reduction early in the year to  $5\frac{1}{2}$  from  $5\frac{3}{4}$  percent. The range of rates among the 12 banks was from 5 to  $5\frac{1}{2}$  percent. Ten banks were charging  $5\frac{1}{2}$  percent and one each was charging 5 and 5.2 percent.

Interest rates of PCA's rose in 1965 reflecting the increase in the cost of funds they borrow from the credit banks. As of January 1966, 175 associations were charging 6 percent, 144 were charging  $6\frac{1}{2}$  percent, 50 were charging  $6\frac{3}{4}$  percent, and 56 were charging 7 percent. Of the remaining 46 associations, only 30 were charging less than 6 or more than 7 percent.

## THE FARM CREDIT SYSTEM

The farm credit system is comprised of 12 districts, each having a district office through which agricultural credit services are available to farmers and their cooperatives everywhere in the United States and Puerto Rico, and to a limited extent in Alaska and Hawaii. The banks located in the 12 district offices are engaged in making or discounting loans to farmers and their cooperatives and in the supervision of the lending activities in the districts. The banks and associations in the system, their activities, and recent developments are described briefly below.

*Federal land banks and Federal land bank associations*

The 12 Federal land banks, through the 719 Federal land bank associations, which are located at the local level, make long-term real estate loans to farmers and ranchers. These loans are based upon the normal value of the farm offered as security. A loan may not exceed 65 percent of this value, plus the amount of stock required to be purchased in the associations. Normal values are based on standards prescribed by the Farm Credit Administration and are under continuous review to reflect permanent technological and other changes in agriculture. Numerous changes have been made in the law in recent years enabling the land banks to better serve agriculture. Among these were the transfer of the appraisal function from the Farm Credit Administration to the banks, removing the limitation on the size of loan and making it subject to regulation by farm credit banks and refinements in terms, etc. The last of the Government capital in the land banks was repaid in 1947. At June 30, 1965, borrowers owned \$237 million of capital stock in the system.

*Banks for cooperatives*

These banks make loans to finance the operations of farmer cooperatives. Title I of the Farm Credit Act of 1955 (69 Stat. 655) provided for several changes, the more important of which were provisions for permanent investment in the banks by borrowing cooperatives and others and retirement of the Government's investment. Also it placed a limitation on the central bank to make direct loans only when it is not practicable for district banks to lend. As a result the principal lending function of the bank consists of participating in the larger loans made by the district banks.

At June 30, 1965, borrowing cooperatives owned \$157 million of capital stock in the banks. At the same time, the U.S. Government's investment totaled \$52 million—a reduction of \$98 million since the act of 1955 was passed. Further retirements of capital amounting to \$13.5 million and \$7.6 million will be made in 1966 and 1967, respectively. At the end of the 1965 fiscal year, two of the banks, Houston and Berkeley, retired the last of their Government capital and thus became the first banks to become fully owned by their borrowers. Several more banks are expected to follow suit in 1966 and 1967. Based on present indications, all Government capital in the system should be repaid by 1970.

*Federal intermediate credit banks*

These banks discount short and intermediate term production loans made to farmers and ranchers by the production credit associations and certain other privately financed lending institutions. They also supervise the operations of the 471 PCA's including all phases of their lending activities and furnish various other services to assist the associations in conducting their operations.

The Farm Credit Act of 1956 provided a long-range plan for the eventual ownership of the credit banks by the PCA's and the gradual retirement of the Government's investment in the banks. However, because of the increased credit demands placed upon the FICB's, it has been necessary for the Government to invest additional capital in the banks in order to keep the debt-to-capital ratio within the maximum provided by law.

As of June 30, 1965, the Government's investment in the class A stock of the banks was \$123.5 million. At the same time the PCA's owned \$66 million of B stock and OFI's, \$3.3 million of participation certificates. During the latter part of 1965, legislation was passed which had as its primary purpose the hastening of the retirement of the Government's investment. To accomplish this, among other things, it changed the debt-to-capital ratio of the banks from 10 to 1 to 12 to 1 and made it applicable to the system as a whole rather than to individual banks as heretofore.

*Production credit associations*

These associations are direct lenders, making short and intermediate term production loans to farmers and ranchers. The present capital structure of the production credit associations has been built up principally through purchases of capital stock by member-borrowers and by retained earnings. Each borrower is required to own class B stock equal to 5 percent of his loan. Many members also have purchased and continue to hold class A stock in their associations and many borrowers own class B stock in excess of the amounts required to support their loans.

The short-term credit investment fund is available for subscription by the Governor on behalf of the United States to class A and class C stock of production credit associations, should the need therefore arise. Only \$540,000 of Government funds were invested in PCA capital stock at June 30, 1965. This compares with a peak investment of \$90 million in 1939. At the end of June 1965, the total stock owned by members was nearly \$265 million. Of the 471 associations, 468 were fully member owned as of January 1, 1966.

Selected data on farm credit system activities are further illustrated in the following tables:

*Net worth of farm credit system as of June 30, 1965*

Banks and associations	Paid-in capital	Earned net worth		Total net worth
		Reserved	Unreserved	
Federal land banks	\$236,994,455	\$301,172,354	\$34,459,937	\$572,626,746
Federal land bank associations	237,083,170	58,715,718	60,345,392	356,144,280
Federal intermediate credit banks	192,824,540	87,662,285		280,486,825
Production credit associations	265,036,084	178,204,224	12,519,531	455,759,839
Banks for cooperatives	157,147,602	111,894,638		269,042,240
Grand total	1,089,085,851	737,649,219	107,324,860	1,934,059,930
Less: Intercompany items	302,988,960			302,988,960
Net total	786,096,891	737,649,219	107,324,860	1,631,070,970

*Gross assets of farm credit system as of June 30*

Banks and associations	1963	1964	1965
Federal land banks	\$3,403,469,628	\$3,728,548,141	\$4,299,867,627
Federal land bank associations	306,924,058	334,478,314	373,378,705
Federal intermediate credit banks	2,460,871,871	2,675,768,771	2,856,927,839
Banks for cooperatives	767,576,333	827,836,400	1,008,575,300
Production credit associations	2,650,479,707	2,906,288,374	3,131,325,777
Total	9,579,321,597	10,472,920,000	11,670,075,248

*Amount of loans and discounts made by farm credit system, fiscal years 1963 through 1965*

Banks and associations	1963	1964	1965
Federal land banks	\$682,113,890	\$852,043,687	\$1,193,395,055
Federal intermediate credit banks	4,405,936,574	4,715,207,574	4,918,470,723
Banks for cooperatives	945,506,709	1,060,816,501	1,276,632,572
Production credit associations	3,421,948,165	3,670,857,956	3,850,432,588
Grand total	9,455,505,338	10,298,925,718	11,238,930,938
Less: FICB loans to and discounts for production credit associations	4,131,597,345	4,432,428,210	4,642,194,396
Net total	5,323,907,993	5,866,497,508	6,596,736,542

*Amount of loans and discounts outstanding for farm credit system, as of June 30*

Banks and associations	1963	1964	1965
Federal land banks.....	\$3,198,005,630	\$3,516,215,388	\$4,057,523,965
Federal intermediate credit banks.....	2,297,711,616	2,504,379,178	2,686,589,307
Banks for cooperatives.....	700,562,049	757,463,922	930,886,940
Production credit associations.....	2,300,401,919	2,532,896,755	2,743,042,982
Grand total.....	8,491,681,214	9,310,955,243	10,418,043,194
Less: FICB loans to and discounts for production credit associations.....	2,166,014,313	2,370,586,905	2,545,284,086
Net total.....	6,325,666,901	6,940,368,338	7,872,759,108

*Selected comparative data on Federal intermediate credit banks*

Item	June 30, 1963	June 30, 1964	June 30, 1965
Gross assets.....	\$2,450,871,871	\$2,675,768,771	\$2,856,927,839
Loans and discounts outstanding.....	2,297,711,616	2,504,379,178	2,686,589,307
Loans and discounts made during year ended.....	4,405,936,574	4,715,207,574	4,918,470,723
Repayments of loans during year ended.....	4,111,341,553	4,503,540,012	4,736,260,594
Unmatured debentures outstanding.....	2,133,300,000	2,315,350,000	2,462,450,000
Debentures issued during year ended.....	2,733,950,000	2,996,250,000	3,167,450,000
Federal franchise tax payable.....	2,731,557	3,093,150	3,092,371
Net worth:			
Capital stock owned by U.S. Government.....	114,989,120	120,589,120	123,489,120
Capital stock owned by production credit associations.....	47,575,195	56,994,520	65,994,505
Participation certificates—Other financing institutions.....	2,315,980	2,858,205	3,340,915
Surplus reserved.....	63,066,704	63,066,704	63,066,704
Legal reserve.....	16,034,808	20,393,031	24,595,581
Total net worth.....	243,981,807	263,901,580	280,486,825

## Selected comparative data on Federal land banks

Item	June 30, 1963	June 30, 1964	June 30, 1965
FEDERAL LAND BANKS			
Gross assets.....	\$3,403,469,628	\$3,728,548,141	\$4,299,867,627
Loans outstanding:			
Number.....	380,493	380,163	384,330
Amount.....	\$3,198,005,630	\$3,516,215,388	\$4,057,523,965
Loans closed during year ended:			
Number.....	46,957	51,268	58,908
Amount.....	\$682,113,890	\$852,043,687	\$1,193,395,055
Repayments of loans during year ended <sup>1</sup> .....	\$264,901,981	\$293,538,361	\$308,517,477
Real estate and sheriffs' certificates acquired during year ended:			
Number.....	41	28	14
Investment.....	\$486,825	\$217,528	\$100,756
Real estate and sheriffs' certificates disposed of during year ended:			
Number.....	40	33	18
Investment.....	\$365,512	\$378,382	\$138,330
Real estate and sheriffs' certificates on hand:			
Number.....	36	31	7
Investment.....	\$430,810	\$271,927	\$89,041
Bonds outstanding.....	\$2,723,577,600	\$2,971,404,600	\$3,530,995,600
Net worth:			
Capital stock owned by borrowers.....	\$189,644,570	\$207,830,375	\$236,994,455
Legal reserve.....	151,341,753	163,674,229	177,352,354
Surplus reserve.....	130,830,000	127,005,000	123,820,000
Earned surplus.....	28,199,891	31,892,069	34,459,937
Total net worth.....	500,016,214	530,401,673	572,626,746
FEDERAL LAND BANK ASSOCIATIONS			
Number of associations.....	763	752	724
Net worth:			
Capital stock owned by borrowers.....	\$189,688,285	\$207,935,740	\$237,083,170
Legal reserve and surplus.....	102,770,833	111,075,564	119,061,110
Total net worth.....	292,459,118	319,011,304	356,144,280

<sup>1</sup> Includes principal matured, special principal payments, loans paid off prior to maturity.

## Selected comparative data on banks for cooperatives

Item	June 30, 1963	June 30, 1964	June 30, 1965
Gross assets.....	\$767,576,333	\$827,836,400	\$1,008,575,300
Number of borrowing cooperatives.....	2,824	2,857	2,890
Loans made during year ended.....	\$945,506,709	\$1,060,816,501	\$1,276,632,572
Repayments of loans during year ended.....	\$936,547,087	\$1,002,217,321	\$1,101,587,584
Loans outstanding.....	\$700,562,049	\$757,463,922	\$930,886,940
Unmatured debentures outstanding.....	\$459,000,000	\$497,500,000	\$686,500,000
Federal franchise tax payable.....	\$2,170,283	\$1,873,610	\$1,738,344
Net worth:			
Capital stock owned by borrowers and others.....	\$80,111,973	\$92,419,096	\$105,021,502
Capital stock owned by U.S. Government.....	80,911,100	67,024,100	52,126,100
Surplus reserved.....	88,111,198	88,111,198	88,111,198
Surplus allocated to patrons.....	19,640,915	21,864,741	23,783,440
Total net worth.....	268,775,186	269,419,135	269,042,240

## Selected comparative data on production credit associations

Item	June 30, 1963	June 30, 1964	June 30, 1965
Gross assets.....	\$2,650,479,707	\$2,906,288,374	\$3,131,325,777
Number of associations.....	487	484	477
Number of member stockholders.....	535,303	540,017	542,540
Amount of loans made during year ended.....	\$3,421,948,165	\$3,670,857,956	\$3,850,432,588
Number of loans outstanding.....	307,983	313,609	315,753
Amount of loans outstanding.....	\$2,300,401,919	\$2,532,896,755	\$2,743,042,982
Total amount of repayments of loans during year ended.....	\$2,148,064,276	\$2,328,473,330	\$2,429,768,404
Amount of renewals.....	\$964,133,489	\$1,106,155,450	\$1,207,100,705
Net worth:			
Capital stock owned by members.....	\$225,116,912	\$246,051,619	\$264,496,084
Capital stock owned by U.S. Government.....	175,000	65,000	540,000
Surplus.....	153,348,920	166,785,525	178,314,618
Unapplied earnings.....	14,182,693	12,982,685	12,409,137
Total net worth.....	392,823,525	425,884,829	455,759,839

## SHORT TERM CREDIT INVESTMENT FUND

This fund is available to the Governor of the Farm Credit Administration as a revolving fund for investment in capital stock of the Federal intermediate credit banks and the production credit associations. Originally there were separate investment funds for the Federal intermediate credit banks and the production credit associations; however, these funds were combined into a single revolving fund as provided in subsection (f) which was added to section 5 of the Farm Credit Act of 1933 (12 U.S.C., supp. IV, 1131i) by section 2(1) of Public Law 87-343, approved October 3, 1961.

## Program and financing

[In thousands]

	1965 actual	1966 estimate	1967 estimate
PROGRAM BY ACTIVITIES			
Purchase of capital stock:			
Federal intermediate credit banks.....	\$2,900	\$2,300	-----
Production credit associations.....	500	1,000	\$1,000
Total program costs, funded—obligations (object class 33).....	3,400	3,300	1,000
FINANCING			
Receipts and reimbursements from non-Federal sources: Repayment of investment in capital stock by production credit associations.....	-25	-10	-500
Unobligated balance available, start of year.....	-53,185	-49,810	-46,520
Unobligated balance available, end of year.....	49,810	46,520	46,020
Obligations affecting expenditures.....	3,375	3,290	500

## Federal intermediate credit banks

During the first half of the fiscal year 1966, \$2.3 million had been invested in class A stock of the banks. Public Law No. 89-237 enacted on October 4, 1965, increased the maximum debt to capital ratio to 12 to 1 (from 10 to 1). As a result of this change, it is expected that the Government will not make any additional investments in the capital stock of the banks.

## Production credit associations

An estimate for purchase of stock in production credit associations of \$1 million is made for 1966 and \$1 million for 1967. The need arises primarily because the volume of business is increasing more rapidly than necessary net worth can be accumulated from local sources.

*Financing*

At the end of 1966 it is estimated that \$1,530,000 will be invested in the production credit associations and \$51,950,000 in the Federal intermediate credit banks.

The provisions of section 105(d)(3) of the Farm Credit Act of 1956, which heretofore applied to the Federal intermediate credit banks investment fund is applicable to the combined fund. This section provides that of the \$87,405,000 class A stock of the credit banks outstanding on January 1, 1957, \$57,405,000 must be retired by payments into the Treasury as miscellaneous receipts. When the balance is reduced to \$30 million, the remaining proceeds from retirement of such stock will be credited to the combined revolving fund.

## BANKS FOR COOPERATIVES INVESTMENT FUND

This fund is available to the Governor of the Farm Credit Administration for investment in class A capital stock of the banks for cooperatives (12 U.S.C. 1134). The maximum amount ever available for investment in capital stock of such banks was \$185,918,743.10. This was reduced to \$150 million by Public Law 87-494, approved June 25, 1962, when \$35,918,743.10 was paid into miscellaneous receipts of the Treasury.

*Program and financing*

[In thousands]

Financing	1965 actual	1966 estimate	1967 estimate
Receipts and reimbursements from non-Federal sources:			
Retirement of investments in capital stock:			
District banks for cooperatives.....	-\$13,887	-\$13,398	-\$5,435
Central bank for cooperatives.....	-6,400	-100	-3,500
Unobligated balance available, start of year.....	-69,089	-89,376	-102,874
Unobligated balance available, end of year.....	89,376	102,874	111,809
Obligations affecting expenditures.....	-20,287	-13,498	-8,935

*Budget program*

No new subscriptions of capital stock are anticipated and stock will be retired by the banks for cooperatives in accordance with section 42(a)(1) of the Farm Credit Act of 1933, as amended.

*Operating results and financial condition*

Investment in capital stock will continue to be reduced through 1967, thereby increasing the cash of the fund. The cash balance in the fund at June 30, 1966, is estimated at \$102,874,000 and the investment in the class A stock of the banks is expected to be \$47,126,000. By 1967 these amounts are forecast at \$111,809,000 and \$38,191,000, respectively.

## OPERATIONS OF FARM CREDIT ADMINISTRATION

Mr. WHITTEN. Governor Tootell, I have stated in the past, and I'm sure the other members of the committee agree, we are all proud of the way the Farm Credit Administration has operated throughout a period of changing needs and changing patterns, both in agriculture and in international and national affairs.

Those engaged in agriculture have their ups and downs, and of course, continuing problems. I think the farm credit system is one of the finest ventures that our Government has embarked upon. Action establishing this agency was taken by the Congress prior to my coming here. Your role has been changed from time to time to meet new needs.

I think the whole committee looks forward each year to this discussion with you and your associates, and to listening to you discuss the future of agriculture.

I am sure your justifications relate the facts about the operation of your program. The notes of the farmers themselves become the security for the debentures which are sold on the monetary markets at prevailing interest rates. These debentures, in turn, are not guaranteed by the Government, but by the paper that is behind them.

There are certain other aspects: the Federal land bank, and so forth, that I need not go into here. You do rise and fall with the money markets, and the value that they may give to the collateral which you in turn provide through the procedures that I have described.

#### TRENDS DETRIMENTAL TO AGRICULTURE

Prior to having your statement, let me say that there are several things which are greatly disturbing to me, which you may or may not wish to give your attention to.

We on the committee have had it called to our attention that in recent months, there has been established a national commission of 30 people from various parts of the United States, who in turn report to a committee after a series of hearings. That committee is composed of the Secretary of Agriculture, the Secretary of Labor, the Secretary of Commerce, and the Secretary of State. These two groups are to deal with agricultural programs, policies, and various and sundry other things related to agriculture.

It is disturbing to me in that it seems to indicate that agriculture is less and less recognized as being a major partner in the agricultural, industrial, and labor triad, or whatever you may term it. To me, agriculture is just as important as ever before, and probably more so; it just has fewer people in it. Some of the people have been replaced by tremendous investments in machinery, equipment, chemicals, and other things.

We have also been advised in recent days that all the oversea activities of the Department of Agriculture have become subjected to an overriding authority of the State Department. This is also disturbing. Having had many years of experience here, I am fearful of that. Those producers of agricultural commodities which are so essential to our international balance of payments, and those domestic industries in which exports are so vital to their economic health, may find themselves producing for domestic consumption only.

I have pointed out, in a speech I made at Cornell, and two or three other people have pointed out the facts, which show that agriculture is by far the biggest market for industry and labor. The very fine job that agricultural people do, a relatively few people with this large investment and risk, enables the American people to spend only 18 percent of their income for food, leaving the other 82 percent available to buy the output of industry and labor.

I mention things that concern me, and I think other members of the committee would agree with my feeling, as we come to the end of our hearings for the Department of Agriculture.

I also take note at this time that the sum total of money recommended to us for agriculture, which covers meat inspection, protection from pest and diseases that might come into this country, soil conservation, school lunch, all the various things, including research, is less than we would propose to spend trying to get a man to the moon. It is less than we are putting into various programs in foreign lands.

After having reviewed those things, the problem that strikes me as perhaps more serious than all the others is the fact that the average age of farmers is increasing. Young people are not interested in farming. They have to invest \$40,000 or \$50,000, to start with, then they must sell their products on the uncertain markets that we have. Most commodity markets are dependent on annual payments from the Treasury. That, in turn, depends upon the whims of succeeding Congresses, which themselves are going to be more and more urban.

I think someone has said that in this Congress, about four out of five in the House of Representatives are from nonagricultural districts. Fortunately many of those from urban districts have a rural background. But this won't be so in the next generation. None of the youngsters of today wants to study agriculture in an agricultural college, unless it would be training for a cash paying job. There is, further, evidence before us that nobody wants to work on a farm. They would rather do other things. These are trends that are greatly disturbing to me.

All of us on this committee have worked with various other appropriations so our experience is not limited to what comes before this subcommittee. The members of this subcommittee, I suspect, come face to face with nearly all appropriations.

I don't mean to preclude you in the least from covering your own points. I want that information. I am not trying to get you to criticize, or approve policies, but I would appreciate any general thoughts you have in addition to those you might otherwise present.

#### LIMITATION ON ADMINISTRATIVE FUNDS

I might add one thing. The administrative funds made available to your administration, we recognize, come from the funds that are generated through your operations. We on the committee merely recommend to the Congress a limit as to how much of your funds may be used for administration. Here, too, we can commend you for the tight rein you have kept upon yourselves.

Now with that background we would be glad to have you present your formal statement.

Governor TOOTELL. Well, Congressman Whitten, we are happy to be here again before you, and members of your committee. I want to say in all sincerity, we appreciate the very complimentary statements you have made about the Farm Credit system, and we appreciate the interest that you have shown over the years in our operations.

#### STATEMENT OF CHAIRMAN OF THE FARM CREDIT BOARD

I would like first to submit for the record a statement by Mr. L. C. Carter, Chairman of the Farm Credit Board. Mr. Carter couldn't be here, but asked that we read this for him.

This is essentially a review of the legislation which the Federal Farm Credit Board has submitted to the Congress—the major legislation submitted over the past 12 years.

Mr. WHITTEN. Certainly, we would be glad to hear it.

Governor TOOTELL. (reading) The Federal Farm Credit Board of which I am chairman consists of 13 members, 1 appointed from each of the 12 Farm Credit districts by the President with the advice and consent of the Senate. The 13th member is designated by the Secretary of Agriculture. The Board is charged with the general direction, supervision, and control of the Farm Credit Administration. It is concerned with policy and its regular meetings are scheduled for 3 days every 2 months. The day-to-day operations are handled by the Governor of the Farm Credit Administration and his staff.

The major objective of the Federal Farm Credit Board, since it was created in December 1953, has been to determine ways and means of carrying out the policy of the Congress as set out in the Farm Credit Act of 1953. This act directed the Board to make recommendations to the Congress for carrying into effect the declared policy to increase borrower participation in the management, control, and ultimate ownership of the permanent system of agricultural credit made available through the banks and associations operating under the supervision of the Farm Credit Administration. In developing its recommendations, the Board has sought and received the cooperation of many interested groups.

The Board, since its inception, has recommended major legislation to Congress relating to each group of banks and associations under its supervision. The recommendations applicable to the banks for cooperatives and intermediate credit banks, in general, have been directed toward improved services to borrowers, the retirement of the Government's investment in these banks and complete ownership by their member users. The legislative proposals made on behalf of the Federal land banks and Federal land bank associations have brought about decentralization of a number of functions from the Washington office to these banks and associations. Also numerous recommendations have been made that resulted in improved long-term credit service to their borrowers. As you know the land banks have been fully member owned since 1947.

The first major legislation proposed by the Board and enacted into law (Farm Credit Act of 1955) related primarily to the banks for cooperatives. Among other things that this law provided was the eventual ownership of the banks by their users. This is to be accomplished by the gradual replacement of Government capital with funds invested by the borrowers. Also, the law provided for the reorganization of the Central Bank for Cooperatives, particularly with respect to the selection of its Board of Directors, and the making of loans by the Central Bank only when it is not practicable for regional banks to make them. Since the enactment of this legislation, substantial progress toward the major objective of farmer ownership has been made. By June 30, 1965, the Banks for Cooperatives had retired \$98 million of Government capital. During 1966 and 1967 additional retirements of \$13.5 and \$7.6 million, respectively, are anticipated. Thus by the end of 1967 the Government's investment in the system will be \$31 million. This compares with \$150 million on January 1, 1956. The Houston and Berkeley banks paid off the last of their Government

capital on June 30, 1965, thus becoming the first of the banks to become fully owned by their members. Several other banks are anticipating paying off in the next 2 or 3 years, and all banks by 1970.

Subsequently, a number of other laws pertaining to the banks for cooperatives have been enacted as a result of Board recommendations. The banks were authorized to sell consolidated debentures. The size of the Board of the Central Bank for Cooperatives was enlarged from 7 to 13 members to provide for more direct representation by the district banks. The banks were given authority to retire the equity in a bank which was owned by a cooperative association at the time of liquidation or dissolution of the association. The revolving fund available for subscriptions to the capital stock of the banks was reduced to \$150 million. In 1963, the Farm Credit Act of 1933 was amended to provide that 20 percent of the annual patronage allocations of a bank for cooperatives made to their users be paid in cash after all Government capital in the bank has been retired so that the full amount of these allocations may be qualified as deductions from the gross income of a bank in computing its taxable income.

In 1956, at the suggestion of the Board, legislation was passed by the Congress, which changed the Federal intermediate credit banks to a cooperative basis of operation. This act provided a means whereby the Government's investment in the banks would gradually be replaced with capital invested by the production credit associations, which will eventually own in full these banks. Another part of this legislation provided for the merger of the production credit corporations into the credit banks. The main function of these corporations had recently been to supervise the production credit associations and with the merger, this activity was taken over by the credit banks. Also, the Federal intermediate credit banks and the production credit associations revolving funds were merged.

The retirement of Government capital in the credit banks has not moved along as fast as originally contemplated due to the needs of these banks to finance the rapid increase in the demand for short-term credit which has been placed upon the production credit associations in recent years. Actually, \$52 million of additional Government capital has had to be invested in several of the banks in order to maintain their statutory 10-to-1 debt-to-capital limitations even though the banks, during this period, have increased their net worth by \$81 million from earnings. It was apparent, therefore, that further legislation was necessary to fully accomplish the shift from Government to private ownership. Accordingly the board recommended legislation to the Congress which was enacted into law (Public Law 89-237) on October 4, 1965, that should hasten the retirement of Government capital. The principal feature of this law was the provision which changed the maximum debt to capital ratios of the credit banks to 12 to 1.

With respect to the land banks, legislation was enacted whereby the function of making appraisals was transferred from the Farm Credit Administration to the banks. From time to time other amendments have been made to adjust the terms of land bank loans so that credit services can be made more responsive to the many changes taking place in agriculture. For example, the size of loan that can be made was left to the judgment of the Farm Credit Administration. Monthly

installment loans were permitted as were also unamortized and partially amortized loans, and so forth.

In 1959 a law was passed clarifying the status of district farm credit banks and their employees. A major purpose was to specify that certain Federal statutes applicable to Government employees should not apply to the employees of these banks. Those employees under civil service retirement at December 31, 1959, however, remained covered, but new employees, with minor exceptions, will be covered by the retirement plan developed in each district.

From time to time, the Board has recommended and Congress has approved general legislation which has facilitated the operations of the farm credit system without making major changes in the statutory authorities under which the banks and associations function. Additional legislation along these lines has already been submitted to Congress this session.

The Board continues to seek the best ways and means to provide the most effective credit service possible to farmers and their cooperatives at the lowest cost consistent with sound business principles. New approaches continue to be explored and, where proved feasible, are used in its efforts to insure that the needs of an ever-changing agriculture are financed on a sound basis. The Federal Farm Credit Board continues to work for economical and efficient operations for all parts of the system.

#### STATEMENT OF THE GOVERNOR

Then, Mr. Chairman, I have a formal statement of my own that I would like to submit for the record.

Mr. WHITTEN. We will be glad to have that, sir. I presume you will touch on the highlights orally, Governor?

Governor TOOTELL. Yes. It was my thought to do that, Mr. Whitten.

(Governor Tootell's statement follows:)

We have for consideration the budget estimates of the Farm Credit Administration. Sound administration and operation at a prudently economical cost is the policy of Farm Credit Administration and the agencies it supervises. The administrative expense limitation representing authorization for expenditures of assessments collected from farm credit banks and associations is estimated at \$3,032,000 for 1967, which is \$14,000 more than the revised estimate for 1966. This increase is necessary to cover the unabsorbed costs of pay increases for a full year in 1967 as compared to 9 months in 1966. The 1966 estimate of \$3,018,000 includes a proposed supplemental of \$28,000 which is necessary to carry out the provisions of Public Law 89-301, approved October 29, 1965, which provided pay increases for classified employees. The increased pay costs for 1966 are estimated at \$61,000, of which \$33,000 is being absorbed by the administration.

#### FARM CREDIT ADMINISTRATION

The Administration is an independent agency in the executive branch of the Government under the policy direction of the Federal Farm Credit Board. It provides for supervision and examination for a coordinated system of farm credit banks and associations which make loans to farmers and their cooperatives. The expenses of the Administration are paid from funds provided by assessments collected from these banks and associations. The system consists of 37 banks and 1,190 local associations. The 12 Federal land banks make real estate mortgage loans on farms through Federal land bank associations. The 13 banks for cooperatives make loans to farmer cooperatives. The 12 Federal intermediate credit banks provide agricultural loan and discount facilities for production credit associations and other eligible financing institutions. The 719 Federal land bank associations and 471 production credit associations are

credit cooperatives located in farm communities. They provide convenient service to members. Loan funds of the banks and associations primarily come from the sale in the open market of bonds and debentures. These are not guaranteed by the Government either as to principal or interest.

#### AGRICULTURAL CREDIT TRENDS

The Farm Credit Administration and the farm credit banks and associations, which it supervises, strive to follow closely the changes in agriculture that affect farmers and their use of capital and credit. This continuous study includes analysis of the changing financial position of farmers, changes in production and demand for farm products, and the development of such farm business patterns as commercialization, specialization, and larger farming operations.

American farmers currently are using record amounts of farm credit and the trend is toward still higher levels. But their net worth position continues to improve. Farmers' incomes are at a 10-year high and expected to rise further. Collections on farm loans are good, rates of delinquencies low, and foreclosures few. Thus the financial position of agriculture remains sound and is expected to continue so in the immediate future.

#### *Agricultural conditions*

Gross income received by farmers in 1965 reached the new high of \$44.2 billion. This compared with \$42.2 billion in 1964 and \$42.1 billion in 1963. The increase more than offset greater production expenses farmers had to pay—\$30.2 billion as compared with \$29.3 billion in 1964, and \$26.2 billion in 1960.

Net farm income thus rose from \$12.9 billion in 1964, to \$14 billion in 1965. Net income per farm moved up to a record \$4,100 in the past year compared with \$3,727 in 1964, and \$2,956 in 1960.

The advance in gross income stemmed mainly from (1) a 5-percent rise in commodity prices received by farmers which boosted income from the sale of farm products, and (2) larger Government payments—an estimated \$2.4 billion in 1965. Government payments to farmers totaled \$2.2 billion in 1964 and \$0.7 billion in 1960. The physical quantity of crops and livestock farmers sold in the past year was the same as a year earlier.

#### *Farmers' financial position*

American farmers saw their earnings position improve again in 1965. A rise in their incomes and favorable growing conditions were major contributing factors. Their net worth position also improved primarily due to a rise in the value of farm assets. These assets increased during 1965 by \$15 billion which more than offset the \$3 billion increase in their debts.

The assets farmers held at the end of 1965 were valued at \$253 billion compared with \$237 billion in 1964 and \$203 billion in 1960. Most of this increase came from higher farm real estate prices. Such other farm assets as livestock, equipment, and financial reserves, however, also provided modest increases.

The total amount of farmers' debts continued to increase in the past year but their financial position remains good. Only a relatively small percent of American farmers have excessive debt. Total farm debt increased from \$23 billion at the end of 1959 and \$36 billion in 1964 to \$39 billion at the end of 1965. The increases have been reflected in all types of farm credit—short, intermediate, and long term.

Farm real estate mortgage debt has increased rapidly in recent years. Compared with a total of \$19 billion a year ago, it now totals \$21 billion. Short- and intermediate-term non-real-estate debts have risen more slowly—from \$17 billion at the beginning of 1965 to an estimated \$18 billion on January 1, 1966.

A major factor in farmers' increasing debt is the continuing trend toward commercialization in agriculture. Commercialization requires greater use of purchased inputs—feed, fertilizer, chemicals—and, therefore, greater amounts of credit. More credit is needed by farmers to enlarge undersized farming units and to finance improvements and changes in their operations.

Despite the new high in farm debt, improvements in farmers' net worth position, which has developed over the past decade, continued in 1965 (\$212 billion on January 1, 1966, compared with \$200 billion a year earlier, and \$179 billion in 1960).

### *Loans of farm credit banks*

Farmers and their cooperatives obtained \$7 billion in credit from the farm credit banks in the year ended December 31, 1965. This was an increase from \$6.1 billion in 1964 and \$5.6 billion in 1963. They turned to each group of banks and associations for larger amounts of loans. The total amount of outstanding loans held by the farm credit banks and associations reached a record \$8.1 billion on December 31, 1965—an increase of \$1 billion from the total of \$7.1 billion only a year earlier.

The Federal land banks made 58,400 farm mortgage loans for \$1.2 billion in calendar 1965. This was a 6.7-percent increase over the previous year in the number of farmers obtaining land bank loans and a 24-percent increase in the total amount borrowed. Loans made by the land banks amounted to \$998 million in 1964 and \$743 million in 1963. At the end of December 1965, the land banks had nearly \$4.3 billion outstanding in loans compared with \$3.7 billion in 1964.

Production credit associations loaned farmers \$4.1 billion during 1965. This compared with \$3.7 billion in 1964. At the end of the past year, production credit association loans outstanding totaled \$2.6 billion compared with \$2.3 billion a year earlier.

Most credit extended by the Federal intermediate credit banks is in paper discounted for and in loans made to production credit associations. Credit also is extended to other financing institutions such as agricultural credit corporations, livestock loan companies, and commercial banks. Credit advanced to these other financing institutions amounted to \$296 million in calendar 1965 as compared with \$276 million in 1964.

During the past year, 2,528 farmers' marketing, purchasing, and service cooperatives borrowed a total of \$1.3 billion in loans from the banks for cooperatives—twice as much as they borrowed in 1960. In 1964, the banks loaned a total of \$1.2 billion. On December 31, 1965, their loans outstanding to cooperatives amounted to \$1.1 billion compared with \$958 million a year earlier.

### *Outlook*

With normal weather conditions, the outlook for 1966 is for farmers' gross income to increase still further. Production expenses also will rise but not as rapidly as income. Thus farmers' net income is expected to move somewhat higher following the sharp rise in 1965 to the highest level in more than 10 years. This improved income situation probably will encourage farmers to carry out their plans for expanding operations, obtaining additional equipment, and in other ways stepping up their production operations. We would expect that in undertaking these activities to enlarge and improve their farm businesses, farmers will require still larger amounts of credit.

Increases also are expected during the coming year in the total value of assets owned by farmers. Much of the increase will result from higher prices of farm real estate, although many farmers also will use better production and business practices to increase the value of their farm enterprises. While farmers' debts will increase, the value of the farm assets likely will increase more rapidly. This will continue the improvement in farmers' net worth that has occurred in recent years.

Most farmers' cooperatives plan to increase both efficiency and their capacity to serve the needs of members in the coming months. For many this will require expanded facilities and service operations to handle larger volumes of farm marketings, farm products for processing, and farm supplies and equipment. To carry out these plans, cooperatives will need greater quantities of capital and credit in the year ahead.

### INTEREST RATES

*On borrowings.*—Funds used by the farm credit banks in their lending operations are obtained chiefly from the sale of their bonds and debentures to the investing public. Consequently, the general level of interest rates is a prime factor in the cost of the banks' lending funds. Both short-term and long-term interest rates turned upward in 1965, moderately during most of the year but sharply toward its close.

The cost of 9-month debentures sold by the Federal intermediate credit banks rose from 4.30 percent at the beginning of the year to 4.45 percent in August and September and reached 4.70 percent in November. However, the debentures offered in December (issued in January 1966) cost the banks 5 percent. The average cost of credit bank debentures outstanding increased from 4.15 to 4.46 percent during 1965.

The banks for cooperatives experienced a similar increase in their cost of borrowed funds. The interest cost of new issues of the 6-month debentures sold by these banks rose from 4.23 percent early in 1965 to 4.60 percent for those sold in November for delivery December 1. The BC's were not in the market in December. Outstanding debentures of the banks for cooperatives at the close of 1965 had an average rate of cost of 4.49 percent, up from 4.07 at the beginning of the year.

The Federal land banks also found their bond financing progressively more costly during 1965. They were in the market six times, and their new bond issues ranged in cost from 4.35 to 4.98 percent—the latter figure being for their December financing. The average cost of land bank bonds outstanding increased from 4.19 to 4.31 percent in the year. This was less of an increase than experienced by the credit banks and banks for cooperatives because land bank bonds are of longer term than the debentures of the other two groups of banks.

*On loans.*—As a direct result of the increased cost of borrowed funds in 1965, all of the Federal intermediate credit banks and nearly all of the banks for cooperatives found it necessary to raise their lending rates. Many of these increases occurred near the end of the year and did not take effect until early in 1966.

Reflecting these late changes, the rates of the credit banks on loans and discounts were 5 percent for two banks,  $5\frac{1}{4}$  percent for five banks, and  $5\frac{1}{2}$  percent for four banks. In this range was the rate charged by the remaining bank, which ties its rate to the cost of borrowed funds, plus a fixed operating margin.

The range of lending rates established by the banks for cooperatives at the close of 1965 was from  $4\frac{3}{4}$  to  $5\frac{3}{4}$  percent.

Rates on new loans by the Federal land banks ranged from 5 to  $5\frac{1}{2}$  percent. There was only one change during 1965, a temporary reduction by one bank early in the year from  $5\frac{3}{4}$  to  $5\frac{1}{2}$  percent.

The higher loan and discount rates of the credit banks caused many production credit associations to raise their lending rates in 1965. At the beginning of 1966, however, the most prevalent PCA rate was 6 percent, the same as a year before.

Although the immediate outlook does not seem to include lower money costs, I have no doubt that the farm credit banks will continue to be able to borrow in the market, at competitive rates, the funds needed for loans to farmers and their cooperatives. This is consistent with the purpose of the Congress in establishing the banks to provide permanent and dependable sources of funds for sound agricultural credit.

Governor TOOTELL. I think I needn't more than just mention the fact that the Farm Credit Administration is a small independent agency of the Federal Government, which does not itself make loans, but rather supervises the banks and associations that comprise the system, and that are in the business of lending money to farmers and to their cooperatives.

About a year ago, a little less than a year ago, we put out this circular, which I think some of you at least received. I believe it was sent from the banks in your districts, and is entitled "Farmers Lend Themselves \$6 Billion a Year."

This explains the system in a brief way, and I am going to impose upon members of the committee by leaving a copy with you here today, but I would point out that this is badly out of date in just 1 year, because in the year 1965, the banks and associations in the systems loaned farmers \$7 billion. That was the volume of 1965, and they had outstanding at the end of the year a little more than \$8 billion, which was pretty close to 20 percent of the credit used by farmers.

In spite of some adversity as a result of drought in some areas of the country, excessive moisture in other parts of the country, and other natural disasters, the total output in agriculture, I am sure you men are aware, was just about equal to the highest physical production we have ever had. As a result of the improved prices, par-

ticularly in the livestock sector, the gross income of agriculture was the highest it had ever been, \$44.2 billion, and net income was up to \$14 billion.

#### INCREASE IN FARM INDEBTEDNESS

Farmers continue to adopt new technology and to substitute capital for labor in the manner indicated by your chairman in his introductory remarks. In doing this, they are making more use of credit than ever before. They are using credit to enlarge their total operation, to improve their farms and ranches, to upgrade their equipment, and to purchase supplies—inputs such as chemicals and that sort of thing.

The debt this last year increased by \$3 billion, which is the greatest increase in farm indebtedness, I believe, in history, going up from \$36 billion to \$39 billion. Two of the \$3 billion increase was in the real estate sector.

#### INCREASED LAND PRICES

Farmers' equities, however, at least paper equities, improved during the period. They have a little more than an 85 percent equity in the aggregate. Land prices were up last year, at the end of 1965—were up 45 percent above the 1957 to 1959 level for the United States as a whole.

Just last year the increase in land price, between November of 1964 and November of 1965 was a 6-percent increase, and I noticed the land price in the State of Chairman Whitten increased faster and further in 1965 than in any other State. It was up to 13 percent in comparison with 6 percent for the country as a whole.

We have given a good deal of thought to this matter as to what is behind the increase in land prices. We have been very much concerned as to how much of this was the result of inflation, and how much of it was really solid and warranted.

Mr. WHITTEN. If I might interrupt at this point, Governor: I think that perhaps you have been here in the past year when I have repeated statements made to me as to land prices in my area. In my State of Mississippi, they still have not gotten a proper sense of the value of the land, as compared with the rest of the country. When we refer to the percentage of increase, I think perhaps that should be considered. I know in the last 10 or 15 years we have had people come in from other States and pay what appeared to be much higher than prevailing prices. Now with the influx of outside buyers, it has gotten to the point that price doesn't enter into it in many instances.

You just can't find anybody that wants to sell land. Yet I know many, many farms, of large acreage, which you can't rent for a return of 1½ percent. I may be getting ahead of your statement, but the selling value on the market is not related, in my area, in many instances, to the income that you can expect from the land.

Governor TOOTELL. This is certainly germane to what I was discussing. Naturally I think in 1965 the estimate of the USDA was that the return to invested capital in agriculture was just about 3 percent, which isn't a very handsome return, so there are other factors involved.

Well to the extent that land prices increase faster than productivity increases, it seems to me that it is reasonable to conclude that this involves inflation, but more and more we are coming to the view that

probably only a relatively small amount of this increase, in most parts of the country may actually be looked upon as being inflationary.

Mr. HULL. Wouldn't it necessarily be that it is a hedge against inflation, because this land has gotten so high, because people are investing in land today that wouldn't dream of investing in it several years ago.

Mr. WHITTEN. I think there is concern about the value of our currency in the future. That might trace back to governmental policy. But folks don't want to hold money right now, in some respects.

#### INCREASING PRODUCTIVITY

Mr. HULL. Could that be part of it, Governor?

Governor TOOTELL. Well that hedge against inflation might be a part of it. I guess the thing related to that is the belief on the part of a lot of people that land prices are going to increase as a result of continuing increases in productivity. Now let's look at that for a minute from the standpoint of yields.

Last fall I did a little inquiring about this. I noticed the statement that the State average yield of corn in Illinois, for 1965, was estimated at 92 bushels per acre, and I think the same is true for the State of Indiana. I got to wondering how long ago the State average yield of corn in Illinois was only 50 bushels an acre, and learned that was 1954, which is relatively recently. Here in that period of time, between 1954 and 1965 the State average yield went up from 50 to 92 bushels to the acre.

Now one could contend that conditions were exceptionally favorable in 1965, but we have an Illinois corn farmer here with us, Mr. Howard, who tells us he got a hundred bushels to the acre last year, and this, in spite of some adverse water conditions.

Mr. HULL. Is that bottom land or—

Mr. HOWARD. Northern Illinois.

Mr. HULL. What is the bushels per acre in the second bottom land?

Mr. HOWARD. Oh, I suppose that runs up to 135, to 150 bushels down there.

Governor TOOTELL. Well, in the best corn-producing area in the Midwest, yields of 135 or 150 bushels are not uncommon. What is this type of land worth? I am not sure that I know. I would feel sure for the long pull that the yield is going to be even larger than that because I think the scientists aren't through yet in terms of genetic improvement of corn varieties.

I am sure too that there are a great many farmers who do not use the optimum amount of fertilizer. We are going to have further drainage and land improvement done. These things all add to increased yield per acre, and are a sound underpinning for value. So while I am concerned about the price that beginning farmers are confronted with paying for farms, and the difficulty they have in getting started in farming, I am more optimistic about the long time view of this thing, of earning support for our farms.

Every year that passes a higher percentage of our farms are more economic units. A higher percentage of them are in the hands of stronger farmers, and by that I mean farmers who are better farmers, who use more of the modern science and technology in farming, and a higher percentage of them are better managers.

Now these are the things that are on the plus side, and give us reasonable optimism in our business of extending credit to farmers.

#### FARM INVESTMENT

A very high proportion of the increase in investment per farm is involved in this matter of price of real estate. We had occasion to look into this last summer. The balance sheet for agriculture shows that at the beginning of 1965, the average investment per farm in the United States was approximately \$59,500. That compares with an average investment of only \$17,400 in 1950. We explored the matter of how much of that increase was due to larger farms and how much of it was due to just simply increase in price per acre.

And certainly by far the greatest increase is in price per acre. I have a table here that, if members of the committee would be interested in it, I would show to you, and you might care, Mr. Chairman, to put it in the record. I think it is a significant table.

Mr. WHITTEN. We would be glad to have that included in the record.

(The table follows:)

*Average value of production assets per farm, 48 States, 1950 and 1965*

Item	1950	1965	Difference
DOLLARS PER FARM			
ACTUAL VALUES			
(1) Farm real estate.....	12,003	47,187	35,184
(2) Livestock.....	2,199	4,260	2,061
(3) Machinery, etc.....	1,983	6,120	4,137
(4) Other.....	1,193	1,952	759
(5) Total.....	17,378	59,519	42,141
ACRES PER FARM			
(6) Average size farm, acres.....	215	358	143
DOLLARS PER FARM			
ESTIMATES OF VALUES			
(7) Value of real estate per farm with land prices held constant at 1950 values.....	12,003	19,986	7,983
(8) Amount of increase in value per farm due to rise in land prices (line 1 minus line 7).....		27,201	

NOTE.—Of the \$42,141 total increase, \$35,184 or 83 percent was in farm real estate value. Only about \$8,000 of this increase was the result of increasing the size of farms by an average of 143 acres (at the 1950 average price of \$56 per acre). It is especially significant that machinery investment accounted for only a little more than \$4,000 or 10 percent of the \$42,141 increase.

One wonders how much of this increase in land price is due to (1) improved farm building; (2) higher earning ability from clearing, draining, leveling, irrigating, improved fertility, etc.; (3) purely inflated prices. Undoubtedly (2) is by far the most important.

Source: Based on USDA data published in "The Balance Sheet of Agriculture," and other sources.

Governor TOOTELL. While we note from this table that there has been a significant increase in machinery and equipment from approximately \$2,000 to a little more than \$6,000, that still accounts for less than 10 percent of the total increase in investment required.

We see here that the average farm has increased 143 acres in size during this period. This is an important fact, but it is not nearly as important a factor as the increase in price per acre of farmland.

I think I shall not comment further on this, but there is a good deal of material in there that I believe warrants—

Mr. WHITTEN. Pursuing the matter further—and I am not trying to get ahead of you, but there is a good illustration of this that I have mentioned earlier. Some 2 years ago I spoke to the national association in Florida. At that time they said the richest people in Florida were the dairymen, not because they made any money out of dairying, but because dairies were usually on fine rolling land, fairly close to cities. As the cities grew, increases in the value of dairy real estate made many millionaires in Florida.

I am sure it has happened in many other areas. But coming back to this value of land, I have had occasion to do some studying and bring together some figures, and I remember one estimate—that just 34 years from now we will have 3,134 million more people. I had occasion to say in 1955 that, based on the best figures I could get, the United States would have a population of 190 million people by 1975. That statement was made in 1955. Here at the end of 1965 we have 195 million, 5 million more than they projected for 10 years later.

So we must keep in mind that background, 340 million people by the year 2000, as against our present population. Doubtless this will account for much of this purchase of land.

Governor TOOTELL. I think this is true, and I think this is one of the things, Mr. Chairman, that is anticipated in their purchase of land, or in their reluctance to sell at anything except a very high price.

#### COST OF OPERATIONS OF FEDERAL LAND BANKS

As you know, being a cooperative system, our banks and associations undertake to operate at the lowest possible cost, and extend credit at the lowest possible cost to farmers. We are proud of the progress that has been made in this.

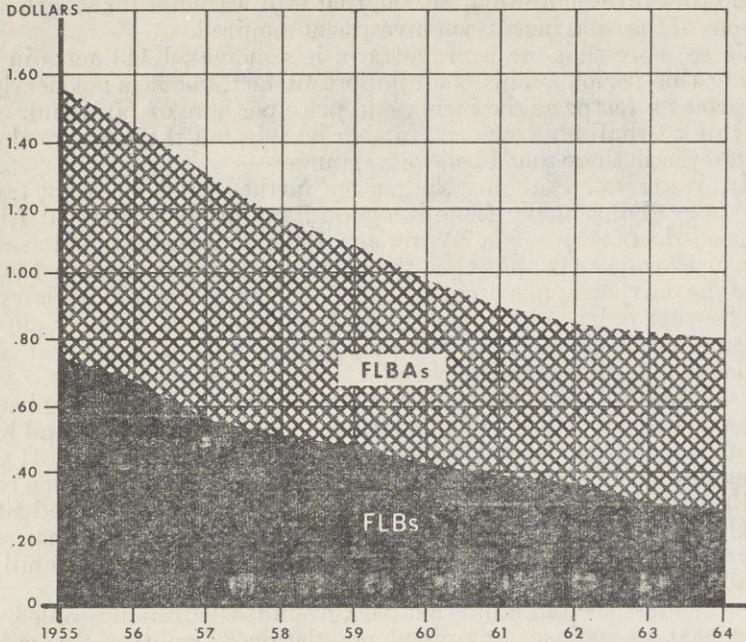
I have here some cost data for the years 1955-64, inclusive, of the Federal land banks, and Federal land banks associations, and these are costs per hundred dollars per loans outstanding. In that period of time the combined cost of Federal land bank, and the land bank associations per hundred dollars of loans outstanding, has gone down from \$1.59 to 79 cents, and I think this is significant enough that I should also like to submit this, Mr. Chairman, for the record.

Mr. WHITTEN. We will be glad to have it.

(The information referred to follows:)

### FLB COST PER \$100 OF LOANS OUTSTANDING

FISCAL YEARS 1955-1964



Governor TOOTELL. I have just that one copy, Mr. Pope.

I haven't a chart, but I do have a table that shows corresponding figures on cost reduction from 1955 to 1965 for the Federal intermediate credit banks, and the production credit associations, and I would also like to submit it.

Mr. WHITTEN. Thank you, sir.  
(The table follows:)

*Per annum rates of operating expense (operating expenses as an annual rate on the average balance of loans outstanding during the years 1956-65)*

[In percent]

Year	Federal intermediate credit banks (fiscal year ended June 30)	Production credit associations (calendar year)
1965	0.24	1.61
1964	.25	1.67
1963	.27	1.75
1962	.27	1.81
1961	.27	1.80
1960	.27	1.77
1959	.31	1.87
1958	.37	2.11
1957	.35- <sup>1</sup> 0.45	2.39
1956	.28- <sup>2</sup> 0.50	2.63

<sup>1</sup> Partially estimated.

<sup>2</sup> For purpose of comparability, these rates reflect inclusion of the expense of the 12 production credit corporations for the fiscal year ended June 30, 1956, and the 1st half of fiscal year 1957. The functions of the PCC's were assumed by the FICB's at the time of the FICB-PCC merger on Jan. 1, 1957.

## INTEREST CHARGES

Governor TOOTELL. Now, one of the most important items, as you indicated, Mr. Chairman, is the interest charge that we must make to farmers is what we have to pay for money, because we hire all of our loan funds, except the net worth that the farm credit banks and associations have accumulated over the years. Therefore the increase in the cost of money the past year has been a matter of concern to us and has involved some increase in interest rates for the short-term lending part of our system.

We are happy to be able to report that the Federal land banks, as a result of their different type of operation, and the fact that many of their securities are long-term securities, sold some years ago, have a cost of money that is lower than the other banks. As a result they haven't found it necessary to increase their interest rate to farmers.

We hope because of the strong financial position that Federal land banks are in that for the remainder of this year, Mr. Browne, none of them will find it necessary to increase their loan rate on mortgage loans.

Mr. BROWNE. This is our hope.

Governor TOOTELL. If I didn't make it clear before, Mr. Browne is the Director of our Land Bank Service here in Washington. He is a former employee of the Federal Land Bank of Berkeley—for 22 years with the Federal Land Bank of Berkeley. Then he went to Korea with the Agency for International Development; spent five and a half years there in a very responsible position, and came back to us in the Washington office.

Mr. WHITTEN. Did you decide it was time to find somebody who was able to deal with easy money?

Governor TOOTELL. Well it seemed to us to be able to see this situation from a long way off, during the past 5 years, and dealing with a credit program, in a less sophisticated type of agriculture, might have some value, and I do believe that is true.

Mr. WHITTEN. I thought maybe you realized that American agriculture was getting so it needed some experience with Korean agriculture to understand its problems.

Governor TOOTELL. It has been necessary for our production credit associations, and for our credit banks to make some increase in their lending rates. We are in hopes that the money market has leveled off, and that we will not have to pay higher rates for the bonds and the debentures that we sell this year, and we will not have to increase our lending rates any further.

Mr. Chairman, this, in a general way, states the ideas that I would like to leave with you.

You indicated a couple of things upon which you personally had some concern. One of them was the matter of this Commission. This is the Food and Fiber Commission, I believe, that you refer to. There are two commissions that are operating. The Food Marketing Commission, which I believe is soon to report, and which I might say I have been hopeful, might make a very worthwhile contribution to our agriculture. I still am hopeful.

Mr. WHITTEN. So are we on this committee, gentlemen.

Governor TOOTELL. On the matter of the Food and Fiber Commission I know so little about it, that I would feel reluctant to pass judgment on it.

#### REORGANIZATION OF AGRICULTURAL OPERATIONS ABROAD

On the other point, the matter of the reorganization, which involves giving the Secretary of State greater authority with regard to all of our foreign operations, including the agricultural aspects of it, I can see where there may be some cause for question about it, or wonder about it.

We hope that he, and those who are associated with him, will use good judgment. Being a country boy myself, you see I share your view that with every year that passes, the agriculture influence on Capitol Hill is less and less.

Mr. WHITTEN. I recall, that at the first hearing I ever attended, the representative from the Foreign Agriculture Service appeared in opposition to selling U.S. surplus commodities in world trade for what the traffic would bear. The hearing was being conducted by Congressman Steve Pace of Georgia, whom I consider one of the most informed men in agriculture that I have dealt with here. The agency was supposedly a departmental activity, but its representative was there espousing the side of our foreign competitors. Foreign nations wanted to sell what they had for what it would bring, but the Foreign Agricultural Service didn't want us to do likewise.

Through the years I am certain that there have been many instances when the representatives of the State Department have interceded to prevent our country from doing what everybody else does, selling what we don't need to our friends and customers.

Being a Presbyterian and not having been conferred with whatsoever about this change, I analyzed it. If we have a chance to get the State Department representatives before us, and other representatives that deal with agriculture, we may find a way to put the responsibility on them. Many times I have felt that there were many areas where they were exercising control without carrying any responsibility. So I am hopeful that we will get representatives of the State Department before this subcommittee before we close our hearings. At that time we hope to find out something from them. If we can't do that, we hope to advise them of some facts in connection with this problem with which we are familiar.

Governor TOOTELL. Well, Mr. Chairman, I think I have nothing further to offer, but I or my colleagues would be glad to—

Mr. WHITTEN. Do you have other general statements?

Governor TOOTELL. No, we do not have.

#### INADVISABILITY OF RELIANCE ON GOVERNMENT PAYMENTS

Mr. WHITTEN. I think you made a very thorough report to us. The information you have placed in the record carries the details of what we have been discussing. There is one area I would like to discuss further; I think I did touch on this, but you refer in your statement to the fact that \$2.4 billion of farm income will come from the Government, and I just don't know of anything more risky than to rely upon

the whim of Congress, and the Bureau of the Budget, may I say, of the executive department.

In this year's hearings it has developed that at the direction of the Bureau of the Budget, funds which were appropriated by the Congress for specific purposes were taken away from those objects and used for an entirely new agency. This agency in turn is to bring together the activities of other agencies. The other agencies have the money and the personnel. Employees in this new group have been designated by name, sent to these other agencies who are given directions to employ them, pay them, and then send them back to work for this new group. That has happened twice.

Now when the Bureau of the Budget and a department can do that, you can just see what could happen if American farmers become dependent upon payments from the Treasury. What if somebody at a different level were to direct the Secretary of Agriculture not to pay this money, but use it for this new program. "Use this to get word out to everybody so they can get some payments without working, whatever the reasons for it."

What would happen under those conditions? There are many, many things that could happen. I want to stress again that farm income, profit, and costs, should not be dependent upon the appropriations of Congress. I think it is a mighty shaky way to deal with so important a sector of our economy.

Mr. Langen?

#### INCREASE IN FARM INDEBTEDNESS

Mr. LANGEN. Mr. Chairman, and Governor, I have been quite impressed, and I think I should hurry to add, somewhat concerned, about the optimistic picture you have conveyed to the committee relative to the farming situation, both as to the standpoint of the credit experience in the recent years, as well as the farm income, and changes in real estate prices. I know that there are a good many factors that relate to all of these items, whether they be income figures, land prices, or whether they be the total amount of credit that is now being held by the farm operators.

I was a farmer for a good many years. Looking at these figures, don't know that I quite share your optimism to that degree. Some of it may not be directly relative, but, thinking back, and I am old enough to remember a time when we had very much the same kind of a circumstance, when the credit people were saying to farmers, everything was good.

Governor TOOTELL. You mean 1929?

Mr. LANGEN. Yes, and money was easy to get, and the total amount of credit was expanding, but that changed in a hurry. Be that as it may, I should be the first to recognize that there are a good many conditions that were different today than they were then.

At the same time, just taking one item. I take out of your prepared statement, where you have indicated that the total amount of indebtedness went up a total of \$3 billion last year. While net income went up \$1.1 billion, and relating this back over the years, there is something disturbing about the fact that the indebtedness is rising at a much faster pace than is net income, or even gross income. Even that

is probably not as disturbing as a few other factors that are associated with this.

#### GOVERNMENT INFLUENCE ON INCOME AND ON MARKET LEVELS

One is prevalent right at this moment, and has already been referred to; namely, the extent that income is dependent upon Government dollars in some form or other. Not only that, but also within these past several weeks the extent that the Government has been influential in determining the market. Within the last 2 weeks the sale of corn has cost American agriculture millions of dollars. And this becomes pertinent because farmers, having been regulated to begin with, and asked to hold back their production, get to a point where better prices may prevail. Now that they are there they find that the Government has prevented prices from reaching their normal and proper level and this becomes a very disturbing factor.

The same thing is true with a number of other factors you mentioned.

#### VULNERABILITY OF AGRICULTURAL ECONOMY

Now, it is true that land prices are up. It is true that yields are improving, because we have better varieties and so on, all of those do not carry the big asset they would seem to at the beginning.

When you produce a new variety, particularly wheat, or some other grain, that has a greater yield potential, it becomes a more delicate plant, and harder to raise.

It is like a racehorse, the more speed you build in them, the more delicate care they must have.

At the same time, the total volume of soil and productivity of soil is consequently being drained, and while we use fertilizers, and all the scientific gimmicks we can think of, don't let anybody tell you that that soil today is anything like it was when it was virgin soil a long time ago.

You piece all this together and what have you got? You have a situation that is precarious, and is carrying a terrifically heavy credit burden, together with, as has been mentioned, the fact that interest rates on that total amount of credit are up substantially, but even if they hadn't gone up at all, the service charge on that credit is going to be higher, and these are all factors that are pretty pertinent to the total economic future of farm operations.

I found occasion the other day to mention to this committee what is happening in interest rates, in the private money sector; interest rates are going up to a point of where there will be more and more people looking for Government loans at a reduced rate, because they can't carry the heavier interest rate burden. A factor that maybe we better be aware of as we project these items to the future.

In addition to that there is one other factor that has been mentioned before in this committee that I think is being left out at times in these discussions that is pertinent. The total amount of investment you have referred to here today back of each farm is way up, and in so many instances, when we calculate the income on a per-farm basis, we have failed to recognize that that new income also represents a greater amount of investment, and if you deduct from it, even a modest 3-percent return on the investment, it changes the entire income picture.

This is a part of what the economic future is going to hold, and it is also directly related to the additional \$3 billion of farm credit. This is a combination that requires a stability of income, not always prevalent.

Now, then, this causes me to raise a couple of points. If we look back over the history of the past 51 or 52 years of agriculture, as a whole, we can see the great investment that has been growing, which is in direct control of farm operators.

Those farms are in existence because of profits made during two World Wars. If you took out the—the moneys that were made during wartime, there would be a good many farms today, that would be just completely out of existence, because there has been no profits in between these wars, and this is the point which we were approaching now.

Now I know there is a war threat on the scene today that obviously affects all of this, but what concerns me is getting to a farm economy that is stable, and dependent enough to survive a period of peacetime operations, which we don't seem to have arrived at.

There is another factor, where the Government is involved. Looking at the investments, and the fact that they have gone up, and that prices have gone up, there is one other factor I find disturbing, and that is the amount of money in real estate farm investment that is made for the purposes of income taxes, or for purposes of attracting deductions of one kind or another that have actually nothing to do with the operation of agriculture.

I had occasion to take a little look at this about a year ago, and was surprised to find that of the large farms of \$100,000 income and over, how many of those were not making any money at all, and were showing net losses.

Now then with labor costs and all operating expenses going up, I don't know that the future is quite as bright as you picture it.

#### NEED FOR AGRICULTURAL CREDIT AND ITS AVAILABILITY

Having said that, let me ask you this, in view of the extensive studies that obviously you have directed to it, what in your estimation are the agricultural needs for further credit as they exist today? Are they apt to go up another \$3 billion in the next year, and if so, are those moneys available at the same rate of interest, or are they going to be demanding of even further increases?

Governor TOOTELL. Mr. Langen, I believe that the demand for credit in agriculture is going to be just as heavy in 1966, if not more heavy than it was in 1965. There is a tightening of credit in some sectors, commercial banks in some of the agricultural areas are loaned up pretty tight, and we are told are having to do some rationing of credit to their regular farm customers, but I believe that in the main the credit is going to be available.

We believe that in our cooperative farm credit system, whose function is primarily to serve as a mechanism for marketing the credit of farmers, and getting funds from the big cities and making those funds available in the country, we believe that this mechanism is going to work just as well in 1966 as it has worked in the past, and that we are going to be able to provide a dependable source of credit for farmers who have a reasonable business proposition.

Now, as to the rate at which we will be able to loan this money, and of course again, as you know, that depends upon the rate at which we can hire it, there may be some further increase in cost of money, but we certainly hope not.

Mr. LANGEN. Well, do I take that to mean that you would somewhat expect that there might be another \$3 billion increase in the total—

Governor TOOTELL. Yes; I would not be at all surprised if there was another \$3 billion increase this year. While I think this rate of increase, perhaps, is more than we might expect for each year over the next 10, I would expect a continuing increase in agricultural credit for quite some time.

#### FARM EQUITY

Mr. LANGEN. Well, then, by your judgment, and I know you have sound experience in this field, at what point do we reach the danger point of the relationship of the total farm indebtedness to the potential income?

Governor TOOTELL. Well, this matter of equity is a very important thing. As I indicated in my testimony, presently farmers have an equity in the aggregate of 85 percent in their properties. We know that this distribution of assets and liabilities isn't uniform, as between farmers at all. We know that there are some farmers that are heavily burdened with debt. We know there are others who have no debt at all.

I would say that the typical farmer who is financed by the cooperative credit system has an equity of, oh, at least 50 percent in his total operation, and I believe so long as a farmer has a good operating unit, an economical unit, that we need not be really concerned about it if he does have an equity of 50 percent or more.

Now I am assuming prices and costs—well, we will say that would be in about the relationship that we have had in the last—an average in the last 3 years.

#### RELATION OF DEBT TO FARM NET INCOME

Mr. LANGEN. Well, let me pose the question, in a little different manner, and I do so primarily to benefit from your wisdom and your experience in the field. We note that the total indebtedness is beginning to approach the total gross income, or the total indebtedness is almost three times the net income. Now, at what point with relation to, either gross or net income, are we approaching the danger point?

Governor TOOTELL. I wouldn't undertake to give you a definite answer to that, but I will try to be—I will try to be prepared to do that another time—a year from now when I come before your committee. We will give some further thought to this matter of ratio and limits that you bring up.

Mr. LANGEN. It just seems to me to be a rather significant comparison from this standpoint, that the indebtedness seems to be gaining on the gross and net income continuously. Now, obviously that can't go on into infinity. Somewhere there has got to be a breaking point—

Governor TOOTELL. Well, that is exactly right.

Mr. LANGEN. Indebtedness becomes an excessive burden to net income.

Governor TOOTELL. The ratio of debt to income doesn't tell the whole story. It certainly is another important factor.

Mr. LANGEN. It seems to me it is a very pertinent factor because what little experience I have had in borrowing money, what they want to know is, what is your net income.

Governor TOOTELL. Well, every loan that a Federal land bank makes, averaging 30 years in length, or pretty close to it, involves a very real effort to estimate income that may reasonably be expected in the future. On the short-term lending, the annual lending program, why this is done carefully with a view to extending credit that we feel will make the greatest contribution to the net income to this farm family for the year involved. So we do give a good deal of attention to this, but I say again, I am not in a position to say what I believe nationally may be an aggregate limit figure.

Mr. LANGEN. I think you are to be commended for that approach. Obviously it is the all-important factor in considering an individual loan, and because it is, this causes me to think that maybe some consideration ought to be given to that same factor in the aggregate on the national scene. The same factors ought to have some application in both instances.

Governor TOOTELL. Well, we will give further thought to it, and I would hope that I have something more enlightening to say on it for another year.

Mr. LANGEN. Very good. That is all.

#### EMPLOYMENT

Mr. WHITTEN. Governor, on page 1 of your justifications, you indicate that on December 31, 1965, you had 211 full-time employees. How does this compare with 1963 and 1964? What do you expect on December 31 of 1966 and 1967? Insert that in the record.

(The material follows:)

<i>Personnel Strength</i>	
Dec. 31, 1963 (actual) -----	219
Dec. 31, 1964 (actual) -----	214
Mar. 14, 1966 (actual) -----	219
Dec. 31, 1966 (estimated) -----	224
Dec. 31, 1967 (estimated) -----	223

Mr. WHITTEN. Governor, we appreciate, again, your appearance, and the fine work that you do. There are many disturbing things in life, I know. But I think the record here is about as excellent as any I know, so far as the things we see in agriculture that need serious consideration, not only by this committee and the Congress, but by the American people.

Thank you for your appearance, and again we wish you luck.

Governor TOOTELL. Well, again, many thanks to you, and we enjoyed being with you.



## LIST OF WITNESSES

---

	Page
Baker, J. A.....	26
Barnes, C. B.....	223
Baum, Emmanuel.....	26
Berg, Dr. S. O.....	171
Browne, G. G.....	284
Caldwell, A. C.....	1
Condon, L. P.....	101
Cooper, J. C., Jr.....	211
Currie, D. A.....	1
Forsythe, W. E.....	101
Gilliland, C. B.....	26
Grant, C. L.....	1, 26, 101, 131, 146, 171, 211, 223, 259
Graves, W. J.....	146
Greess, L. H.....	101
Grosstephan, A. R.....	1
Halvorson, Dr. H. W.....	171
Howard, F. W.....	284
Howell, J. W.....	101
Kaminski, J. J.....	211
Kaufman, Morris.....	101, 131
Kiefer, C. F.....	223
Koffsky, Dr. N. M.....	171
Lewis, H. R.....	131
Lewis, R. G.....	26
Mace, A. T.....	26
McCormick, J. H.....	131
Mehren, G. L.....	1, 146
Mohrhardt, F. E.....	146
Payne, K. B.....	146
Pitts, J. E., Jr.....	284
Robertson, J. M.....	131, 211, 223
Rogers, Will.....	223
Roth, L. J.....	101
Schachtman, B. E.....	146
Shea, F. A.....	131
Smallwood, J. A.....	26
Stassi, Jack.....	26
Tootell, R. B.....	284
Waldman, George.....	1, 26
Webb, Gordon.....	131
Wood, J. S.....	26
Yates, Galen.....	146

LIST OF WITNESSES

100	James D. ...
101	John W. ...
102	...
103	...
104	...
105	...
106	...
107	...
108	...
109	...
110	...
111	...
112	...
113	...
114	...
115	...
116	...
117	...
118	...
119	...
120	...
121	...
122	...
123	...
124	...
125	...
126	...
127	...
128	...
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160	...
161	...
162	...
163	...
164	...
165	...
166	...
167	...
168	...
169	...
170	...
171	...
172	...
173	...
174	...
175	...
176	...
177	...
178	...
179	...
180	...
181	...
182	...
183	...
184	...
185	...
186	...
187	...
188	...
189	...
190	...

# INDEX

---

A		Page
Agricultural Research Service, planning of facilities, for .....		282
C		
Commodity Exchange Authority .....		1
Auditing and licensing of brokers .....		6
Employees, laws regulating activities of Federal .....		16
Futures market .....		15
Cotton trading .....		16
Fluctuation of .....		24
General Accounting Office, report on operations of .....		18
Market surveys .....		5
Potatoes .....		22
Investigations and prosecutions .....		6
Fictitious trading .....		23
Trade practices .....		4
Salaries and expenses .....		1
F		
Farm Credit Administration .....		284
Agricultural economy .....		314
Employment .....		317
Farm Credit Board, statement of Chairman of .....		300
Farm indebtedness .....	306, 313,	316
Farm investment .....		308
Federal land banks, cost of operating .....		309
Governor, statement of .....		302
Land prices, increase in .....		306
Limitation on administrative expenses .....	284,	299
Productivity, increase in .....		307
Reorganization of agricultural operations abroad .....		312
G		
General administration .....		223
Administrative costs, increase in .....		252
National Advisory Commission on Food Fiber, funding of .....		253
Richard Carson, services of .....		255
Salaries and expenses .....		223
Staff offices in management of Department, role of .....		245
Transfer of funds to new functions .....		251
Working capital fund .....		257
I		
Information, Office of .....		131
Cost of publications .....		140
Publications and information, requests for .....	137,	138
Rural areas development .....		145
Salaries and expenses .....		131
Working capital fund .....		145
Yearbooks of Agriculture .....	141,	144
Inspector General, Office of the .....		101
Agricultural Stabilization and Conservation Service audit .....	120,	128
Audit guides .....		118
Food stamp program .....	123,	130
Investigation priorities .....		114
Manner of conducting investigations .....		128
Recruitment and training .....		127
Reimbursements from other agencies .....	119,	123
Salaries and expenses .....		101
Workload .....		115

## IV

	Page
L	
Language changes-----	259
Agricultural Research Service-----	270, 282
Foreign currencies-----	273, 282
Vehicles, motor-----	281
M	
Management Services, Office of-----	211
Salaries and expenses-----	211
N	
National Advisory Commission on Food and Fiber-----	171
Acres diverted from production-----	181
Budget for fiscal year 1967, breakdown of-----	203
Commission on Food Marketing-----	182
Compensation of members-----	181
Composition of-----	179
Cotton, sale on world markets-----	183
General Accounting Office report on-----	185
Farm employment, study on-----	198, 209
Foreign agricultural programs-----	197
Funding of-----	253
Meetings-----	194
Membership of-----	175, 196
Objectives of-----	194
Procedure for commission reporting-----	204
Reimbursements from other agencies-----	199
Staffing-----	181, 199
National Agricultural Library-----	146
Increases requested for 1967-----	165
Library facilities-----	147, 164
Pesticides Information Center-----	167
Salaries and expenses-----	146
Automation-----	170
Funds received from Aid for International Development-----	163
Public Law 480 funds for publications acquisition-----	168
Recruitment of qualified people-----	169
R	
Rural Community Development Service-----	26
Aims of program-----	45
Districts, proposed legislation on-----	92
Educational and training programs-----	51
Extension Service report-----	82
Field offices, effectiveness of-----	29
Grades of employees-----	76
Housing-----	30
Increases requested for 1967-----	27
Manner of operating at local level-----	97
Manpower development and training-----	31
Medicare, activities in field-----	48, 72
Other Agriculture agencies participating, personnel assigned and cost of-----	28, 75
Other Federal agencies in rural development-----	28, 54, 71, 73, 80
Personnel, increase in-----	32, 47, 70, 99
Rural areas development committees-----	81
Salaries and expenses-----	26
Small business activities-----	50, 99
State directors, functions of-----	76

