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SOYBEANS ON DIVERTED ACRES

GOVERNMENT
Storage

HEARINGS BEFORE THE COMMITTEE ON AGRICULTURE HOUSE OF REPRESENTATIVES

EIGHTY-NINTH CONGRESS

SECOND SESSION

ON

H.R. 12798, H.R. 12855, H.R. 12890, H.R. 12964,

H.R. 12965, H.R. 13057, and H.R. 13421

MARCH 15, 16, AND 23, 1966

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SOYBEANS ON DIVERTED ACRES

TUESDAY, MARCH 15, 1966

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

The committee met, pursuant to notice, at 10:05 a.m., in room 1301, Lo gworth House Office Building, Washington, D.C., the Honorable Harold D. Cooley (chairman) presiding.

Present: Representatives Cooley (presiding), Poage, Gathings, McMillan, Abernethy, Jones of Missouri, Stubblefield, Purcell, Olson, Matsunaga, O'Neal, Stalbaum, de la Garza, Redlin, Bandstra, Greigg, Callan, Belcher, Dole, and Burton of Utah.

Also present: Christie S. Gallagher, clerk; Hyde H. Murray, assistant clerk, John J. Heimburger, general counsel; Francis M. LeMay, consultant, and Fowler C. West, staff.

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

We have before us several bills, which will be made a part of the record at this point.

(H.R. 12798, introduced by Mr. Smith of Iowa; H.R. 12855, introduced by Mr. Watson; H.R. 12890, introduced by Mr. Abernethy; H.R. 12964, and H.R. 12965, introduced by Mr. McMillan; H.R. 13057, introduced by Mr. Purcell; and H.R. 13421, introduced by Mr. Cooley follow:)

[H.R. 12798, 89th Cong., 2d sess.]

A BILL To protect domestic consumers against an inadequate supply of soybeans and soybean products; to maintain and promote foreign trade; to protect producers of soybeans against an unfair loss of income resulting from the establishment of a reserve supply; to assist in marketing soybeans for domestic consumption and export; and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That notwithstanding the provisions of any other law, effective beginning with the crop planted for harvest in 1966, the Secretary of Agriculture may permit all or any part of acreage diverted under section 16(i) (1) of the Soil Conservation and Domestic Allotment Act as added by Public Law 89-321 or all or any part of a conserving base established by him for a farm participating in the feed grains program to be devoted to the production of soybeans to the extent he determines such production is needed to provide a "normal supply" of soybeans.

The "normal supply" of soybeans for any marketing year shall be the estimated domestic consumption for the marketing year for which such normal supply is being determined, plus the estimated exports of soybeans for such marketing year, plus 20 per centum of the sum of such consumption and exports as an allowance for carryover.

The Secretary shall reduce the total payments to any participant who produces soybeans on diverted acres by the sum of one-third of the county support rate of the crop diverted multiplied by the normal yield of such crop for the farm where such soybeans are to be produced.

The Secretary shall maintain a normal reserve supply of soybeans. Such "normal reserve supply" shall be not more than 20 per centum of the normal supply or such amount as accumulates under the following provisions:

(1) The Secretary shall each year purchase such supply as he estimates was produced on diverted acreage and conservation base acreage of participants

which was devoted to the production of soybeans in such year to the extent available at not more than \$2.80 per bushel free on board track Chicago or an equivalent price allowing for the customary location price differential for delivery in July of the marketing year for such soybeans produced on diverted acreage.

(2) Such purchases as are made before July of such marketing year shall be made by contract on established commodity markets. The Secretary shall offer soybeans in such reserve for sale at \$2.90 per bushel free on board track Chicago or an equivalent price allowing for location differential or at such greater amount as may be obtained through normal market channels.

(3) The Secretary may buy and sell at an equivalent price, allowing for the customary location price differential, identical quantities at different locations on the same date to the extent needed to properly handle, distribute, and locate such reserve.

(4) The Secretary shall make a daily list showing the price, location, and quantity of the transactions entered into hereunder available to the public.

[H. R. 12855, 89th Cong., 2d sess.]

A BILL To amend the Agricultural Act of 1949, as amended, to allow the planting of soybeans on acreage diverted from cotton

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That paragraph 8 of section 103(d) of the Agricultural Act of 1949, as amended, is amended by inserting "soybeans" immediately after "ovato," in the proviso.

[H. R. 12890, 89th Cong., 2d sess.]

A BILL To amend the Agricultural Act of 1949, as amended

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That paragraph (8) of section 103(d) of the Agricultural Act of 1949, as amended, is further amended by adding in the proviso after the words "castor beans," the word "soybeans".

[H. R. 12964, 89th Cong., 2d sess.]

A BILL To amend the provisions of law relating to the planting of crops on acreage diverted under the cotton, wheat and feed grains program

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That paragraph (8) of section 103(d) of the Agricultural Act of 1949, as amended, is amended by inserting in the proviso before the words "and flaxseed", the words "soybeans", "fiber flax",.

SEC. 2. (a) Subsection (e) of section 339 of the Agricultural Adjustment Act of 1938, as amended, is amended by inserting before the words "and flaxseed" the words "soybeans", "fiber flax",.

(b) Paragraph (1) of section 16(i) of the Soil Conservation and Domestic Allotment Act, as amended, is amended by inserting in the third sentence thereof before the words "and flaxseed" the words "soybeans", "fiber flax".

[H. R. 12965, 89th Cong., 2d sess.]

A BILL To amend the provisions of law relating to the planting of crops on acreage diverted under the cotton, wheat, and feed grains programs

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That paragraph (8) of section 103(d) of the Agricultural Act of 1949, as amended, is amended by inserting in the proviso before the words "and flaxseed" the words "fiber flax",.

SEC. 2. (a) Subsection (e) of section 339 of the Agricultural Adjustment Act of 1938, as amended, is amended by inserting before the words "and flaxseed" the words "fiber flax",.

(b) Paragraph (1) of section 16(i) of the Soil Conservation and Domestic Allotment Act, as amended, is amended by inserting in the third sentence thereof before the words "and flaxseed" the words "fiber flax",.

[H.R. 13057, 89th Cong., 2d sess.]

A BILL To amend the provisions of law relating to the planting of crops on acreage diverted under the cotton, wheat, and feed grains program

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the proviso in paragraph (8) of section 103(d) of the Agricultural Act of 1949, as amended, is amended to read as follows: "Provided, That the Secretary may permit without any reduction in payments, all or any part of such diverted acreage to be devoted to the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, and flaxseed, if he determines, without regard to importations, that such production is necessary to provide an adequate supply of such commodities, is not likely to increase the cost of the price support program, and will not adversely affect farm income."

SEC. 2. (a) Subsection (e) of section 339 of the Agricultural Adjustment Act of 1938, as amended, is amended to read as follows:

"(e) The Secretary may permit, without any reduction in payments, all or any part of the diverted acreage to be devoted to the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, and flaxseed, if he determines, without regard to importations, that such production of the commodity is needed to provide an adequate supply, is not likely to increase the cost of the price-support program and will not adversely affect farm income."

(b) The third sentence of paragraph (1) of section 16(i) of the Soil Conservation and Domestic Allotment Act is amended to read as follows: "Notwithstanding the foregoing provisions, the Secretary may permit, without any reduction in payments, all or any part of such diverted acreage to be devoted to the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, and flaxseed, if he determines, without regard to importations, that such production of the commodity is needed to provide an adequate supply, is not likely to increase the cost of the price-support program, and will not adversely affect farm income."

[H.R. 13421, 89th Cong., 2d sess.]

A BILL To amend the Agricultural Act of 1949, as amended, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 103(d) of the Agricultural Act of 1949, as amended, is amended by changing the period at the end of the second sentence of paragraph (3) to a colon and adding the following: "Provided further, That for purposes of such payments, the Secretary may permit producers of cotton to have acreage devoted to soybeans considered as devoted to the production of cotton to such extent and subject to such terms and conditions as the Secretary determines will not impair the effective operation of the price support program."

The CHAIRMAN. The first witness that we will call is Congressman Neal Smith of Iowa.

We are very glad to have you here with us, Mr. Smith, and we will be glad to hear you now.

STATEMENT OF HON. NEAL SMITH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA

Mr. SMITH. Mr. Chairman and members of the committee, first, I want to say that I very much appreciate the opportunity to be here and explain some of my ideas about the soybean reserve and the need for this kind of a bill.

My bill, H.R. 12798, is based upon the assumption that a reserve of soybeans is to be established. The administration is firmly committed to the establishment of a reserve, the soybean industry has indicated it believes a reserve is needed, and agricultural economists have for several years been advocating the establishment of a soybean reserve.

In determining whether we need a soybean reserve, I believe that we must recognize the peculiarity of soybeans as a commodity. They are different than corn or wheat or rice, each which has limited acceptability in limited areas of the world. Soybeans are a high protein product in great demand all over the world. Forty percent of the soybeans produced in the United States in 1964 were marketed overseas. A much smaller percentage of other crops is sold overseas. Ninety-five percent of all of the soybeans shipped between countries in the world were produced in the United States.

Other crops are produced in quantity in many countries of the world. Other countries are willing for us to be the major supplier of soybeans and have indicated this by not having any tariff on soybeans. Most of them have tariffs on other crops but not on soybeans. If they wanted to build up their own soybean production or the production of substitutes, they would establish tariffs, but they seem perfectly content to depend upon us for soybeans. If we are to hold this advantage and if we are to be the storekeeper for soybeans for the world, we must be able to supply buyers every year. If they depend upon us for soybeans and are unable to secure them, they will find another source, such as China, or will raise tariffs to encourage local production of soybeans or substitutes, and when they do they tend to permanently depend upon other sources or substitutes.

A year ago we only produced about 700 million bushels, which proved to be at least 100 million less than our customers wanted.

And I remember, Mr. Chairman, 7 years ago, you and I stood in my milo field and we talked about soybeans. At that time there was only 500 million bushels produced, and people thought that would be too many within a few years and now our production and sales are up to 850 million bushels. And when we had that 700 million bushel crop, many of our customers had to turn to substitutes, such as urea and olive oil. Persons very interested in broiler production in Belgium and France told me at the meeting of the Council of Europe that they had to substitute other protein in some of the broiler rations, that they found the substitute very satisfactory, and that they had not used them before. They are building up the broiler industry and want bean meal in the formula. But now, that they will continue to use substitutes to some extent, and that if they run into another short supply situation, they will, undoubtedly, quit depending upon us for soybean meal to the extent that they have. In other words, a temporary shortage of soybeans becomes a permanent loss of market.

I agree with the vast majority who believe that a reserve should be established. Most of the argument is over how to acquire and establish a reserve. This bill, H.R. 12798, provides a way to establish a reserve that would be most fair to everyone concerned and involved the minimum amount of Government activity necessary to accomplish the desired objective.

Some say, let us have a shortage—maybe they will sell at \$3 or \$4 per bushel. They are dreaming, because we have a ceiling price now which is set by factors beyond our control. The effective maximum price for soybeans at the present time is approximately \$2.90 f.o.b. track Chicago. Whenever soybeans go above that price, customers turn to substitutes or quit buying. When prices went over that level recently, Japanese buyers purchased from China. About \$2.90, Chicago, has been the effective ceiling price both this year

with an 850 million bushel crop and last year when we had only a 700 million bushel crop. In spite of that 20 percent increase in supply, prices have been about the same. Ceiling prices set by the market are not determined alone by the supply of soybeans in the United States but are also affected by the price of the dozens of good substitutes. And we had just as well recognize that there are good substitutes for both meal and oil. Let us not bury our heads in the sand like the dairy people did when they pretended that there was no substitute for butter. There are good substitutes for both soybean meal and oil. It seems to me that this effective ceiling price of about \$2.90 f.o.b. Chicago should also then be the price at which soybeans will be drawn from a reserve. This would mean that we would be drawing soybeans from the reserve at this price instead of losing the market for them. That is the reason I have provided in this bill that any soybeans in the reserve will be available for sale when there is enough of a shortage that they reach a price of \$2.90 f.o.b. Chicago.

Most everyone agrees that there will not be enough acres of soybeans this year and probably not for several years to come unless some kind of Government action is taken to encourage increasing the acreage planted to soybeans.

Last year farmers produced 34,551,000 acres, and enjoyed an above normal yield. The most liberal estimate for next year is for 37.5 million acres. All agree that from 37 to 38.5 million acres are needed for next year just to satisfy past customers. Foreigners buy more—more hogs and cattle need meal—more population will use more oil, and this does not include supply for new uses; 37.5 million acres would not provide a supply for a reserve or to satisfy a food for freedom program which includes soybeans. To fully take care of these objectives would require at least 9 million additional acres above the 37 to 38.5 million acres needed for known customers. Although we need more, farmers in the high soybean production areas intend to plant less soybeans. Rice and wheat allotments were increased. About 200,000 acres that produced soybeans last year going into rice next year; less farmers are signing up under the feed grains program under the new regulations which discourage 20 percent participants and when they leave that program many of them will plant their soybean acreage to corn. Many who won't anticipate this year are livestock feeders who buy corn anyway. Acreage in other crop production areas cannot increase enough so that with the expected production in the principal soybean areas, we will even have the supply needed for our past customers, and with less cotton production, there will be less cottonseed available as a substitute. It will take 45 million bushels of soybeans to replace the reduction in cottonseed. Surely, no one doubts that we need more soybean acreage.

The principal proposed method of increasing the acreage has been to increase the loan rate on soybeans. I suggest that a better method would be to make more acres upon which soybean production has been prohibited available for the production of soybeans. There really is a third method to increase acreage, and that is with a direct payment. If we would pay 50 cents a bushel direct payment to all who market, that would shift acreage to beans, but it would cost \$500 million per year, and I believe that is out of the question. Under my bill, it can be done, probably at a profit—at least, at a saving. I don't think it

is practical for us to talk about the direct payment method although it would work, and it would leave the market free to operate, but I disregard that, because I do not think that it is practical to talk about a \$500 million cost for that purpose, especially when we could do it under the method in my bill with hardly any net cost to the Government.

I suggest that, if we were to increase the loan rate for soybeans enough to shift production, the difference between the loan rate and the market price at which these soybeans will sell becomes so narrow that there is no incentive for a producer to dispose of his soybeans until toward the end of the marketing year. While a loan at harvest time to avoid glutting the market and to prevent depressing prices at marketing time is needed, we also need a free flow of beans all through the marketing year in order to get maximum consumption. If the loan rate is too near to the market price, a shortage of beans in position for export or processing develops during the winter months and consumption is reduced.

This, then, reduces the demand when that built-up supply is dumped onto the market in the last half of the marketing year and the prices would go down even more. The January 1 report this year shows that off-farm supplies were no larger (334 million bushels) than the year before when we had a short total supply and that the total increase in supply this year was being held unavailable at salable prices to our customers. If the loan rate were increased to nearer to the market price in order to increase the acreage planted there would be increased holding of the crop harvested until part of the market demand had disappeared. It seems to me, these handicaps should eliminate raising the loan rate as the most desired method to increase acreage.

With 40 percent or more of these soybeans being shipped overseas, we also need a considerable portion of these beans in position to be shipped upon short notice. When they are stored on farms, they are as far out of export position as possible, especially with the chronic boxcar shortage, and it does not look like there is any relief in sight there. Thus, while we want feed grains stored on the farm where most of them will be used, we actually want soybeans off the farm and near processing and shipping facilities where they are more readily accessible to the market. Too high a loan rate in comparison to the average market price results in more of these beans being out of position. Thus, securing more acreage by increasing the loan rate further reduces the ability to market the product and this inevitably would lose some customers.

I do not think raising the loan rate on soybeans to any amount less than the market price causes any farmers to shift planting intentions from corn to beans, anyway. When a farmer is ready to plant his crops and soybeans are \$2.60 on the average local market, a loan rate of any amount less than that does not influence him very much in determining how many acres he will plant in soybeans. In order to influence the shift of acreage to soybeans from corn, I believe the support price would have to be at least more than the market price at planting time, and probably at least \$2.75 per bushel. Placing a loan rate at this level would certainly cause a problem in the flow of beans to the market to the extent that consumption would be reduced. In view of all of these problems, I think it is better to release some acreage

for the production of soybeans which otherwise would be diverted from soybeans. Under existing programs, the acreage of any crop under allotments cannot be limited to less than is needed for the production of a normal supply, but this is not the case with soybeans. We have had stricter acreage controls on soybean production than on any other basic commodity or major corn belt crop except tobacco. This is due to the fact that under the feed grains and other programs, we have in past years drawn a circle around the feed grain acreage and said that participants cannot use it for soybeans. Regulations also prohibit using conservation base acreage for soybeans. We also prohibit the use of diverted acres for soybeans, and some of these acres would otherwise be in soybeans. While the base acreage provision has been changed to permit growing soybeans on the acreage of the basic commodity in surplus, the conservation base acreage and diverted acreage limitations against raising soybeans still applies.

H.R. 12798 permits the use of either conservation base acreage or diverted acres to the extent needed, and I emphasize "to the extent needed." Due to changes in farming practices and patterns of production, part of the conservation base acreage on nonparticipating farms has been planted to soybeans, but the regulations have prevented this same shift on participating farms. I believe the Department should, at least, permit small or nuisance conservation base acreages to be used for soybeans immediately. There are thousands of conservation bases of less than 10 acres and in many cases the prohibition against using these for beans makes participating in the feed grains program financially too unattractive. Relaxing this provision does not require a change in the law. It just amounts to a farmer giving additional acres besides those completely diverted, yet he does not get paid for them and in some cases doesn't need whatever crop he could grow on them either.

The feed grains program has considerably reduced the acreage planted in soybeans. Since they do not respond to fertilizer, the yield of soybeans per acre has not increased significantly, and that is over a period of 20 years. This means that the only practical way we can increase the production of soybeans enough to meet the increasing demand for them is to plant more acres. If people in other countries continue to increase their take-home pay, they will continue to buy more and more soybean products from the United States. As the result of all of these considerations, I believe we should release enough acres from conservation base acreages and diverted acreages for the production of soybeans, so that we will have the supply of soybeans that can be marketed at the effective ceiling price in the world market which is about \$2.90 f.o.b. track Chicago for July delivery.

I do not think we should overlook the desirability of having enough soybeans so that we can use them and their products as tools in our search for peace.

The administration now says that it is ready to do so, but the supply simply does not exist—they could not put soybeans into the food for freedom program, if they wanted to do so. We do not have them. We just have enough soybeans for the cash and usual market, and, apparently, we are not going to have even that next year, unless this committee does something.

Unless a reserve is established or considerably more beans are raised, there simply will not be enough soybeans so that they can be

used in a food for freedom program, because the usual cash market will absorb all of them. This leaves our Government with little or no flexibility in raising nutritional standards in areas of famine and food shortages or in using this outstanding product to promote peace, trade, and understanding.

The traditional method of accumulating reserves is to have a loan rate above the market price and to produce more of the commodity than can be sold at the loan rate. That is how the corn, wheat, and cotton reserves were created. Then, the supply delivered in lieu of paying off the loan goes into reserve or carryover. Unless the loan rate is so high that the market glut previously described would occur, if this method were used for beans, the farmers would receive for the total increased production less dollars than they could have received if they had produced only what could have been sold at the loan rate.

Applied to the present soybean situation and assuming that 1 billion bushels is all that can be sold and at a reasonable price, this would mean that farmers in 1966 would receive no more total dollars for a 1.2 billion bushel crop than they would have for a 1 billion bushel crop. The rule of thumb is, you know, that when farmers produce 1 percent over, they receive 3 percent less, and that would apply. If that old price support method is used to create a soybean reserve instead of the method set forth in H.R. 12798, the farmers will end up paying the entire cost of establishing a reserve and will produce those extra beans without even receiving the cost of production in return. That would be grossly unfair, because establishing a reserve of soybeans is beneficial not only to the preservation of a market for producers—and I admit that this would benefit the producers—but it is also beneficial to: (1) the users of soybean meal in livestock and poultry production, (2) people in the export market, (3) our balance of payments problem, (4) processors of soybean products, (5) the transportation industry, (6) to further our foreign policy goals, and (7) all of the 190 million consumers in the United States, 99 percent of which use soybean products in one way or another. It is in margarine and cake mixes. It is even mixed with peanut butter.

It seems to me that the way to establish this reserve on a fair basis to all concerned, is for the Government to directly buy the production above the normal supply and place it in storage in locations where it would be most readily available for use when needed. It would leave the free market completely free to distribute and dispose of the supply currently needed and the usual marketing apparatus can perform this distribution better with the surplus or reserve removed than it could if the entire crop was involved in a loan and takeover activity.

While the marketing apparatus has not been able to, and should not have been expected to, encourage a reserve during a period of expanding consumption, it can best market and distribute the supply currently needed. Releasing acreage and buying the part of the production of that acreage which is not needed would permit the reserve to be created without interfering with the job which the free market apparatus is capable of performing. So, I say that people who want to build a soybean reserve without the Government purchasing and holding the reserve are, in effect, proposing that farmers pay the entire cost of the reserve which is for the benefit of everyone I mentioned before. Some people who even allege to speak for farmers

freely use such terms as "Government interference" to cover up their proposals to get the farmer to make a gift of the reserve. Performing this service without Government protection would reduce net farm income. And reduce it in an unwarranted amount.

Mr. Chairman, although it would show up as a reduction in the cost of the feed grains program, the net cost to the Government for beans purchased for the reserve would be approximately \$1 per bushel less than the market price, to the extent diverted acres were used, because the Government payments for diverting these acres would be reduced. This saving the first year is enough to pay for the storage for 6 years. They would likely be sold, and probably at a profit, within the 6-year period.

It would amount to the same thing as a participant renting acres for soybean production upon which he had agreed not to plant feed grains or soybeans. For example, if a participant at the present time is receiving an average of \$40 per acre for the cost of holding acreage in reserve, he would receive about one-third of this amount for holding it in reserve except for the production of soybeans, and \$27 per acre would be subtracted from his total Government payments earned. The formula in the bill provides a high enough cost per acre so that many producers would not be interested in using the diverted acres for the production of soybeans, but, on the other hand, I believe that there would be enough interested so that the kind of land that should be in soybeans would be placed in soybeans by many farmers who have the capital and labor available with which to raise these soybeans. If the farmer has the extra time, has the equipment, and has those diverted acres, he could afford to pay this rent and put it into soybeans, and he could make a little money. It may very well be that at some time in the future, the rental price that a farmer pays for these diverted acres for the production of soybeans would have to be reduced in order to secure enough soybean production, but I believe the formula in the bill is the one to begin with.

You will notice that I left almost no discretion in the Department of Agriculture in determining when and how any soybeans will be purchased or sold or at what price. To the extent that soybeans are produced above the supply needed, they will buy at whatever the market price is up to \$2.80 f.o.b. track Chicago for July delivery, which is a national average of about \$2.50 per bushel at harvesttime, and the producers would have to add to that the cost of storage and transportation and shrinkage, but not more could be purchased than would have been produced on the diverted or conservation use acreage which was released. They would remain for sale at a definite price, and there can be no speculation as to when or how much the Commodity Credit Corporation will sell. Under these circumstances, no producer can be hurt by the fact that the extra acres were used to establish a reserve and the free market will know more about when these soybeans will be bought and sold than they would if those beans were in the hands of some speculators.

Now, Mr. Chairman, I sense that some in the Department will say that they cannot make the estimates required in this bill and the regulations in time to get this into effect this year. Well, I have a suggestion to make that easy. I introduced another bill yesterday, H.R. 13602. I have not been able to get copies of the bill yet. I tried all morning to get them. It applies this principle for 1 year

only. And instead of having them make estimates, it just simply says that every producer of cotton, wheat, or feed grains can put 25 percent—up to 25 percent—of his diverted acres into soybeans if he wants to do so, and then he will have subtracted from his total Government payment in the fall two-thirds of the maximum average diverted acreage payments that he would have received for those acres.

This makes it unnecessary for the Department to make these various estimates and it would go into operation immediately.

The CHAIRMAN. You referred to the rental of the land, back to the Government.

Mr. SMITH. They subtract from the feed grain payment, the cotton or the wheat payment, two-thirds of what he would get for diverting those acres.

The CHAIRMAN. You used the word "rental."

Mr. SMITH. It amounts to the same thing as a rental.

The CHAIRMAN. Is that not very complicated? It seems to me to be unnecessary to have a provision whereby the Government pays a farmer to take the land out of production and then you pay him to put it back in.

Mr. SMITH. It would not work that way. All that would happen is that, for this year, if the farmer wants to put 40 acres of his diversion acreage into soybeans, during the summer the county office finds out how many acres he puts into soybeans and they take that acreage times two-thirds of his maximum average diverted acre payment, per acre, and subtract this total from the check that he gets in the fall. These are known figures that they are using. It is really not much of a problem at all, and there would not really be the transfer as one might have gotten the impression from my comments of money going back and forth. They just simply subtract that amount from the payments he has coming to him.

The CHAIRMAN. And you say that they would put in 25 percent of the diverted acres?

Mr. SMITH. This is for 1966 only.

The CHAIRMAN. I would like to go off the record for a moment.

(Discussion off the record.)

The CHAIRMAN. Back on the record.

Mr. SMITH. I was afraid of some dragging of the feet, delay, and so this other bill provides a way to do it right now, without them having to make these estimates. It is estimated that there will be 46 million acres to be diverted in these 3 crops. So, one-fourth of that is the maximum amount that would be in this, 11½ million acres, and if the whole of it were put in, it would not be too much for this reserve, but we know that not nearly all of it will be. Most of it is not suitable for soybean production.

The CHAIRMAN. You would go up to 25 percent of the diverted acres without any payment?

Mr. SMITH. No.

The CHAIRMAN. You would deduct the payments?

Mr. SMITH. You deduct on the 25 percent.

The CHAIRMAN. Thank you very much.

Mr. Stalbaum?

Mr. STALBAUM. Congressman Smith, I read in your statement that the payment would be reduced by one-third. I get the impression

from your testimony that the payment to a farmer would be one-third of his normal payment, in other words, that on a \$40 an acre payment he would now receive \$13 an acre and have the right to plant soybeans, am I correct?

Mr. SMITH. You see, the Department bolixed up the feed grain program this year by making two different rates for payments. It is so complicated that many people are not going to figure it out. They will not sign up. For the first 20 percent, they receive nothing, and the other 30 percent is at a higher rate than normal. So that I had to use in this bill a formula that accomplishes what I talked about with known factors and figures that are in the county offices. All this is kind of complicated—the support times the yield gives you the figure.

Mr. STALBAUM. The payment rate?

Mr. SMITH. The payment rate.

Mr. STALBAUM. And you used the \$40 an acre in your illustration?

Mr. SMITH. Yes.

Mr. STALBAUM. It is my understanding that if you plant soybeans that you would receive one-third of that?

Mr. SMITH. Yes.

Mr. STALBAUM. As I read the bill, however, it says that it shall be reduced by one-third which would lead me to believe that the payments would be two-thirds.

Mr. SMITH. That is because you are reducing by one-third, but you only had a half—

Mr. STALBAUM. Of the base to start with.

Mr. SMITH (continuing). Of the base to start with, under the law.

Mr. STALBAUM. I also want to question you on a provision on line 10 which provides for a compulsory 20-percent addendum as a carryover. Would this go on for 4 years, the life of the bill?

Mr. SMITH. That would be the maximum amount that they could estimate was needed for the carryover, and the maximum amount of additional acreage they would authorize.

Mr. STALBAUM. I do not want to get into semantics, but I do not see that it indicates that this is a maximum. It is arbitrary, as I see it.

Mr. SMITH. In defining the known supply of the domestic and the export, plus 20 percent; then, in making his estimate as to how many acres are needed, he only estimates what is needed for a normal supply.

Mr. STALBAUM. I see.

Mr. SMITH. That amounts to a ceiling.

Mr. STALBAUM. Thank you. That is all.

The CHAIRMAN. Thank you. Our next witness is Mr. Seeley G. Lodwick. We will be glad to hear from you now.

**STATEMENT OF SEELEY G. LODWICK, FARMER, WEVER, IOWA;
ACCOMPANIED BY JAKE HARTZ, JR., STUTTGART, ARK., REPRESENTING THE AMERICAN SOYBEAN ASSOCIATION, HUDSON, IOWA**

Mr. LODWICK. Mr. Chairman and members of the committee, my name is Seeley G. Lodwick. I am a farmer from Wever, Iowa, and I have here with me today Mr. Jake Hartz, Jr., of Stuttgart, Ark., a past president and a director of our association. We are here today representing the American Soybean Association, headquartered in Hudson, Iowa, the national organization of soybean producers.

The American Soybean Association, Mr. Chairman, has been in existence for 50 years as a voluntary nonprofit trade organization working for producers. The association has 19 directors, of which I have the privilege to be one, representing growers in all the major producing States. We have affiliated State associations in the States of Minnesota, Iowa, Illinois, in Arkansas, Mississippi, and in Missouri, and Tennessee. Still other State groups of soybean producers are in the process of organization. Our association also publishes a monthly magazine, the Soybean Digest.

First of all, I want to state briefly our position on the bills before you. We are convinced that it is unnecessary to change the present law to allow soybeans to be planted, if it proves that they are needed.

That land is the conservation base acreage on farms across this country. I will say more about these base acres later on in this statement.

Our association already has recommended to this Congress and to the USDA that soybean acreage this year be increased a minimum of 2 million acres up to a maximum of 3 million acres. If the report of grower intentions reflect difficulty in achieving that increase, Mr. Chairman, we will outline in our supplementary statement exactly how we believe what is needed can be produced—and with no need for planting on diverted acres.

There seems to be an impression around that we are real short of soybeans—which is a misconception that I want to nail down right here. The latest figures—these are USDA Government figures—show that soybean stocks in all positions on the first of this year were at a record high. Stocks totaled 619 million bushels or 18 percent more than a year earlier and 25 percent above average. Estimated carryover next September 1 will be approximately 50 million bushels.

When it comes to matching production with demand, our association has a record of which it is very proud. Soybeans have been rightly called the miracle crop. The story of this crop is one of sharply rising acreage and production, of sharply rising consumption and demand, and of great promise for more of the same in the future. Meantime, we have never been in a surplus situation.

Soybeans have not cost the U.S. taxpayer one dime; in fact, they have made money for him and the Government. Soybeans and products, as you all know, are today the No. 1 dollar earner of our country among all exports of farm products.

Our purpose is to keep on producing enough soybeans to keep them moving in trade channels, to keep them out of Government storage, and to keep on making our miracle crop profitable for producers and all concerned. We are thinking big about the figure, as is justified by the world demand for soybeans. I have already mentioned that we have recommended an increase of from 2 million to 3 million acres this year—and that's on top of a record output last year that was 20 percent greater than ever before.

The history of our crop has led us to some conclusions about what we shall need in the future, Mr. Chairman—figures that we would like to share with you and the committee. With your permission I will file with this statement the American Soybean Association's calculations of demand during the next marketing year for the current year. The figures are appended.

The CHAIRMAN. The permission is granted.

Mr. LODWICK. I would now like to clarify some points that were unclear to us for some time, and may still be confusing to a good many growers. This is the relationship among diverted acres, so-called permitted acres, and the conserving base for the farm.

First, let me say that those of us who farm in the Midwest are not—and I would repeat the word “not”—allowed under the farm programs to plant soybeans on diverted feed grain acres. In the case of corn and other feed grain acres, as you know, we have to reduce plantings by 20 percent—without any diversion payment—in order to be in compliance with program requirements. We get diverted-acreage payments only on whatever additional feed grains we may divert beyond the 20 percent required cutback, up to a maximum diversion for payment of 50 percent.

Under the law, the Secretary of Agriculture has the power to decide whether soybeans may be planted on permitted feed grain base acres. The Secretary, as you all are aware, has announced that soybeans may be substituted this year on permitted feed grain base acres.

Our Association has recommended to the Secretary that he exercise that option, and we are glad he did so. We also have recommended that he increase the price support rate for soybeans by 10 cents per bushel to \$2.35, national average. We feel that a 10-cent increase in price support will have a good psychological effect, and—together with the option of substituting soybeans on permitted feed grain base acres—will cause farmers to plant more soybeans. Any more than a 10-cent boost in the support rate, in our opinion, will threaten the stability of our soybean markets.

Which brings me back to the conserving base. Whatever additional soybeans may be needed can be produced most efficiently and least expensively on the conserving base. In the Midwest we have been living for several years with the conserving base which is made up of those acres deemed to have been in conserving uses during the 2 years 1959–60. In the new farm law, as you know, conserving bases have been established for the first time in cotton country. As the law describes the base for cotton growers it is “the average acreage of cropland on the farm devoted to designated soil-conserving crops or practices, including summer fallow and idle land, during a base period prescribed by the Secretary.” That base period in the case of cotton is 1959–60, as in our case to the Midwest.

To sum up, Mr. Chairman, we are for:

No. 1. Allowing soybeans to be substituted on permitted acreage for feed grains, as the Secretary of Agriculture already has announced.

No. 2. We are for a price support of \$2.35 per bushel, 10 cents above the support of recent years.

No. 3. We are in favor of a minimum increase this year of 2 million acres in soybeans, going up to a maximum of 3 million acres.

No. 4. If it is the intentions of farmers as indicated on March 1 that they plan to plant less than an additional 2 to 3 million acres, we are emphatically in favor of employing enough idle acres now in the conserving base to achieve this increase.

No. 5. And finally, Mr. Chairman, and I think this is very important, I would like to make a point of great importance to producers and the country. It is that our large increases of soybeans in recent years have come almost entirely from expanding our acreages. Soy-

bean yields have gone up very little in the past 15 years while the yields of some crops competing for the same acres have just about doubled.

One reason we have been on a plateau in yields of soybeans is that there has not been nearly enough basic research. We need to know more about the physiology of the soybean plant. Why doesn't it respond to fertilizer as other crops do? Why don't we have varieties that resist drought? Disease problems are present today across the country, that breeding programs have not eliminated. These disease problems, with acreages expanding, will become more acute in years to come. Improvement is sorely needed in seed quality so that better stands are obtained at planting time.

If our yields had been just 10 more bushels per acre last year, our total production would have been about 40 percent more than it was, and additional acres would not have been needed.

Thank you very much for the opportunity of appearing here before you today.

(The table entitled "Soybean Needs" submitted by Mr. Lodwick follows:)

<i>Soybean needs, Sept. 1, 1966, to Aug. 31, 1967</i>	
Estimated carryover Sept. 1, 1966:	<i>Million bushels</i>
Supply Sept. 1, 1965 (1964 crop)-----	30
Production 1965-----	844
Total Supply-----	874
1965-66 use:	
Crush-----	530
Export-----	240
Seed and residual-----	50
Total 1965-66 use-----	820
Carryover Sept. 1, 1966-----	54
New uses 1966-67	
Domestic-----	12
Export-----	20
Replace 25 percent cotton diverted acres (cottonseed)-----	45
Total new uses-----	77
Soybeans needed 1966:	
1965 use-----	820
1966 new use-----	77
Total 1966 use-----	897
Residual Sept. 1, 1967-----	75
Total production and carryover 1966-----	972

(The pamphlet entitled "What Can the American Soybean Association Do for You?" submitted by Mr. Lodwick, may be found in the files of the committee.)

The CHAIRMAN. Thank you very much for your statement, and I want to congratulate you for staying within the time. You came out exactly on the time.

Mr. Abernethy?

Mr. ABERNETHY. Mr. Lodwick, you make two propositions, as I understand it: (1) that this increased acreage would come from the conserving bases, and (2) it could come from diverted acres. Is that right?

Where would the additional acres come from?

What type of farm—where would it be planted?

Mr. LODWICK. Some of this, for instance, in Iowa, will represent a change to oats from soybeans. Our oat acreage in Iowa has been going down quite a little in the last few years.

Mr. ABERNETHY. That would mean that those would switch from feed grains to soybeans?

Mr. LODWICK. Also, in some cases, we have had the elimination of farms in the wheat program. They do not care to continue on a rather small base, and some of this acreage might be shifted to soybeans.

Mr. ABERNETHY. Just a minute. The price support would encourage that shift? Is that it?

Mr. LODWICK. Psychologically, I think it would have a good effect; yes, sir.

Mr. ABERNETHY. Go ahead.

Mr. LODWICK. Mr. Chairman, Mr. Hartz here to my left is much more familiar with conditions in the South; and with your permission I would defer to him this question relative to the South.

Mr. ABERNETHY. You would defer to him the answer to the first question that I put. Is that right?

Mr. LODWICK. Yes, sir. Let me get back to the second part of the first question.

If there is not enough acreage—and we say enough between 2 and 3 million acres increase—if there are not enough to show up in this report which will be available in the afternoon of the 18th of March, then we would propose that the additional acreage come from the conserving acres.

Mr. ABERNETHY. All right. As I understand it, you suggest that there should be an increase from 2 to 3 million acres.

Mr. LODWICK. Overall; yes, sir.

Mr. ABERNETHY. And that there should be an increase in the price support of 10 cents a bushel?

Mr. LODWICK. Yes, sir.

Mr. ABERNETHY. And that would be an incentive for the farmers to shift, from oats in some instances and wheat in others, to soybeans?

Mr. LODWICK. Yes, sir.

Mr. ABERNETHY. And if they do not shift, then you would use the conserving base?

Mr. LODWICK. Yes.

Mr. ABERNETHY. Is there time this year to do that?

Mr. LODWICK. I beg your pardon?

Mr. ABERNETHY. Is there adequate time to make that determination this year? You know this conserving base spreads all over the country.

Mr. LODWICK. Yes, sir. Let me answer. I am certainly not familiar with the workings of the Department of Agriculture administratively, and I do not know how fast they can work, but I do have a lot of confidence in the individual county committees, and I am familiar with two or three of them, and I do know that they would be very willing to work just as hard as if necessary. I have seen them do this in the past, to see to it that programs are put out to the farmers just as rapidly as possible.

I think that this would be possible, to get this information out.

Mr. ABERNETHY. All right. Now, you have mentioned oats and wheat.

Mr. LODWICK. Yes, sir.

Mr. ABERNETHY. I want to talk about where the rest of the acreage would come from.

Mr. HARTZ. Sir, we have the question as to where these acres will come from, the same as most of the people in the country have; however, in the South, we will pick up additional soybean acres, in Louisiana.

Mr. ABERNETHY. From whom?

Mr. HARTZ. From newly cleared land that had not been involved in any farm program whatsoever; the clearing of land which was under contract before October of 1965. This land in clearing process is available. We will get additional soybean land in the southern areas, in the rice-producing section of Louisiana that has been in cattle, rice, and cotton. So that there would be no conservation acres established in this section.

We have land in the areas that are selling their cotton over to other cotton firms, that are retiring certain percentages of this lease or sale of cotton land that will pick up additional soybean acreage.

We will have sections of Alabama and Georgia, that have feed grain acres that are having problems with disease, who will plant soybeans on permitted feed grain base acreage.

Mr. ABERNETHY. You have completely encircled me—you started with Arkansas and then to Alabama and then to Georgia, and now you are in some other area. How about Mississippi?

Mr. HARTZ. I thought that maybe you would ask the question, and I left that to the last.

Mr. ABERNETHY. When are we going to get in on this acreage?

Mr. HARTZ. In Mississippi, I notice that Mr. B. F. Smith will be before this committee to speak, and I thought possibly he could answer these questions.

Mr. ABERNETHY. Are you and B. F. together on this?

Mr. HARTZ. No, I do not believe that Mississippi will increase their soybean acreage to any degree. I do not know whether they will increase them in Mississippi.

Mr. GREIGG. Will you yield?

Mr. ABERNETHY. I did not think that you would get to me.

Mr. GREIGG. Will you yield?

Mr. ABERNETHY. Yes.

Mr. GREIGG. Thank you very much.

Mr. Lodwick, I am not clear on your testimony this morning. You state that we need an additional 2 to 3 million acres. You outline where you would like to see this acreage come, but I do not specifically see any concrete objectives, although you are opposed to planting on diverted acreage. What is your objection to the diverted acres for this increase in the number of soybean acres that you are proposing?

Mr. LODWICK. Mr. Chairman, let me state initially that we do believe that overall that we need between 2 and 3 million acres more. We feel that some of this will come as a result of the action that the Secretary has taken relative to planting soybeans on permitted acres. We would think that some would come, if the price support was raised 10 cents per bushel, from that. How much, we do not know.

However, we feel that a guide will be the planting intention report that will be released Friday.

So that the difference between the increase that will be shown or that might be shown in the intention report and the 2 or 3 million bushels is what we would recommend coming out of the conserving base.

Mr. GREIGG. Mr. Hartz stated a few minutes ago that some of this increased acreage would come from new lands.

Now, really, how many acres would come from new land?

It would not amount to very much, would it?

Mr. HARTZ. On the overall picture, it would not be a large amount, no, sir; but in specific States it would be a large quantity. As an example, in North Carolina, there is an operation which is clearing 100,000 acres for the production of soybeans out of new land.

Mr. GREIGG. You have these diverted acres available. I am still not clear why your opposition.

I would like to hear the position of your association as to why this specific opposition.

Mr. HARTZ. Historically, our association has been opposed to cross-compliance from one crop to the other, in regard to diverted acres. We are farmers, and we are representing the farmers, and we are trying to increase the income of the farmers. So, by reducing any payments that we might have on diverted acres, if we reduce it, as some bills call for, 50 percent, we would be reducing the farmers' income on those diverted acres by that amount; whereas, if we went over to conservation reserve acres we would be bringing out land, we would be bringing it into production, that had not been in production for a number of years, since the life of the feed grains bill—and in cotton, starting this year.

Mr. ABERNETHY. Do you gentlemen think it would be a mistake for us to make a move that would encourage the bringing in of new land for the purpose of producing a crop when there are thousands of acres available under the various and sundry programs that could produce?

Mr. HARTZ. I agree with you 100 percent. That was my next reason.

Mr. ABERNETHY. You told me that some of the acreage would come from the new land, under your proposal?

Mr. HARTZ. Very little new land would come under the proposal we have.

Mr. ABERNETHY. One acre would be too much, would it not?

Mr. HARTZ. I would say that would be true.

Mr. ABERNETHY. Certainly.

Mr. HARTZ. But from the conservation base reserve that is where we are asking for the acres to come from. Historically, if we permitted diverted acres to be planted into soybeans, this, in some degree, would have a tendency to change the direction of the increases that have come about, increases into soybeans. In other words, the South is an example—and I am taking this, because I do not have the exact figures, but, approximately 2.5 million acres of cotton diverted from the delta area, or the southern section, where soybeans are grown; whereas, the feed grain acres, it is estimated that the acreage signp would be 37 million acres of diverted land that would be available for soybeans, so that we could conceivably change the pattern on produc-

tion of soybeans by going onto diverted acres. This is another reason that we are not favorable to the diverted acres. We feel that all farms have conservation base reserves in the feed grains program. They now have it in the cotton program, and this would permit equal treatment of all farmers who are eligible to grow soybeans. It would have a tendency to adjust those farms that have had downward adjustments in idle acreage, such as conservation reserve.

Mr. LODWICK. Might I comment as to Mr. Greigg's question, too? The CHAIRMAN. Go ahead.

Mr. LODWICK. We feel another thing, too, Mr. Greigg, and that is: If soybeans were permitted on diverted acres, that this would be a so-called double-pay provision, and we question very much whether the farmers would be in favor of the so-called double-pay proposition. The reason that I say that is that he would be paid to some extent for his diverted acres, and then he would be realizing, we would hope, a profit off of the production of the soybeans.

Another thing is this matter of administration. I think that the program would envision getting these additional acres, if they are necessary, from the conserving base, which would be more simply by getting it from the conserving base rather than the diverted base.

Undoubtedly, you are familiar with the diverted base—I mean, the diverted acreage, in the way in which these payments are arrived at. It is a rather complex situation, and when you start tampering with that, it becomes even more complicated. That is the reason that we feel that if it is necessary that we have additional soybean acreage, that this be obtained from the conserving base.

Mr. GREIGG. Then, you would prefer, Mr. Lodwick, that if this committee would not move in the direction of additional soybean acreage on the conserving acreage, or if there would be no substantial change, you would prefer not to tamper with the diverted acres in your request for an additional 2 to 3 million acres? You would prefer to hold the line where it is right now, before moving into the direction of the diverted acres, if we are not going into the direction of the conserving acreage? Is this your position?

Mr. LODWICK. Again, our whole presentation here today is almost premature, in that we do not know what the intentions are of the farmers, and I would say that, in the supplementary statement of next week, we can well be in a much better position to answer this.

Mr. GREIGG. Thank you.

The CHAIRMAN. Mr. Jones?

Mr. JONES of Missouri. You mentioned about the new land coming into production.

Do you think it would be necessary for any increase in the support price, to get those people to plant soybeans?

Mr. HARTZ. No, sir; I do not. Historically, soybeans have brought new land into production. I hope that the market price of soybeans will continue to do this wherever necessary.

Mr. JONES of Missouri. That is what I am getting at. In other words, these people who have gone out and had either cleared or contracted to have cleared land by October 1 of last year, and were not in any other farm program, so that they can plant anything they want to plant, they could plant the whole thing to soybeans?

Mr. HARTZ. That is correct, sir.

Mr. JONES of Missouri. Getting back to your conservation acreage that you are talking about, we had a hearing here yesterday with a limited group of witnesses, consisting of a delegation from the State of Arkansas, of ASCS Committee chairmen, and they were recommending that due to the confusion that has arisen over conserving acres, that for the year 1966 we eliminate conserving acres altogether. If we should eliminate part of it or be permitted to have a portion of the diverted acres to be planted to soybeans, do you think that under those circumstances, it would be necessary to raise the support price in order to get this acreage planted?

Mr. HARTZ. Are you directing the question to me?

Mr. JONES of Missouri. Yes.

Mr. HARTZ. I would say not. There is no other crop that these people have to produce other than soybeans, and as these acres are released, I would say that they would plant soybeans on these acreages.

Mr. JONES of Missouri. Has it not been a fact that in most all of the farm programs that we have gone beyond the necessary funds in encouraging people to plant these crops?

Mr. HARTZ. I am not qualified to answer that question.

Mr. JONES of Missouri. It has been my observation that in, frankly every program that we have had—I am in favor of the farmer having an adequate income—do not misunderstand me about that—but I think that in most cases we have gone further than necessary, and we have spent more Government money than necessary, in order to encourage the production of these crops. I think that you can get all of the soybeans that you want planted without doing anything other than removing restrictions. I am and have been very thankful that we have been able to keep soybeans out from under a control program. Every year that I have been in Congress, I have thought that this year we will have some control but, fortunately, the soybean industry has done a good job, and they have gotten rid of the soybeans. I think that if you set your support price up, I think that what you are fixing to do is to put a ceiling on your product rather than a floor, and I think that you are going to be in the same situation that the cottonseed people were in when they had an established price which became a ceiling, and they actually got less money than they could have received otherwise.

Mr. HARTZ. Mr. Jones, I might try to answer your question in regard to soybeans and not the other crops.

As you know, the American Soybean Association has appeared before your committee many times. We have illustrated that we want the price for our soybeans to be such that they will move into the world trade markets. We do not want to overprice them. I do not believe that you will find any farmers in the country who want to overprice their soybeans. We do not want them in storage bins. We want them to move in the channels of trade. Whatever level it takes to do this, I think that you will find that the soybean farmers are in agreement to do this job.

Mr. JONES of Missouri. If we raise the support price on soybeans, we are going to fall into the trap of having the soybeans placed under control, like we have on cotton and all of the other crops.

I do not want to see that. In other words, I would like to see it operate in a free competitive market. And I think that the soybean producers in the past, and your association in particular, have done

a very fine job in marketing soybeans. I would like to see it continue that way. I would like to see soybeans, at least, kept as one of the crops that are free, and I hope that the time might come when we would have all of them in that situation.

The CHAIRMAN. Thank you very much.

We will next call on Mr. B. F. Smith.

We are glad you are here, and we will be glad to hear from you now.

**STATEMENT OF B. F. SMITH, EXECUTIVE VICE PRESIDENT,
DELTA COUNCIL, STONEVILLE, MISS.**

Mr. SMITH. Mr. Chairman, and members of the committee, my name is B. F. Smith. I am executive vice president of Delta Council, an organization representing the 18 delta and part-delta counties of Mississippi. I appreciate the opportunity to call your attention to some of our problems.

I did not learn of this hearing until late and I prepared very hurriedly for it, and I apologize for not having enough copies of my statement for you.

The cotton section of the Agricultural Act of 1965 provides that payments shall be conditioned on the farm having an acreage of approved conservation uses equal to the sums of (1) the reduction in cotton acreage; and (2) the average acreage of cropland on the farm devoted to designated soil conserving crops or practices, including summer fallow and idle land, during a base period prescribed by the Secretary.

This base period has been prescribed as 1959-60.

While cotton farmers understand that they would not be able to produce crops on acreage actually diverted from cotton, regulations issued with regard to conserving base acreage came as a shock and have caused serious problems throughout cotton-growing areas. We did not have much experience, Mr. Chairman, with the conserving base problem as some other areas did. We do not believe that the full impact of the conserving base on individual farms was foreseen by the Congress, although a glimmer of what could happen was seen when the bill was before the Senate. Immediate action was taken at that time to establish legislative history, including an exchange of correspondence with the Secretary of Agriculture. This exchange of correspondence was inserted into the record and was aimed at lessening the impact of this section insofar as newly cleared land is concerned.

And with your permission, I would like to insert into the record a copy of a statement made by Senator McClellan, with the letter from the Secretary of Agriculture, just to provide continuity.

The CHAIRMAN. All right. Without objection, you may insert it into the record.

Mr. SMITH. I believe I can best describe our problems by citing several illustrations. In our State, unfavorable cattle prices in 1961 and 1962 caused many farmers to disburse or reduce herds and to devote improved pastureland to row-crop production, primarily to soybeans. The conserving base regulations, however, have the effect of freezing the acreage of cropland on the farm to that which existed in the base period. This means that many farmers have had their acreage of eligible cropland drastically reduced because of land devoted to pastures or to woodland during the base period. They are

not only having to cut back cotton acreage but to reduce soybean acreage.

Loud protests resulted in amended regulations under which some adjustments were permitted by county ASCS committees. We deeply appreciate these adjustments; however, there are many inequities still existing on farms that have converted pastureland and woodland to cropland since the base period prescribed by the Secretary.

To illustrate these inequities, may I quote from a letter received from a Tunica County farmer, and he states:

There are cases in this county where farmers have made loans through a local bank and/or FHA for the express purpose of clearing land. The loans were approved prior to October 1, 1965, the final date established by regulations for executing contracts for clearing. The ASCS office has ruled these farmers cannot clear the land (without an increase in conserving base) regardless of the fact that they planned to do so, as evidenced by obtaining a loan. This ruling was based on the fact that they had not entered a written contract with the contractor for clearing on or before the October 1, 1965, date.

If the purpose of requiring a farmer to have a written contract is to permit them to complete a definite plan for clearing which they had prior to enactment of the law, it will appear that farmers in the above category meet this objective.

There are many other cases in this county where new ground clearing was completed before the arbitrarily assigned deadline and these farmers now find that simply because they increased their acreage of certain crops, they have forfeited their right to continue working the increased acreage in non-soil-conserving crops. At the time the land was cleared and the planting time made, the farmers were not aware such a regulation would be made later. What is of more concern, there are no doubt farmers who will be in violation of some part of these extremely complex regulations who will be unaware of it until after the deadline for qualifying their 1966 operations with the terrifying results that they may have to forfeit all payments under the cotton program. It should be pointed out that Tunica County is one of the nine pilot counties in the State that will determine acreage in 1966 by certification, which does not permit any crop adjustment after the deadline for filing certification.

What makes this whole situation so ironic is the crop in practically every case that brought about this hardship was wheat (it is a common practice to plant new ground to wheat as the first crop more or less as an additional clearing process to prepare land for soybean production) for which there now seems to be a growing demand. This assumption is based on the fact that the Secretary of Agriculture recently announced a change in the wheat program in the spring seeded areas which encourages farmers to plant their full allotment.

If this acreage is added to the farm's conserving base causing the acreage to be idle, the crop that will be foregone will be soybeans. This comes at a time when the American Soybean Association predicts a shortage of 2 or 3 million acres for 1966, and also at a time when the Department of Agriculture has taken steps to increase soybean acreage to eliminate the anticipated shortage.

It is impossible for a farmer to reconcile the gross inconsistency of a program which, on the one hand, asks for increased production of certain crops (in some cases even making payment to encourage the increase) and, on the other hand, penalizing certain farmers that plan to increase the acreage of crops of which increased production is desired.

I have talked with a member of the State ASCS committee in Missouri, Mr. Jones, and this person told me that this was true in Missouri also, and, especially, as to the FHA loans to small farmers in that area, loans made before this law went into effect, and now they cannot clear their land and they need to clear it to make an economic unit.

Another kind of inquiry is caused by the fact that some farmers were planting cotton in skip-row patterns in the 1959-60 base period. Under prescribed regulations, these farmers now find that they are being penalized severely by having an acreage equal to their cotton acreage declared to be conserving base acreage and they must maintain

this acreage in soil conserving crops and practices in addition to the actual diverted acreage.

For example, a 1,000-acre farmer with a cotton allotment of 300 acres, planted his allotment in a 4 by 4 pattern in 1959-60, thereby utilizing 600 acres of land. He had 100 acres of pasture land and utilized the remaining 300 acres for soybeans. In 1966, he is reducing cotton acreage 35 percent, and, therefore, has 105 diverted acres. In addition, however, his conserving base acreage amounts to 400 acres.

On the other hand, a farmer who had the same amount of land, the same allotment, and who utilized the same amount of land in pastures and soybeans but who did not start skip-rowing until 1962 would have a conserving base of only 100 acres.

In effect, Mr. Chairman, subsection (8), section 402, of the Agricultural Adjustment Act of 1965 represents a retroactive law under which farmers are being penalized for land-use practices and planting patterns employed as much as 7 years ago. This subsection represents a straitjacket that will prevent farmers from making the year-to-year changes that are essential to efficient farming.

We do not believe that a simple shifting of the base period would solve this problem since it would only transfer inequities and freeze farmers into another rigid pattern.

It hardly seems consistent with the concern for farmers that has been manifested by this committee on many occasions for farmers now to be denied the opportunity to make the changes in their farming patterns that are necessary for efficiency.

To deny a farmer the opportunity to make needed shifts in land use and to utilize his land, other than land diverted from cotton, in accordance with the programs approved by Congress is to put a lid on opportunity.

There is also the fact that both the Department of Agriculture and the American Soybean Association have recognized the need for an increase in soybean acreage in 1966. On February 10, the Secretary announced a modification in the 1965 feed grain program to permit participants to plant soybeans on feed grain acreage and also to receive price support payments that they would have earned if feed grains had been planted.

Cotton farmers, by reducing cotton acreage, will make a very, very substantial contribution to the improved market outlook for soybeans. This is true because the products of cottonseed represent one of the major sources of vegetable oil and protein. Cotton farmers should, therefore, be permitted to participate equitably in any increase in soybean acreage. The conserving base requirement, however, represents a barrier to such participation.

It appears to us that this problem could best be remedied by an amendment either eliminating the conserving base requirement altogether or permitting this acreage to be utilized for nonsurplus crops. Certainly, such action would be in the national interest as attested by the Secretary's action on soybeans.

Since the Department of Agriculture would most likely vigorously oppose action aimed at eliminating the conserving base, an amendment to permit the use of this acreage for the production of nonsurplus crops appears to be the most feasible and practical course of action.

(The paper entitled "Congressional Record, September 10, 1965, p. 22561," and a copy of letter dated September 10, 1965, addressed to Hon. John L. McClellan, from Orville L. Freeman, reads as follows:)

CONGRESSIONAL RECORD, SEPTEMBER 10, 1965, PAGE 22561

Mr. McCLELLAN. Mr. President, farmers and others who are far more conversant than I with the farm bill, and particularly the cotton section of it, are much confused and are having extreme difficulty in comprehending exactly what the consequences will be if either the House bill or the Senate version is finally enacted into law.

I cite as a specific example a problem which farmers in my State have had in trying to understand Senator Talmadge's substitute. Subsection (8) of section 602 of the Senator's amendment to H.R. 9811 would condition payments on a farm maintaining an acreage of approved conservation uses equal to the sum of, first, the acreage taken out of cotton to qualify for payments and, second, the average acreage of cropland on the farm devoted to designated soil conserving crops or practices, including summer fallow and idle land, during a base period prescribed by the Secretary. The portion about which I speak appears on page 8 in subsection (8), part 2, lines 3 through 6, and more particularly the phrase "during a base period prescribed by the Secretary." Perhaps a simple example will best point out our difficulty. I have farmers in my State who, during the base period of 1959 and 1960, had thousands of acres on timberland. Since that time, this land has been cleared and planted primarily in soybeans, which up until early this year was not considered a surplus crop. The problem now arises: Should the Secretary of Agriculture decide to set a retroactive base period, these farmers would be required to let this timberland that has been cleared and planted in soybeans lie idle. That is, any further planting on the land might be prohibited as a condition for that farmer to participate in the cotton program.

For that reason, I had intended to offer an amendment in behalf of myself and my colleague (Mr. Fulbright), who is necessarily absent. We have felt this amendment would alleviate the problem to which I have just referred. Our amendment would have stricken out on page 8 of the Talmadge amendment all of the language in line 3, after subpart 2, down to the word "Secretary" on line 6, and in its place we had intended to insert this language: "not to exceed the number of acres of cropland on the farm required during the crop year 1965 to be devoted to designated soil conserving crops or practices, including summer fallow and idle land."

I discussed our proposed amendment with both the distinguished Senator from Georgia (Mr. Talmadge) and Mr. Horace Godfrey, who is the Administrator of the Agricultural Stabilization and Conservation Service. Mr. Godfrey assures me that the amendment is unnecessary under regulation changes which the Secretary of Agriculture proposes to make. I requested a letter from the Secretary which would define and clarify this point.

In lieu of offering the amendment, I ask unanimous consent to have printed in the Record at this point the Secretary's letter, which I understand is intended to assure the farmers of my State that timberland which has been cleared and planted in soybeans, at least such land as was cleared up to early 1965, would not be required to lie idle.

There being no objection, the letter was ordered to be printed in the Record as follows:

DEPARTMENT OF AGRICULTURE,
Washington, D.C., September 10, 1965.

HON. JOHN J. McCLELLAN,
U.S. Senate.

DEAR SENATOR McCLELLAN: This is in response to your inquiry relative to the establishment of farm conserving bases. You particularly questioned the requirement that a farm conserving base be increased by the amount of any noncropland which is brought into cropland status.

As you know, our voluntary programs for feed grains and wheat have required that acreage diverted from such crops be devoted to conserving uses in addition to the average acreage of conserving uses on the farm in 1959 and 1960. This average conserving acreage is called the farm conserving base. By regulations we have required an increase in the conserving base when noncropland was brought into cropland status. The objective was to prevent additional and unneeded acreage of surplus crops.

It is my understanding you have many constituents who have brought acreage of noncropland into a cropland status and who are concerned about the conserving base requirement. I further understand that these farmers have not devoted this new cropland to the production of crops in surplus but have devoted such acreage to soybeans.

This letter is to inform you that our regulations will specify for 1966 that the farm conserving base will not reflect the acreage of noncropland brought into a cropland status since the base period (1959-60) if such new cropland was not devoted to the production of crops in surplus. This means that this new cropland which has been devoted to the production of soybeans will not be added to the conserving base and the farmer may continue to produce the acreage of soybeans as produced in prior years. Where necessary, farm conserving bases which now reflect increases based upon new cropland will be adjusted downward.

Sincerely yours,

ORVILLE L. FREEMAN.

Mr. SMITH. I would like to add, in addition, Mr. Chairman, that our organization is opposed to any increase in the price of soybeans. We understand, of course, that the Secretary has full discretion in the changes of the price level that he will set, but since the market price is well above this proposed support price, we do not think that the raise in the support price to any amount that has been suggested would have any real effect in encouraging the farmers to get into the program.

The CHAIRMAN. What is the market price for soybeans now?

Mr. SMITH. Mr. Hartz could perhaps give you the exact market price.

Mr. HARTZ. Yesterday, 3.86.

Mr. SMITH. These prices seem to be sufficient incentive for the farmers to devote acreage to soybean production without any Government action.

The CHAIRMAN. Thank you very much for your statement.

Mr. Gathings?

Mr. GATHINGS. Is it not true that after there was a conserving base written in the cotton title of the Farm Act of 1965, that at that time we had a 25-percent increase in 1965 over the average of soybean production?

Mr. SMITH. Yes. A question was asked a moment ago about the increase in Mississippi, Mr. Gathings, and we have been trying to get a reading on this. It is very difficult to say at this time. The best that I can find is that there is going to be very little increase, if any, in Mississippi—maybe a slight increase, because of new land that has been brought in, in the last few years, but actually some people are having to cut back their acreage because of this conserving base problem, and they will not be able to devote as much acreage to soybeans as they did last year, and some other people may have room to expand. The two will offset each other. I doubt if there will be any appreciable increase in soybean acreage in Mississippi.

Mr. GATHINGS. You mentioned the cotton diversion factor would mean that there would be a need to replace the cottonseed and oil that would be lost as a result of the present act cutback in acreage.

Mr. SMITH. Yes.

Mr. GATHINGS. That is a point that I hope this committee will bear in mind.

Mr. SMITH. I did not make these calculations, but I saw some calculations on this 25-percent cutback in cotton acreage, and based on that it would make room for, I believe, something in the neighborhood of 40 or 45 million bushels of soybeans. This is an appreciable amount. We think that the cotton farmers, certainly, should participate equitably in any of the increased market demand that this cutback in cotton acreage has brought about.

Thank you, sir.

The CHAIRMAN. Thank you very much.

Mr. Stubblefield?

Mr. STUBBLEFIELD. At what price would other oils be a substitute for soybeans?

I noticed the price in the papers today——

Mr. SMITH. In terms of the oil price itself, I am sorry but I do not feel qualified to talk on these products. I feel sure that some of these people from those areas could answer better than I can.

Mr. STUBBLEFIELD. Do you think you need 2 or 3 million more acres of production?

Do you not think that there would be a point that soybeans would have to reach in production before there would be substitutes used for the soybeans; that is, for the soybean products?

Mr. SMITH. The main sources of vegetable oil in this country today are now cottonseed and soybean oil. Of course, in the worldwide situation you have various other oils, such as olive oil, and other things that come in, and this whole oil situation is tied in, not just from a domestic standpoint but from an international standpoint, and you do get these substitutes moving very rapidly in at a certain price level, but I do not know where it is.

Mr. STUBBLEFIELD. You state that 40 percent of the soybeans are exported. Olive oil is at a much higher price than soybean oil; is it not?

Mr. SMITH. Yes, sir; but there is only a limited amount of these oils. Olive oil, in its supply situation, varies.

Mr. STUBBLEFIELD. If the price situation became more equal, the 40 percent figure would be cut down in the exports, would it not?

Mr. SMITH. I do not know in relation to these prices, as to these products.

Thank you.

The CHAIRMAN. We will next hear from Mr. Heidelberg.

STATEMENT OF FREDERIC C. HEIDELBERG, EXECUTIVE VICE PRESIDENT, NORTH CAROLINA COTTON PROMOTION ASSOCIATION; ALSO EXECUTIVE VICE PRESIDENT, UPLAND COTTON GROWERS

Mr. HEIDELBERG. Mr. Chairman and members of the committee, my name is Frederic C. Heidelberg. I am executive vice president of the North Carolina Cotton Promotion Association, a State level organization, supported by all cottongrowers in North Carolina. I am also executive vice president of Upland Cotton Growers, a southeastern cotton producer organization embracing the States of Alabama, Florida, Georgia, North Carolina, South Carolina, and Virginia.

I do not have a prepared statement. I did not know about this matter until late yesterday afternoon. I regret this.

I would like, Mr. Chairman, to request to be heard further after the Department renders its testimony.

The CHAIRMAN. Yes, sir, we will be glad to hear you then.

Mr. HEIDELBERG. I come to raise some questions specifically about one of the bills that has been introduced, namely, H.R. 13421. It differs from the other bills that are part of this package, namely, H.R. 12855, H.R. 12890, H.R. 12964, H.R. 12965, H.R. 13057, and H.R. 12798, in a pertinent way.

I am embarrassed that I have to make this testimony, because H.R. 13421 has been introduced by my own Congressman, whom I hold in deep respect and great affection, but I am dutybound to raise some questions about it.

This bill reads thusly:

That section 103(d) of the Agricultural Act of 1949, as amended, is amended by changing the period at the end of the second sentence of paragraph (3) to a colon and adding the following: "*Provided further*, That for purposes of such payments, the Secretary may permit producers of cotton to have acreage devoted to soybeans considered as devoted to the production of cotton to such extent and subject to such terms and conditions as the Secretary determines will not impair the effective operation of the price-support program."

I have gotten an experts' interpretation of this bill. What it means is not that planting of soybeans will be permitted on diverted cotton acreage, but on all cotton acreage which is a man's basic viable cotton allotment. For example, a man with 100 acres effective allotment, under the other bills named here—other than H.R. 13421—would be confined to planting soybeans to the diverted acres, which would be 35 acres. H.R. 13421, however, would permit soybeans to be planted on the total 100-acre allotment, not only on the 35 diverted acres but the other 65 acres of the allotment. He would receive the 9.42-cent-per-pound cotton price-support payment times his projected farm yield on the 65 acres under H.R. 13421.

I raise this question: First, would this not be contradictory to the intent of the sale and lease of cotton allotments that is provided for in the 1965 Food and Agricultural Act?

By regulations the release and reapportionment of cotton acreage provisions have been mortally crucified. We are aware of the dislocation of cotton history acreage and cotton farmers in the Southeast in particular, and practically all areas of the Cotton Belt, outside the Mississippi River Delta counties, the High Plains of Texas probably, and the irrigated Western States. This was proved by the release and reapportionment of unwanted cotton history acreage provision between the years 1960 and 1965.

We need soybeans for the good of this Nation. That is good, but let us not do it at the expense of readjustments in cotton's acreage. To permit a man, who has a history of cotton acreage allotment in which he has lost interest, to plant his whole allotment to soybeans, and on that part he did not divert to also obtain an additional payment of 9.42 cents a pound times his projected cotton farm yield, in addition to all of the soybeans that he raises would, certainly, tend to slow down such readjustment.

The CHAIRMAN. Did you say it would slow it down?

Mr. HEIDELBERG. Yes, sir; I think it would, Mr. Chairman.

The CHAIRMAN. It would slow down the readjustment?

Mr. HEIDELBERG. It would slow down the readjustment in cotton acreage by getting cotton acreage not wanted on the allotment history farms into soybean production by the profitable history holding provision proposed in H.R. 13421. They would not want to sell it in order to draw the extra 9.42 cents cotton payment.

The CHAIRMAN. Do you oppose people permitting the cotton farmers to plant soybeans on any cotton land?

Mr. HEIDELBERG. No, sir. I have made that quite clear. All I said was that the bills, other than H.R. 13421, permit it to be planted

on diverted acreage or retired acreage. I have no objection to this. I am not voicing any opposition to that provision.

The CHAIRMAN. Would you make it clear what you are opposing in this?

Mr. HEIDELBERG. The difference between H.R. 13421 and the other bills that have been enumerated here is that the other bills enumerated propose to permit the planting of soybeans on diverted acreage or, as we sometimes say, "retired" cotton acreage.

The CHAIRMAN. You do not object to that?

Mr. HEIDELBERG. No; H.R. 13421 has been interpreted to me by competent counsel as permitting soybeans to be planted on the remainder of the cotton acreage allotment—the viable cotton acreage allotment—and that the cotton allotment holder could then draw, in addition to what he made on his soybeans, the 9.42-cent-a-pound payment that he would have received if he had grown cotton.

The CHAIRMAN. That could only be permitted if the Secretary finds that it will not impair the effective operation of the price-support program.

Mr. HEIDELBERG. I can only report to you—

The CHAIRMAN. It is up to the Secretary. It does not say that the man can plant it all.

Mr. HEIDELBERG. I can only report to you the way it was interpreted to me by competent counsel. Maybe the interpretation was hasty, but I make my testimony on the basis of this expert opinion.

Mr. POAGE. The interpretation of this proposed bill would be by the same people who interpreted the law of 1965 to mean that you could plant one-tenth of 1 acre of cotton and consider your land as being planted in cotton, is that not right?

Mr. HEIDELBERG. My understanding, Mr. Poage—and I was going to mention that, but I am glad that you mentioned it—

Mr. POAGE. That was the interpretation that we got of the bill we passed last fall; that is, we got this interpretation after we had passed the bill. So far as I am concerned, I do not want to take issue with the chairman on what he wants to do here, but I am not going to vote for any bill that gives the Secretary of Agriculture any such authority. I do not want to give the Secretary the authority to hit us again as he did last fall. The first time a person takes advantage of me that is his fault, the second time, that is my fault, and I am not going to get caught that way again.

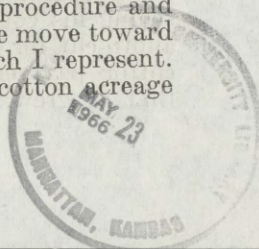
The CHAIRMAN. The interpretation is by the Secretary that he will determine that it will not impair the effective operation of the price-support program.

Mr. POAGE. I have given the Secretary all of the authority that I am going to give him on this kind of an interpretation. We have done it once. There may be those who want to do it again. I am not going to do that, again, however.

Mr. ABERNETHY. I think you have made it quite clear.

The CHAIRMAN. Go ahead, Mr. Heidelberg.

Mr. HEIDELBERG. I would like to make a second point, Mr. Chairman. This talk of approaching the buildup of soybean production by changing the whole cotton acreage allotment program procedure and philosophy would, certainly, be an additional destructive move toward the liquidation of cotton's agriculture in the areas which I represent. We already have a 35-percent diversion allowance for cotton acreage



to be cut back. It has been made so attractive that most farmers, even those in the so-called high producing areas of California, are cutting back 35 percent.

We also have a cropland adjustment program which is taking additional cotton acreage out of production.

We have this "gizmo" that Mr. Poage has mentioned, that the man can hold history by planting only one-tenth of an acre.

Now, if we come in with some program like this, that gives additional incentive to go out of the cotton production, I think we, certainly, will see the whole processing industry of cotton be dealt a mortal blow.

I am holding a brief for cotton's agriculture, and for those who want to and will grow cotton in my State and in my area, but I have got to say a word in respect to the cotton gins.

Cotton is different from any other crops, in that it is subject to a radical vertical diseconomy, to use a term economists use. Raw seed cotton has got to have a ginning plant. It cannot go out of production in any area for 2 or 3 years and then come back into production, because the gins would have disappeared. When there was a desire to go back into cotton production in such an area, there would be no gin. Nobody would want to put one in. This has already happened to a lot of our southeastern cotton acreage history. Much of it is in areas where gins have gone out of business. There is no opportunity for allotment holders to go back into cotton production.

I have been pleading with this committee for years, and successfully in 1959 and up to 1965, for mechanisms whereby unwanted cotton history acres could go to people who want to grow cotton. The provisions of H.R. 13421 would be a move in the opposite direction. It would hasten vertical diseconomy in cotton farming States. We would get more soybeans than we needed for a year or 2 or 3. Then we would have disappearance of the cotton gins, and no chance for resumption of cotton production.

The CHAIRMAN. You do not think that it would be in the interests of the cotton farmers to plant the diverted land in soybeans, do you?

Mr. HEIDELBERG. The diverted land, yes, sir. I think it would be. I am talking about the remainder of the acreage Mr. Chairman. I want to make that distinction. That is the distinction, the distinctive difference, between your bill and the other bills already mentioned.

The CHAIRMAN. I understand that. But the farmer will need to work his land.

Mr. HEIDELBERG. I am talking about this—

The CHAIRMAN. And if he put it into soybeans he would get about \$3 a bushel.

Mr. HEIDELBERG. But if the man sold his cotton allotment, he could still plant soybeans on his land, could he not?

The CHAIRMAN. I suppose so, if the Secretary permitted that, he could do so.

Mr. HEIDELBERG. There is nothing could be done by the Secretary—soybeans are not under the allotment—he could plant soybeans.

The CHAIRMAN. Certainly, he could plant it if he sold his allotment.

Mr. HEIDELBERG. In the case of the man who was in the notion of selling his cotton allotment, because he had not planted his cotton allotment for years, your bill would give him 9.42 cents per pound cotton payment times his projected cotton yield, plus the soybeans that he grew. He would, therefore, not consider selling his cotton

allotment, so there would not be the adjustment that we need to get history acreage out of the historical miasma that we now have in cotton many States. That is the point that I want to make.

The CHAIRMAN. How many cotton allotments have been sold in North Carolina; that is, in acreage?

Mr. HEIDELBERG. Roughly, 6,000 acres.

The CHAIRMAN. That is what has been sold?

Mr. HEIDELBERG. Yes, 6,000 acres in the 2 or 3 weeks last December that we had, in provisions of the new law. Some 26,000 to 27,000 acres were leased for 1 year, but we have not got a solid readjustment in cotton production until sale is consummated and the allotment history is moved. We are hoping very much for a lively resumption of sales starting June 1—the history for much of which is in our Piedmont area as you well know. It is in areas where gins have gone, and where the cotton merchandising system has gone, but the cotton history acreage is still there. Many of the people who hold it are working in factories. We hope to get a lot of this moved by sale to areas really viable in cotton production. We hope no impediment will be put in the way of that. H.R. 13421, enacted into law would be a serious one.

I would like to make one other point which I hope this committee will keep in mind. All of these mechanisms I have mentioned, the cropland adjustment, the acreage diversion program, the one-tenth acre history gizmo—seem to be moving in the direction of liquidating cotton production in the Southern States. I would like to point out to this committee the danger involving our Nation's well-being.

The textile industry is concentrated in Southern States. In a time of national peril cotton becomes tremendously important to the very security of our Nation, particularly, to any forces of ours which might be defending us on foreign soil. It would be a deep tragedy to this Nation if we continue to let cotton production be liquidated from the backyard of the mills, and become concentrated across the Mississippi River, particularly in the Far West. A transportation glut in getting that cotton from the west coast to the east coast would be terrific and perilous.

I would like to point out further that the whole trend, regardless of wartime, is detrimental to the long range good of the cotton industry. It is imperative to keep some cotton growing in the backyards of the mills.

We well know that the manmade fiber people are building their plants there. If we let cotton get concentrated too far away from the mills, they are going to get more and more interested in buying fiber they need at their back doors.

Now, let me get back to the principal subject, the planting of soybeans on diverted acreage would be alright. But to allow those not interested in cotton production to plant beans on total allotment, to get soybean money, plus the 9.42 cents per pound cotton price support payment would certainly, I think, work to the detriment of cotton's agriculture and the cotton farmers in our area.

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

Let me ask one question of Mr. Smith.

You provide for 25 percent. What is the limitation on what could be planted? Is that it?

Mr. SMITH of Iowa. That is the maximum that could be planted from the farm. The farmer could plant to soybeans any amount up to 25 percent of the diverted acres on his farm.

The CHAIRMAN. And put it into soybeans?

Mr. SMITH of Iowa. Yes.

The CHAIRMAN. Would you comment on that, Mr. Heidelberg?

Mr. HEIDELBERG. This would be 25 percent of the diverted acreage, as I understand it. The diverted acreage you are talking about?

Mr. SMITH of Iowa. Yes.

Mr. HEIDELBERG. I do not think that would be damaging.

The CHAIRMAN. Thank you very much.

We will recess now until tomorrow morning at 10 o'clock.

(Whereupon, at 11:45 a.m., a recess was taken until 10 a.m., Wednesday, March 16, 1966.)

SOYBEANS ON DIVERTED ACRES

WEDNESDAY, MARCH 16, 1966

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

The committee met, pursuant to recess, at 10:15 a.m., in room 1301, Longworth House Office Building, Washington, D.C., Hon. Harold D. Cooley (chairman) presiding.

Present: Representatives Cooley, Poage, Gathings, McMillan, Abernethy, Jones of Missouri, Purcell, O'Neal, Stalbaum, de la Garza, Redlin, Bandstra, Greigg, Callan, Dague, Findley, Burton of Utah, and Hansen of Idaho.

Also present: Representative Neal Smith of Iowa.

Christine S. Gallagher, clerk; John J. Heimburger, general counsel; Martha Hannah, staff; and Fowler C. West, staff.

The CHAIRMAN. The committee will please be in order.

I now recognize the distinguished member of the committee from Texas, Mr. Purcell.

STATEMENT OF HON. GRAHAM PURCELL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. PURCELL. Thank you, Mr. Chairman.

I would like to introduce to the committee my constituent, a very distinguished man in the field of agriculture, Senator George Moffett, who was in our Texas Legislature for over 30 years and devoted his entire life to public affairs, and to agriculture especially. I think most members of the committee know Senator Moffett. He is testifying this morning in regard to a bill that I have introduced which, in addition to other things, covers guar to be planted on diverted acres.

Senator Moffett is very knowledgeable in the field, and I appreciate this opportunity to present him to you at this time.

The CHAIRMAN. Come around, Senator Moffett. We will be very glad to hear you. We are very glad to have you with us.

STATEMENT OF HON. GEORGE MOFFETT, VERNON, TEX.

Mr. MOFFETT. Mr. Chairman, members of the committee, I have during my entire adult lifetime operated a farm in northwest Texas, growing principally cotton, wheat, and grain sorghum. I am a former member of the Texas Legislature and served for about 16 years as chairman of the Committee on Agriculture in the State senate.

About 8 years ago at the suggestion of the superintendent of the local agricultural experiment station, I began to grow guar—there are various pronunciations of that word—being among the first to

try it out as a commercial field crop. Very few tests in actual field crops in production had ever been made. I have grown it mainly for the benefit it gives to succeeding crops rather than for the cash income which it produces. Most other farmers of my acquaintance have done the same. Guar places sizable quantities of nitrogen in the soil and at the same time the leaves, stalks, and bean hulls add much needed organic matter to the soil, making the latter friable and mellow.

The cash income—net income I should say—from growing guar is derived from the sale of the beans. However, as already stated, this net income in most instances does not greatly exceed the cost of producing and harvesting the crop. Guar is harvested with a combine, but many operators will not harvest it at the same price that they charge for wheat and barley and other crops for the reason that it is much harder on the machine, and they cannot move over the field as fast as with other crops, if they are doing a good job, and the cost of harvesting it is quite a bit above the ordinary cost of harvesting other grains.

Until 10 years ago, there was no worthwhile market for the crop and very little was grown. At that time, the domestic processors of the guar bean, through extended research, discovered that the guar bean contained a gum which, when properly treated, found a ready market in a very wide variety of commercial uses. You would be astonished at the variety of uses that guar finds its way in at this time. One of the uses is that it is used in drilling oil wells. I am talking about the gum. It is used in making ice cream. It is used in making paper. It is used in the textile industry. I am talking about the gum now. The number of these uses is currently increasing, and the demand for the guar gum, known as galactomannan, is now so great that about nine times as much of this substance is imported as is now produced from the guar crop grown in the United States. The rising demand for galactomannan and consequently the rising price over what was paid 10 years ago for guar beans have brought about considerable increase in acreage devoted to guar. There are somewhere currently between 40,000 and 50,000 acres. I am sure that is at the top. There is no reliable, hard-and-fast estimate, like they make on wheat and corn, and so on, but the Department of Agriculture estimates 50,000, and as I understand it they call that the ceiling. And I am sure that is correct. However, even the current dollar yield per acre of this crop is still definitely much less than the dollar yield per acre for grain sorghum, cotton, and wheat; and, were it not for the soil benefit and soil enrichment derived from the growth of guar, the quantity of domestic production would still be very small.

This would make it necessary for the processors of galactomannan to import this substance from India and Pakistan, of which countries it is native. It is estimated that even under present conditions about 90 percent of the galactomannan processed in this country is imported from the countries mentioned above. Importations are currently estimated near 80,000 tons annually. I believe that the Department of Agriculture estimated an average for the past 3 years of 60,000 tons, and I would not take issue with them about that, but I think that the definite figures would show that it was less than 60,000 3 years ago, and considerably above 60,000 now. I have been told by eminent authority that 80,000 tons is the current amount imported,

that is, the gum, the galactomannan. We do not import any other part of the guar plant or bean.

Therefore, it becomes obvious that a definite increase in the acreage planted in guar in this country is desirable. Such increase would reduce importation of galactomannan and thereby contribute something to the easement of the balance-of-payments problem. I think it will need a lot of contribution. Furthermore, increased acreage of guar would be the best method of bringing about natural soil enrichment that is available at this time and would indirectly contribute to increased farm income which, obviously, is a desirable goal.

The passage of H.R. 13057, sponsored by Mr. Purcell, would permit the planting of guar on diverted cotton acreage without loss of payments upon said acreage, and would induce many farmers under suitable climate and soil conditions to plant guar on diverted acres, even though the net cash income derived from the production and harvesting of the crop will be small. The farmer's return would principally be derived from increased productivity of the crop grown the following year. That is absolutely correct. The depletion of soil fertility in most areas where guar is grown is such that increased enrichment of the soil is much to be desired.

Turning to the matter of whether or not passage of H.R. 13057 would bring a surplus crop into the picture, the evidence is abundant that such a situation would never develop for the following reasons:

First, the area where climatic and moisture conditions are suitable for the growth of guar is quite limited. It is not even as tolerant of low temperatures as cotton. Furthermore, the guar bean deteriorates so rapidly when there is only a moderate amount of rain during the harvesting season that the processors will not buy it. Therefore, areas having seasonal rains in the fall months are not well adapted to the production of guar beans. Also, guar is best adapted to a light or medium sandy soil and is not well suited to clay or so-called tight soil. These limitations of temperature, soil, and moisture are such that it is improbable that guar will be grown over a wide area.

To sum up, the passage of H.R. 13057 will not create a surplus crop (guar); will indirectly increase farm income through enrichment of the soil; will reduce the importation of galactomannan, estimated at 80,000 tons per year, and thereby ease the balance-of-payments problem; and will not increase cash disbursements to agriculture.

I earnestly hope the bill is passed by the Congress.

I will be glad to answer any questions that I can.

The CHAIRMAN. Thank you very much, Senator Moffett, for your fine statement.

Are there any questions?

Mr. PURCELL. Senator Moffett, I think this has been brought out in your statement, but I think we might make it more clear than it has been to the committee. As we now know, the area that you are speaking of, the northwest part of Texas—and maybe part of Oklahoma—is about the only area that is known where this crop can be grown commercially, or well?

Mr. MOFFETT. It is about the only area where the temperature, the moisture, and the soil conditions are all three suited to the field crop growth of guar.

Mr. PURCELL. This is an area where soybeans are not grown and cannot be grown?

Mr. MOFFETT. That is my understanding.

Mr. PURCELL. And there has been a considerable amount of interest shown from the commercial standpoint by the mills, or whatever they should be called, in trying to get enough of this crop in that area to put in the processing plants which would help the local economy?

Mr. MOFFETT. Mr. Purcell, the processor of guar which turn out this gum called galactomannan are very urgent and anxious to increase the volume of production of guar. The demand for the byproducts is almost phenomenal. Of course, the farmer does not get a lot of benefit out of that demand, except that in recent years it has raised the price a little bit, so that he gets more than his cost of producing and harvesting. If we had one of these processors here to testify, he would tell you that he would like to see it probably 150,000 to 200,000 acres of guar grown in the United States; whereas, the present production is around 40,000 to 50,000 acres.

Mr. PURCELL. But because of the ease of availability of foreign supply, you and I have not been able to figure any way in which to get a better price for the farmers on that which they are now growing; is that not true?

Mr. MOFFETT. They will tell you that they cannot pay the farmer any more because they can buy it from Pakistan and India and ship it across the ocean by water to their plant in Charleston, and there is also one on Long Island, cheaper than they can buy it from us if they raise the price to us.

Mr. PURCELL. Do you know of any other so-called new crop that we are speaking of that would possibly go in where wheat and soybeans are produced?

Mr. MOFFETT. That is a very good point, Mr. Purcell. We certainly need a crop over a considerable area of northwest Texas and southwest Oklahoma that will enrich the soil and bring about more income to the farmers. The experiment stations have tried hard to bring out one over a long number of years.

Certainly, guar is the best one they have discovered. It does not have any insect trouble. That is one important point. It has some disease trouble, but no insect trouble, and in recent years that has become a big factor, so that the farmers are anxious to change from some of these other crops that are in surplus and grow some guar every year for the benefit that it gives them the following year on whatever crops are then planted.

Mr. PURCELL. And it would seem that we would then get the best kind that we can grow, and that they would be doing a better job of growing it, and it is better than anything we have so far known, or that we have right now, so far as the cotton acreage is concerned?

Mr. MOFFETT. I think that we must have hundreds of insects that no one ever heard of on the Ark.

Mr. PURCELL. That seems to be the buffer area, in relation to insects.

Mr. MOFFETT. That is eminently correct. The main point in this area about this crop called guar is that our soil is now beginning to show considerable depletion of fertility, and because of a shortage of rainfall in many years the application of commercial fertilizer is not as successful as it has proven to be in some of the areas where they have more rainfall. Guar seems to be the answer to providing the soil fertility in our area. It is the cheapest way to do it. It leaves the

soil in better condition physically—so far as the physical condition of the soil is concerned. And altogether, it is an ideal crop to expand in the area where it is suitable.

Mr. PURCELL. And it would certainly not be a surplus crop by the addition of whatever acres would be put into guar into that area?

Mr. MOFFETT. That is correct, it will not cost the U.S. Treasury one dime more than they would be paying out anyway.

Mr. PURCELL. Thank you.

That is all I have, Mr. Chairman.

The CHAIRMAN. The Chair recognizes Mr. Poage.

Mr. POAGE. Just to clarify this thing a little bit more. As I understand it, at the present time, you can plant guar, but if you do you lose one-half of your payment?

Mr. MOFFETT. If you plant it on diverted acres.

Mr. POAGE. That is right. That is the only acreage that anybody could plant it on, is it not?

Mr. MOFFETT. Not in every case, Mr. Poage. Some farms do not have a cotton and wheat allotment of sufficient acreage to take up all their cultivated land, and they can put some guar on that. That is done to some extent, but the main thing is that it is pretty difficult to get this point over, that growing of guar on diverted acres does not materially increase the farmer's cash net income that particular year. His benefit is derived the following year by growing a better crop of heavy yield on account of the soil enrichment that the guar has produced.

Mr. POAGE. I understand that is true. And the next year you can have that benefit, but you cannot get enough of the beans to sell to actually pay your costs for the first year, can you?

Mr. MOFFETT. By the time that you count in all of the expense that is connected with it, you sometimes have to go and chop the weeds like you do with cotton, and that runs into quite a lot of money. The harvest expense is higher than it is with grains, so that the net cash return from the crop itself is not large. Sometimes you go in the hole on it.

Mr. POAGE. The farmer must have some incentive—he must have a hope of making something, or you would not get any substantial amount of this guar planted; is that not correct?

Mr. MOFFETT. That is right. Here is another angle to it. As I understand it, this not a 1-year bill—it will be the law from now on, and in the future years it will induce a great many farmers to take the 35 percent reduction; whereas, they might only take 12.5 percent on cotton. I am talking about if they can plant guar on the diverted acres. I think one of the main urgent problems is to get the cotton surplus down. The Lord knows that we do, and I am afraid that we will go down and stay way down in the future if synthetics keep wading in, but if the farmer is permitted to plant his guar on the diverted cotton acreage, many more of them will take the 35 percent reduction than have done so far already.

Mr. POAGE. Well, the point that I am trying to get through to the committee is that at the present time you lose 50 percent in payment?

Mr. MOFFETT. That is right.

Mr. POAGE. On the diverted acres. And in effect, the Purcell bill is to make it so that you can plant on the diverted acres and not lose any of the payments?

Mr. MOFFETT. That is right.

Mr. POAGE. And that is all it does?

Mr. MOFFETT. That is true.

Mr. POAGE. I think that some of the committee do not understand that while you have the right to plant guar on the diverted acres, you reduce the payment, and that is all we are talking about, is it not?

Mr. MOFFETT. The farmers in most instances would lose more money than he would make out of the guar.

Mr. POAGE. That is right. And the farmer is not going to plant anything that will not produce income for him. That is, anything that he will lose money; so, he does not plant any such crops. He will just plant the crop that has some hope of making some money.

Mr. MOFFETT. That is right.

Mr. POAGE. We know that it is good for agriculture to plant a soil conditioning crop, but these do not pay enough.

Mr. MOFFETT. That is right.

Mr. POAGE. Will you tell me something? I do not know anything about guar. Does it make a meal?

Mr. MOFFETT. Do you mean for feeding to livestock, no.

Mr. POAGE. Why do they not get protein meal out of it?

Mr. MOFFETT. Let me explain, Mr. Poage. They make a meal in the processing of the guar bean. There is a meal produced. It is very high in protein, so high that it cannot be fed to livestock without feeding it with some kind of a bulky mixture. The meal is probably one of the highest natural products in protein of any farm product that is grown. I did not particularly get into that, because a farmer is not concerned with that. That is the processor's interest. He makes some money out of it. Maybe the point that you want to bring out is that the meal is not edible for livestock; is that it?

Mr. POAGE. I did not know. I was just asking about that. I am just trying to get some information myself, to clear up that point.

Mr. MOFFETT. There is no poison in or about the meal. It is a good livestock feed.

Mr. POAGE. I know that you cannot use castor which makes a meal, and it has a protein content; but you cannot use it.

Mr. MOFFETT. That is not true of guar meal.

Mr. POAGE. That is what I was trying to get at.

How many beans do you make off an acre with guar?

Mr. MOFFETT. The Agriculture Department estimates 600 pounds to the acre. I would not be disposed to contradict that figure. I think my own experience is right close to that.

Mr. POAGE. Of course, that is very little per acre.

Mr. MOFFETT. That is the reason that the farmers will not grow it independently. Here is the thing: You know that they preached to us a long time ago when I was in college—they preached to me to grow Austin winter peas, and one thing and another on the land to make it rich. Now, guar has an advantage over those, in that it does bring back, at least, the cost of producing and harvesting, while with Austin winter peas, you sell a few for seed—most of it is a dead expense when you plant it and plow it up. It does enrich the soil, however. This is better. We certainly need something that cuts down the cost of adding fertilizer to the soil, to get fertility.

Mr. POAGE. Does guar produce an oil other than this gum?

Mr. MOFFETT. It would produce some oil, but in the processing of the gum, in making this substance called galactomannan, they discard

the oil. It is not a factor of any consequence. In other words, guar runs to gum more than oil.

Mr. POAGE. The big problem with that is this: It has nothing to do with the bill—but they need varieties that will yield more pounds per acre.

Mr. MOFFETT. That is right. The experiment stations are working on that right now.

Mr. POAGE. Thank you very much.

That is all, Mr. Chairman.

The CHAIRMAN. The Chair recognizes Mr. Findley.

Mr. FINDLEY. Is there anything in the departmental regulations against guar as a soil conserving plant, provided it is not harvested?

Mr. MOFFETT. I do not think so. I do not think that it is against any regulations.

Mr. FINDLEY. So, presumably, if the farmer wanted to plant guar in order to enrich the soil, he could do so and not lose any benefit under the cotton program?

Mr. MOFFETT. That is something that I think would be permissible under the present setup.

I do not see where the U.S. Treasury would be any worse off under this bill, because they would not put out any more money under this bill than they would put out if you followed what you are talking about.

Mr. FINDLEY. Is guar ever planted simply to enrich the soil and not harvested?

Mr. MOFFETT. Not very often. I do not think that I know of an instance where that has happened, that it could have been done. I have not heard of it. You know, after all, farmers are usually pretty skittish about putting up money unless they are going to get something back.

Mr. FINDLEY. You mentioned that the real benefit to the farmer from guar comes from the future years—not in the cash crop, itself.

Mr. MOFFETT. Yes.

The CHAIRMAN. The Chair recognizes Mr. Stalbaum.

Mr. STALBAUM. What is the market price that you receive for the bean?

Mr. MOFFETT. It varies, according to the quality. I would say about $3\frac{1}{4}$ cents a pound is the average price. I think that the Department of Agriculture has about that same figure.

Mr. STALBAUM. So that with 600 pounds to the acre, that yield per acre, at the average price you mentioned, you would get a return of about \$20 an acre out of it?

Mr. MOFFETT. That is right.

Mr. STALBAUM. Thank you. That is all, Mr. Chairman.

The CHAIRMAN. Thank you very much, if there are no further questions.

Mr. MOFFETT. Thank you.

The CHAIRMAN. The Chair recognizes now Mr. Jones of Missouri.

STATEMENT OF HON. PAUL C. JONES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI

Mr. JONES. Mr. Chairman, I am pleased to present to the committee Mr. John Craddock, a constituent of our colleague Congressman Everett of Tennessee, a neighbor of mine across the river. Mr. Crad-

dock is with the Winter Garden Freezer Co., a processor of frozen food. He lives at Belle, Tenn. He has a rather interesting story to present. I think it would be helpful to this committee. I think that those from Arkansas, Mississippi, and Tennessee, too, will be very much interested, and they will be delighted to hear from him.

Mr. Craddock.

The CHAIRMAN. We will be very glad to hear from you now; we are very glad to have you here, Mr. Craddock.

**STATEMENT OF JOHN CRADDOCK, WINTER GARDEN FREEZER
CO., BELLE, TENN.**

Mr. CRADDOCK. Mr. Chairman and members of the committee, thank you. For many years, traditionally, in the South, we have eaten what we call creme beans, black-eyed peas, whippoorwill, crowder peas, and under such names we have incorporated the word "field" peas, so that it would cover each of these different varieties.

Traditionally, they have been grown upon hilly land, generally poor, oftentimes referred to as land that will not grow anything else but peas, and are grown by small farmers who are thickly settled, and through the years these farmers have grown their crops of cotton along with the peas, the sweet potatoes—most of these families being colored—and often very many of us have been brought up or have been raised on or have eaten these from childhood.

We have entered a situation now where the small farmers, with their small cotton acreages, due to the fact that the mechanization of cotton today, are still raising their small acres of cotton, but they are still raising it in the traditional manner as they have in the past, through hand labor, picking and chopping it, using chopping rather than the herbicides, and they supplement their income with field peas, and in this particular case of our company, also okra and other things that bring in a return for their labor that they perform on these acres, both themselves and the entire family, picking peas traditionally being one of the pursuits of these small farmers in these communities as it has been for years.

And we have in our freezing business, incorporated what we call the southern vegetables, and these vegetables are field peas. They have become very popular. Not only are they a rich source of protein, but they also include many of the necessary minerals and vitamins that we have found beneficial to our health today, and we have run into a situation where we are extremely short in supply—a national point of view of these foods—which, compared with other foods that are offered the public, are relatively cheap. And we have run into a situation where it would be impossible for our industry to come close to supplying these foods which are a necessary part of our diet.

And with these facts being before you, I have come to Washington to point these things out, in that not only will these small farmers lose the labor of picking these crops or the cotton, the 35 percent that they have diverted—not only will they lose the income from the cotton, but they also will lose that labor, the hand labor that goes into the thing. And this would be one means of compensating them, to some extent, for the loss of the labor, by allowing them to grow these peas on the depleted acres.

In one sense, they are grown as a leguminous nitrogen fixation plant, and they are picked in the green stage. The custom is that after they are picked and harvested by hand, they are turned under the land which enriches the land to the point that they could well be considered a conserving crop, even, in my opinion, and could even be considered allowable under conserving acres on some farms.

I do not believe there is any pertinent fact concerning these particular crops that I can bring out, other than the nature of this being, the shortness of the supply, the necessity from the point of view that there is no danger of overproduction, the fact that replacing some of the lost labor upon the cotton acreage and the leguminous quality of this crop if turned under, could even be considered allowable for conserving acres; and, therefore, would add to that.

The CHAIRMAN. The Chair recognizes Mr. Poage.

Mr. POAGE. I just wonder what the prospects are of harvesting those crops mechanically? What progress have you made in that direction?

Mr. CRADDOCK. That is a very interesting question. We have been working on it for years. This year, we are attempting at Foley, Ala., to harvest 1,000 acres of these crops through machinery that we are trying to evolve.

Of course, our biggest problem is the fact that we have not been able to come up with the field pea that sets enough from the top to the bottom of the stalk that makes it profitable to go in there and harvest it that way. We have equipment that we can harvest it with.

Also, we have another problem. Traditionally, the pea has a little crook on the vine, and when you come along mechanically—which is just about the same size of the pea, and so far we have not come up with mechanical equipment that will separate these little crooks from the peas.

Mr. POAGE. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. The chair recognizes Mr. Abernethy.

Mr. ABERNETHY. Do you not also have a situation where some of them ripen faster than others?

Mr. CRADDOCK. That is correct. They will not set evenly. We have to pick them two or three times. That is the reason that they are picked by hand. We are making a lot of progress on that.

The Arkansas Extension Service and the Mississippi State Service both have done a lot of very, very fine work upon this particular thing.

Mr. POAGE. You do shell them mechanically, do you not?

Mr. CRADDOCK. Yes; after they are picked, they are shelled mechanically. There is no more problem to them after that. There is standard equipment that is used for that.

It is surprising as to these southern vegetables, that a lot of the people in the North who think that they are cow peas do buy them. You would be surprised how much go to New York City and Chicago and Detroit, and they are actually becoming a national food instead of a traditional southern food.

Mr. POAGE. Those are the black-eyed peas?

Mr. CRADDOCK. The purple hull, the whippoorwill, the crowder, and the creme.

The CHAIRMAN. You do not have any machinery with which you can harvest this kind of pea?

Mr. CRADDOCK. Not in the fresh stage. Doing it by hand, it not only gives it a better flavor, it enhances the food value of it.

Mr. POAGE. You are talking about a fresh item. You are talking about what we call snaps.

Mr. CRADDOCK. That is right. You came up along in the country somewhere—I do not know where. [Laughter.]

The CHAIRMAN. The Chair recognizes Mr. O'Neal.

Mr. O'NEAL. Does that include cabbage peas?

Mr. CRADDOCK. No, sir, I do not know that one. I sure do not.

The CHAIRMAN. The Chair recognizes Mr. Findley.

Mr. FINDLEY. Can these field peas be raised on soil that would produce feed grains?

Mr. CRADDOCK. Generally, they are not. One reason is that if they have a lot of rain, the tendency is for them to make vines and they do not set fruit. And if it continues to rain, on what you call relatively fertile land, it has a tendency to creep, growing in a vine, rather than setting the peas. In dry years, yes, you could.

Mr. FINDLEY. What puzzles me is this: If there is the demand for field peas, as you say, on a national basis, it would, therefore follow, I would think, that it would be a profitable crop to plant and harvest.

Mr. CRADDOCK. It would be.

Mr. FINDLEY. Why is there any shortage problem then? America has a lot of idle cropland that could be planted.

Mr. CRADDOCK. Of course, we will have maybe 20,000 acres of peas all around in parts of Tennessee and Mississippi, and sections around Somerville and over into Marianna, Ark., and down in Mississippi, and in that area there. These are real small tenant farms. It is the labor of handpicking these, that nobody else is interested in growing, because of the fact that the labor is not available for picking them.

Mr. FINDLEY. May I assume then that the only way that we can have an adequate production of this crop is to have the crop planted on land which is already receiving the benefit of some other Federal farm program?

Mr. CRADDOCK. It would greatly help, yes, sir. A lot of these families, where we grow these peas in these hilly sections, if we work upon this basis, if they could go in and were allowed, for instance, to plant soybeans on the diverted acres, and it was not included with soybeans, then they could only harvest 2, 3, or 4—maybe 5 acres to the family, a small farmer, because of the fact that the hand labor that it entails—and then they would plant all of the acreage into soybeans because of the fact that they would have to bring in mechanical equipment to harvest it anyway, and then we do need all of the help that we can get, trying to get some acreage somewhere close to what it has been in the previous years, because losing their cotton acreage has caused a lot of them to turn to other things.

Mr. FINDLEY. If the price was high enough, you would get plenty acres, would you not?

Mr. CRADDOCK. No, sir, I do not believe at any price that you could, because I know that right now we are working on some guaranteed prices on strawberries, where we actually can guarantee a farmer close to \$500 net income per acre, and they will not grow them because of the fact that they do not know how they will pick them.

Mr. FINDLEY. Would this result in higher production of field peas?

Mr. CRADDOCK. Yes, sir, up to a limit. If they could be gathered; but, again, the areas where we are in the southeastern part of the United States, so far as I know, are the only places that they have labor enough to pick them fresh field peas.

Mr. FINDLEY. Thank you.

That is all.

The CHAIRMAN. Thank you very much.

The Chair recognizes Mr. Jones.

Mr. JONES of Missouri. I want to bring out one point. Mr. Craddock touched on it a little bit, but I think, particularly from an economic standpoint, this is important. In these areas, particularly where you have small farms, and in many cases colored tenants—

Mr. CRADDOCK. Yes.

Mr. JONES of Missouri. Those people, when they have reduced their cotton acreage, there is a tendency for that labor to leave that area, and then you are going to have trouble later on to get that labor back.

I have talked to some people in the Department here. You will recall that when we passed the bill designating certain crops that could be grown on the diverted acres by forgoing a part of the payment, that the Department said that they would favor including soybeans, the soybean producers at that time thought that they did not want that to happen. I think there has been a change of mind about that.

It seems to me that now we could, at least, explore the feasibility of including soybeans on these acres, or edible peas, as one of those crops, with the understanding, of course, under the law, that they would forgo a part of the payment for the diverted acres. The law at the present time, of course, includes guar and flaxseed, and all of these other items, but soybeans and edible peas were not included. I think that from the talk here this morning, we could begin thinking about this. I have been impressed with the desirability of including these crops in this.

One of the great benefits that would accrue from it would be to maintain some of this labor that would, otherwise, leave the area because of this. You are not asking or suggesting, as did the previous witness, that they be permitted to grow this and still receive their payments, but you think that there would be the desire on the part of many people to grow these peas on the diverted acres and to forgo one-half of that cotton payment?

Mr. CRADDOCK. Yes, sir.

Mr. JONES of Missouri. Is that correct?

Mr. CRADDOCK. In essence, that is correct; however, my personal thinking—I am only answering as to my personal thinking on the situation—it is different, because I, personally, think that with the leguminous nature of this field pea, possibly the fact of taking care of this displaced labor upon these diverted cotton acres, that it would be of benefit to our country if they were allowed to grow field peas and to receive the full payment when they were grown upon the diverted acres, because most of these families are elderly people—they are not readily movable nor can they be readily transported to some other areas for employment, and neither are they trained in any way to take up work in anything else. They are rooted in the places where they are. I realize that the succeeding generation will, naturally, get away from what they have been doing. Right

now, if a person goes through the countryside, you will be astounded at the way that they live. It is very similar to the way that they lived 40, 50, or even 70 or 80 years ago. They are small farms, small cotton hand working family units. It is still the same thing today as it was then, many years ago. There will not be any transition of these people, in their outlook upon life, and neither can you suddenly move them to another place and settle them, because they do not even have the training to do other work.

So, from the point of view of our countryside, I think that the field peas would be beneficial to be planted, not only upon the diverted acres and to receive all of the payments, but I think that it would be beneficial to our country if they were allowed to plant upon the conserving acres.

Mr. JONES of Missouri. We are going to have trouble enough trying to get permission to plant them on the diverted acres. I can see that we would run into an awful lot of trouble trying to say that we are going to pay a man for the diverted acres and then permit him to use the land. That is contrary to a sound policy, as I see it.

Mr. CRADDOCK. I agree with you, sir.

Mr. JONES of Missouri. Thank you.

That is all.

The CHAIRMAN. Are there any further questions?

The Chair recognizes Mr. Gathings.

Mr. GATHINGS. I see that you are from Belle, Tenn. That is in Gibson County, is it not?

Mr. CRADDOCK. No, sir; that is in Crawford County. I was born and raised in Gibson County.

Mr. GATHINGS. That is a great county. Let me go off the record. (Discussion was had outside the record.)

Mr. GATHINGS. Let me go back on the record.

I went through there when I was a youngster. I want to tell you that they had the very finest tomatoes there. They had other such crops in there. Do you still have the same type of truck farming in those counties?

Mr. CRADDOCK. Yes; to some extent. However, the labor we had in the past to gather a lot of these crops has changed. Our strawberry crop is down considerably from what it was. A lot of it depends upon migratory labor today. Generally speaking, the farmers of that part of the country live on their farms, and the farms themselves, of course, which makes for a fine-looking country.

Mr. GATHINGS. Your Representative is Mr. "Fats" Everett?

Mr. CRADDOCK. That is right.

Mr. GATHINGS. I talked to him yesterday. He desired to be with us, but he had another meeting.

Do you think there is any danger of an oversupply of field peas that would ensue if what you are seeking is written into the law?

Mr. CRADDOCK. Even with that written in, we would not have enough. This is something that I could point out to the committee, because I have had 40 years experience in the food business. Oftentimes you know, not only in the frozen end of the business but in many aspects of it, you run into certain situations. I have made a study of it. It is a funny thing, about the agriculture of the United States, in that we have taken it for granted that we will always have

enough of different things to eat, that we will have plenty, a big collection that we can select from, and we would have fancy foods, et cetera. Last year, the lettuce situation reached the point where a friend of mine was actually carrying lettuce to Chicago, a low-priced commodity, in cargo planes. Can you imagine that?

Tomatoes were selling for 39 cents a pound in the stores. And a good price to the farmer for it is a cent-and-a-half a pound.

Mr. ABERNETHY. I have thought they were bringing mine in by airfreight one at a time at the price we paid.

Mr. CRADDOCK. What we have been taking for granted as being plentiful, might not be. When we have 100 to 105 percent parity of price, everybody is happy. You wait until we hit 7 or 8 percent below what we need, and with this great increase in the population and everything, we will run into situations. We can do without tomatoes at 39 cents a pound. We just do not eat them. And if lettuce is 39 cents a head, or 29 cents a head, I do not eat lettuce. And we see hogs going up in price like they are; and with things increasing like that, it behooves you as a committee to take into consideration that we very easily could get into a short supply situation with many of our essential supplies, those that we cannot do without, and then it will be a different question, because we cannot do without them, but we can do without tomatoes and lettuce. You cannot do without the essential foods, and this is one of them.

The CHAIRMAN. Thank you very much.

Mr. ABERNETHY. You have come a long way here. I was raised down in that part of Mississippi that you were talking about. I have spent many a day in the fields picking peas. I was raised on peas, buttermilk, and cornbread.

The CHAIRMAN. Thank you, again, very much.

Is Mr. Loyan Walker present?

(No response.)

The CHAIRMAN. Is Congressman Albert Watson present?

(No response.)

The CHAIRMAN. We will stand adjourned until 10 o'clock tomorrow morning.

(Whereupon, at 11:15 p.m., a recess was taken until 10 a.m., Thursday, March 17, 1966.)

SOYBEANS ON DIVERTED ACRES

WEDNESDAY, MARCH 23, 1966

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

The committee met, pursuant to notice, at 10:15 a.m., in room 1301, Longworth House Office Building, Washington, D.C., Hon. Harold D. Cooley (chairman) presiding.

Present: Representatives Cooley (presiding), Poage, Gathings, McMillan, Abernethy, Abbitt, Jones of Missouri, Stubblefield, Olson, Matsunaga, de la Garza, Redlin, Bandstra, Greigg, Callan, Dague, Teague of California, and Burton of Utah.

Also present: Representative Neal Smith of Iowa.

Martha Hannah, staff; Hyde H. Murray, assistant clerk; John J. Heimburger, general counsel; Francis LeMay, consultant, and Fowler C. West, staff.

The CHAIRMAN. The committee will please be in order.

We have with us as the first witness Mr. Harry L. Graham, legislative representative, the National Grange.

We are very glad to have you here, and we will be very glad to hear from you now, Mr. Graham.

STATEMENT OF HARRY L. GRAHAM, LEGISLATIVE REPRESENTATIVE, THE NATIONAL GRANGE

Mr. GRAHAM. Mr. Chairman and members of the committee, I want, first of all, to thank the staff members from the Department for letting me precede them. This is one of those days when I have three assignments to testify before three different committees, and the privilege of going ahead of them is for my own benefit and convenience, and I appreciate this courtesy. I enjoy working with these gentlemen who represent the Department today.

The National Grange is committed to the use of our agricultural cropland to the greatest extent consistent with the market demands for the products that can be grown on these acreages.

However, in the case of soybeans, we approved the action of the Congress last year in denying permission to grow soybeans on diverted acres. The National Grange reaffirmed its position at the 1965 annual session, held in Topeka, Kans., last fall, with the following statement:

We support the provisions of the Food and Agriculture Act of 1965 which cover growing of crops on diverted areas.¹

Therefore, we would be forced to oppose the privilege of growing soybeans on land which had been diverted from one crop, such as cotton

¹ 1965 Journal of Proceedings of the National Grange, page 147.

or corn, as the case might be, unless the same privilege was granted to those who have diverted acres from other crop areas that might be able to produce soybeans. The fact is that we do not believe the present market situation justifies any enthusiasm toward beneficial results in the soybean market accruing from such action being contemplated in most of the bills before this committee.

To justify this kind of extension in production on the basis of increased supports for the crop does not seem to be realistic. It has been demonstrated that the market can absorb a considerable amount of soybeans and is perfectly capable of consuming them at prices even above the levels suggested in the legislation introduced by Congressman Smith.

Although the National Grange is willing to support Government programs to accomplish those objectives in the field of farm income that cannot be accomplished in the free market, it is not willing to support a program trying to accomplish an objective which has demonstrably been possible under our present market system.

We note with interest that there is presently not enough economic incentive on the part of regular soybean growers to warrant increased acreage with the use of the substitution clause. Most of the reports we see indicate that soybean acreage will decrease. This means that farmers are not even exercising the options they presently have to grow additional soybeans. Therefore, in this set of circumstances, it seems to be completely unrealistic to venture any further into this proposal now.

We would particularly object to the concept that is included in the bills numbered H.R. 13602 and H.R. 12798.

These bills in our judgment, would have the opposite effect from that we would prefer in the marketplace and put the Government in a position difficult to justify and maintain.

Our first objection to this approach is that it would concentrate the storage of soybeans in the terminal market areas rather than in the rural areas.

Our second objection is that this would require the Government to enter into futures trading and set the basis on which the Government must enter the futures market to buy soybean futures. It would not give the Government the protection that any other speculator would have in hedging against the possibility of losses in the market. The action of the Government ostensibly could end in one way—the loss of valuable tax dollars.

The present Commodity Credit Corporation policy of purchase and sale, although it does not accomplish every objective we would like to see accomplished, nevertheless, meets the requirements which we envisaged under the original laws and amendments to the Agricultural Act of 1937 in every way which the proposed legislation does without some of the undesirable side effects.

The third basis we have for opposing this proposal is that the Government could not function as its own agent, but would have to do its purchasing and selling through established agencies of trade. This would mean a windfall of profits to the trade simply from the handling of the contracts and the commissions they would receive. There is nothing in our experience to indicate we have much need for brokers in this field serving the interest of the Government. Therefore, we would be solemnly opposed to this proposition.

The fourth reason we are opposing this is that we believe that this proposal, if enacted, would stimulate production beyond the marked demand, and the result would be the development of surpluses which would have a depressing effect on the market for along time to come. Any development of such surpluses, with a built-in requirement that the U.S. Government should buy futures at a certain level, simply means that the grain trade is able to use the U.S. Government to carry on its business and to put the Government in a position in which it is hamstrung in its relationship to the market. It would become the victim of the market and in no way could it exert a very healthy influence on the market in this situation.

Although the Grange might not object to granting the Secretary the right to permit planting of soybeans and other crops on diverted acres to certain circumstances when it seems that prices were in the process of going unreasonably high or to the point of stimulating a great deal of production in the agricultural areas of the other exporting nations, we see nothing in the world market situation at the present time to indicate that this is going to arise before another session of Congress. We prefer to wait and take a look at the situation in another year. We will have ample time when the Congress convenes in 1967 to survey this situation even before planting time and to pass any legislation necessary to alleviate particularly distressing situations.

In the light of all of these factors, the Grange is unable to support any legislation extending to the operators of land who have diverted acreage the right to grow soybeans on those acres which are a part of the present Government program—be it cotton, tobacco, wheat, or feed grains.

The CHAIRMAN. Thank you very much, Mr. Graham. We appreciate you giving us the views of the National Grange.

Are there any questions?

We will next call on Mr. Edwin A. Jaenke, Associate Administrator, ASCS, U.S. Department of Agriculture.

We will be glad to hear from you now.

STATEMENT OF EDWIN A. JAEKE, ASSOCIATE ADMINISTRATOR, ASCS; ACCOMPANIED BY, DANIEL E. MCGARRY, ASSISTANT CHIEF, PRICE PROGRAM DEVELOPMENT STAFF, POLICY AND PROGRAM APPRAISAL DIV.; CHARLES M. COX, ASSISTANT DEPUTY ADMINISTRATOR, STATE AND COUNTY OPERATIONS, AND FRANCIS A. KUTISH, STAFF ECONOMIST, STAFF ECONOMISTS GROUP, AGRICULTURAL ECONOMICS, U.S. DEPARTMENT OF AGRICULTURE

Mr. JAEKE. If I may, Mr. Chairman, I should like to introduce the men who have come along this morning. On my right is Mr. Charles Cox, who is the Assistant Deputy Administrator, State and County Operations, of ASCS. On my left is Mr. Daniel E. McGarry, Assistant Chief, Price Program Development Staff, Policy and Program Appraisal Division, ASCS, and to come in later is Mr. Francis A. Kutish, staff economist, Staff Economists Group, Agricultural Economics.

These gentlemen are familiar with all aspects of these programs, and are available in case there are any detailed questions that come up.

The CHAIRMAN. Do you have a prepared statement?

Mr. JAENKE. No, sir. We have a summary of some of the points we would like to present, and then we will attempt to answer any questions you may have.

We have given very careful consideration to the proposition that legislative action should be taken by this session of Congress and at this time, to encourage additional soybean production. Based on our review and study in this area, including the total vegetable oil and soybean oil picture, as well as the effects that such changes might have on the existing wheat, feed grain and cotton programs, and on producers' plans and intentions, we have concluded that there is no need for any legislative changes affecting the 1966 production, and more important that changes might be inappropriate and lead to some difficulties which would not be desirable.

The March intentions-to-plant report which came out last Friday showed that soybean acreage will increase at least 1.7—that is, 1,758,000 acres, which would make it 37,100,000 acres if farmers carry out their planting intentions.

We think that this is probably a minimum figure, for several reasons: No. 1, the announcement that was made by the President and the Secretary in February to permit soybeans to be grown on corn-permitted acres, in lieu of corn, probably did not have a chance to be fully understood and digested by farmers prior to their filling out their cards for their intentions-to-plant reports. So, we are inclined to believe that this will have a little more influence and there will be more farmers selecting this opportunity than the report would indicate.

Secondly, because of this opportunity to plant soybeans on permitted feed grain acres, the farmers have another opportunity whereby they can hedge against weather. If we have a wet spring this year, and the farmers find difficulty in getting their corn in, we believe they will utilize the opportunity to switch to beans later on.

For both of these reasons we think that the 1.7 million or 1,750,000 acres increase will probably be a minimum figure, that it could very likely go above that.

I might recall to the committee that last year, after the intentions reports, the acreage seeded to soybeans increased an additional 1,100,000 acres. Certainly, we do not think this is out of the realm of possibility again this year.

Mr. ABERNETHY. You have anticipated that there will be an increase of how much this year?

Mr. JAENKE. The crop intentions report which was issued last Friday shows that the farmers plan to increase their acreage 1.750 to 37.1 million acres. I am saying that in addition to this, we think that there is a very good likelihood of it being above that level when the beans are put into the ground in June.

Mr. ABERNETHY. Where is that increase taking place?

Mr. JAENKE. The biggest area of increase would be in the fringe areas of the traditional soybean belt—not in the States of Illinois and Indiana and Ohio, which have normally been the heavy and still are the heavy soybean producers—indeed, the increase is coming in Iowa,

Kansas, Nebraska—and in the delta, and in your State of Mississippi there is a sharp increase—I think something like 12 or 14 percent down there.

Mr. ABERNETHY. That is on new land.

Mr. JAENKE. There is some indication that much of the increase is on new land in Mississippi.

Mr. ABERNETHY. How about the cotton farmer, can he plant on that?

Mr. JAENKE. He can plant soybeans on feed grain acres, and many of them will do that in that area.

Mr. ABERNETHY. There are some, yes, all right.

Mr. JAENKE (continuing). We think that with these actions already taken plus the opportunity that is available to the Secretary in the form of a price support announcement for beans for 1966, provides enough flexibility and enough assurance that we are going to have an adequate supply without further changes.

In addition to this, the signup period for the cotton, wheat and feed grain programs is underway right now. They have about 8 more days to sign up. We think that any last-minute change such as has been proposed and is the subject of these hearings will tend to work to the negative in terms of confusion and misunderstanding on the part of the farmers. At a meeting in St. Louis on Monday, there were a number of the farm leaders from the midsection of the country, present, and the most commonly expressed feeling was that the farmers are sitting around waiting and wondering whether there are going to be any further changes, because of the uncertainty of legislative action. Many farmers who have already signed up would probably have to come back in and maybe want to change their signup. We think at this late date it would only add confusion, uncertainty and disruption of the farmers' plans to have a major change in the program along the lines proposed.

I might review for the committee the steps that have already been taken to assure an adequate supply of soybeans.

On February 10, we announced that feed grain producers could plant soybeans on their permitted feed grain acres, to give up an acre of corn or milo or barley and put soybeans on that acre, and retain their price-support payments.

As I indicated earlier, there seems to be some considerable use of this in some of the areas of the country.

In addition, the Commodity Credit Corporation and the Secretary are considering the price-support announcements for 1966. And on the basis of that announcement, plus these other steps, we think an adequate supply of soybeans can be produced.

Legislation affecting, therefore, this year's crop would not, we think, be desirable; however, there may very well be need for this committee to consider changes in the provisions of these programs as they would affect the 1967 and later years' crops. If and when the committee desires to do this, and the need for these changes becomes apparent, we would be happy to work with the committee.

You will recall we recommended last year the authority to permit soybeans to be grown on diverted acres, and the committee did not see fit to include that. Perhaps this would need to be considered again if the need should be there for additional beans.

I believe this is about the sumup of our thinking on this matter at this time, Mr. Chairman.

I would be happy to respond to any questions that you have.

The CHAIRMAN. We have nine bills here before us on this subject. You do not favor any one of them. You do not think any will be necessary?

Mr. JAENKE. For 1966; that is correct, sir.

The CHAIRMAN. How extensive will the planting of soybeans be on the cotton acres?

Mr. JAENKE. If legislation were enacted at this late date, we think that there would be very little use of it, sir. In most of the cotton country the plans are well underway. They would have to change those plans. They would have to scout around for soybean seed. It would add to the confusion.

Maybe the committee would like to provide the same authority for cotton that is in the feed grain program. There have been some bills on that.

The CHAIRMAN. Why should it not be done now?

Mr. JAENKE. For 1966?

The CHAIRMAN. Yes. Even if they have to scout around for the seed.

Mr. JAENKE. We think it is too late to make it a factor for 1966.

The CHAIRMAN. You do not think that the cotton land will be planted in soybeans?

Mr. JAENKE. Not in the present situation.

The CHAIRMAN. Mr. Greigg?

Mr. GREIGG. Thank you, Mr. Chairman.

For a number of weeks we have heard testimony on the food-for-freedom program, and we have had heard considerable testimony on the need for soybeans throughout the globe.

What is the attitude of the Department at this time? Should legislation be forthcoming from this committee on the food-for-freedom program in relation to the need for the soybeans that we have heard so much about? What is the agricultural situation?

Mr. JAENKE. First of all, as you are aware, we are very, very heavily involved in Public Law 480 with vegetable oils, primarily soybean oil. I recall something in the range of 1 billion pounds of soybean oil are moved under the various titles of Public Law 480. In addition to that, considerable quantities are sold commercially for dollars. So, food for freedom is not something that is brand new. We have been doing this to a very, very heavy extent.

Second, as I indicated earlier, we anticipate from the crop intentions report an increase of 1.7 million acres. If, as most people seem to believe, and as we do, this is probably a minimum figure, and that, if anything, it could be above this. Let us say that we would have 2 million as a round figure. Two million acres of beans would produce 50 million bushels, which, at the standard conversion rate of around 11 pounds of oil per bushel of beans, would mean that we would have something close to 600 million pounds of oil above what we had last year. We think that is probably adequate to take care of any new needs that will develop in the first year for the food-for-freedom program, presuming that it is passed as recommended.

Mr. GREIGG. The officials of the American Soybean Association have indicated in their testimony that we could use an additional 2.5 million acres of soybeans. Do you take issue with this position?

Mr. JAENKE. I think it is probably accurate that we could, in the creation of a normal stockpile, use additional soybeans. We do not think in the Department that additional supplies above what we anticipate for this crop year, given normal weather conditions, will be necessary.

Mr. GREIGG. What is the attitude then on the part of the Department for a reserve soybean stock?

Mr. JAENKE. We think that it would be desirable, as in all commodities, for there to be a reserve; and, hence, my statement at the end was that the committee may well want to consider for 1967 some legislative changes which would provide for a greater soybean production so as to build up this reserve. To do this in 1966 might very well cause more confusion and more uncertainty all over the belt, with the termination point for the signup some 8 days away, so that it might result in the opposite of what we desire.

Mr. GREIGG. Then, it is your attitude that the 1.3 million acres will be ample to take care of the reserve features that the Department of Agriculture was talking about, for a period of time—for this year?

Mr. JAENKE. I do not know where your 1.3 million figure comes from.

Mr. GREIGG. Excuse me. What did you indicate?

The CHAIRMAN. He indicated 1.7 million acres.

Mr. JAENKE. 1.7 million acres.

Mr. GREIGG. Yes.

Mr. JAENKE. We think that this would provide an adequate crop of beans to take care of all of our needs and to maintain the carryover; yes, sir. Perhaps not as large as we might consider desirable for the long run.

The CHAIRMAN. Mr. Abernethy?

Mr. ABERNETHY. What would that be overall?

Mr. JAENKE. About 37.1 overall.

Mr. ABERNETHY. In other words, it will be up from 35.4 or thereabouts?

Mr. JAENKE. Yes, sir; 35.4 last year.

Mr. ABERNETHY. What is the vegetable oil situation at the present time, is it in surplus?

Mr. JAENKE. I think that there is an adequate supply. I would not say that it was a surplus compared with what we had 3 or 4 years ago.

Mr. ABERNETHY. It is not in surplus?

Mr. JAENKE. No.

Mr. ABERNETHY. There is no glut on the market?

Mr. JAENKE. It is moving. There is an adequate pipeline supply; yes, sir.

Mr. ABERNETHY. That is an increase of about 5 percent in soybean acreage?

Mr. JAENKE. Yes, sir.

Mr. ABERNETHY. You have taken out 25 percent of the cotton acreage, have you not?

Mr. JAENKE. Yes.

Mr. ABERNETHY. That means a 25-percent reduction in cottonseed oil?

Mr. JAENKE. Yes.

Mr. ABERNETHY. And to what extent would this increase of 1.7 acres of soybeans make up for the loss in the cottonseed oil?

Mr. JAENKE. We would anticipate that the cotton oil production as the result of the reduced production of cotton would be down somewhere between 300 and 400 million pounds.

Mr. ABERNETHY. It would be down 25 percent.

Mr. JAENKE. Yes. And as I indicated before, with a minimum soybean production of 37 million-plus acres, the soybean oil production would be up approximately 600 million pounds.

Mr. ABERNETHY. And the cottonseed production would be down about what?

Mr. JAENKE. 300 to 400 million, and the soybean would be about 600 million pounds at a minimum.

Mr. ABERNETHY. 300 to 400 million down?

Mr. JAENKE. Yes, sir.

Mr. ABERNETHY. And this 5 percent increase in soybean oil will increase the overall supply by 600 million?

Mr. JAENKE. Yes, sir.

Mr. ABERNETHY. So that there would be a gain in oil?

Mr. JAENKE. In the total supply, yes, sir, the total availability.

Mr. ABERNETHY. What is the thinking—the real deep-down thinking in the Department about the increase of the price support on soybeans? What are you going to do about it? Are you going to make any changes, or are you going to let it alone?

Mr. JAENKE. I am not in a position to comment on that this morning, sir. It is under study right now in the Department.

Mr. ABERNETHY. Well, I think this would be a good place for us to find out something about it. As you know, a lot of people are strongly opposed to an increase. I think if you took a poll of this committee—I may be wrong—you will find that this committee would be overwhelmingly opposed to such. I think that they reflect the thinking of the farmers. An increase of 10 cents on soybeans, in my judgment and I think in the judgment of most everyone who has expressed himself in this room, up to date, except one or two witnesses, will not encourage any production of soybeans. You have just said that you are getting enough production without any encouragement. So, why put the future of soybeans in the position of a possibility of trouble in the event of a surplus, if it does arise one of these days, by higher price supports?

Mr. JAENKE. Well, this is, certainly, one of the points that is being considered in making this decision. I would not eliminate the opportunity which the Secretary has to encourage some additional soybean production by an increase in the price support. I think that we generally agreed that an increase in price support of 10 or 15 cents, as you indicate here, would not mean a great expansion of 4 or 5 million acres, or anything like that. Certainly, it would have some effect of signaling to the producers the fact that there is a need for soybeans, but very definitely the point you raise of the long-range effect on soybeans is one that has to be considered. It is a point that has been made and is in a part of the consideration being given to this overall matter right now.

Mr. ABERNETHY. What element in the economy exists, that is, in the agriculture economy for the necessity of, producing—what element is there that would inspire the Department even to consider raising the price support on soybeans?

Mr. JAENKE. Well, I think that we, generally, feel that there is, in the future, the need for additional soybean production, and that while we think it is too late this year to make these major legislative changes in these program provisions, we must not overlook the fact that in some future year we might very well need additional production. For 1966 one of the ways to get additional production of soybeans is to provide a more advantageous return for soybeans over some of the other crops which are now taking soybeans' place or which are holding their own against soybeans.

Mr. ABERNETHY. What is it that will inspire this increase in production that we will have this year in soybeans?

Mr. JAENKE. A new factor is that new areas are coming in, and there are new varieties that are being introduced which makes the crop higher yielding and a better crop in certain areas of the South and Southeast. The areas have contributed a great deal to the increased acreage in soybeans as well as fringe areas.

Mr. ABERNETHY. The availability of the market is pretty well known throughout the soybean producing areas of the country. I just hope that we do not do it. I am not saying that you are going to do it. I know that there has been some talk of it. I was advised yesterday that there was a very strong possibility of it, but I would hope they would not do it. I do not think that there is any pressure from the industry. Certainly, there is no necessity for doing it now to get what you say you need. You testified that you are going to get the production we need.

Mr. JAENKE. Yes, with the actions already announced and the flexibility in the price support we believe we will have the minimum production we need. I think that there is one more point that weighs in the consideration and will have to be a part of the decision, and that is that if you do make a change in price support, it is a signal to the producers that you do need beans, whereas because of all of the discussion that has taken place, if there would be no change in the support level of the beans, there is some concern that the farmers would feel that there is no need for beans, and that there is no reason to produce them. So, it might have the reverse effect.

This was one point that was made quite strongly to me in some of the groups' meetings in St. Louis the other day.

Mr. ABERNETHY. Thank you very much.

That is all.

The CHAIRMAN. Mr. Poage?

Mr. POAGE. I would like to ask Mr. Jaenke about two matters.

In the first place, you may recall that on numerous occasions, particularly when we have had the Secretary of Agriculture, Mr. Freeman, up here, I asked him what crops can we grow on black land that will be profitable; that is, comparable to cotton in return to the farmer. Some had suggested soybeans, but we cannot grow soybeans in our area.

Is the Department carrying on any substantial worthwhile research, trying to develop a bean that will grow in the Southwest?

Mr. JAENKE. I would like to have a chance to check this out with our research people and the others and put a reply in the record.

The Department's research program has developed information for production of guar, sesame, safflower and castorbeans in certain areas of Texas and the country as a whole. Small acreages of these are now being produced in the

Southwest. Research is continuing on guar, safflower, and castorbeans. This effort includes further improvement for the production of these crops, including the development of new hybrids where feasible. As our research in new crops results in discovery of new plants showing promise for industrial and food uses, production studies will be pursued to determine adaptation and cultural requirements for their growth in the major soil and climatic regions, including those of the Southwest. Also, there is continuation of our recently increased effort on peanuts and of our long-time effort to increase efficiency of production and new industrial uses of major crops such as cotton, grain sorghums, and wheat.

Mr. POAGE. I fear you will find that the answer is "No." Cannot you do something about that, however, to have some research work done?

We can grow weeds there, but they do not bring out any beans that are worthwhile. We believe that with proper research that you could develop a variety that would take care of things in our area and that would give us a profitable crop. We hope that you will work on that.

The other item that I wanted to mention was raised by Mr. Greigg. I think that it shows the great danger that we are running into in connection with the food-for-freedom program. I do not want that to be understood as meaning that I am opposing the food-for-freedom program, but I think that we are just fast leading the farmer to believe that there is going to be some great increase in demand for a product if we pass this bill that will wipe out all of the need for farm programs and all of our support prices, that all that we have got to do is change the name of a program, and it leads them to think that everybody is going to be prosperous. You do not believe anything like that, do you?

Mr. JAENKE. Definitely, no.

Mr. POAGE. Then I want on the record the fact that the food-for-freedom program as it is now proposed contemplates spending less than we have been spending, not more, and you are not going to move more farm products by spending less money.

Mr. JAENKE. We have been trying every chance we get, when we are speaking to farm groups or in press interviews, and so forth, to counteract the tremendous psychological mood afoot in the country. It is being said almost daily by different commentators and others, that all of a sudden the situation is entirely different, and we do not need programs, and we do not need diversion and feed grain or cotton programs, and so forth, and that we, all of a sudden, need 20 million more acres of beans, and this sort of thing. From the standpoint of the farmers and the farm income this is the most dangerous thing that could possibly occur.

Mr. POAGE. That is exactly what I think.

The CHAIRMAN. Mr. Greigg.

Mr. GREIGG. Not at this point.

The CHAIRMAN. Mr. Callan.

Mr. CALLAN. According to these planting indications, it would indicate that there would be about 850 million bushels of beans produced.

Mr. JAENKE. Closer to 900 million—880 to 900 million.

Mr. CALLAN. What was the domestic sale of beans last year?

Mr. JAENKE. In 1964—I will give you those first. For last year, crushings were 479 million bushels; exports were 212 million; feed and residual totaled 48 million, for a total disposal of 739 million.

Mr. CALLAN. And what—

Mr. JAENKE. The estimate for 1965—

Mr. CALLAN. And for the food-for-freedom program, what would be the equivalent portion?

Mr. JAENKE. Around 1.8 million pounds of soybean oil. Our total exports, which would be for 1964, as I recall the figures, sir, would be about 900 million of that for title I and title III donations or foreign currency sales under Public Law 480.

Mr. CALLAN. What would that be in bushels?

Mr. JAENKE. I am advised by Mr. McGarry that for 1964 there was 1.3 million pounds of soybean oil exported.

Mr. CALLAN. How many bushels?

Mr. JAENKE. About 120 million bushels of beans, sir.

Mr. CALLAN. Based on that, if you raise 850 million bushels this year—

Mr. JAENKE. 890 million bushels.

Mr. CALLAN. You are going to be very close, just about breaking even.

Mr. JAENKE. As I indicated before, if we would get 2 million acres increased production of beans, this would be roughly 50 million bushels, which would be approximately 600 million pounds of oil, that is, more oil than we had produced this year.

Mr. CALLAN. Is there any estimate of what we might want for this food for freedom program? How many pounds of oil? And are we going to ship oil or are we going to ship fertilizer, or what? What will we ship under this food for freedom program?

Mr. JAENKE. As I indicated, we have been shipping very, very large quantities under Public Law 480 in the past, and we would anticipate that that would be continued, certainly for the year 1966, operating under Public Law 480 programs. We would not anticipate any great increases, if this is what you are getting at.

Mr. CALLAN. To get back to Mr. Smith's bill, I did some preliminary figuring here, and I want to present that to you.

Mr. JAENKE. Is this the first or the second bill?

Mr. CALLAN. This is the second Smith bill. The one that refers to the 25 percent.

Mr. JAENKE. Very well.

Mr. CALLAN. Let us assume that under Mr. Smith's bill, that we might be able to get an extra 3 million acres. And this would have a production of about 75 million bushels. If this farmer gets \$2.50, that would be an income of \$187 million. And I have taken a county as an example in Nebraska, which I think might be typical, with a diversion payment of \$43.75 per acre. If you take two-thirds of that, his payment would be reduced to \$29 an acre, on the 3 million, and the Government could save \$87 million diversion payments. It would come out to that. The income would be \$87 million, and this would increase the farm income about \$100 million, and the Government would save \$87 million, and if the commodity could move into the market or go into storage, it would seem to me that this would be a logical approach to this problem of doubling the farmers' income and still not build up any overburden surplus beans, or we could pick up a little reserve.

Mr. JAENKE. If I might, Mr. Callan, are you referring to the bill which refers to the diverted acres or to the conserving acres?

Mr. CALLAN. The diverted acres, H.R. 13602.

Mr. JAENKE. I think that the bill provides for both.

Is this H.R. 13602?

Mr. CALLAN. Yes; that is the diverted acres only.

Mr. JAENKE. There is no diversion payment on the initial 20 percent of the diverted acres.

Mr. CALLAN. This bill says on the maximum payment. In other words, the way I understand it, it would be based on a 50-percent diversion. That would be the payment that you would have, if you have 50 percent of the maximum. That is the way I understand the bill. Is that right?

Mr. NEAL SMITH. There would be some maximum average. In other words, on each farm you would take that and you would define what the reduction would be, and you would have 50 percent of it.

Mr. CALLAN. Right.

Mr. JAENKE. I think there is no question that in general—and I do not mean to comment specifically without a chance to go to the individual and detailed figures, but, in general, there is a possibility of savings to the Government when farmers produce soybeans and do not produce corn or cotton. There is just no question about this. It is not a pure savings, because there are the extra processing costs and other cost inherent when it is given away under the Public Law 480 programs. But nevertheless, whenever we can keep an acre of cotton or corn from being produced, and instead get an acre of soybeans produced, this is good from the standpoint of Government costs. There is no question about it.

Mr. CALLAN. I do not know whether you have had a chance to look at this legislation. Would this not add some stability to the market, too?

Mr. Smith's testimony indicated that you would get beans over \$2.90 and they might quit moving pretty much domestically and also in exports.

Mr. JAENKE. We think that a \$2.90 price over the long run is too high a price because of competition in both the domestic and foreign markets.

Mr. CALLAN. No, this is for 1 year—this is just a 1-year bill.

Mr. JAENKE. I believe, Congressman Smith's bill would set \$2.90 as a minimum, and this then allows the producers of competitive oils in other nations to see that they have this to shoot at for the next 5 years, and in that case, they would obviously increase their production, and it would be detrimental to the best long-range interests of the soybean growers in the United States. For 1 year it probably would not be.

Mr. CALLAN. Did the Department consider H.R. 13602, or did you just look at the whole matter? How did you make a determination as being opposed to all of these?

Mr. JAENKE. We considered, first, the Smith bill that was introduced in February very extensively and very carefully; in addition, we considered the others, too, and as I indicated before in our testimony, we would not think that any changes should be made for 1966. It is too late to do it. It will just add to the confusion and the uncertainty and disruption out in the countryside.

For 1967, we believe some of these bills have considerable merit.

Mr. CALLAN. I do not agree with that. I think that the farmers out here, if they thought that they could pick up another \$100 million

of income, would be willing to go through the confusion. I would like to see this committee give some study to H.R. 13602.

Thank you.

Mr. JAENKE. May I make one more comment? I do not know whether you deducted the loss of income that they would have from not producing the other crop.

Mr. CALLAN. I did.

Mr. JAENKE. The 3 million acres returning an extra 100 million at \$3 a bushel would be a pretty good thing, but that does not account for the loss in corn returns and any production costs, which seems to me would be quite high.

Mr. CALLAN. Maybe it is.

The CHAIRMAN. Mr. Greigg?

Mr. GREIGG. This last year, when the farm program was under discussion, Secretary Freeman testified before the committee as to what could conceivably happen to the soybean situation should we not have enough supply to meet the worldwide demand, and then find ourselves in the situation where we would have to use substitutes. Has the attitude of the Department changed considerably on this question, as the result of your testimony this morning?

Mr. JAENKE. Negative, sir. We still think that the long-range picture on soybeans is one which may very well require some legislative changes. Our basic position this morning, coming here the 23d of March when farmers have made their plans, when the signup is about through, and they are out in the fields is that it is too late to make changes for the 1966 crop. To start a legislative process which is not going to be thorough here today when we complete this hearing—it will have to go through a hearing on the other side and action on the floor—can only lead to confusion and uncertainty which we think is not good when everything is set up now for 1966.

Mr. GREIGG. Last year we moved in the direction of giving discretionary power to the Secretary, to allow the planting of soybeans on permitted acres.

Mr. JAENKE. We used that authority.

Mr. GREIGG. Yes, you have. That is what I would like to find out about. Can you give me some specific figures this morning to, at least, indicate an estimate as to how many acres you feel we will have in soybeans on permitted acres? Can you give me some figure?

Mr. JAENKE. No.

Mr. GREIGG. I would like to have some figures.

Mr. JAENKE. No, sir, I cannot—I do not have any figures on it, because, of course, the signup is not completed. When the signup is completed, the farmers will have indicated their intention. They will still have the opportunity, as I indicated a moment ago, should the weather foul them up, to come back and instead of planting corn they could still come back and plant beans later, if they have a wet spring. Our judgment is that the 1.7 million acres indicated by the crop intentions report is a minimum figure, and that in any areas where weather conditions delay and foul them up in their normal, routine planting of corn they will probably make use of the permitted average provision to plant more beans. Already, we have reports from western Iowa, where some of the most favorable reports have come in of farmers taking advantage of the planting of beans on permitted acres, and retaining the price support payments.

Mr. GREIGG. We have heard considerable testimony the last number of days, Mr. Jaenke, as to the shift that could conceivably come about in the production of soybeans, and in their sale, such as in the case of China. Another country is Japan which has been singled out for the possibility of purchasing beans. When Secretary Freeman was here last year he talked with us at great length about the difficulty we were having in this Nation meeting the worldwide demand for soybeans. How do you view this today, in terms of what another nation may be doing in an area that is so important to us as the best price of almost any commodity we have?

Mr. JAENKE. Again, we do look with a great deal of optimism on the future of soybeans, and their demand, both in commercial markets as well as in the Public Law 480 food-for-freedom programs. I think this is definitely a situation where the additional 1.5 to 2 million acres for the next 5 or 10 years will probably be needed unless there should be a breakthrough on yields which could, of course, change the picture completely. And this committee may very well want to consider legislation affecting 1967 crops whereby we would have the authority to make sure that we can obtain increased acreage. Last year we asked for the authority to permit soybeans on a portion of the diverted acres as well as on the permitted acres, and that recommendation would probably still stand in terms of 1967, but we think that it is entirely too late to rock the boat for 1966.

Mr. GREIGG. I yield to Mr. Callan.

Mr. CALLAN. I want to say that they are not farming out there now—they were last week. There is a blizzard out there right now.

Mr. JAENKE. I came across Illinois on Monday and Tuesday and it was 72°, and those tractors were chugging up and down the fields.

The CHAIRMAN. Mr. Bandstra?

Mr. BANDSTRA. I just got back from out there, Mr. Jaenke. I visited two county ASC offices, and in both of them they told me that there is a great deal of confusion now. Every farmer who came in the office said: "What will we be able to do with our diverted acres this year?" So the confusion is already there. I am wondering, recognizing that it takes time to pass legislation around here, but we also have been known to act with a certain amount of dispatch if we have the cooperation of the Department that is in charge of administering these programs—if we could pass the bill by April 1, and if the Department got behind the bill, a bill like H.R. 13602, if we could not delay the sign-up today for a week or two. Isn't it true that this would clear up all of the confusion and get the soybeans that we need, including a reasonable carryover and also provide some producer protection?

Mr. JAENKE. Well, we think that the best way to end this confusion is not the course that you are recommending, but that the better way would be, as we have been trying to do, to tell the farmers that the provisions are set, and despite particular reports about a new bill being introduced, there will be no changes for 1966.

The CHAIRMAN. You have been over this thing four times. You have told us over and over again that it is too late.

Mr. JAENKE. That is right, sir.

The CHAIRMAN. Let us stop there and go to the next question. We have one more witness to be heard.

Mr. Stubblefield?

Mr. STUBBLEFIELD. Have you read this article in Forbes magazine entitled "World Hunger," "U.S. Prosperity," which is in the March 1, 1966, issue? It speaks about an increase of about 50 percent in production.

The CHAIRMAN. What is the question?

Mr. STUBBLEFIELD. I want to know about this article, whether you have read it? Does this gentleman know what he is talking about? Do you know about it?

Mr. JAENKE. I have not read the article. I think that the Secretary testified as to our judgment of the world food needs, and I do not think that it is quite like the article you refer to.

The CHAIRMAN. All right.

Mr. Olson?

Mr. OLSON. How much soybean oil did you give away last year? How much was shipped out under Public Law 480 last year?

Mr. McGARRY. It was about 600 to 700 million pounds of soybean oil.

Mr. OLSON. How many bushels of beans did that represent?

Mr. McGARRY. That would represent 50 to 60 million bushels.

Mr. OLSON. 50 to 60 million bushels of soybeans?

Mr. McGARRY. Yes, sir.

Mr. OLSON. Do you visualize, Mr. Jaenke, our continuing to give away soybeans in the form of oil in the face of runaway prices and the loss of foreign markets?

Mr. JAENKE. Well, I guess that this is a matter of degree. Obviously, our first responsibility under these programs is to protect the domestic supply.

Mr. OLSON. I think that answers my question.

The CHAIRMAN. Thank you, Mr. Jaenke.

Mr. JAENKE. Thank you.

The CHAIRMAN. We will next call Mr. Heidelberg.

Mr. HEIDELBERG. May I say something off the record?

The CHAIRMAN. Yes.

(Discussion was had outside the record.)

The CHAIRMAN. Mr. Smith, do you want to make a further statement?

STATEMENT OF HON. NEAL SMITH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA

Mr. SMITH. Mr. Chairman, I just wanted to update my testimony since this crop estimate has come out. It will not take but 3 or 4 minutes.

While they are estimating 37.1 million acres planted, they are estimating 36 million acres harvested. It is the harvested acres that must be considered. They are estimating 882 million bushels in 1966, compared to 844 million bushels last year. That is only a 38-million-bushel increase. I think their estimates are exceedingly optimistic too.

All of the farmers that I have talked to say the increase the Department is estimating will not materialize but even based on their own figures, they are only estimating a 38-million-bushel increase in soybeans. To get that kind of an estimate, they are estimating 24.5

bushels per acre, and I challenge the Department to show any statistical or logical reason for estimating that high a yield per acre. The indication is that 23.5 bushels per acre would be the maximum estimated yield per acre that can be justified by statistical and other data.

When you take off that 36 million bushels resulting from an overestimate of 1 bushel per acre, you only have the same production that we had last year. In addition to that—and Mr. Abernethy put his finger exactly on it—the trade is estimating—and I think they have good solid reasons for estimating this—that the reduction in cottonseed will be the equivalent of 45 million bushels of soybeans. So, even if their optimistic estimate were right, by the time one applies against it the reduction in the oil seed as the result of the reduction in the cotton acreage, we still would not have as adequate a supply compared to demand as we had last year.

Dr. Louis Bean has made studies indicating that there are cycles in soybean production. The high point was in 1961. And as acreage is expanded into poorer land (and the Department says right in their report that a good share of the increase this year will come in the areas where you have less than 20 bushels per acre production and that even in the highest yield per acre State of Illinois, there will be a reduction in production), there will naturally be a trend toward a lower per-acre yield, instead of a higher yield. Historically, the peak yield years are followed by a downtrend for 6 years.

The last peak one was in 1961, and with the expansion that they say is coming in soybean acres, there is every reason to think that the downtrend will continue through this year.

Since the Department is estimating about the same production or even less equivalent in oil seed and not supporting a release of some acreage for soybean production, they apparently are opposed to securing the beans that we need for food for freedom or for reserves. The livestock feeders would also find an increase in meal prices at the same time that livestock prices slide downward this year; even under their optimistic estimates there would be no beans for the expansion of our markets which we are very much wanting to accomplish.

The last bill that I introduced, H.R. 13602, is a very simple bill. No one can get hurt. And as Mr. Poage pointed out yesterday, if we do have a shortage in soybeans, there will be pressure for export controls, and with 40 percent of our soybean crop going overseas, you can see why there is a real danger if we have a shortage in oil seeds. It is not too late for H.R. 13602. The Department does not have to do a solitary thing until next summer, and then they just determine the acres that the farmer did divert and subtract the proper amount from his total payments next fall.

I appreciate the fact that they are not saying that they are opposed to the bill flatly—they are just saying that maybe next year—but they do not want to say so this year. But I say this simple 1-year bill could be put into effect this year, and then we would have a real good background to work on permanent legislation next year.

That is all I have, Mr. Chairman. Thank you.

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

Are there any further questions?

If not, we will now go into executive session.

(Whereupon, at 11:15 a.m., the committee retired into executive session.)

(The following statements and letters were also submitted to the committee.)

STATEMENT OF HON. ROSS BASS, A U.S. SENATOR FROM THE STATE OF TENNESSEE

Mr. Chairman, it gives me a great deal of pleasure to be able to present a statement to this committee which occupied so much of my time for so many years while I was serving in the House of Representatives. At the present time, I am able to utilize the experience and background I gained as a member of this committee in my service on the Committee on Agriculture and Forestry in the Senate. But it is not my purpose to discuss either my past or present service.

Mr. Chairman, in the message of the President of the United States relative to the war on hunger, the President stated:

"The demand for soybeans has climbed each year since 1960. Despite record crops, we have virtually no reserve stocks."

This demand reached a point where in about 1963, the Secretary of Agriculture saw fit to encourage the further production of soybeans. Largely at the Department's urging, the farmers, particularly in west Tennessee, began to change their planting methods in order to grow soybeans. During 1964 and 1965 the average acreage in soybeans for Tennessee almost doubled from approximately 450,000 acres during the 1959-63 period to almost 750,000 acres. Soybean production increased from approximately 9.8 million bushels during the 1959 and 1963 average to an excess of 17 million bushels in 1965.

In order to fully understand the problem confronting Tennessee farmers it is necessary to understand the background of the planting and farming practices being utilized from 1959 to 1963. During that period of time a great number of our farmers, whose chief money crop was cotton, engaged in cattle raising. Consequently, large portions of their farms were in pasture lands. Starting in 1962 and 1963, when the Secretary of Agriculture began to place such large emphasis on soybean production, these farmers started to shift their emphasis from cattle raising to the growing of soybeans. This shift continued until it reached the point, in 1965, where a farm which might have been 60 to 70 percent pasture land in 1959-60, retained only 10 to 20 percent of the pasture and planted the rest in soybeans. As a result of this shift in farming practices the farmers purchased highly costly equipment to utilize in this type farming, made rental agreements, tore out and built new fences to better suit the purposes of soybean production, and otherwise generally geared their farming practices toward maintaining or increasing current level of soybean production. Everything was progressing very satisfactorily until the Secretary promulgated regulations concerning conserving base acreage under the Food and Agricultural Act of 1965.

As you know, Mr. Chairman, under this act the title concerning cotton prescribes that, if a farmer is to take advantage of the cotton program, a certain amount of his land must be set aside and placed in approved conservation uses utilizing a base period prescribed by the Secretary. See section 402(8) of Public Law 89-321. Another section of the act provides that for feed-grain the conserving base shall be the average acreage of cropland devoted to designated soil-conserving crops or practices during the years of 1959-60.

As a consequence of this designated base period, the Secretary saw fit to prescribe the same years, that is 1959-60, as the base years for the cotton program. Since the Secretary's regulations did not originally permit a downward adjustment in farm conserving bases to the extent of the increased soybean acreage between the years of 1960 and 1965, the farmers of Tennessee could not meet the conserving use requirement of the cotton program without drastically reducing their soybean acreage to the 1959-60 level which, in effect, is nothing. This, of course, penalizes these farmers for complying with the desires of the Secretary of Agriculture by increasing their production of soybeans.

The following figures, involving only five counties, will give some example of the amount of the income which would be lost if the Department's original regulations

were adhered to. These figures are based on an average of 25 bushels per acre and an average selling price of \$2.40 per bushel.

Counties	Soybean acreage to be removed	Total income lost
Shelby.....	25,000	\$1,500,000
Tipton.....	15,000	900,000
Haywood.....	30,000	1,800,000
Hardeman.....	18,000	1,080,000
Lauderdale.....	20,000	1,200,000
Total.....	108,000	6,480,000

Around the 20th of December of last year, the Secretary did alter his regulations to some extent in order to alleviate the extreme hardship created by the original rulings. This allowed farmers who had made "substantial" changes in farm operations since 1959-60 to request a temporary reduction in their normal conserving base so that it would more nearly represent or reflect the 1964-65 cropping patterns. However, even here, limitations were imposed. For instance, the adjustment was limited to a cropland conserving acreage ratio considered fair and reasonable to the community as a whole as determined by the county ASC committee and approved by the State ASC committee. It was also conditioned upon the producer certifying at the time the adjustment was made that he would comply with all wheat and cotton allotments and any feed grain base he might have. I might add that the latter provision does not present any serious problem to the farmers concerned in Tennessee.

Two primary problems appear to arise from this change in the regulations. One comes about because of the limitation concerning the crop and conserving acreage ratio "considered fair and reasonable for the community." The change allowed is to be determined by the county committee but must also be approved by the State committee or its representative. Combined with this is the fact that the ASC county committee has conflicting and ambiguous instructions which will require a fine line of interpretation which may be possibly reversed in the future by the Department of Agriculture's auditor. This fact naturally puts the farmer in a very precarious position.

Many of the changes in farming operations which have taken place in recent years are due to developments over which the farm operator had little or no control. The following three examples are somewhat illustrative of this type situation.

Take, for instance, the farmowner who had a small cotton allotment relative to his cropland and therefore during the 1950's went into cattle production. He operated the farm with a tenant and ran a business in town. His health failed and he had to sell his business but continued with the farm and the tenant. The tenant died a short time later, and because he was unable to work himself or to find a suitable tenant to look after the cattle, he sold the cattle and rented the farm to an operator who was equipped to raise soybeans and has been engaged in this type operation for the past 2 or 3 years. The cattle were sold out of necessity in order to make a living on a farm where the owner, due to his loss of health, was not able to operate it. If, under the current regulations, the county committee decides this is a qualified request for a downward adjustment because of substantial changes in operations, there appears to be no protection from a Department of Agriculture auditor at some later date disallowing the adjustment because it comes under the exception of the instructions which states; "b. Does not permit downward adjustment in farm conserving bases for: 4. A reduction in livestock numbers * * *."

Another instance involves two young men who joined together and purchased a large farm whose previous owner had been in the registered cattle business. They contracted to pay a rather high price for the farm and, in order to meet their obligations, they were forced to change the method of operation from that of the former owner. They sold most of the cattle and went into the soybean business on land that was formally utilized for pasture or hay. So far they have been successful in meeting their obligations, but if they were required to remove their land from soybean production, they would not be able to continue and the farm would revert to the former owner. Why should these young farmers be required to stop raising a nonsurplus crop on which there are no allotments and which the

Secretary had encouraged the production of, simply to comply with the operation of the former owner?

Another example involves the owner of a large farm who died on Christmas day of 1964. Through the years this farmer had cooperated in every farm program that the Government has promoted and in 1959-60 had a large number of acres in the soil bank. With the return of a son, who had graduated from College, to the farm in 1961, the method of operation of farming began to change until at the time of the death of the father, the son had completely taken over the management of the farm. During this period of time a great many acres were planted in soybeans. Under the current regulation this farm stands to lose 300 acres of soybeans.

Our smaller farmers, particularly in 1959-60, were raising very few crops at all with the exception of cotton and maybe a little corn. All the other land on these farms were usually reported as conserving acres. During the past few years, with the encouragement given by the Department for the production of soybeans, many of these farmers have gone into soybeans just as their larger neighbors have and are making a success of this adventure. However, these people stand to lose at a time when the emphasis on many Government programs is pointed toward alleviating their plight.

The other big problem concerns the fact that with the establishment of the conservation base and cropland acreage which will be done this year, it cannot be changed in the future. In other words, this will freeze the cropland and one will be able to plant their land in any nonallotted crop, but cannot expand their crop production of nonallotted crops. If a person is in the cattle business (pastureland not being cropland) they cannot later change to row-crop production regardless of how profitable this might be and regardless of the fact that the row-crop is not in surplus, but is in big demand.

If we limit the production of nonallotted crops, such as soybeans to a given number of acres of cropland, then we will shift the production of these crops to other areas of the world. This does bear out the intent of either the Senate or the House Agriculture Committees, the Conference Committee or the will of Congress. It does not seem feasible to freeze the future growth of agriculture and its production of nonallotted, nonsurplus crops on this manner.

Mr. Chairman, the Secretary of Agriculture has stated that under the existing provisions of the law these temporary regulations are as far as the Department can go for alleviating the plight of our cotton farmers with respect to this problem. Therefore, a member of my staff, working with the staff members of the Senate Agriculture Committee has drawn up two bills, either of which, if enacted, would alleviate the problem. Copies of these bills are attached to my statement and I request that they be incorporated into and made a part of this statement. One of these bills would permit the planting of soybeans and other nonsurplus crops on part of the farm conserving base in certain cases under the cotton program. The other bill would specify the base period to be used in establishing the farm conserving base under a cotton program.

Mr. Chairman, this is a very grave problem in the State of Tennessee, as I am sure you recognize. I have the utmost faith and confidence in you and the members of your committee in being able to arrive at a fair and equitable solution to our problem. In the meantime, please be assured that I will be making as great an effort as possible to arrive at such a solution in the opposite body.

Thank you, Mr. Chairman, for allowing me the opportunity to present this statement.

A BILL To permit the planting of soybeans and other nonsurplus crops on part of the farm conserving base in certain cases under the cotton program

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 103(d)(8) of the Agricultural Act of 1949, as amended, is amended by adding at the end thereof the following: "So much of the acreage required to be devoted to conservation uses by clause (ii) of the preceding sentence as in 1965 was devoted to nonconserving uses and was reflected in an increase in the acreage of soybeans and other nonsurplus crops specified by the Secretary over the acreage devoted to such crops in the base period shall be deemed devoted to approved conservation uses if devoted to soybeans or other nonsurplus crops specified by the Secretary and if the producer has certified that, to the extent required by the Secretary he will comply with all wheat and cotton acreage allotment and feed grain base acreages."

A BILL Specifying the base period to be used in establishing the farm conserving base under the cotton program in certain cases

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 103(d)(8) of the Agricultural Act of 1949, as amended, is amended by inserting after "a base period prescribed by the Secretary" the following: "(which shall be the years 1964 and 1965 in the case of any producer who certifies that he will meet such conditions as the Secretary may have prescribed requiring compliance with wheat and cotton acreage allotments and feed grain base acreages)".

Sec. 2. No farm conserving base shall be increased for noncropland brought into a cropland status, if such increase would be inconsistent with the letters on that subject of the Secretary of Agriculture and the Acting Administrator of the Agricultural Stabilization and Conservation Service, dated September 10, 1965 and October 7, 1965 and published in the Congressional Record on September 10, 1965 and October 12, 1965.

STATEMENT OF HON. ALBERT WATSON, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF SOUTH CAROLINA

Mr. Chairman and members of the committee; I welcome this opportunity to appear before you in support of my bill, H.R. 12855, which I introduced on February 16, 1966. As the title of the bill indicates, it would allow soybeans to be planted on acreage diverted from cotton. Farmers in my State strongly support this measure with the very important proviso that such plantings be limited to cotton. If the proposal is extended to allow planting of soybeans on acreage diverted from other crops then we would not favor the measure as it is believed that this could ultimately lead to overplanting and overproduction of soybeans, and eventually lead to Government controls. This we would strongly oppose.

At the present time, however, there is no surplus of soybeans, there being in fact a shortage of this crop. Past experience in my State has indicated that South Carolina is well suited for the production of soybeans. Frankly, our experience with soybeans has proved a most profitable one for our farm population. Much of our production moves to overseas markets through the port of Charleston where storage facilities were built about 5 years ago. The popularity of soybean planting is evidenced by the fact that strong consideration is now being given to doubling the capacity of this storage facility.

At a time when our farmers are in critical need of more cash crops, I know of nothing that could be of more immediate benefit to them than the passage of H.R. 12855. Mr. Chairman, I strongly urge your immediate and favorable consideration of this bill. Please let me thank all of you for this opportunity to appear before you.

STATE OF MONTANA,
DEPARTMENT OF AGRICULTURE,
Helena, Mont., March 16, 1966.

HON. JAMES F. BATTIN,
U.S. House of Representatives,
Washington, D.C.

DEAR JIM: I am enclosing herewith a rather lengthy letter I have written Secretary Freeman requesting designation of safflower on mandatory diverted acres for 1965 in that small area in Montana where it can be grown.

This I feel is a most legitimate request as it would allow farmers in that area to plan their crop rotation in a manner that would not disturb stripping procedures and maintain practices that over the years have been successful in controlling wind erosion. The crop is not in surplus, nor is there any danger that it will be. No Government payments are involved and it is certainly a worthwhile request and more feasible than some questionable income aid program at this time.

May I earnestly request your active cooperation immediately since planting season is actually at hand.

Sincerely yours,

C. LOWELL PURDY,
Commissioner of Agriculture.

DEPARTMENT OF AGRICULTURE,
Helena, Mont., March 16, 1966.

HON. ORVILLE L. FREEMAN,
*Secretary of Agriculture,
U.S. Department of Agriculture, Washington, D.C.*

DEAR SECRETARY FREEMAN: Your office has received correspondence recently requesting the designation for the planting of safflower on mandatory diverted acres under the wheat and feed programs in some counties in eastern Montana and western North Dakota. I urge you give this request the most serious consideration as it is certainly justified.

The Pacific Vegetable Oil Corp. established a plant in Culbertson some years back for processing this crop, but unless the restrictions on mandatory acres are removed, we stand a good chance of losing this installation while though not large, is of considerable importance to that area. During 1959 and 1960 farmers in this area voluntarily planted safflower and have been penalized in the establishing of feed grain bases as a consequence.

Each year of the present wheat and feed grain programs has seen an increase in the mandatory diversion of acreage to the detriment of not only this area but to wheat and feed grain farmers all over Montana. In order to comply, farmers have had to increase double summer fallow—as you understand summer fallow is standard procedure in Montana—and alternate crops to wheat and barley are just not feasible or profitable. This double summer fallow on our alternate strips seriously disturbs stripping procedure built up over the years to control wind erosion. Being a farmer myself, I can appreciate the almost impossible situation in which the farmer finds himself.

Under the date of September 9, 1965, I wrote both your office and our congressional delegation asking for this designation. In a reply to Senator Mansfield and in response to the forwarding of my letter, Mr. Horace Godfrey indicated it would create inequities among farms to permit the production of safflower on the mandatory acres. On numerous occasions of late you have stated that one of the real good points of the present law is its flexibility and you have permitted the planting of soybeans on feed grain acres and still allow price-support payments as though the acreage were planted to feed grain.

Unfortunately, we cannot raise soybeans in Montana. You have also allowed a 10-percent increase in malting barley with the provision that for each acre the mandatory provision is reduced by 1 acre. Fortunately, we can raise malting barley in some areas in Montana and I want you to know we are appreciative of this designation.

Safflower is not a surplus crop nor is there any danger that it will be. In fact there is an unsatisfied demand for the product. No Government support payments are involved. It makes a lot more sense to keep an industry such as this going and to make possible compliance to programs than heap on another Federal program in the area to improve farm income. Farmers in Montana are not looking for a poverty designation, they only want a fair opportunity to make a living and plan operations on their own farms.

Since planting season is almost at hand, may I urge your immediate attention to this request.

Sincerely yours,

C. LOWELL PURDY, *Commissioner of Agriculture.*



Department of Agriculture
Washington, D.C.

Mr. J. H. ...

Dear Mr. ...: Your letter of October 1, 1965, regarding the designation for the planting of cotton in certain areas in the State of Mississippi, is hereby acknowledged. I am sorry that I cannot give you a more definite answer at this time.

The National Vegetable Oil Company, which is a subsidiary of the American Oil Company, has been designated as the sole processor of cottonseed oil in the United States. This designation was made in 1955 and has since been renewed.

Under the terms of this designation, the American Oil Company is required to purchase all cottonseed oil produced in the United States. This requirement is intended to ensure that the oil is of high quality and to protect the interests of the American oil industry.

I am sorry that I cannot give you a more definite answer at this time. However, I am sure that you will understand the reasons for this designation. I am sure that you will find this information helpful.

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