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EMERGENCY LOANS FOR FIRST PROCESSORS

GOVERNMENT
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HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

EIGHTY-NINTH CONGRESS

SECOND SESSION

ON

H.R. 15661

JULY 12, 1966

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EMERGENCY LOANS FOR COTTON GINNERS

TUESDAY, JULY 12, 1966

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

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

Present: Representatives Cooley, Poage, Gathings, Abernethy, Jones, Stubblefield, Purcell, Stalbaum, de la Garza, Vigorito, Greigg, Callan, Dague, Belcher, Teague, May, and Dole.

The CHAIRMAN. The committee will be in order. The first person we will call is Mr. Jack Frost, Director of the Emergency Loan Division, Farmers Home Administration, U.S. Department of Agriculture. We are calling up for consideration H.R. 15661.

(The bill, H.R. 15661, introduced by Mr. Cooley, follows:)

[H.R. 15661, 89th Cong., 2d sess.]

A BILL To provide assistance to first processors of agricultural commodities who have suffered substantial losses because of the economic impact of commodity programs of the Department of Agriculture, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subtitle C of the Consolidated Farmers Home Administration Act of 1961, as amended (17 U.S.C. 1961-1967), be amended by adding a new section 328, as follows:

"Sec. 328. Economic emergency loans to first processors. Whenever the Secretary determines that the operations of programs of the Department of Agriculture have had or will have a substantial adverse economic effect on a first processor of an agricultural commodity or commodities, he may make emergency loans under this subtitle to such processors to assist them in adjusting their operations to current commodity production levels."

STATEMENT OF J. V. HIGHFILL, ASSISTANT ADMINISTRATOR,
FARMERS HOME ADMINISTRATION, USDA; ACCOMPANIED BY
JACK FROST, DIRECTOR, EMERGENCY LOAN DIVISION, AND
HOWARD V. CAMPBELL, ASSISTANT GENERAL COUNSEL, USDA

Mr. FROST. Mr. Chairman, Mr. J. V. Highfill, Assistant Administrator, will speak for the Farmers Home Administration.

Mr. HIGHFILL. Mr. Chairman, with me this morning are Jack Frost, who is Director of our Emergency Loan Division, and Howard V. Campbell, who has recently been made Assistant General Counsel for the Department of Agriculture following many years in other responsible positions on the General Counsel's staff.

First, Mr. Chairman, I would like to read a brief statement on H.R. 15661, if this is agreeable, and then we shall be glad to discuss any questions you or members of the committee wish to raise with us.

The proposed legislation would amend subtitle C of the Consolidated Farmers Home Administration Act of 1961, as amended. This proposed legislation would add a new section—section 328—to the present act and authorize the Secretary of Agriculture to make economic emergency loans to first processors of agricultural commodities to assist them in adjusting their operations to current commodity production levels whenever he determines that the operations of the programs of the Department of Agriculture have had, or will have, a substantial adverse effect on such first processors.

Emergency loans are presently made by the Farmers Home Administration pursuant to subtitle C of the Consolidated Farmers Home Administration Act of 1961, as amended, in areas where damage and losses resulting from natural disasters have created a need for such credit among established farmers and ranchers which cannot be met by other lenders in the area for a temporary period. These loans are made for normal operating expenses, to replace livestock lost in the disaster, to repair or replace damaged machinery, or to meet other usual agricultural purposes essential for normal operations. The interest rate is 3 percent and each loan is expected to be repaid as soon as possible. There must be a sound basis for credit and each loan must be reasonably well secured. These loans are made out of the revolving fund established for this purpose.

The Farmers Home Administration has met the emergency credit needs of more than 427,000 farmers since the emergency credit revolving fund was established in April 1949. During this 17-year period more than \$900 million has been loaned in areas designated by the Secretary of Agriculture as a result of natural disasters.

Collections on maturities for the period April 6, 1949, through December 31, 1965, were 94.8 percent. For the fiscal year 1966 we made loans to more than 22,000 farmers for more than \$100 million. At the present time there is approximately \$24 million in the revolving fund.

This amount plus collections during the year should provide a total of about \$115 million. We think this amount will be adequate for the presently authorized emergency loan program. We do not think it would be adequate to fund the present program and also loans as would be authorized by the proposed legislation. Also, it must be remembered that the estimated amount of \$115 million would not be available at any one time during the year. Loans are made and collections are received almost every day. Generally, collections are heaviest from September through February and lending is usually heaviest in the spring and early summer. This results in a buildup of cash during the fall. However, a heavy demand for loans in the fall could deplete the fund before collections are received in adequate amounts to meet the demand.

If the new authorization proposed in H.R. 15661 is enacted and made effective immediately, the funds available in the emergency credit revolving fund might be substantially depleted prior to the peak lending season for the 1967 crop production, thus delaying or denying assistance to thousands of farmers and ranchers who cannot get credit elsewhere because of a shortage of agricultural credit resulting from a natural disaster.

We do not have any basis at this time for estimating the probable volume of loans and other costs in carrying out the provisions of the proposed bill.

Should the proposed legislation be enacted there is a likelihood that refinancing would be requested by some first processors. The refinancing of secured debts is not prohibited by the present act; however, loans have not been made for this purpose except for a brief period following the enactment of Public Law 38 in 1949 when the emergency loan program was inaugurated. Refinancing was discontinued when it became apparent that the revolving fund would need to be increased by a very substantial amount, estimated at several hundred million, to do refinancing and also carry out the basic purpose of the act.

We have followed the policy consistently of not refinancing secured debts, except for the brief period immediately after the program was inaugurated, with the full knowledge and concurrence of the appropriation committees of the Congress. We expect to continue this policy if the present language of the proposed legislation is enacted unless the Congress directs otherwise and adequate funds are provided to make loans for refinancing.

The present law requires that emergency loans be made only to applicants who are unable to obtain needed credit from other established sources in the area at reasonable rates and terms. This restriction applies to all loans made by the Farmers Home Administration and it is expected that it would apply to any loans made under the proposed amendment.

Mr. Chairman, that is the statement that I wanted to give the committee.

The CHAIRMAN. Thank you very much, sir.

In other words, you are now authorized to make loans to relieve those people who are suffering from a natural disaster.

Mr. HIGHFILL. In designated areas; yes, sir. Farmers in designated areas.

The CHAIRMAN. This bill is a departure from that because it provides for loans to those who have suffered because of an economic disaster.

Mr. HIGHFILL. That is correct.

The CHAIRMAN. I was prompted to introduce this bill by a person who is in this room this morning. I have been familiar with the operations of her father, but now she is operating the business. Because we have so drastically restricted the acreage of cotton, not enough cotton is being grown in the area to support the operation. However, she has had her own financial obligations to meet. When we get back to growing cotton again we will need these ginning facilities. If we do not do something to help them out they will all probably be liquidated and out of business. I can foresee the possibility of every gin in my county going out of business. I do not mean to say that all of them will come and ask for a loan under this program. Do you have any suggestion as to how this proposal can be improved by amendments, or do you think it is sufficient in the form it is drafted?

Mr. HIGHFILL. Mr. Chairman, I think if the proposed legislation were enacted as it is now proposed that we could carry it out much as we carry out the program as it is designed for farmers; yes, sir.

The CHAIRMAN. You would have some money to start with already.

Mr. HIGHFILL. Yes, sir; \$24 million is presently available for emergency lending.

The CHAIRMAN. I do not have any idea how much might be involved in this sort of program, but I do know that they do need some

assistance. Of course, my idea is that loans resulting from an economic disaster be made on the same basis as loans to those suffering from a natural disaster. You mentioned something about refinancing. I imagine some of these companies or some of these ginners will have to do refinancing under the present law. You still have a right to do that, do you not?

Mr. HIGHFILL. Yes, sir.

The CHAIRMAN. In other words, what the applicant will have to show is that adequate credit is not available from private sources.

Mr. HIGHFILL. Be unable to get credit at reasonable rates and terms from regular established credit agencies in the area.

The CHAIRMAN. Are there any questions?

Mr. Belcher.

Mr. BELCHER. I have not had an opportunity to study this very much. It says first processor of an agricultural commodity or commodities. That would cover other items than cotton, would it not?

Mr. HIGHFILL. That is our interpretation; yes, sir.

Mr. BELCHER. In other words, millers or processors of any commodity. Would it be necessary to have the Secretary of Agriculture determine the certain area that could be affected, or would individuals affected in any area be eligible?

Mr. HIGHFILL. I will comment on it and then ask Mr. Campbell to correct me if I am in error. It would be, in our opinion, any individual who is affected by the programs operated by the Department of Agriculture—affected adversely, is what I mean to say.

Mr. Campbell, would you comment on that?

Mr. CAMPBELL. As drawn the amendment or proposed amendment would not require the Secretary to designate specific areas where this adverse impact took place. It would be a Secretarial determination as to whether or not the Department's programs did have such an economic impact as to warrant throwing the provisions of this amendment into gear with respect to a particular commodity program.

Mr. BELCHER. That would depend upon the amount of the impact, would it not? In other words, every single reduction in acreage that has been brought about by a Government program has adversely affected all the processors of that particular commodity. The question is how much. Isn't that what you determined in this bill?

Mr. CAMPBELL. That is the way I read it, Congressman Belcher.

Mr. BELCHER. I think there is no argument about what any agricultural program that we have now in operation that reduces acreage certainly has an adverse effect on any processor of that particular commodity. Now the question is where do we draw the line. How much of an effect does it have to have before the Farmers Home Administration can get into the act?

Mr. CAMPBELL. The measure would be on the impact of the program on the ability of the processor to get credit through his normal sources to carry on his operation.

Mr. BELCHER. In other words, the same criterion would be applied to this bill that you would to a farmer in distress?

Mr. CAMPBELL. Yes, sir.

Mr. BELCHER. Nobody can get a loan here except some processor that was in distress and was not able to obtain a regular line of bank credit, but was adversely affected by the program? In other words, this is a "bail-out" program.

Mr. HIGHFILL. I would not go that far, to say it is a "bail-out" program. I think it would be a program designed, as it is proposed, to assist those who are adversely affected and cannot get credit elsewhere.

Mr. BELCHER. You mean regardless of how many assets they have they can still get help if they have been adversely affected.

Mr. HIGHFILL. No, sir, I would not say that. It would have to be a repayable loan.

Mr. BELCHER. I understand that. With the same criterion you use on ordinary farmers.

Mr. HIGHFILL. Yes, sir.

Mr. BELCHER. Most of those loans have been repaid, have they not? I understood you to say that about 94.8 percent have been repaid?

Mr. HIGHFILL. Yes, sir.

Mr. BELCHER. So the credit you have extended has been rather sound credit?

Mr. HIGHFILL. Yes, sir.

Mr. BELCHER. But it has been extended to people who cannot get credit from any other source.

Mr. HIGHFILL. Yes, sir.

Mr. BELCHER. Do you intend to follow the same criterion?

Mr. HIGHFILL. We would propose to follow the same criterion unless there is some change made in the proposal.

Mr. BELCHER. Has anybody made any estimate of how many processors in the country would qualify for these?

Mr. HIGHFILL. Mr. Belcher, we have not done that because, as you know, our field of lending is confined strictly to farmers. But we have done a little projecting as far as ginners are concerned. We know, or we have been advised, that there are approximately 5,000 gin operators in the country. For lack of a better way to go about it, we have estimated that there might be as many as 1,000 of the 5,000 that would require financial assistance, under this proposed legislation. Assuming, then, that the average size of that loan might be \$50,000 you could get some idea of what it would be for ginners alone. We would not have, or we could not have, any figures for any other first processors.

Mr. BELCHER. This bill only applies to processors. Tractor dealers, tire dealers, gasoline dealers, smalltown merchants of all kinds and nature have been affected by the reduction in acreage of the farm program.

Mr. HIGHFILL. I am sure that is right.

Mr. BELCHER. We are only going to take care of the processors. The tractor dealers and the rest of them are still going to have to depend on the regular line of credit.

Mr. HIGHFILL. That is our understanding of the proposed amendment.

Mr. BELCHER. It is not going to be very long before they are going to be in here, too. Do you have any idea what the attitude of the Department would be on that?

Mr. HIGHFILL. No, sir, I would not.

Mr. BELCHER. You can rest assured that they will be in here because tractor dealers have been put out of business just as much as

cotton ginner. Bulk gasoline dealers are in the same situation. That is all, Mr. Chairman.

The CHAIRMAN. What are the terms of the loans you have been making in disaster areas?

Mr. HIGHFILL. Three percent is the interest rate, and the loans normally for operating expenses are to be repaid out of the first year's income.

The CHAIRMAN. That is a harsh requirement, that the loan be repaid in 1 year.

Mr. HIGHFILL. I said operating expenses, sir. For capital expenditures for replacement of items, we would extend the terms up to 7 years, when a major piece of equipment had to be replaced, for example, but for the normal operating expenses like electricity in the case of a gin or the labor, that would be repaid out of that year's income. That is the way we have administered the program as far as farmers are concerned.

The CHAIRMAN. The applicant or the borrower would have some time to pay the loan back up to a period as high as 7 years?

Mr. HIGHFILL. If capital expenditures are involved, yes, sir, or major pieces of equipment have to be replaced.

The CHAIRMAN. What collateral would you require?

Mr. HIGHFILL. We would require a mortgage on the real estate and the chattel equipment.

The CHAIRMAN. Used in connection with the business?

Mr. HIGHFILL. That is right. That is what we do for farmers.

The CHAIRMAN. Mr. Gathings.

Mr. GATHINGS. Would you give us a little information with regard to the repayment of the present emergency loan through the Farmers Home Administration for natural disasters?

Mr. HIGHFILL. Since the emergency credit revolving fund was established on April 6, 1949, of the amount that has matured 94.8 percent as of December 31 had been collected. That does not mean that the remainder of it will not be collected. We are collecting that all along. Our losses have been less than 2 percent.

Mr. GATHINGS. From the time that this program first went into effect?

Mr. HIGHFILL. That is right.

Mr. GATHINGS. I believe you stated that you can handle this type of legislation here under that same system.

Mr. HIGHFILL. We think so; yes, sir, Mr. Gathings.

Mr. BELCHER. I would like to ask this question of the chairman or of the Department.

This really in effect amounts to subsidizing loans on small businesses, does it not?

Mr. HIGHFILL. No, sir; I would not agree it is subsidizing.

Mr. BELCHER. How are you going to pay 5½ percent for that money and loan it for 3? That is a 2½-percent spread. Is that a subsidy or gift or what?

Mr. HIGHFILL. I could not conjecture of what the cost of money would be. But the law prohibits—

Mr. BELCHER. You can look at the morning paper and figure that one out, can't you?

Mr. HIGHFILL. The interest is fixed by the Congress, at 3 percent.

Mr. BELCHER. I am wondering whether this committee is getting into the field of the Small Business Administration. These are all small businesses, are they not?

Mr. HIGHFILL. I would agree that they are.

Mr. BELCHER. It is not agriculture at all.

Mr. HIGHFILL. They are agriculturally oriented.

Mr. BELCHER. They are not agriculture at all except insofar as they are dealing in agricultural commodities or processing agricultural commodities.

Mr. HIGHFILL. That is right.

Mr. BELCHER. Therefore, they are small businesses. If we are going to provide a program for subsidized loans on small businesses, I wonder if we are going to get in trouble with the Small Business Administration.

Mr. HIGHFILL. I would not know about that.

The CHAIRMAN. If I may interrupt, I do not think we will, because here an applicant must make an affirmative showing to the satisfaction of the loan committee that the applicant is not able to obtain financial assistance elsewhere.

Mr. BELCHER. That is what he has to do in a small business loan.

The CHAIRMAN. They tell me the Small Business Administration has been out of money for a long, long time in my district.

Mr. BELCHER. I do not know that they have, but it looks to me like we are setting up another small business loan. I do not object to it necessarily, but it looks like we got into the foreign aid business and now we are getting into the Small Business Administration and pretty soon this Agriculture Committee will be taking on a good-sized chunk.

The CHAIRMAN. We can take it all on. We can run it all right.

Mr. BELCHER. I have no objection to the jurisdiction of this committee.

Mr. CHAIRMAN. I had one purpose in mind, Mr. Belcher, and that is to help these ginners that have just been put out of business because of the drastic reduction in cotton growing. They are going to have to fold up. I do not believe that the FHA will clash with the Small Business Administration.

Mr. BELCHER. I do not think they will either, with the record they have had all along. I think this is as good a Department as we have in the whole U.S. Government.

Mr. FROST. Thank you, sir.

Mr. BELCHER. I think the record of the FHA has been especially good in view of the fact that you take loans that nobody else takes.

Mr. HIGHFILL. Thank you, sir.

The CHAIRMAN. Mr. Purcell.

Mr. PURCELL. Following up on Mr. Belcher's first series of questions, what would be your general interpretation of this law if it is enacted in regard to a miller of wheat? He may not be affected by the reduction in acreage but with this certificate that we now have on wheat, and with the price of wheat going up, I am fearful that we are going to have an attitude shown by the millers that they are being put into a bad situation because of the certificate on top of the higher wheat price that they are now going to be paying. Would these loans be available for a wheat miller?

Mr. HIGHFILL. I am not too familiar with the wheat processing but my interpretation would be that the first processor—and I can be

wrong about this—the first processor, as far as wheat is concerned, would be the elevator, especially if drying is concerned. I would like for Mr. Campbell to comment on that.

The CHAIRMAN. When you process wheat, you grind it up, do you not? You do not change the commodity by putting it in storage.

Mr. CAMPBELL. I am inclined to agree with the chairman that the elevator does nothing more than store or clean or dry the wheat and would probably not be the first processor within the meaning of this language. That would lead me to the result that the miller would probably be the first processor.

The CHAIRMAN. I thought you indicated to Mr. Belcher that the miller would be the first processor.

Mr. POAGE. If the miller is not the first processor then the ginner is not.

The man who picks or strips that cotton is the first processor if you place that kind of interpretation on the processor.

The CHAIRMAN. I do not know whether Mr. Poage got an answer or not.

Mr. POAGE. I did not get an answer, but I think it is right clear that the whole purpose of this was to go to the man who gins the cotton or grinds the wheat or runs the feed mill.

Mr. BELCHER. If a miller is not the first processor how could the ginner be?

Mr. POAGE. That is exactly the same point—they are clearly both first processors.

Mr. BELCHER. The miller processes flour ready to sell to the consumer. The ginner gets the cotton ready for somebody to sell it.

Mrs. MAY. You have the time, Mr. Purcell.

Mr. PURCELL. If I do, I gladly yield.

Mr. CHAIRMAN. I have the time. I am presiding. I will yield to you.

Mrs. MAY. I did not want to cut in on Mr. Purcell's time, but I would like to carry this out. I think it is rather important for the record, Mr. Chairman. What would be the first processor in tobacco?

Mr. HIGHFILL. I am not prepared to tell you. I am not familiar enough with the processing of some of these commodities.

Mrs. MAY. Under the wording of the bill what would be the first processor for tobacco, dairy, rice, peanuts, honey, and sugar beets? Those are a few of the commodities that would be covered under this bill. You are not prepared to answer who would be the first processor under any of those commodities in addition to cotton?

Mr. HIGHFILL. I am afraid I am not prepared to answer.

Mrs. MAY. Does the Small Business Administration have terms under which they have identified the first processor?

Mr. HIGHFILL. Mr. Frost, can you answer that?

Mr. FROST. I do not believe so, Mrs. May.

Mrs. MAY. If I might, since we cannot get the information from these gentlemen right now, may I ask this question? How much is in the emergency loan fund right now?

Mr. HIGHFILL. \$24 million.

Mrs. MAY. Is there now enough to meet demand?

Mr. HIGHFILL. No, ma'am. I am assuming you mean if this amendment is—

Mrs. MAY. No, right now without this amendment.

Mr. HIGHFILL. There is for the basic purpose for lending to farmers. With the amount that is being collected, we think we will have \$115 million. We loaned this year over \$100 million which was the record year as far as the revolving fund is concerned.

Before going into any great emergency I would think that there is sufficient money to meet the needs of farmers and ranchers in the revolving fund, or will be in the revolving fund, because we do not lend it all at one time and we do not collect it all at one time. It is exactly what it implies—revolving.

Mrs. MAY. But if this legislation should pass, there would not be enough in the emergency loan fund to meet the demand of these first processors.

Mr. HIGHFILL. We do not think so.

Mrs. MAY. Do you have any idea—maybe you have testified to this before I came in—how much more would be involved?

Mr. HIGHFILL. As I pointed out, Mrs. May, earlier, we have done only a little bit of projecting as far as ginners are concerned and we came out with a figure there of \$50 million would be required, assuming that a thousand needed a loan, which would average \$50,000.

Mrs. MAY. When you speak of that thousand, you are speaking only of cotton ginners?

Mr. HIGHFILL. That is correct.

Mrs. MAY. So really \$50 million is predicated on the demand from cotton ginners.

Mr. HIGHFILL. That is correct.

Mrs. MAY. It does not cover these other first processors?

Mr. HIGHFILL. The reason we took cotton to begin with, we thought—and we may be in error about this—we thought that would be the first need that would hit the revolving fund, assuming that the legislation would pass, because ginning is right on us.

Mrs. MAY. Won't this program be a charge against the farmers and our agricultural budget?

Mr. HIGHFILL. I assume so. It is an agricultural budget. I assume so.

Mrs. MAY. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Dole.

Mr. DOLE. Is there any limit on the size of the loan that can be made?

Mr. HIGHFILL. No, sir, there is no limit.

Mr. DOLE. You can make 999 for a total of \$1 million and one for \$49 million.

Mr. HIGHFILL. There is no monetary restriction whatever and never has been on the amount of an individual loan under the revolving fund.

Mr. DOLE. What is the largest loan you have now outstanding?

Mr. FROST. I believe in the neighborhood of about \$150,000. We have made larger loans but an overwhelming majority of these loans have been made to small farmers and ranchers. Loans made during the past fiscal year averaged a little more than \$4,000.

Mr. DOLE. Would there be any priority of farmers wanting funds if they wanted a loan or would they stand in line with the other ginners or first processors?

Mr. HIGHFILL. We have always followed the policy of taking them in the order in which they applied. I am speaking of farmers.

Mr. DOLE. When you run out of money, then what?

Mr. HIGHFILL. We did that in early March this year. We ran out of funds and the Congress appropriated \$30 million to replenish the revolving fund. That money was available on May 20 and we started processing checks as soon as the appropriation was cleared.

Mr. DOLE. What do you plan to do if this bill is approved and we have a demand for \$50 million for ginners alone? Will you have to ask for more money to meet your farm loans?

Mr. HIGHFILL. Certainly. We would have to and would be forced to because that impact would hit us early in the fall before the real lending to farmers came about.

Mr. DOLE. As I understand it, you are not construing the language in this bill to apply only to ginners. It would apply to any first processor of any agricultural commodity.

Mr. HIGHFILL. That is correct.

Mr. DOLE. If the bill is passed it will be construed in that fashion by the people in FHA.

Mr. HIGHFILL. Yes, sir.

Mr. DOLE. If we determine a miller in Kansas is a first processor or a sugarbeet factory in Colorado, they would be eligible for 3-percent loans at 20-year repayment.

Mr. HIGHFILL. I am not certain about sugarbeets. I am not familiar enough with the processors there.

The CHAIRMAN. Let me interrupt. You know it could not apply to a sugar factory because they have been increasing quotas all the time.

Mr. FROST. That is right.

The CHAIRMAN. They have been going up and up and up.

Mr. DOLE. In some areas, yes.

Mrs. MAY. Mr. Chairman, a bill like this could change over the years. The Government could do something under the Sugar Act. As I understand the legislation, anytime a farm program has such an effect on a first processor then they would automatically, as a first processor become eligible, I do not anticipate any more than you do that this would be the case in this year or the next year under the Sugar Act. But if this should become law—

The CHAIRMAN. The same formula we have in the law right now. The applicant shows he is in distress and cannot obtain credit elsewhere.

Mr. HIGHFILL. We would treat a first processor just as we treat a farmer. I would think we would have to make that determination. We have not gone so far as to determine who is the first processor of different commodities.

Mr. DOLE. Would that apply to a packinghouse, too?

Mr. HIGHFILL. I would not think so, because there is not any livestock program as far as I know, as far as controls on livestock.

The CHAIRMAN. There is no control on livestock or dairy products.

Mr. DOLE. Occasionally you have a lot of foreign imports.

Mr. HIGHFILL. That would be under Commerce, as I recall, and would not be under Agriculture.

Mr. TEAGUE. I do not know whether I am for or against this bill, but this seems to be pertinent: We have pending a bill which would establish marketing orders for canning pears. The canners are very much opposed, feeling it will have an adverse effect on them. It

seems to me the bill would make it possible to make loans to canners, being the first processors.

The CHAIRMAN. Do you not have a control program on that?

Mr. TEAGUE. We have a bill which has been introduced to provide marketing orders. It is a farm program. The canners are opposed, saying it will have an adverse effect on them. I am not sure it will, but they claim it will.

The CHAIRMAN. We do know cotton is under control and has been for some time.

Mrs. MAY. Mr. Chairman, section 328 says:

Whenever the Secretary determines that the operations of programs of the Department of Agriculture have had or will have a substantial adverse economic effect on a first processor—

and so on. How far back will this go? Does this go back 10 years?

Mr. CAMPBELL. I do not think it would have any retroactive effect unless it was so stated in the law.

Mrs. MAY. Why the wording "have had or will have"? Will you explain that?

Mr. CAMPBELL. That language was put in because in some of these programs the effect may not be known until after the commodity program is put into effect. In others the Secretary may be able to foresee the adverse economic effect and throw into gear this provision at the same time he puts his commodity program into effect.

The CHAIRMAN. The language, as I understand it, means what it says, that the applicant will have to show that he is in distress because of the operation of a control program. Is that not correct?

Mr. HIGHFILL. That is correct.

Mrs. MAY. I was just asking the question on the language which says "have had or will have." Can it go back to programs enacted years ago, which may take 2 or 3 years to show an adverse economic effect?

The CHAIRMAN. They will make that determination, as I understand it.

Mr. FROST. Mr. Chairman, I think we would attempt to administer that on the basis of something which has happened during the past operating year or, as in the case of cotton, which is in effect during the coming year which will have an adverse effect. Also, we will have to make a thorough study of all of the crops involved. Thus far we have taken only a quick look, and the quick look indicated that cotton, corn, barley, grain sorghum, tobacco, peanuts, rice, and probably wheat—although I understand there will be no wheat reduction next year—these crops may be affected. I am not prepared to say that all of these crops would be affected, but the first survey indicates that these crops might be involved.

Mr. DOLE. Are farmers now eligible for economic disaster loans?

Mr. HIGHFILL. No, sir.

Mr. DOLE. They are eligible only for natural disaster loans?

Mr. HIGHFILL. That is correct.

Mr. DOLE. This bill would create a whole new concept as far as first processors are concerned. The farmers still would be ineligible for economic disaster loans, but the first processors would be eligible on that basis, is that right?

Mr. HIGHFILL. That is my understanding of the amendment; yes, sir.

Mr. DOLE. This does not limit first processors to natural disasters?

Mr. HIGHFILL. No, sir.

Mr. CALLAN. Would you require a rejection by the Small Business Administration before you made your loan?

Mr. HIGHFILL. We might or we might not, depending upon the financial statements submitted to us by the applicant. If we felt there was a likelihood that he had not explored the possibilities sufficiently, we would request, or in fact we would ask, Small Business ourselves. We might not ask him to get the letter. We might call them about it ourselves.

Mr. CALLAN. Would you ask him to go to the Small Business Administration before he went to FHA?

Mr. HIGHFILL. Not necessarily.

Mr. CALLAN. In other words, you might bypass Small Business and go direct?

Mr. HIGHFILL. If we had explored the matter with Small Business, which we will, of course, in the event this amendment is passed, we would get their guidelines and criteria so we could tell pretty well by his financial statement whether it is necessary to run him around to Small Business or not.

Mr. CALLAN. Do you think you would make a loan that the SBA would turn down?

Mr. HIGHFILL. We might.

Mr. CALLAN. Thank you.

The CHAIRMAN. Mr. Gathings.

Mr. GATHINGS. I wonder if you would furnish for the record the cotton production over the past few years. If you would put a table in the record and give us the production of cotton over the past 10 or 15 years.

The CHAIRMAN. You mean show how much has been produced?

Mr. GATHINGS. Yes. At the present time there is a cutback amounting to 25 percent in the 1966 acreage.

Mr. HIGHFILL. Are you talking about acreage or poundage?

Mr. GATHINGS. I am talking about actual bales of cotton produced and ginned.

Mr. HIGHFILL. Yes, sir; we will be glad to do that. How many years back, Mr. Gathings?

Mr. GATHINGS. Ten or fifteen years.

Mr. HIGHFILL. Yes, sir.

(The information follows:)

Acreages and production of cotton, United States¹

Year	Acreage harvested (thousand acres)	Production (thousand bales)	Year	Acreage harvested (thousand acres)	Production (thousand bales)
1965	13,632	15,159	1957	13,558	10,964
1964	14,060	15,180	1956	15,615	13,310
1963	14,212	15,334	1955	16,928	14,721
1962	15,569	14,867	1954	19,251	13,697
1961	15,634	14,318	1953	24,341	16,465
1960	15,309	14,272	1952	25,921	15,139
1959	15,117	14,558	1951	26,949	15,148
1958	11,849	11,512			

¹ Source: Statistical Bulletin 329 and 1965 Supplement, U.S. Department of Agriculture, Economic Research Service.

The CHAIRMAN. We thank you gentlemen very much. Looking over the list, I see Mr. Jack Lynn is not on here. Do you want to appear?

Mr. LYNN. No, sir.

The CHAIRMAN. Thank you, gentlemen.

The next witness is Mr. Heidelberg.

STATEMENT OF FREDERIC H. HEIDELBERG, EXECUTIVE VICE PRESIDENT, NORTH CAROLINA COTTON PROMOTION ASSOCIATION AND UPLANDS COTTON GROWERS, INC., ACCOMPANIED BY MRS. EVA LASSITER STOTT, SPRING HOPE, N.C.; J. R. BRADLEY, SEABOARD, N.C.; AND DAVID O. SPEIR, BETHEL, N.C.

Mr. HEIDELBERG. Mr. Chairman, I have with me from North Carolina several people who want to sit here: Mrs. Eva Lassiter Stott, of Spring Hope; J. R. Bradley, of Seaboard; and Mr. David O. Speir, of Bethel. I would like them to come up just to support me. They have no testimony to make, although they would be willing to answer questions.

The CHAIRMAN. We are delighted to have them with you.

Mr. HEIDELBERG. Mr. Chairman, I appreciate this opportunity to appear before your distinguished committee. My name is Frederic H. Heidelberg. I am executive officer for both the North Carolina Cotton Promotion Association and Uplands Cotton Growers, Inc.

The North Carolina Cotton Promotion Association is a cottongrower organization in North Carolina supported by all growers through referendums authorized by a State enabling act for commodity organizations. Uplands Cotton Growers, Inc., is voluntarily supported by roughly 60 percent of the cottongrowers in the six Southeastern States of Alabama, Florida, Georgia, North Carolina, South Carolina, and Virginia.

I speak today on behalf of the cottongrowers whom I represent in strong support of H.R. 15661. This bill is aimed to provide assistance to first processors of agricultural commodities who have suffered substantial losses due to the economic impact of commodity programs of the Department of Agriculture. Bona fide cottongrowers in the Southeastern States realize very clearly that the critical situation facing many cotton gin operations could result in their disappearance. Cotton production is not possible without cotton gins to remove the lint from the seed at the first processing level as cotton moves from the field toward the marketplace.

Grower support for passage of H.R. 15661 is predicated on the plain fact that the operation of the Government program placed in effect for cotton by the Food and Agriculture Act of 1965 has created a disaster situation for those with heavy investment in cotton ginning plants. This is at present a particularly critical situation in the Southeast. It involves all of North Carolina, Virginia, and a large part of South Carolina. Portions of Florida, Georgia, and Alabama are also affected. Other sections of the Cotton Belt are apparently affected.

Before going further, let me make it very plain to this committee that almost every segment of the cotton industry is capable of diversification except the cotton ginning industry. Cotton gin machinery

is singularly designed for ginning cotton. There is no other known use to which it can be put. In recent years in the Southeast, investment has been made in a number of cotton gin plants costing a quarter of a million dollars. Many other gin plants in the affected area have been updated. Investments up to the \$100,000 level have been made. It is estimated that in the Southeast alone gins represent a \$100 million investment. Bankruptcy is staring many gin owners in the face right now unless there is an emergency loan program made available to them by the USDA through congressional action. H.R. 15661 is a positive step in the right direction to do so.

A basic question is: "To what extent is the economic plight of cotton ginner due to the economic impact of commodity programs of the Department of Agriculture?" I will attempt to answer this question so as to show that the current cotton program is, in the case of cotton ginner, a basic reason for their dangerous economic situation. To this must be coupled also one other factor; namely, unprecedented natural disasters in 1966 which served to spotlight aspects of the new cotton program.

The Food and Agriculture Act of 1965 in its cotton section provides for uniform distribution of responsibility upon all cotton production areas in the United States for reducing the large surplus of cotton now on hand. This uniform method is embodied in a provision for acreage diversion up to 35 percent of an individual-farm cotton allotment. On the basis of the 1966 cotton acreage signup for diversion, reduction was reasonably well distributed across the Cotton Belt, section by section.

However, the Food and Agriculture Act of 1965 provides, in the case of cotton, that the only requirement for an individual cotton farmer to qualify for the direct cash price support payment is that he plant some cotton in a workmanlike manner with intention to harvest. In 1966, this is 9.42 cents times projected farm cotton yield. In 1967, it will probably be more. The law does not require that cotton which is planted be harvested as a payment requirement even though it may be a perfectly good stand of cotton. Such a requirement is capable of wide interpretation at county and community level. It contains the incentive to take out Federal cotton crop insurance, plant with some evidence of workmanship but in a way which will insure doubt as to its viability. It is easy to see that the cotton allotment holder could, if he had calculated shrewdly enough, assure himself some percentage of cash crop insurance return on his cotton—assure himself qualification for the direct price support payment—then in plenty of time plant any crop not under Government controls to obtain a third profit. Only the last profit would be derived from the actual practice of agriculture.

This is a dangerously deadly aspect of the cotton commodity program of the Department of Agriculture which is now a matter of law for the current crop year and the succeeding 3 years through 1969.

A natural disaster on May 10 in the Carolinas has brought this facet of the cotton program into sharp focus. I will take North Carolina as a particular example. It has an assigned State allotment of 460,000 acres. After signup for diversion it was reported that North Carolina would plant for harvest roughly 285,000 acres in cotton. This is a sharp decline within itself. On May 10, a "never before heard of" heavy frost swept into the Carolinas breaking all previous

final-frost date records. Heavy damage in many cotton counties was done to the sensitive early stands of cotton. Immediately the payment cushion provided for cotton farmer income in the cotton section of the act became apparent. Thousands of acres of damaged cotton had to be plowed up too late to replant cotton.

However, the sad fact is that once the factor of the cash cushion by which a cotton allotment holder could obtain the cotton price support payment for planted cotton which had failed was realized, many more thousands of acres of perfectly good stands of cotton all the way into central South Carolina are reported to have been plowed up deliberately. This was done in order to obtain the payment for cotton, with additional profit to be obtained from planting the cotton allotment acreage to a crop not under Government controls. However, it seems to me that producers of the uncontrolled crops being utilized under this "gimmick" would be resentful. It divides some crops into two classifications of growers, the subsidized and the non-subsidized.

In North Carolina, of 285,000 acres which were planted after diversion signup about mid-April, it is estimated that no more than 135,000 to 150,000 acres of cotton have been left growing. This is an unprecedented disaster for cotton ginner in North Carolina. The same situation exists in a broad area of the Pee Dee and coastal plain section of South Carolina.

In other sections of the belt where frost did not reach on May 10, there have been heavy rains precluding cotton planting at all. I understand this to be true in certain sections of the Mississippi Valley area, and in the coastal bend area of Texas. I do not know to what extent good stands of cotton were plowed under outside the Carolinas. The incentive is there. In 1967 this trend could certainly develop to compound the danger to ginner operations.

It is very apparent that many cotton gin plants will face economic disaster unless payments can be met. How can they meet them when there is no cotton to gin and, therefore, no profit to be made in 1966? This is particularly true of recently constructed or renovated plants.

I believe it is very plain that, among the first processors of agricultural commodities which H.R. 15661 would help, the cotton ginner is especially in need of emergency loans which would be provided by this very constructive bill introduced by the distinguished chairman of this committee. I cannot overemphasize the extreme importance of its passage as a fair and equitable measure on the part of the Congress to this nondiversifiable industry. Its preservation is essential as a necessary processing plant in the production of cotton, not only in the area which I represent, but all across the Cotton Belt.

It needs to be added here that cotton fiber becomes a critical raw material in times of national peril. The cotton textile requirements in Vietnam are at present demonstrating this fact. It would be tragic for cotton fiber production to be liquidated in the Southeast where at least 80 percent of active textile spindles are located. Instead, it should be stabilized in that area at a reasonable level in the interest of national security, with the potential of rapid expansion when national peril requires it to do so. A key industry in such stabilization is cotton ginning. Passage of H.R. 15661 would be a step in that direction. More must be done, however, by the Congress. Steps to assure stabilization of efficient production through movement of un-

wanted cotton acreage allotments into the farming programs of bona fide cottongrowers must be accomplished. This can be done by methods which are acceptable and effective. The provision for sale or lease of cotton allotments was vociferated in 1965 as a big step toward bringing cotton acreage and cottongrowers together. This has been nullified by other mechanisms of the 1965 act which have been outlined. Cotton ginners are caught in the economic impact of the current cotton commodity program. Some are already victims of it. Many others are likely to become so as long as the current program remains in effect. They need and deserve assistance.

Therefore, Mr. Chairman, I urge upon you, and the members of this committee, passage of this reasonable and desperately needed bill into law be accomplished with all possible speed.

I thank you for this opportunity to present this statement.

Mr. POAGE. Thank you for your statement, Mr. Heidelberg. You have raised a question which I think ought to be discussed for a moment. I am thoroughly in sympathy with this bill. I think it is a proper approach to a serious problem. But does it solve the problem when it does not provide for refinancing? You emphasize, I notice, and I think correctly, that the problem will be particularly burdensome on gins which recently have been constructed or where there has been recent renovation of the plant. I think you are right about that. Those people will need refinancing, will they not? They will not need money to build a new plant. Very few ginners will need money—the fact of the business is nobody will need money to build a new plant.

Mr. HEIDELBERG. I cannot imagine anybody wanting to build a cotton gin now, Mr. Poage.

Mr. POAGE. That is right. How is this really to get to the man who needs the help?

Mr. HEIDELBERG. How will you get to the man who needs the help?

Mr. POAGE. Yes; if this assistance is needed, is not 90 percent of it to be refinancing?

Mr. HEIDELBERG. It will have to be.

Mr. POAGE. Were we not just told by the Department that they would not refinance?

Mr. HEIDELBERG. Did they say that?

Mr. POAGE. It was my understanding of the testimony of the Department that they would not refinance.

Mr. GATHINGS. The witness did testify they have the authority, but that they would not exercise it.

Mr. POAGE. That is what I understood him to say. He said they have exercised that authority but for a short period after the passage of the act in 1949, and that if this bill were passed they would not refinance any outstanding obligations. That is the way I understood the testimony of the Department.

Mr. HEIDELBERG. Then if that is the Department viewpoint, the bill as written would be ineffective, and maybe the bill should be amended.

Mr. POAGE. That is exactly the point I am raising. I do not think it will achieve anything unless it has refinancing in it.

Mr. HEIDELBERG. I would agree with the distinguished Congressman from Texas.

Mr. POAGE. I just wanted to raise that question, because I think at least 90 percent of the effectiveness of this bill goes out the window by virtue of the testimony of the Department this morning.

Mr. HEIDELBERG. I hope the bill will be so amended as to take care of that point, Mr. Poage.

Mr. POAGE. I think it must be to make it effective.

Mr. DOLE. Would you have any objection to another amendment that would make producers eligible for economic disaster loans on the same basis?

Mr. HEIDELBERG. Would I have objection to it?

Mr. DOLE. Yes, sir.

Mr. HEIDELBERG. No, sir, I would have no objection.

Mr. JONES. Mr. Heidelberg, you have emphasized so much throughout here the fact that cotton has been plowed up that might have gone on and produced a crop. I have had the same complaints from cotton ginners. What I cannot understand is that it seems, when you bring that up and emphasize it so much, you are indicating that the Department of Agriculture is being negligent in the administration of the law, because, as I understand the law, I think that was not only not contemplated, but I think it would be a violation of the law if a producer were deliberately to plow up cotton which would have produced a fair return just in order to collect the payments, and then to plant soybeans. You do not think the law contemplated or intended that that practice would prevail, do you?

Mr. HEIDELBERG. Mr. Jones, I would not say what the law was intended to do. I am telling you what the law permits to be done. I checked this very carefully all the way to 14th Street and Jefferson Drive in Washington. While I find people within the ASCS at the top level are not particularly in agreement with what has to be done, there is nothing else they can do. The law is so written that it simply says that the cotton only has to be planted in a workmanlike manner.

I have tried carefully to get a clear understanding of this. The Department has no latitude. If a man wants to plow up his cotton acreage on the outskirts of your town in Missouri after it has come up and it is proven that he planted it in a workmanlike manner and he plows it up, he has qualified for the direct payment. If he puts it in some uncontrolled crop, that is no business of the Department.

Mr. JONES. If that practice has been as widespread as you indicate here, do you not think, if the Department feels it does not have authority to do it, they should certainly be asking Congress to clarify the law, if necessary by an amendment, because I do not think anybody had any intention—I know I did not—of just permitting cotton that could be produced to be deliberately plowed up. I know in some areas they say it has been done, but when I check I find it is not quite as widespread as rumored.

I know most of the ASCS offices have made a check, trying to prevent any misuse of this law; and if the loophole is there, I think Congress certainly should do something to correct it. We cannot do anything to correct it this year, I understand.

Mr. HEIDELBERG. The law is not being abused. This is the way the law is. I would like to say, Mr. Jones, I would be delighted to support a bill of this kind if you would introduce it. It would be good to be able to do that.

Mr. JONES. You say they do not violate the law, but I think they certainly are violating the intention. I do not think the Congress ever intended that we get out and play Santa Claus on this.

Mr. HEIDLEBERG. What did the Congress intend? I believe you were quite close to the formation of the Agricultural Act of 1965. I would be delighted to know what the Congress intended.

Mr. JONES. I think the workmanship manner of planting cotton would carry through, that they should observe the same good practices all the way through. This seems to be another instance of where—I do not know whose fault it was, and I will take my part of the blame—maybe we did not write into the law more specifically how this was to apply.

Of course, what we were trying to do—I know my intention was to try to protect the fellow who had been hurt and who had made every effort. The same thing with the bill we passed this year giving the same treatment to those who were unable to plant. I know in my area they did go out and see if that fellow really could plant cotton, to encourage him to plant it if it could be done.

Mr. HEIDELBERG. I have defined for you an unusual natural disaster in our State which brought a spotlight on this thing, this unprecedented May 10 frost, but I hope I have made it clear in so saying that the same type of thing could happen in Missouri next year. The incentive is there to go this route. I am not critical of ASCS at all. Their hands are tied in this thing. The law that was passed by the Congress required, to qualify for the direct price support payment, only that the cotton be planted, not harvested; planted in a workmanlike manner. Beyond that, the farmer could follow his own discretion. As I understand it, the USDA has no latitude to tell him he has to go on and raise and harvest it to qualify for the 9.42 cents. Next year that 9.42 cents very probably will be larger, and the incentive will be greater, because parity is going up, and I do not see how it can be otherwise.

Mr. JONES. I think I am right that Congress had no intention of making it possible to do what you indicate has been done. I have had some complaints. Of course, we have plenty of ginners in my section who are going broke this year. I talked to one fellow the other day who said he doubted if he would gin 350 bales of cotton this year. I said, "You might just as well not open." He said, "No, I have to open it because, if I ever close that gin, I know it will never be reopened, so I have to keep a crew on there." He said the year before, last year, he had ginned over 2,000 bales of cotton.

Of course, down our way when you do not get at least 1,500 bales, you are operating at a loss with that gin. We know that.

I still say that there was no intention to permit this practice to prevail. As a result of what we see this year, I think Congress has an obligation to put something in the law to prevent that happening next year.

Mr. HEIDELBERG. I am glad to hear you say that. I cannot resist the temptation to say this: If this committee and the Congress want to do something that will help the ginner in the way the ginner wants to be helped, it is to close up this loophole in the law so he will have cotton ginned. He does not want to have to borrow money from the Government to survive. He wants to survive as a bona fide, active, aggressive businessman in agriculture. But the ginner cannot do it if there is no cotton to gin.

Mr. JONES. Of course, my intention is to see cotton continue to be the profitable crop it has been in the past, but neither do I want to see a condition arise which would bring discredit and suspicion to the cotton producers and processors and cause other segments of our economy to feel that these cotton people are being given preferential treatment. I want to maintain their reputation because I think it has had a good reputation in the past, and I want it to continue in the future.

Mr. HEIDELBERG. I am not critical of the farmers who are taking advantage of this loophole in the law. I rather suspect I might do it myself if I had a cotton allotment. I feel that many of them are doing it and do not agree with it. You have given them a box of candy which is mighty sweet, and hard to resist.

Mr. JONES. Thank you, Mr. Chairman.

Mr. GATHINGS. On page 3 of your statement you brought out a point which is most interesting to me because we have had a similar situation in Arkansas. You said on May 10 in the Carolinas you suffered an unprecedentedly heavy frost, and that the plants were small and were damaged greatly. Over what area in the Carolinas was that frost?

Mr. HEIDELBERG. This extended all over North Carolina, Mr. Gathings, and on down into central South Carolina.

Mr. GATHINGS. You estimate that in North Carolina there was a cutback in allotment from 460,000 to 285,000 acres.

Mr. HEIDELBERG. No. What I said was, before the frost that was estimated to be what we would plant.

Mr. GATHINGS. 285,000 is a 42- or 43-percent cutback right there.

Mr. HEIDELBERG. I understand.

Mr. GATHINGS. You anticipate—

Mr. HEIDELBERG. There is no way for us to know yet how many acres are plowed up and will be available for harvest. The August 1 crop reports will indicate that. You can imagine how intensely I am interested personally in that. I have called and visited all around the State. If North Carolina harvests 140,000 acres of cotton this year, it will be in line with what we believe is left in the ground. You will notice I said that, Mr. Gathings, in the first paragraph on page 4.

Mr. GATHINGS. Yes.

Mr. HEIDELBERG. The report which came out last Friday says 250,000 acres were planted in North Carolina, but this does not reflect the damage that has resulted from the May 10 frost. So, it is misleading. We are trying to get a story in our papers down home to correct this, because some people may misinterpret this and make some bad business judgments.

Mr. POAGE. May I ask unanimous consent to insert at this point the cotton acreage report that you are speaking of?

The CHAIRMAN. Without objection, this will be put in the record at this point.

(The cotton acreage report referred to above, published by the U.S. Department of Agriculture Statistical Reporting Service, follows:)

COTTON PRODUCTION—COTTON ACREAGE REPORT JULY 1, 1966

The acreage of cotton planted this year is down to 10,567,000 acres, the smallest in nearly 100 years. The estimated acreage is 25 percent less than the 14,153,000 acres planted last year and about one-third less than the 1960-64 average of

15,728,000 acres. This sharp decline results from heavy grower participation in the 35 percent diversion option of the Government's 1966 Upland Cotton Program.

Growers in the eastern and central cotton States except Missouri generally were able to plant their intended acreage. However, continued cold, wet weather delayed planting, limited germination and growth resulting in the need for replanting in many areas. Replanting to soybeans was exceptionally heavy in the Carolinas and Missouri, moderate in Georgia, North Alabama, and Northeast Arkansas and generally light in other areas. Therefore, the acreage planted to cotton and later abandoned will be heavier than usual. The first estimate of the acreage for harvest this year will be released in the August 8 Cotton Production report.

Although somewhat late, cotton in Mississippi, Louisiana, and South Alabama has made fairly good progress. In other eastern and central States, the crop is late, stands are spotted but conditions are generally rated as fair. Warmer weather during June brought some improvement in prospects, but dry soils in some eastern and Delta areas were retarding growth by the end of the month.

Growers in Oklahoma completed planting following mid-June rains; replanting was light but soil moisture is again short. In Texas, maturity of the crop in the Lower Valley has been delayed by heavy rains. Excessive rains in the Coastal Bend and Upper Coastal areas have stunted the crop and hampered weed and insect control. The season has been very favorable in the Blackland and East Texas areas. Most of the acreage in Northwest Texas was planted by mid-June but hail damage caused some replanting.

In Arizona and California, cotton is off to an excellent start and prospects are very favorable. Allotments for American-Egyptian cotton are up 5 percent from last year and growers planted about 81,000 acres compared with 77,000 acres in 1965.

The Crop Reporting Board of the Statistical Reporting Service makes the following estimate of cotton acreage from data furnished by crop correspondents, field statisticians, the Agricultural Stabilization and Conservation Service, and cooperating State agencies:

State	1960-64 average percent not harvested ¹	Planted acres			
		1960-64 average	1965	1966	1966 as per- cent of 1965
	<i>Percent</i>	<i>1,000 acres</i>	<i>1,000 acres</i>	<i>1,000 acres</i>	<i>Percent</i>
North Carolina.....	4.2	406	387	250	64.6
South Carolina.....	2.5	571	501	360	71.9
Georgia.....	2.7	680	593	440	74.2
Tennessee.....	2.5	532	507	395	77.9
Alabama.....	2.3	836	830	595	71.7
Missouri.....	2.6	384	341	250	73.3
Mississippi.....	3.5	1,573	1,471	1,030	70.0
Arkansas.....	3.3	1,346	1,250	925	74.0
Louisiana.....	4.3	554	516	375	72.7
Oklahoma.....	6.6	654	585	465	79.5
Texas.....	7.0	6,650	5,850	4,400	75.2
New Mexico.....	5.8	207	183	146	79.8
Arizona.....	1.9	405	345	258	74.8
California.....	2.2	827	744	643	86.4
Other States ²	5.4	53	50	35	70.8
United States.....	4.9	15,728	14,153	10,567	74.7
Other States:					
Virginia.....	4.8	15.2	15.0	11.0	73.3
Florida.....	5.1	24.5	23.1	16.0	69.3
Illinois.....	9.1	2.2	2.5	1.5	60.0
Kentucky.....	6.6	7.2	6.4	4.6	71.9
Nevada.....	5.0	3.6	3.0	2.3	76.7
American-Egyptian: ³					
Texas.....	5.0	33.9	27.6	29.0	105.1
New Mexico.....	2.6	19.3	15.7	16.5	105.1
Arizona.....	2.1	41.2	33.5	35.0	104.5
California.....	7.7	.6	.5	.6	115.4
Total, American-Egyptian.....	3.3	95.0	77.3	81.1	104.9

¹ From all causes, including removed for compliance.

² Sums for "other States" rounded for inclusion in U.S. totals.

³ Included in State and U.S. totals.

Mr. GATHINGS. I am hoping that there will be a representative from the Midsouth territory to testify and bring us the picture for that area, which has suffered from constant rainfall for a period of 30 days during the time they ordinarily plant cotton.

Mr. HEIDELBERG. May I also interpolate at this point something which occurs to me, although we do not oppose it down home—the law recently passed which allows a man to get the payments even though he does not even plant the cotton. What are you going to do next year? What is ASCS going to do next year if a man deliberately slows up in his planting and watches every shower and watches the temperature and soil, and then gets on up to a point and then goes to the ASC office and says, “Here is what happened, and I just have not been able to plant my cotton.”

The CHAIRMAN. We are getting away from the subject under consideration. We have several more witnesses to be heard.

Mr. TEAGUE. I have an additional question. There has been a lot of talk, Mr. Heidelberg, and I know it is very justified and serious, about too much rainfall and frost, but I see nothing in the bill about natural disasters. It is not your notion, is it, that assistance be limited to those areas where natural disasters have occurred?

Mr. HEIDELBERG. The point I was trying to make, sir, was that the natural disaster we had on May 10 in North Carolina focused the spotlight on the economic impact of the commodity program for cotton.

Mr. TEAGUE. I understand that, but there are a lot of areas that did not have natural disasters where production was reduced, also.

Mr. HEIDELBERG. I would not want to limit it just to natural disasters, because it was the mechanism of the law coupled with the natural disaster.

Mr. TEAGUE. So, this resulted in reduced cotton production and, therefore, there was less cotton to go to the gins just as well as in areas where there was not a natural disaster.

Mr. HEIDELBERG. I should think so; yes, sir.

Mr. TEAGUE. Thank you very much, sir.

The CHAIRMAN. Mrs. Stott, do you wish to add anything to what Mr. Heidelberg has said?

Mrs. STOTT. Only to say this: I have been in the ginning business since I was 13 years old, assisting my father, and we have been trying to hold on all these years. I am not a young woman. We have of necessity been put out of the ginning business. I am in the throes of bankruptcy from this. We did not at all anticipate the cutback in the ginning program, your control program, this coming year. Last year we did not anticipate a disaster. Therefore, we are in what you might call an economic depression in our cotton industry where I live in Nash County.

The CHAIRMAN. You are in a situation now where you will need some refinancing.

Mrs. STOTT. I will have to be refinanced to stay in the business.

The CHAIRMAN. Mr. Bradley, do you gentlemen want to add anything to what Mr. Heidelberg has said?

Mr. BRADLEY. Mr. Chairman, I would like to bring to your attention a personal gin of ours. In 1964 our State agriculture department and our county agriculture department advised us to build a new gin at Seaboard, N.C. There were three gins in Seaboard, Bradley, and Lowell, which had two, which I was a part of, and Seaboard

Ginning Co. We merged and built one new gin at a cost of \$300,000. We have now made our payments down to \$104,000 that we now owe.

I would like to bring this to your attention, Mr. Gathings, since you asked about the nationwide bales-of-cotton production over the years. I can give you acreage harvested in Northampton County, which I am interested in, from 1953 through 1966, which is very interesting. In 1953, there were 34,000 acres harvested in Northampton County. In 1954, there were 24,000 acres harvested in Northampton County. In 1955, there were 22,000 acres harvested. In 1956, 20,000 acres. Then we drop down to the soil bank years. This, from the general viewpoint, is almost the situation that we are in now under the cotton program. In 1958, it dropped down to 14,000 acres in Northampton County. I will skip over these years.

It increased on up to 1963. In 1963, it went back up to 35,000 acres harvested in our county. In 1964, there were 33,894 acres harvested. In 1965, it dropped down to 29,719 acres.

I talked to our ASC manager. He has just about completed the measurement of the cotton crop in Northampton County. He gave me this figure. It dropped from 29,719 acres harvested in 1965 to an estimated 9,500 this year.

Mr. Chairman, we as ginners are in trouble, and we need some assistance and we would appreciate any assistance you could give us.

The CHAIRMAN. Thank you very much. That is a deplorable situation, and I am glad to have those figures in the record. I appreciate your coming here and giving us the benefit of your views.

STATEMENT OF WILEY SALTER, CHAIRMAN, ALABAMA LEGISLATIVE COTTON STUDY COMMITTEE, ALABAMA HOUSE OF REPRESENTATIVES, CONECUH COUNTY, EVERGREEN, ALA.; ACCOMPANIED BY WALSTON HESTER, ALABAMA HOUSE OF REPRESENTATIVES, RUSSELLVILLE, FRANKLIN COUNTY, ALA.; JOHN CASEY, ALABAMA HOUSE OF REPRESENTATIVES, HEFLIN, CLEBURNE COUNTY, ALA.; HARRY PENNINGTON, ALABAMA HOUSE OF REPRESENTATIVES, HUNTSVILLE, MADISON COUNTY, ALA.; CARL HALE, GINNER, PINE APPLE, ALA.; AND BILL NICHOLS, ALABAMA SENATE, SYLACAUGA, ALA.

The CHAIRMAN. We have a group of people from Alabama. Do any of your gentlemen want to file a statement or make a statement?

Mr. SALTER. I would like to make a statement, Mr. Chairman.

The CHAIRMAN. Do all the people with you agree with your views on this?

Mr. SALTER. Yes, Mr. Chairman. Mr. Murray is with the Alabama & Georgia Ginners Association. The rest of us are with the Alabama Legislative Cotton Study Committee, except for Mr. Hale, who represents the small ginners in our area. He has two gins, something like 2,000 bales each per gin. Mr. Nichols, who is vice chairman of our committee, incidentally is the Democratic nominee from the Fourth Congressional District in Alabama.

The CHAIRMAN. We are glad to have all of you here.

Mr. SALTER. I am Wiley Salter, chairman of the Alabama Legislative Cotton Study Committee.

We think your committee did a good job in alleviating many of the problems of cotton farmers in our State, but at the same time this one drug for the cotton farmers had bad side effects on your cotton ginner. Gins have had to modernize in the last few years and some new gins have been built in an effort to cope with the mechanization by the farmers in our areas. These gins were built and modernized in anticipation of a set projected yield, and this year alone we were curtailed by some 30 percent in acreage.

There was an additional reduction by the same frost that Mr. Heidelberg mentioned in May, which hit Alabama, especially north Alabama and the Tennessee Valley. We think we can safely assume that there will be a 35- to 40-percent reduction in the cotton production in Alabama this year.

We have an enormous investment in cotton gins operating for one purpose only for a short period of time. They are dust collectors from the end of one ginning season to the next short ginning season. Cotton gins in Alabama usually represent an investment from \$100,000 to \$200,000.

In short, through no fault of his own and certainly through no fault of this committee, the cotton ginner has found himself in a dilemma that could be disastrous. If we understand the bill correctly, it is not asking for an outright grant for the cotton ginner but for a loan, and the record shows, I believe, it was said a while ago, less than 1-percent loss on the previous loans. So, we are not asking that you give something to the cotton ginner, but just to lend him something to get him through the problem he is in now.

The ginner is a very necessary part of our economy in Alabama.

We thank you for the opportunity to appear here today, Mr. Chairman and members of the committee. You have heard us a number of times, and you have been kind to us.

The CHAIRMAN. We thank you very much for coming here and giving us the benefit of your views.

Mr. SALTER. Thank you, sir.

The CHAIRMAN. Mr. Donald G. Smith.

STATEMENT OF DONALD G. SMITH, EXECUTIVE VICE PRESIDENT, TEXAS INDEPENDENT GINNERS ASSOCIATION

Mr. SMITH. Mr. Chairman and members of the committee, I am Donald G. Smith, executive vice president of the Texas Independent Ginner Association, 2321 50th Street, Lubbock, Tex.

The Texas Independent Ginner Association is a young, rapidly growing organization of 345 independent cotton ginner operating privately owned cotton gins within the State of Texas. TIGA was organized in the fall of 1962 to represent the independent ginner and serve the needs of the independent ginning industry of Texas. In a period of less than 4 years since its founding, TIGA has obtained recognition for its vigorous dedication and its willingness to speak out for the Texas independent ginner, who has traditionally played a vital and pioneering role in the American cotton industry.

One of the basic objectives of our association is to present the views and thinking of our membership to the Congress of the United States on proposed Federal legislation which directly concerns our industry. It is for this very reason that I appear before this House Agriculture

Committee today. In behalf of the entire membership of our association, I wish at this time to state our sincere appreciation for being afforded this opportunity to express our support for H.R. 15661.

Since the close of World War II the entire American cotton industry has been experiencing dramatic and revolutionary changes in production, marketing, and processing methods. Tremendous technological gains have been achieved in cultural practices, improved varieties, and streamlined mechanical harvesting operations. Within the cotton ginning industry the tempo of change has been breathtaking. Cotton mechanization demanded, as a matter of "survival necessity" for both farmer and ginner, that the cotton ginner increase his ginning capacity to alltime record highs. Increased volumes of rough harvested cotton over shorter periods of time by use of high-speed mechanical pickers and strippers presented a new "traffic problem" of mechanization that required immediate action. The ginning season was compressed from months to weeks—even days in some cases. In addition, mechanically harvested cotton created problems of increased foreign matter, proper moisture content, maintenance of fiber quality and adequate preginning storage. The cotton ginner has met all these major problems head on. He has purchased modern and very expensive gin equipment such as automatic controls, high-speed stands, new seed cotton and lint cleaning and drying systems, and moisture restoration systems. He has added more available horsepower to run this high-capacity gin. He has increased his storage facilities by use of trailers, baskets, and bulk storage containers. He has increased his traditional services to the customers in such ways as providing hauling assistance, furnishing housing for farm labor, extending credit for seed and supplies, and acting in an advisory capacity for agronomic techniques.

During this same period that the cotton ginner has been obligated to purchase expensive equipment and perform essential services for his farm customers, the cost of operating a gin has been increasing at all levels, including repairs, insurance, taxes, labor, power, bagging and ties, and so forth. In many cases the ginner has been forced by vigorous competition to absorb these increases himself rather than pass them on to his customers. In addition, as an integral part of the American cotton industry, the cotton ginner has been confronted with the serious loss of traditional American cotton markets at home and abroad to the synthetic industry and foreign production.

The problems of our industry have now been increased to an extremely dangerous point with passage of the new cotton program which will in all probability reduce cotton ginnings 25 percent or more. This is a most drastic and severe loss of business volume for any industry to be called upon to suffer—particularly when the industry has been forced to borrow and expend vast sums of money for long-range modernization programs. Traditional and normal sources of credit in the past for permitting the cotton ginner to meet these long-range requirements thrust upon him were from within the industry itself. However, the impact of the new cotton program has had the effect of severely curtailing these credit sources.

The cotton ginning industry is a most vital and essential part of the American economy—and serious thought must be given to its survival. My association is most encouraged that the distinguished chairman of this committee has introduced a bill which will materially

aid our industry in time of crisis as it gathers all the available resources at its command to weather a severe period of transition. The cotton ginning industry has historically performed an indispensable role in the spectacular growth of American agriculture—and it has complete faith that it will continue to do so in the future. Passage of H.R. 15661 will demonstrate that the Congress also shares this same faith. In the best interest of the cotton ginning industry and the general welfare of the Nation we urge you to report H.R. 15661 favorably. I again thank you for the opportunity and the privilege of appearing before this committee.

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

Mr. POAGE. Mr. Smith, it won't do much good to pass this bill unless there is some refinancing, will it?

Mr. SMITH. Yes, sir, it will help in some amount. Refinancing is the major problem. The bill is not going to help us when volume is our loss and our main problem, but I think it would permit the average gin to operate on an annual basis. For example, the break-even point for a cotton gin in Texas is approximately 2,100 bales. The average ginning last year was 3,200 bales, approximately. With a 25-percent reduction, I compute this at about 800 bales less than 3,200, which will still put us at 2,400 bales, which is above the break-even point, but we have got to have this additional financing.

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

I will now call Joseph H. Price of the Texas Cotton Ginners' Association.

STATEMENT OF JOSEPH H. PRICE, DIRECTOR OF PUBLIC RELATIONS, TEXAS COTTON GINNERS' ASSOCIATION, DALLAS, TEX.

Mr. PRICE. Mr. Chairman and members of the committee, my name is Joseph H. Price. I am director of public relations for the Texas Cotton Ginners' Association, which makes its headquarters in Dallas, Tex. I am here in support of H.R. 15661 which is now under consideration by this committee. The Texas Cotton Ginners' Association is a voluntary membership organization representing 72.8 percent of all gins in the State. Our members include independent operators, gins owned by corporations, line and oil-mill-operated establishments and cooperatives. The Texas Cotton Ginners' Association concerns itself primarily with those business problems which directly affect the entire ginning industry and work on these with a view toward improving the business atmosphere for our industry.

H.R. 15661, therefore, falls into our scope of interest. It should not require extensive testimony to indicate why ginners need loans as would be authorized by this bill. In fact, the need should be obvious to most people familiar with the cotton situation at this time. Let me first explain that our association supported the enactment of the present cotton program. The ginner and the farmer are so closely tied together in their operations that it is difficult to separate the interest of one from the other; therefore, we took great interest in getting a workable agricultural act which would improve the lot of the cotton farmer.

One of the provisions of this act, however, we vigorously opposed. We opposed that portion dealing with the amount of acreage reduction,

for we realized farmers had to have adequate acreage in order to justify the necessary investments in machinery, land, and other production items in order to keep on a sound economic basis. We also realized that drastic cuts in acreage meant fewer bales of gin. This was a selfish viewpoint but one which concerns the ginning industry vitally, for ginning is a volume business. Our industry's efficiency and profits are determined in the main by volume considerations. Thus, any reduction in volume meant higher per-bale costs, lower efficiency and reduced profits. Increased costs cannot be passed, of course, to the consumer, but must, of necessity, be charged to the farmer-customer. Ginners are reluctant to increase charges at a time when farmers' income from cotton production is declining.

Let me review for you what has happened in the ginning industry over the past few years. Every gin must process a certain amount of cotton before any profit can be realized. This is commonly referred to in the ginning industry as the break-even point. Twenty years ago investments in a modern gin plant were about \$80,000 to \$100,000, depending on the area in which the gin was located, while today investments in a gin plant to do the same job often reach \$350,000 and in some instances even more. The ginning season of 20 years ago lasted 5 to 6 months, while today the period of operations has shrunk to 6 to 10 weeks. The break-even point of 20 years ago was around 1,000 bales and today it is between 3,200 and 3,500 bales on a modern high-capacity plant. In Texas, the average gin processed 3,318 bales in 1963; 3,118 bales in 1964; and 3,482 bales in 1965. Although averages do not tell the complete story, they indicate that most gins in Texas over the past 3 years have operated at or close to the break-even point. This means, of course, that very few gins in our State have realized any profit.

One of the reasons why huge additional investments have been necessary and shorter seasons occurred is that farmers have mechanized almost completely in our State. Last season the U.S. Department of Agriculture reported that 94 percent of the Texas crop was mechanically harvested. Mechanical harvesting was necessary for the farmer to improve efficiency and lower costs. It also brought tremendous amounts of added foreign matter to the gin in the form of burrs, sticks, stems, leaves, dirt, and other trash. This material had to be separated and cleaned from the cotton. Gin machinery manufacturers, aided by research at our various USDA laboratories, have developed equipment to do this job. Ginners have invested in this equipment and thus the tremendous increase in investment has come about.

Mechanical harvesting is a much more rapid process now than that formerly experienced when harvesting was done by hand. One machine can harvest often as much as 50 or 60 individuals did when harvesting by hand. Reports indicate that today in Texas there are approximately 6,000 cotton-picking machines and nearly 50,000 cotton-stripper machines in use in the State. This has revolutionized our industry, and ginners made this possible by investing in improved ginning equipment. All of these investments were predicated on the assumption that normal trends in cotton production would continue. No one in our industry envisioned a one-third reduction in volume, at least not in any one year and certainly not from any program resulting from Federal controls. But this is what is happening.

This year in Texas planted acreage will be reduced some 25 percent from last year and this, of course, does not take into account the losses from excessive rain, unusual drought conditions, hail, windstorms, and other weather hazards, all of which the ginner has absolutely no control over. We must also realize that, when formulating this cotton program, one of the prime considerations of the Congress was to adequately protect the farmers' income. But what about the processor, who depends entirely upon volume for his livelihood? There has been a natural decline in the number of gin plants over the years due to the necessity for larger, more efficient, high-capacity plants, but even this trend did not anticipate the drastic reductions in volume which will occur this year.

The ginner, too, along with the necessity for increased investments to meet the changing needs of farmers, has been put in a cost-price squeeze. USDA reports indicate that over the past 10 years ginneries in Texas have increased their charges to the farmer by 26.93 percent. This includes charges for bagging and ties. Yet, over the same 10 years, the cost to provide the ginning service has risen 36.63 percent and this on gins processing a volume from 5,000 to 6,000 bales, which is well above the break-even point. Statistics are not available to indicate the cost of ginning at below the break-even level. I hope by these simple comparisons to have adequately shown that ginneries have made large recent investments in equipment and it should be apparent that these investments have not been paid off.

It should be pointed out here also that the plight of the cotton ginner is largely unique. Cotton farmers, if necessity requires, can change to other crops. Cottonseed oil mills can crush other oilseeds such as peanuts, sesame, safflower, and soybeans. Cotton warehouses can store other goods. Cotton merchants can sell other products. Cotton mills can process other fibers. But a cotton gin can do only one thing and that is process seed cotton. This means separating the seed from the lint, cleaning the lint, and packaging it into a bale. This is the sole function of a cotton gin. It can be used for no other purpose. A great many of the members of our industry have their entire lifetime wealth tied up in their gin plants. They see no hope for profits or even survival in the future.

Mr. Chairman, this is not the whole of the story. Ginneries have other problems which are adding to their burden. The public is becoming more aware and concerned with air pollution. With the coming of mechanical harvesting, ginneries now must handle tremendous tonnages of additional dirt and trash which is removed from the seed cotton they process. The methods used to dispose of this material have been of great concern to our industry. The need to control dust from cleaning processes and smoke from the incineration of trash has been of prime concern to our industry. Recent air pollution control laws, both Federal and State, have indicated that additional equipment is necessary to control these air pollution effluents. This equipment costs money and in some instances quite a lot of money. These are expenditures which will be necessary if we are to operate in our communities as good citizens. These expenditures do not enable us to improve the quality of our ginning and service to our farmers. They are strictly for the public good. The pressure is mounting from the general public in this area. With drastically reduced profits and in many cases no profit but a loss in view, a real emergency exists.

This is but one example of many which I could present to you today which would in our judgment completely justify emergency loans to cotton ginnerers.

It should be pointed out here that such loans should be made available on a long-term basis, preferably 20 years or longer, and at disaster rates of interest to enable ginnerers to adjust over a long period to the ups and downs of cotton production and to adjust their operations to current and future production levels.

Mr. Chairman, we congratulate this committee for considering this bill which will, in our view, assist in maintaining a vital segment of the cotton industry in a healthy condition.

Ginnerers from time immemorial have neither solicited nor sought direct support from the Federal Government. There should be an opportunity to repay aid and stand on our own feet as sound businessmen. We believe this bill does just that. It provides aid where aid is needed and it offers an opportunity for us to repay that aid. We would merely ask that the legislative history indicate that these loans be made over a long-term period and at interest rates low enough to allow repayment in adverse times. We urge favorable committee action on this bill and urge speedy passage through the Congress.

Thank you for the opportunity of presenting our views here today.

The CHAIRMAN. Thank you very much, sir.

Mr Price, what is the lifetime of a cotton gin, properly operated?

Mr. PRICE. When you say "properly operated," you open Pandora's box. I know of some that probably shouldn't be operated, but they are being operated, that are 15 or 20 years old.

On the plains where we handle more dust and foreign matter, and in stripper areas where the gin doesn't tend to last as long as where the cotton is a little bit cleaner, all these are factors.

Mr. GATHINGS. I wanted to ask you about the cost of a gin plant. You brought out in your testimony that the outlay had increased from some \$60,000 to \$100,000 and has gone up to some \$350,000. Now, that increase is not due to the change in the value of the dollar itself?

Mr. PRICE. No, sir. It is just like everything else, Mr. Gathings; that has had maybe some little to do with it, but basically the large increase in cost has come from additional machinery that has been acquired.

Mr. GATHINGS. You have to put that machinery in to get the business?

Mr. PRICE. We find they cannot sell the cotton if we don't have this machinery to process it. They find it difficult to find a market for it.

Mr. GATHINGS. You brought out another point I would like to commend you for and that is the need to control dust in the cleaning process. That is something new.

Mr. PRICE. We are in it up to our necks. Under the Clean Air Act, we are facing some emission standards in the near future and we are trying to get ready for it.

Mr. GATHINGS. What is the going rate of interest?

Mr. PRICE. It would be 6.5 up to 10 percent. Some may want to correct that figure, but I would say in that range, and it is from 1 to 2 years. That is the reason we emphasize the longer period, because we are really on a cash-and-carry basis as far as credit goes.

Oil mills do financing for cotton gins, but on a year-to-year basis, and not over a period of time. At the present time we asked a few ginners about it before I came up here and we could find no one who knew of a loan lasting over 3 years. At this time I am sure there are some that are maybe longer, but under present policy, 1, 2, and 3 years is about all we can get. That is the reason we are asking for this longer period of time for repaying.

Mr. CALLAN. Has your organization looked into the possibility of loans from the Small Business Administration?

Mr. PRICE. When you get into the Small Business Administration—I regret to say we are becoming a bit more familiar with that, but we have found it is a participating-type loan which returns us to the same people we owe money to. It returns us to the banks and at a rate of interest of 6.5 percent or the going rate.

Mr. CALLAN. They can make 5 percent loans over 10 years direct if they want to?

Mr. PRICE. Yes, sir.

Mr. CALLAN. You haven't checked into that closely?

Mr. PRICE. Yes, we have some people who have participated in it, but again for some reason or another our people have never been able to get too deeply into Small Business Administration loans.

Mr. CALLAN. In other words, the Small Business Administration hasn't been willing to loan you money, is that right?

Mr. PRICE. I wouldn't say we have been turned down, but there is an area of qualification that would probably need investigating, but again this is not the type of loan that we are talking about. We are talking about an emergency type of loan with what we refer to as a disaster rate of interest.

Mr. DOLE. Do you have an objection to including producers, making producers eligible for economic disaster loans?

Mr. PRICE. Sir, I would personally have no objection. We have to help the producers to stay in business so we would be sympathetic with anything that would aid the producer of cotton.

Mr. DOLE. Would you have an objection to paying the rate of interest it costs the Government to obtain this money or do you want a subsidy?

Mr. PRICE. We are just asking for participation in whatever loan comes up in this bill at whatever rate of interest is established.

Mr. DOLE. Would you object to a higher rate of 4.5 percent or 5 percent?

Mr. PRICE. If we had an option between 3 and 5 percent, we would want the 3 percent.

Mr. DOLE. Under the present bill the only 3-percent money is available for natural disasters. You are asking for a whole new thing; you are asking for loans based on economic disasters. You are not asking for anything that is in the bill at the present time.

Mr. PRICE. In the bill that Mr. Cooley—

Mr. DOLE. In the amendments to the act that is now before us. I wondered if you had an objection to paying a little higher rate of interest?

The CHAIRMAN. This has to be an economic disaster.

Mr. DOLE. Farmers aren't, and producers aren't, entitled to economic disaster loans. Only natural disasters.

The CHAIRMAN. That is right. They have made disaster loans.

Mr. DOLE. They are based on a natural disaster, a flood or something of that kind.

I have no objection to what we hope to do if we can make certain that producers are treated the same as the processors.

The CHAIRMAN. Do you mean where they have economic disaster? Well, we have done that time and again here. I know Mr. Gathings has sponsored legislation to take care of cotton farmers. Mr. Jones has a bill to take care of cotton farmers in Missouri, is that right?

Mr. JONES. Well, all over, but, of course, our bill did say natural disasters as Mr. Dole brings out. As far as that is concerned, of course, the economic loan follows a natural disaster. It is just a question of determining that it was caused by that. I think perhaps the law could be stretched.

Mr. DOLE. For example, in Kansas we have had over a 25-percent reduction in our wheat crop, not because of any program but because of the same drought and the same problem we have talked about in the South more or less.

The CHAIRMAN. You would still be eligible for an FHA loan if there is the necessary showing.

Mr. DOLE. They can get a natural disaster loan.

Mr. JONES. The natural disaster is the thing that causes your economic disaster, is it not?

Mr. DOLE. The farmer causes the economic disaster for the ginner, I suppose. That is the normal sequence. He wouldn't benefit from a natural disaster loan. You are not going to lose your gin in a flood normally.

The CHAIRMAN. What we have tried to do is to take care of a situation where a ginner has lost his business on account of cotton reduction.

Mr. DOLE. I am sympathetic with what you are trying to do. I wanted to make certain the producers understand it.

The CHAIRMAN. Thank you very much for your statement.

We will call Mr. Charles R. Bell from Phoenix, Ariz.

STATEMENT OF CHARLES R. BELL, PRESIDENT, NATIONAL COTTON GINNERS' ASSOCIATION

Mr. BELL. My name is Charles R. Bell. I work for a ginning company in Phoenix, Ariz., and I am the president of the National Cotton Ginnery Association. The National Cotton Ginnery Association has been in existence for 34 years and is made up of State ginnery associations in 14 cotton-producing States which include all of the major cotton-producing States in the United States with the exception of California, which does not have a State ginnery association.

I am here to support H.R. 15661, and we are pleased that the chairman of this committee has recognized the need for hearing a group who have been adversely affected by the Food and Agriculture Act of 1965.

We recognize and readily admit that because of a surplus problem the cotton industry as a whole needs the legislation under which we are operating, but large numbers of processors have had their operating volume cut as much as 35 percent and have found it difficult, or in some cases almost impossible, to adjust their operations to this lower volume.

We do not ask for handouts. We only ask for emergency relief in the form of loans which will provide the opportunity for the ginning industry to survive the 3 or 4 years of reduced volume operations we anticipate.

Cotton ginning is a business made up of service to farmers. The American cotton ginner is wholly dependent upon the American cotton producer and the cotton farmer in turn is dependent upon the cotton ginner because all cotton produced in the United States must be cleaned, ginned, and baled before it is marketable. Farmers all over our country look to the cotton ginner for guidance and direction.

The ginning industry has accepted the responsibility of meeting the advanced agricultural technology of our times. Ginners have improved and expanded equipment to meet the needs of a mechanized harvest. This mechanized harvest has resulted in a shorter harvesting season and, as a result, the modern cotton gin has evolved into a complex, high-speed, high-capacity plant designed for high-volume operation.

Twenty-five years ago a cotton gin would have cost approximately \$75,000. Today a fully equipped gin would cost upward from \$250,000 and we have heard of single gin plants which cost \$500,000.

On the average across the Cotton Belt, a gin is operated for about 3 months out of the year. Thus this expensive plant is shut down three-fourths of the time. This results in a very high fixed cost even in a year with a normal crop. When volume is reduced by one-fourth, as would be indicated by the July acreage report, the increase in fixed cost is terrific.

Unfortunately, there is no other use for a cotton gin other than ginning cotton. Packers may pack many products, crushers may crush other seeds, elevators may store other feeds, and feeders may mix other rations, but ginners cannot gin anything other than cotton. We are entirely dependent upon the production of cotton for our existence. There is no other single group who are as directly affected by the Food and Agriculture Act of 1965 as the American cotton ginner.

We would also like to point out that size of operation has no bearing on the position in which the ginner finds himself. The man who operates 4 or 10 gins anticipates the same reduction in volume as the man who operates 1 gin. Both need help.

We heartily endorse the recent Cotton Research and Promotion Act passed by Congress as a giant step toward making cotton self-sufficient. We know we must promote our product and we must sell our product at a competitive price. The only way we as ginners can assist our farmer customers is by properly maintaining our equipment and by adding new equipment as advances in technology demand. We in the ginning industry must do this job to help the farmer hold the price-quality line.

Even with the reduced volume we anticipate over the next 3 to 4 years, we are hopeful that we will be able to meet our direct and indirect costs if substantial amounts of money are made available to us in the form of loans over a long period of time and at a reasonable rate of interest. We need 3-percent loans for periods of time up to 20 years so that we can maintain the highly technical advances so necessary to the survival of all agriculture.

We ask that you consider the merit of H.R. 15661 as a means toward achieving these ends. We urge its approval by this committee.

Thank you very much.

Mr. DOLE. Specifically what would you do if this bill passes and you obtain a loan?

Mr. BELL. Sir, I would say that the ginner would mostly need this money for refinancing of existing indebtedness.

Mr. DOLE. That is not provided in this amendment.

Mr. BELL. I so understand and I would be hopeful that it could be included.

Mr. DOLE. As I understand it, if you have less cotton you need fewer gins, is that right?

Mr. BELL. That is absolutely right.

Mr. DOLE. This will be not for expanding capital equipment——

Mr. BELL. It wouldn't be for expanding equipment at the present time. However, there are gins within the United States which could use new equipment right now just to keep up with the mechanized harvest that is spreading throughout the country. So, some gingers are really behind in equipment right now.

Mr. DOLE. How many people in your association do you think might want 3-percent money?

Mr. BELL. I have no way to answer that question, sir. I really wouldn't know. I would say a substantial number would be interested.

Mr. DOLE. I believe an earlier witness said perhaps 20 percent of the 5,000. Is this in accord with your thinking?

Mr. BELL. I would say at least 20 percent and possibly higher than that.

Mr. DOLE. Aren't you producing more cotton in some areas of Arizona under the bill than you were prior to the act?

Mr. BELL. No, sir; not in Arizona. According to the last acreage report we have had a 25-percent reduction in Arizona. Some areas of Arizona have over 30-percent reduction.

Mr. DOLE. In the Midwest you indicate elevators can store something else. If you have anything in mind, I would appreciate your visiting with me about it because most of our elevators are about empty. Elevators represent quite a sizable investment all over the Midwest and not just in the State of Kansas, by a great number of people who have the same interest you have—they want to compete and survive. I do not suggest we have a pile of surpluses to make a profit for anyone.

Mr. BELL. I was trying to make the point that the cotton gin is related to but one product.

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

The next witness will be J. Banks Young, speaking for the National Cotton Council.

STATEMENT OF J. BANKS YOUNG, REPRESENTING THE NATIONAL COTTON COUNCIL

Mr. YOUNG. Mr. Chairman, my name is J. Banks Young. I am Washington representative of the National Cotton Council, the central organization of the American raw cotton industry. The council's principal purpose is to increase the consumption of American cotton and its products in the United States and abroad.

The council is a delegate body of cotton producers, ginners, warehousemen, merchants, cooperatives, spinners, and cottonseed crushers in the 19 cotton-producing States from Virginia to California.

Mr. Chairman, we have no specific resolution or policy position with reference to H.R. 15661 because we have not had a meeting of our delegates or our board of directors since it was introduced in mid-June. However, the legislation is generally in accord with the objectives and overall philosophy of our organization and we therefore are supporting it.

On Friday, July 8, the Department of Agriculture issued its estimate of acreage planted to cotton for this year. For the United States, the estimate is that plantings this year will be 25 percent less than in 1965. In individual States, the reduction varies from a high of 35.4 percent in North Carolina to a low of 13.6 percent in California.

These reductions stem directly from the Government's new cotton program which has as one of its main objectives the reduction of our large cotton surplus. This is a worthy and necessary objective, but without any question unit costs will be greatly increased by such a reduction in volume. This is particularly true in any industry which has high fixed costs such as cotton ginning.

A modern cotton gin costs from a quarter to a half million dollars, depending on the amount of cleaning and drying equipment it contains. On the average it will be operated only about one-fourth of a year while cotton is being harvested in the fall. Its only purpose and the only thing a gin can do is to separate cotton lint from the seed, clean and dry the lint when necessary, and bale it. This process must be performed before the farmer can market his cotton. The farmer pays the entire cost of the service.

The reduced revenues and increased costs that are in prospect for all ginners for the next few years are going to place most of them in financial difficulties. In fairness to them and in the interest of cotton farmers who depend upon the ginners' services, steps should be taken to alleviate as much of the ginners' financial difficulties as possible.

Therefore, it seems appropriate and fitting that emergency credit on reasonable terms be offered to ginners to enable them to continue their operations during the period of surplus reduction.

In concluding, we would like to congratulate the chairman for originating this idea and thank him for this plan to help relieve the critical situation which the cotton ginning industry faces.

Mr. Chairman, the entire cotton industry is concerned with this problem and we are indebted to you for introducing H.R. 15661. We urge that the committee approve it and seek its prompt enactment.

The CHAIRMAN. Thank you, Mr. Young. We will now hear from Mr. C. Alex Harvin, Jr., National Cotton Ginners Association.

STATEMENT OF C. ALEX HARVIN, JR., PAST PRESIDENT AND DIRECTOR OF NATIONAL COTTON GINNERS' ASSOCIATION

Mr. HARVIN. My name is C. Alex Harvin, Jr., from Summerton, S.C. I have operated cotton gins in South Carolina for the past 33 years. This is a family-type operation that my late father started more than 50 years ago. I am a past president of the National Cotton Ginners Association and now serving as a director.

I am here to support H.R. 15661. I am from a neighboring State of the committee chairman. He is familiar with the serious plight of the small family-operated cotton gin which serves, usually, about 100 to 150 customers in the community in which it is located, and is dependent on this volume to take care of the investment in his gin plant.

The ginner has many fixed costs such as insurance, taxes, interest, et cetera, which he cannot control. He finds himself with a loss of about a third of his volume for the next 4 years and nowhere to go for conventional loans with which to tide him over this period. Even if bank loans were available, they are usually short term and high interest.

Cotton ginning is, I feel, as closely allied to agriculture as is combining grain, baling hay, or any other custom work performed for farmers except that we are not mobile and are fixed to a given community or area and to one crop.

Ginners have never asked for or received a subsidy, but facing the severe loss of gross income, with virtually no chance of cutting expenses, makes it absolutely necessary that they receive financial assistance if they are to survive. Although the ginners have an excellent reputation for taking care of their obligations, I can see no way that they can get by without some special financial assistance.

The long-term, low-interest rates which this bill provides for seem to be a reasonable answer during the period of acreage reduction. This money could be used to make payments on machinery that has been purchased, refinance loans, and other general obligations of the ginner.

Mr. Chairman, we urge that the committee approve this bill and try to obtain congressional approval as quickly as possible.

Thank you, Mr. Chairman, for your interest in this matter and giving us an opportunity to testify.

THE CHAIRMAN. Thank you, Mr. Harvin.

Without objection, the following statements will appear in the record as submitted by witnesses who were here to testify this morning.

A letter from Robert E. Collins, executive vice president, Mid-South Cotton Ginners Council; and

A statement by Mr. Tom Murray on behalf of the Alabama-Florida Cotton Ginners Association, as well as the Georgia Cotton Ginners Association.

(The statements referred to follow:)

MID-SOUTH COTTON GINNERS COUNCIL,
West Memphis, Ark., July 6, 1966.

COMMITTEE ON AGRICULTURE,
House of Representatives,
Washington, D.C.

GENTLEMEN: As representative of the Mid-South Ginners Council, I speak for 1,800 ginners of the Mid-South area.

These ginners urge the approval and passage into law of H.R. 15661 which will provide federal emergency loans to first processors of agricultural commodities in areas where the Secretary of Agriculture finds an economic emergency as a result of a government program.

An average cotton gin, in the Mid-South area, must gin 2,000 bales a season to meet expenses and more than that number to show a profit.

This year cotton production has been reduced by nearly one-third through the government program. This reduction has already influenced a number of gins to go out of business and has shaken the faith of cotton's future in many other

ginners. This is not surprising when you consider that the average gin processes slightly more than 3,000 bales per season.

In addition to the cutback caused by the government program, sections in this area have been greatly harmed by weather conditions.

Let me give you an example: I recently visited 10 gins in the Missouri Bootheel. Last season the smallest gin ginned 1,500 bales and the largest gin ginned 3,000 bales. This season not one of these gins will process 500 bales.

A cotton gin can only gin cotton. There is no other use for it; the ginner can not put it to any other use as a farmer can his land, nor does the ginner receive any payment for not ginning cotton as the farmer does for not growing cotton.

Any reduction in cotton production is felt greatest at the gin point. The ginner with an investment of \$250,000 in his plant is left in an untenable economic position.

Passage of H.R. 15661 will provide some relief for the survival of the gin until the government program has accomplished its aim of putting the United States back into the world cotton market and a return to a normal production.

The Congress recently passed legislation affording the producer relief when weather created an economic emergency. We feel that H.R. 15661 should be amended to provide the emergency loan power to the Secretary of Agriculture for the first processor under these conditions as well as conditions caused by government programs.

Respectfully submitted,

ROBERT E. COLLINS,
Executive Vice President.

STATEMENT OF TOM MURRAY IN BEHALF OF THE ALABAMA-FLORIDA COTTON GINNERS ASSOCIATION AND THE GEORGIA COTTON GINNERS ASSOCIATION

Mr. Chairman and Gentlemen:

My name is Tom Murray. My address is 2779 C Clairmont Road, N.E., P.O. Box 29306, Atlanta, Georgia, 30329. I am Executive Vice President of the Alabama-Florida Cotton Ginners Association and also the Georgia Cotton Ginners Association. Both associations are trade associations whose members are the owners and operators of cotton gins located throughout the cotton growing states of Alabama, Florida and Georgia. A great majority of the ginnings are also cotton growers.

Let us look at agriculture production. When a farmer plants his crop, can he regulate his production, production cost and his selling price. We feel sure this committee will agree that he has no control if any, over these factors.

First, consider his production. The farmer tills his soil and plants his crop, providing the weather will permit him to do so. In many years we have cold and wet spells that prevents him from planting at a time of year when he ordinarily would plant. The late planting in most cases does not give the yield ordinarily harvested if planted at the proper time. Even after planting, his production depends on the sun to provide its heat and the rains to provide moisture at the proper time to develop his cotton. Man to this date has not been able to control these elements—the weather, sun and the rain—furnished by God, so therefore, cannot control the production of cotton or do I believe it can be controlled by legislation.

Let us look at ginning of cotton. Ginning cotton is the first service of a seasonal product. The producers take their cotton to the gins to have the lint separated from the seed to increase the value of their cotton and also their seeds. After the lint is separated from the seed the cotton goes forward to other segments of the cotton industry as also do the seed. *The gin machinery used to separate the lint from the seed is used for that purpose only and to this date no other use for gin machinery has been found.*

For years the ginning industry has not been profitable. It is best shown by information secured from the United States Department of Commerce, Bureau of Census. This information shows that there has been a steady decline in operating gins in the United States in the past few years.

The ginning of cotton in the Southeast usually starts around August 1. When the first bale of cotton arrives at the gin, the ginner has his crew ready to start ginning and his payroll begins. For the first three to four weeks the total capacity of the gin is unused but the gin crew remains on the payroll when only ten to twenty percent of gin capacity is used. This is also true at the end of the ginning season.

The ginner has very little control, if any, to assure the success of his business. There is no way for him to know how much cotton he will gin from one season to the next. He may know how many acres the Department of Agriculture will allow to be planted in his territory by legislation, but even this has been changed from season to season. The only ginning he can do is cotton brought to the gin. The amount of cotton brought to his gin depends on production. When producers plant cotton, be it fifty acres or five hundred acres, there is no assurance that he will produce one hundred or five hundred pounds per acre.

If the ginner is to share in the general prosperity of the rest of the country, pay his bills, send his children to school, maintain his home and enjoy reasonable standard of living, it is essential that all services performed by the ginner be incorporated in the Consolidated Farmers Home Administration Act of 1961 as amended.

The ginner has the right to expect from the Federal Government, protection equivalent to that received by labor. Many ginner have a large part of their life savings invested in their cotton gin. By legislation the production of cotton has been greatly reduced. The farmers are being paid not to produce cotton. It is the responsibility of the Congress to provide relief for the ginner as many gins will be forced out of business by legislation already passed. I again call to your attention the only use for gin machinery is to separate the lint from the seed.

We earnestly solicit your support of bill H.R. 15661.

Thank you gentlemen for giving your time and attention to this testimony.

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

STATEMENT OF HON. ROSS BASS, A UNITED STATES SENATOR FROM THE
STATE OF TENNESSEE

Mr. Chairman, members of the committee, this statement is in support of H.R. 15661, which would amend the Consolidated Home Administration Act of 1961 to allow the Secretary of Agriculture to make emergency loans to first processors of agricultural commodities who suffer economic hardship resulting from programs of the Department of Agriculture.

There is indeed a critical need for this worthwhile legislation. Cotton ginner in my own state of Tennessee and in many other states stand on the brink of economic crisis—largely the consequence of laudable efforts to reduce the mushrooming cotton surplus. The Department of Agriculture has succeeded in reducing cotton acreage from 16 million to 11 million acres. But this drastic reduction in acreage will have a drastic effect on the ginner. And I did not support legislation to eliminate the cotton-surplus headache just to see it create a headache equally as disturbing to our economic system. Hostile weather conditions—rain, floods and drought—will further decrease the cotton output and worsen the plight of the ginner. As a result, he faces an emergency and deserves immediate assistance. But the problem is only temporary. If the Department of Agriculture provides low-cost loans to the distressed ginner to keep them in operation, then they will find their way to high ground as the demand for cotton revives in response to increased domestic consumption and exports.

Therefore, I urge the committee to act favorably on H.R. 15661. It is my intention to lend my full support to this bill when it comes before the Senate.

STATEMENT OF DONALD A. JOHNSON, EXECUTIVE VICE PRESIDENT, PLAINS
COTTON GROWERS, INC.

My name is Donald A. Johnson. I am executive vice president of Plains Cotton Growers, Inc., a cotton producer organization representing almost 25,000 members in 23 counties surrounding Lubbock, Texas, and producing about one-seventh of the nation's cotton each year. Membership includes cotton producers, ginner and other cotton related businessmen.

By unanimous vote of our Board of Directors at a called meeting June 30, we strongly favor passage of H.R. 15661.

To earn a profit, or even to stay in business, a gin must have a reasonable volume of cotton. A study by the Cotton Economic Research Committee, University of Texas, sets the break-even point for High Plains gins at about 3,000 bales per year and reports the average bales ginned per gin for the last four years at about 5,000.

With drastically reduced acreage under the current cotton program we may well see 700,000 bales cut from the two million plus production of recent years. That's about 1,750 bales less per gin—which will bring the average dangerously close to the break-even point.

Even so, the "average" might manage to survive. But there are over 40 per cent of our gins whose volume has normally been below the average. And these are the gins and the ginners who will be put out of business by the Agriculture Act of 1965 unless they receive help.

Making low interest F.H.A. loans available to them will not solve the problem. It is a poor substitute for volume. But it will help some of them to survive until 1969 or 1970 when we fully expect their ginning capacity will again be sorely needed by our producers.

Therefore, we commend your distinguished chairman, Congressman Cooley, on his foresight in introducing the bill, and we urge your favorable consideration.

ELLOREE, S.C., July 14, 1966.

HON. HAROLD D. COOLEY,
*Chairman, Agricultural Committee,
U.S. House of Representatives, Washington, D.C.*

DEAR SIR: I am E. E. Gasque, Jr., from Elloree, S.C. I am President of the Carolinas Ginners Association, an association composed of the ginners from the states of Virginia, North Carolina and South Carolina. I am naturally a cotton ginner myself, having been one for some fifteen years.

I am offering this testimony in support of H.R. 15661 currently before this committee.

As you are aware the ginning industry is a vital industry in the overall American economy. The average gin set up or installation today is a rather sizable investment made to serve the cotton producer and also as a business to make a profit. In the past few years the ginners have had to increase their investment in order to handle the volume of cotton that moves today in a short period of time. The transition to highly mechanized farms, that is to mechanically picked cotton, in the past five or six years has caused this tremendous increase in gin investment.

Today with the more rigid Federal controls restricting the acreage of cotton planted, it has put the ginner in a squeeze as far as making a reasonable profit and consequently meeting his financial obligations relative to a loan against his gin.

In view of the above facts I feel that this legislation is a necessity and urgently needed to prevent some ginners from going into bankruptcy.

I would like to ask this committee to act favorably on this proposed legislation and to include in this bill an amendment to provide refinancing of cotton gins.

Respectfully submitted,

E. E. GASQUE, JR.,
President, The Carolinas Ginners Association.

THE AMERICAN BANKERS ASSOCIATION,
Washington, D.C., July 18, 1966.

HON. HAROLD D. COOLEY,
House of Representatives, Washington, D.C.

DEAR MR. COOLEY: The American Bankers Association wishes to express its opposition to H.R. 15661 which would make Farmers Home Administration 3 percent emergency loans available to processors of agricultural commodities if they suffer losses because of the economic impact of commodity programs of the Department of Agriculture.

The Farmers Home Administration was established and is designed to insure and make loans to farmers and ranchers and its activities should not be extended to make loans to businesses. Such authority to make loans to businesses would duplicate the responsibilities of another agency, the Small Business Administration. The SBA makes loans to businessmen either directly or in participation with banks but at a more realistic rate (currently 5½ percent for SBA's portion of loan). If the Farmers Home Administration is given responsibility for making 3 percent loans to commercial enterprises when it is not equipped for this type of service, the services it normally extends to farmers may suffer. This is particularly true if the Appropriations Committee does not increase the funds available to the Farmers Home Administration.

Although the SBA has authority to make 3 percent emergency loans, the SBA's authority, like the Farmer's Home authority to make emergency loans to farmers, is limited to situations in which there is a natural disaster.

We believe that it is wrong for the Government to bail out processors with subsidized loans underwritten by the taxpayers. If the Government makes this type of credit available because of Government action to "first processors" of agricultural commodities which we understand includes cotton ginner, millers, or for that matter, processors of any commodity, there is no reason why other businessmen who are injured economically by Government action should not claim similar subsidies. This might include dealers in farm equipment, trucks, insecticides, fertilizer, seed, etc.

The guidelines established by this bill would seem to be very vague. No limit is placed on the size of loans that may be made to these businesses. While the Assistant General Counsel for the Department of Agriculture indicated that this program was limited to persons who cannot secure credit on reasonable terms from other sources, there appears to be no limitation on the amount of assets a borrower may own.

It is our understanding that this legislation is, for the most part, intended to assist the cotton ginner but would apply to "first processors" for tobacco, rice, peanuts, etc., who are damaged by Government action. If aid is needed by the cotton ginner beyond that being presently furnished by the SBA and private industry, it would be preferable for the Congress to consider some further governmental insurance or support of credit extended by private industry rather than a direct 3 percent Government loan. A program of this type should be handled through Government agencies created to deal with business rather than a farm-oriented department such as the Farmers Home Administration.

If a program assisting processors is adopted, whether consisting of direct loans or insured loans, the interest charged borrowers should be at least equal to the cost of money to the Treasury as provided by section 7(b)(4) of the Small Business Act and the borrower should have to certify that the money is not available from other sources.

Sincerely yours,

CHARLES R. MCNEILL,
Director, Washington Office.

The CHAIRMAN. The committee stands adjourned.

(Whereupon, at 12:10 p.m., the committee was adjourned, to reconvene at the call of the Chair.)





